

# GUNZE LIMITED

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GUNZE LIMITED Integrated Report 2023



Task Force on Climate-related Financial Disclosures (TCFD)

TCFD was established by the Financial Stability Board in 2015 in response to a request from G20 leaders. It recommends that financial impacts of risks and opportunities created by climate change on business management should be assessed and disclosed by including governance, strategy, risk management, and metrics and targets as core elements of disclosures.



TCFD Consortium

The TCFD Consortium was established in Japan on May 27, 2019 which is a platform for promoting the responsible disclosure of climate-related financial information by businesses and the use of this information in the investment decisions of financial institutions.



Referring to the Guidance for Collaborative Value Creation issued by METI.



Gunze is a signatory to the UN Global Compact and has joined the Global Compact Network Japan.



Gunze was selected for inclusion in the SOMPO sustainability index independently established by Somo Asset Management Co., Ltd. for an twelve consecutive year.

## Editorial Policy

Gunze Integrated Report in 2023 was compiled as a financial and non-financial information report for the Gunze Group. The Report largely focuses on activities in fiscal 2022 (From April 1, 2022 to March 31, 2023) with certain content covering the period after April 2023. Meanwhile, the relevant departments and job titles of individuals introduced are as of the time activities were undertaken. In addition, comprehensive and detailed information is available at the websites shown on the right, to help stakeholders better understand the Company.

- [Financial Information](https://www.gunze.co.jp/english/ir/)
- [Investor Relations](https://www.gunze.co.jp/english/sustainability/)
- [Non-financial Information](https://www.gunze.co.jp/english/sustainability/)
- [Sustainability](https://www.gunze.co.jp/english/corporate/)
- [About GUNZE](https://www.gunze.co.jp/english/corporate/)

## Disclaimer

This Report contains statements about the Gunze Group's future plans, strategies, performance forecasts and outlook. These statements are based on our current assumptions and beliefs in light of the information currently available to us.

# GUNZE Integrated Report 2023

# Comfort Solutions for Life

# The Purpose of Our Existence

Founding Philosophy

Striving for harmonious coexistence with all stakeholders surrounding the Company through a people-oriented approach and a commitment to quality



## Master Brand Message

Gunze contributes to the realization of a sustainable society through people and earth-focused products and services.

## Brand Statement

# Comfort Solutions for Life



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# A Track Record of Value Creation

Gunze has continued to provide products and services that address social issues and changes in the business environment as a going concern for 127 years.

**Founding Philosophy** Founder Tsurukichi Hatano



**Corporate Motto**

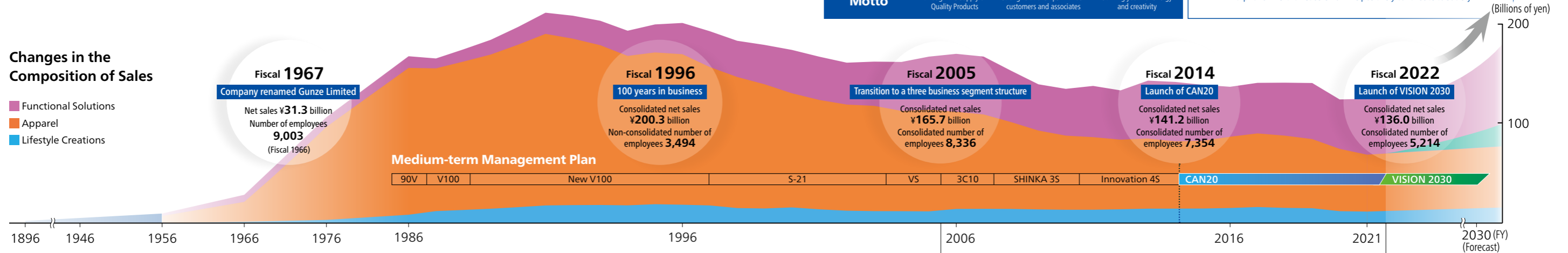
1. Contribute to Society through the Supply of Quality Products
2. Operate with integrity to build strong relationships with our customers and associates
3. Aim at global leader by utilizing youthful energy and creativity

**Management Philosophy**

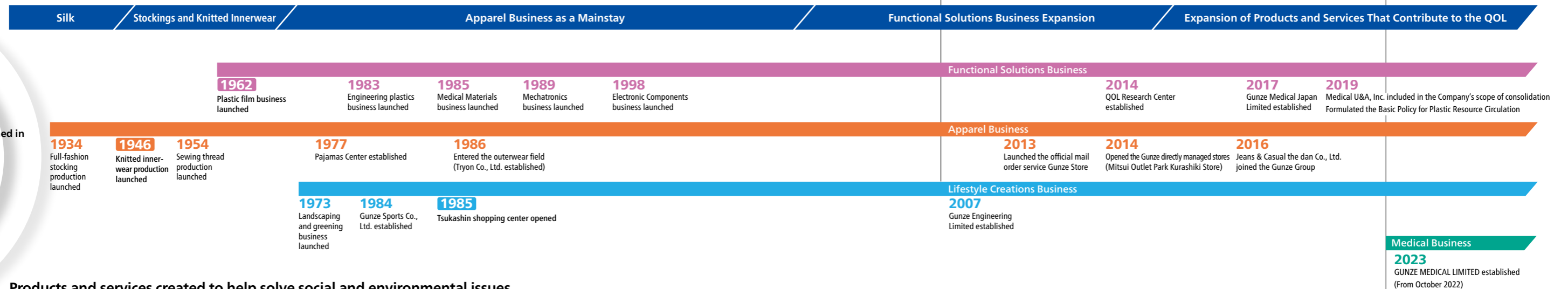
The Gunze Group has consistently lived up to the founding philosophy of "Striving for a harmonious coexistence with all stakeholders through a people-oriented approach and a commitment to quality." This philosophy serves as the "warp" threads of our corporate management, while our business operations represent "weft" threads, which serve to meet the expectations of our society sincerely and flexibly. The combination of these "warp" and "weft" threads is how we positively contribute to society.

## Changes in the Composition of Sales

- Functional Solutions
- Apparel
- Lifestyle Creations



## Evolution of the Group's Principal Businesses



## Products and services created to help solve social and environmental issues

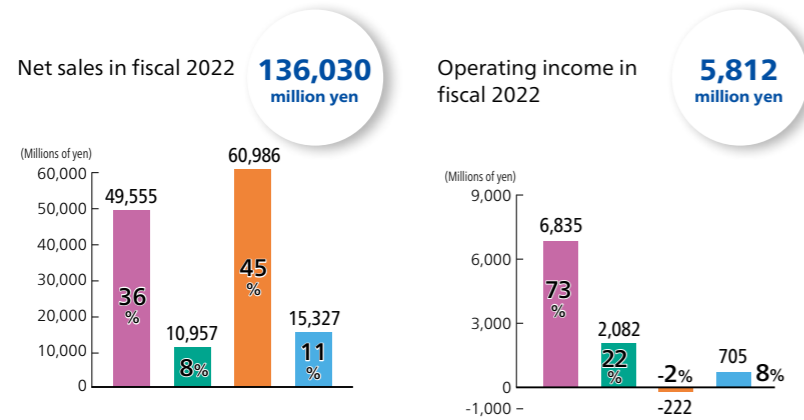
<p><b>1896~</b></p> <p>Establishment of a silk manufacturing company to contribute to the local community through the development of local industry</p> <p>The district of Ikaruga, Kyoto has served as home to the silk industry in Japan, a local undertaking that has existed since ancient times. Owing to its low quality and difficulties in marketing the silk over an extensive area, the industry was forced to urgently improve its structure to secure local community growth. Against this backdrop, Gunze's founder, Tsurukichi Hatano, established a silk manufacturing company to contribute to the local community by revitalizing the local silk industry. With his belief that good people make good silk, Hatano was dedicated to employee education to help ensure the high quality of products.</p>	<p><b>1930~</b></p> <p>Improving people's lifestyles through rapid expansion of apparel products (hosiery and knitted innerwear) after the end of WWII</p> <p>The development of rayon in the United States caused a substantial drop in the price of silk. Moreover, the expansion of synthetic fibers led to a sharp decline in the production of raw silk, forcing the silk industry to suspend operations. Gunze began manufacturing full-fashion silk stockings as a secondary processed product to replace raw silk. After World War II, Gunze shifted its focus to the production of nylon stockings, helping promote the spread of stockings through reasonable pricing. Gunze also started the production of knitted innerwear soon after the end of the war. In pursuit of "Golden quality for silver prices," Gunze explored the "why" as the company sought to ensure superb quality for its products. As a result, Gunze knitted innerwear became known as "national innerwear."</p>	<p><b>1960~</b></p> <p>Tackling the challenge as a technology-oriented company through the development of applications for new materials</p> <p>With the rapid growth of the petrochemical industry and the increased consumption of plastic resins, plastic products quickly came to replace many everyday items. Gunze made the foray into the plastic field as a new business venture. The Company began with the production of packaging films for its stockings. Thereafter Gunze undertook the development of shrink film tubing. This was followed by the development of various new products and technologies using fluororesin and high-performance resin processing. This helped the Company expand into the fields of engineering plastics and electronic components. Through its functional solutions business, Gunze was working to consistently create new solutions as a core business for a diversity of applications.</p>	<p><b>1985~</b></p> <p>Presenting new, enriched lifestyle culture through diversified apparel products and multifaceted business operations</p> <p>The 1980s have been referred to as the age of the "individual," bringing about changes in lifestyles, including the emergence of a highly sensitive consumer class. Against this backdrop, companies were required to respond to the diverse needs of consumers who placed considerable emphasis on one-of-a-kind products that they considered theirs and theirs alone. As consumer preferences and purchasing patterns diversified, Gunze expanded its apparel product lineups to meet a wider range of consumer requirements. Gunze's apparel products attracted many loyal customers thanks to their innovative functions and fashionable appeal. At the same time, Gunze redeveloped the premise of its former factory to open a commercial facility. This also helped Gunze create a new lifestyle culture in terms of both clothing and housing.</p>	<p><b>2023~</b></p> <p>Creating new value by combining the functional solutions, medical, apparel, and lifestyle creation businesses</p> <p>While the market share of developed countries is shrinking, emerging countries such as China are expanding. Under these circumstances, building a business structure that can respond to rapid changes in the structure of society and the economy is a prerequisite for growth. In addition, calls on corporate management to remain vigilant toward climate change are intensifying. Against the backdrop of an aging population and increasing health consciousness, Gunze is working to enhance people's quality of life (QOL) by developing products designed to create new value in its apparel, plastic films, medical, and sports club businesses. In the sports club field, Gunze has launched new club operations in collaboration with local communities to help extend healthy lifespans.</p>
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## Management Philosophy Preserved Across the Gunze Group

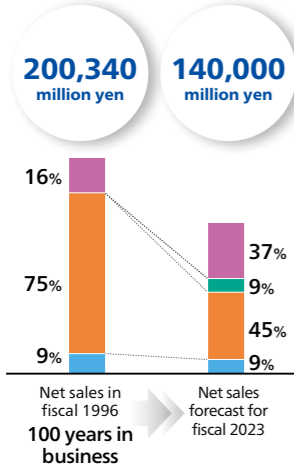
<b>1963</b>	<b>1969</b>	<b>1976</b>	<b>1997</b>	<b>1998</b>	<b>2007</b>	<b>2012</b>	<b>2019</b>	<b>2021</b>	<b>2022</b>
Three Important Character Traits Sincerity, Affection, Modesty	Three Disciplines •Exchange greetings •Keep your personal belongings in order •Participate in cleaning	Corporate Motto	Environmental Charter	Action Guidelines	Gunze Group CSR Policy	Brand Charter	Basic Policy for Plastic Resource Circulation	Gunze Group Sustainable Procurement Guidelines	GUNZE'S HUMAN RIGHTS POLICY

Gunze's businesses continue to create new value

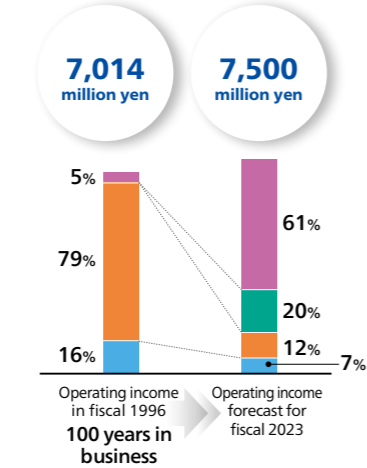
Established in 1896



Changes in the portfolio (net sales)



Changes in the portfolio (operating income)



■ Functional Solutions ■ Medical ■ Apparel ■ Lifestyle Creations

\* The total of consolidated net sales and operating income (after Group-wide adjustment). Breakdown of net sales and operating income by segment (before Group-wide adjustment).

Number of global bases 8 countries

Domestic affiliated companies: 27 companies  
 Overseas affiliated companies: 30 companies  
 R&D bases: 2 bases

Number of employees 5,214 (consolidated)

Functional Solutions Business

Since entering the plastic films field in 1962, the functional solutions business has worked to develop various applications for engineering plastics and electronic components by combining its core resin processing and surface processing technologies. This business segment will expand further by developing one-of-a-kind products used in a wide range of fields, from the approach of both materials and devices.

▶ P.40

Medical Business

Gunze manufactures and markets medical devices with an excellent technology that the company developed over many years.

▶ P.41

Apparel Business

Ever since we began manufacturing stockings in 1934 and knitted innerwear in 1946, the apparel business has attracted countless customers who have continued to favor its products for their superior quality, innovative functionality, and fashion sense.

▶ P.42

Lifestyle Creations Business

The lifestyles creations business contributes to a higher QOL through the use of Gunze's technologies and know-how.

▶ P.44

Products and Services

Segment Overview



Plastic films

- Shrink films
- Shrink tubes
- Nylon films
- OPP films
- Flexible Multi-layered sheet

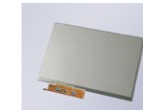
Development, manufacture and sale of products that are closely related to daily life, such as beverages, groceries, toiletry products, and packaging films for fresh foods.



Engineering plastics

- Transfer belt
- Fluor resin tubes
- Functional parts for semiconductors
- Functional parts for the health and medical fields
- Other fluorine products

Development, manufacture and sale of OA equipment and functional parts used in manufacturing processes in all the industries.



Electronic components

- Touch panels

Development, manufacture and sale of touch panels for personal computers, in-vehicle devices, and medical devices.



Mechatronics

- Equipment for packaging and packaging
- Printing peripherals

Design, manufacture and sale of labor-saving and other types of equipment for the packaging, printing, dairy, beverage, food processing, and pharmaceutical industries.



Medical materials

- Bioabsorbable reinforcement felts
- Bioabsorbable bone fixation devices
- Artificial dermis
- Bioabsorbable dural substitutes
- Bioabsorbable surgical suture thread
- Bioabsorbable adhesion barriers
- Medical lasers

Development, manufacture and sale of medical devices such as bioabsorbable surgical suture thread, bioabsorbable reinforcement felts, and bioabsorbable bone fixation devices, and cosmetic medical devices such as medical lasers.



Innerwear

- Innerwear (men's, women's, kid's)

In response to diversifying needs, the products are developed based on various concepts.



Legwear

- Socks (men's, women's)
- Stockings

The products are developed based on both fashion and functionality approaches.



Lifestyle

- Outerwear
- Nightwear
- Home wear

Outerwear, nightwear, and home wear that prioritizes lifestyles, all of which are particular about materials and functions.



Thread and accessories

- Sewing thread for automobile materials
- Sewing thread for industrial materials

The Company has developed a wide range of products, from different sewing threads with new functions and threads for clothing to various industrial materials.



Retail

- GUNZE
- Jeans / Casual Dan

The Company has directly managed stores, outlet stores, and casual wear specialty stores.



Real estate

- Commercial facility and spa management
- Real estate development
- Engineering and energy-saving service

Based on the use of land owned by Gunze, the Company develops real estate and offers services including commercial facility management, housing and office building rentals, and energy-saving management.



Sports club

- Sports club and swimming school management

The Company manages community-based sports clubs and offers high-quality services and options.



Landscaping and greening

- Tree sales
- Flower sales

The Company contributes to the creation of an environment that will lead to the future, such as tree sales that supply trees and seedlings and flower sales that add color to everyday life.



Gunze will weave the DNA of its founding philosophy into the future and engage in sustainable management to co-create value with stakeholders.

**Atsushi Hirochi**  
Chairman, Representative Director

### Weaving Our Founding Philosophy into the Future

Gunze Ltd. was established in 1896 in the district of Ikaruga (now Ayabe City), Kyoto. Embodying the aspirations and strong determination of the Company's founder Tsurukichi Hatano, Gunze was initially inaugurated as Gunze Silk Manufacturing Co., Ltd. to not only pursue the profit of a single company, but also to enrich the region by following the district of Ikaruga's policy of developing the sericulture industry. Over a period of 127 years, the Company has continued to evolve by responding flexibly to changes in social and economic conditions. Guided by its founding philosophy, the Gunze Group engages in customer-centric business activities that are

grounded in corporate principles that underscore a people-oriented approach, a commitment to quality, and harmonious coexistence. Based on these principles, we aim to become a corporate group that fulfills the needs of society and grows sustainably alongside society with a strong determination to provide customers with a feeling of comfort through the products and services offered by each business line. In addition, we are continuously working to maintain and develop appropriate relationships with all stakeholders, including shareholders, customers, suppliers, employees, and local communities to sustainably increase corporate value.

### Creating Social and Economic Value through Sustainable Management

ESG initiatives are playing an increasingly important role in corporate management. Since its foundation, Gunze has been working to solve social issues through its core business in order to contribute to the environment and society. In order for Gunze to remain a going concern going forward, it is imperative that the Company continue to constantly sow business seeds. Gunze's continuous evolution and growth over 127 years is a testament to the daily efforts of its members to tackle new challenges with a sense of urgency. Currently, the Plastic Film Company has

launched a "Circular Factory™" (Resource recycling factory) initiative ahead of other divisions. While this type of initiative is critical to Gunze's sustainable development, similar action is yet to be taken at other divisions. Moving forward, we will take steps to instill initiatives aimed at ensuring the Group's sustainable growth across all divisions. The goal is that individual divisions engage in sustainable activities that secure the Group's future. As far as the Group's sustainable management is concerned, steps were also taken to clarify the direction of

the business portfolio. In specific terms, the Group's medical operations, which were previously included in the functional solutions segment, were separated as an independent business from fiscal 2023. Working with the

apparel and lifestyle creations segments to drive the Group's future growth, the medical business will serve as a fourth segment to further strengthen the supply of quality products.

### Building a Culture in which Diverse Human Resources Can Thrive

The Gunze Group has formulated a management strategy based on the key phrase "Transform and Challenge." This strategy is designed to realize a sustainable society under the Group's Medium-term Management Plan VISION 2030 stage1, and sets out corporate constitution evolution as one of its human resources strategies. People are

the greatest management resource and the cornerstone of competitive advantage. Fostering a corporate culture in which all members can fully demonstrate their abilities while gaining a sense of fulfillment in their work, we will continue to place the highest priority on our people-oriented approach in our corporate management.

### Realizing a Co-creative Society with Stakeholders

Laying out its management vision for 2030, the Gunze Group is contributing to a sustainable society by creating new value and delivering a feeling of comfort to customers. Moving forward, we will continue to create value that leads to harmonious coexistence with the people of the future. We will always return to the unwavering values of our founding philosophy, and contribute to a sustainable society through our business activities. As we work toward achieving our goals, we humbly ask for your continued support and understanding.





**Toshiyasu Saguchi**  
Representative Director and  
President

## Establish a foundation to achieve the goals of our Medium-term Management Plan VISION 2030 stage1

### Significant Changes in the Business Environment

Buffeted by significant changes in its external environment, fiscal 2022 was a challenging year for the Gunze Group. Amid the ongoing impact of restrictions on social activities attributable to the spread of COVID-19, the Group's efforts were affected by a variety of factors. This included disruptions to the global logistics function and soaring raw material and fuel prices, brought about by the conflict between Russia and Ukraine that began in February 2022, as well as sharp fluctuations in foreign currency exchange rates. As a result, operating income fell slightly below forecasts, at 5.8 billion yen, on net sales of 136 billion yen, which were in line with forecasts, in fiscal 2022.

As far as the functional solutions business is concerned, Gunze was successful in absorbing the sharp rise in raw material and fuel costs through price pass-on measures.

Fluctuations in foreign currency exchange rates also had a positive impact on this business on the back of the Group's global manufacturing and sales system. Meanwhile, the apparel business was negatively impacted by sluggish consumption owing to the pandemic. The business model of manufacturing overseas and selling domestically was also buffeted by the weak yen. Taking into consideration these and other factors, the apparel business incurred a loss of 0.2 billion yen. Turning to the Group's third mainstay pillar of business, the lifestyle creations segment was not immune to the effects of the pandemic. Against the backdrop of a harsh operating environment, both the number of visitors to shopping centers and sports club members failed to recover owing to the downturn in human traffic.

### Evaluation of Activities in the First Fiscal Year of Medium-term Management Plan VISION 2030 stage1

Despite the harsh operating environment, I am confident in the progress we have made in the first fiscal year under our Medium-term Management Plan VISION 2030 stage1. We have positioned the creation of new value, capital cost-focused management, evolution of our corporate constitution, and environmentally responsible management as the four pivotal strategies of VISION 2030 stage1. These strategies encompass initiatives that target all of the Gunze Group's stakeholders, including shareholders, customers, employees, and local communities.

As a part of efforts to create new value, our first pivotal strategy, we are actively working to renew existing businesses and to cultivate new businesses. In April 2023, we completed the transformation of our Moriyama Plant (Moriyama City, Shiga Prefecture), our core factory in the plastic films business, into a circular factory (resource recycling factory).

In addition to utilizing solar energy and large water resources, this factory will serve as a high-tech facility that employs a manufacturing system that allows products and raw materials that were previously discarded to be recycled as new resources without producing waste. To date, we have conducted an experimental resource recycling program in which the apparel business uses hangers manufactured from plastic scraps. Through our circular factory, we will commercialize the recycling of resources into a business in itself and directly link this technology-based system to the solution of social issues. Furthermore, in the functional solutions business, the engineering plastics field has shifted to semiconductor and medical-related applications, and is growing as a field

that will play a key role in the growth of the Gunze Group. Turning to the apparel business, we are expanding sales channels to online and directly managed stores to establish new points of contact with customers while continuing to introduce new products.

As a part of efforts to push forward our second pivotal strategy, we are applying capital cost-focused management to each business frontline in a bid to instill increased capital cost awareness. Since the cost of capital varies widely between business divisions, we have introduced Gunze Value Added (GVA) as an internal evaluation indicator. Each business division is working to strengthen the profitability management of invested capital and improve GVA. In addition to promoting measures aimed at reducing unprofitable capital, we are working to cut back cross shareholdings in a bid to maximize profits.

Turning to the evolution of our corporate constitution, our third pivotal strategy, every effort is being made to provide employees with a comfortable and rewarding workplace. With the relocation of our Tokyo branch office to Shiodome in February 2022, for example, steps were taken to promote a free address system where employees are free to change desks as a part of our office reform endeavors. Adopting the same approach following relocation to the Osaka Dojima office in August 2022, energies were directed toward building a comfortable workplace. The Gunze Group is also upgrading and expanding measures aimed at promoting women's active participation and providing child-rearing support. The goal is to improve our female employee retention rate by creating an office environment and systems that make it easier for women to work.

As a fourth pivotal strategy, the Gunze Group is engaging in environmentally responsible management. In doing so, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2021 and are working diligently to reduce Group-wide CO<sub>2</sub> emissions. Having identified specific reduction targets for Scope 1 and 2 under our Medium-term Management Plan VISION 2030 stage1, we are also promoting steps to formulate Scope 3 reduction scenarios. Moving forward,

we will continue to implement environmentally friendly initiatives in conjunction with efforts through our Moriyama Circular Factory™ (Moriyama City, Shiga Prefecture) and other businesses.

[Medium-term Management Plan VISION 2030 stage1](#) ▶P.17  
[Moriyama Circular Factory™ Goes Online](#) ▶P.26-27  
[Financial Capital Strategy](#) ▶P.34-37

## Business Restructuring and Spin-off of the Medical Business

### Structural Reforms Designed to Transform the Group's Business

Impacted by a deteriorating external environment, the Gunze Group was forced to restructure its business in fiscal 2022. Adopting a selection and focus approach, we transferred the Film Division of our electronic components business to Daicel Corporation in October 2022. Working to restructure the Group's stocking production function, we terminated operations at our plant in China in February 2023 and took steps to consolidate production in Japan. With authorities in Japan reclassifying COVID-19 to a Class 5 category, social activities are returning to normal. Against this backdrop, demand for apparel, including innerwear, is expected to recover as people become increasingly active and more willing to travel. Looking ahead, we will accelerate efforts aimed at improving profit by reorganizing the apparel business. At the same time, we will promote price revisions in a bid to address soaring raw material prices and fluctuations in foreign currency exchange rates. Over and above the aforementioned, companies are expected to solve social issues. With this in mind, we will work to transform all of our businesses and transition to sustainable operations.

**Special Feature 3:**  
[Maximizing Lifetime Value \(LTV\) by Combining the Collective Strength of the Apparel Business](#) ▶P.28-31

### Our Vision and Shared Values with Stakeholders

Despite engaging in a variety of activities that encompass a diverse range of functional solutions, lifestyle creations, and other fields, Gunze is still seen by many as an apparel company. With this in mind, we recognize the need to determine how to fine tune this overarching apparel banner going forward. Based on its people-oriented approach, commitment to quality, and coexistence philosophy, the GUNZE Group

### Spinning Off the Medical Business

In April 2023, part of the Group's medical devices business and the QOL Research Center, which continue to drive the Group's growth, were integrated into Gunze medical Limited by way of an absorption-type split. With an organizational structure for medical devices that enables integrated operations from research to sales, we are better placed to expand our business in a timely manner. In reforming our organization in this manner, we have also taken steps to fully comply with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (the Pharmaceutical and Medical Device Act). Gunze medical will not only develop medical devices based on the Group's core technology of bioabsorbable and biocompatible materials, but also flexibly respond to market changes, accelerate development speed in response to needs, and strengthen selection and concentration through portfolio strategies by medical field and explore potential M&As.

**Special Feature 1:**  
[Medical Business That Drives Gunze's Growth](#) ▶P.22-25

for a period of 127 years based largely on the ongoing importance we place on the three warp threads. Looking ahead, we will continue to place the three people-oriented, quality, and harmonious coexistence values at the heart of our business activities and work to become a company that is needed by society. In broad terms, the medical business underpins the Group's growth, the plastic films and engineering plastics fields in the functional solutions business ensure the Group's operating stability, and the apparel business showcases the Group's appeal through its high visibility

and profile. In fulfilling each of these roles, I believe that these three businesses enhance the Group's corporate value. Meanwhile, we increased the ratio of performance-linked compensation for executives from 2022, and set GVA, total shareholder return (TSR), and the degree of achievement of Companywide CO<sub>2</sub> reduction goals as KPIs with the aim of ensuring the businesses are managed with an awareness toward both the social and economic benefits in an effort to share our values with shareholders.

## Sustainable Management That Balances Social and Economic Benefits

While it is imperative, as a private company, that we pursue economic benefits, we must not neglect social benefits. Rather than merely contributing to society through conventional economic benefits, our goal is to engage in business activities that help solve social issues in their own right. In addition to adopting a people-oriented approach as a part of its management philosophy, the GUNZE Group places the highest priority on education. As times change and the mobility of human resources increases, including the shift to job-based employment, I believe we must adapt our approach toward human resources to reflect the needs of each era. I also believe it is important to ensure employment stability with systems in place that accommodate a variety of needs, including child and nursing care thereby allowing

employees to work on a continuous and flexible basis. After taking steps to help guarantee the foundation of employees' lives, I intend to implement a raft of system reforms. As an executive, I believe in making the right choices, and doing what is right both ethically and economically. In this regard, it is management's role to determine what is right. With that resolve in mind, I will work to promote our key phrase "Transform and Challenge" while aiming to sustainably increase the Group's corporate value through sustainable management that balances economic and social benefits. In closing, I would like to express my heartfelt gratitude in anticipation of your ongoing support for and understanding of the activities of the Gunze Group.

[Toward a Multi-stakeholder Co-creative Society](#) ▶P.46-51  
[Corporate Governance](#) ▶P.56-61



## Social Issues

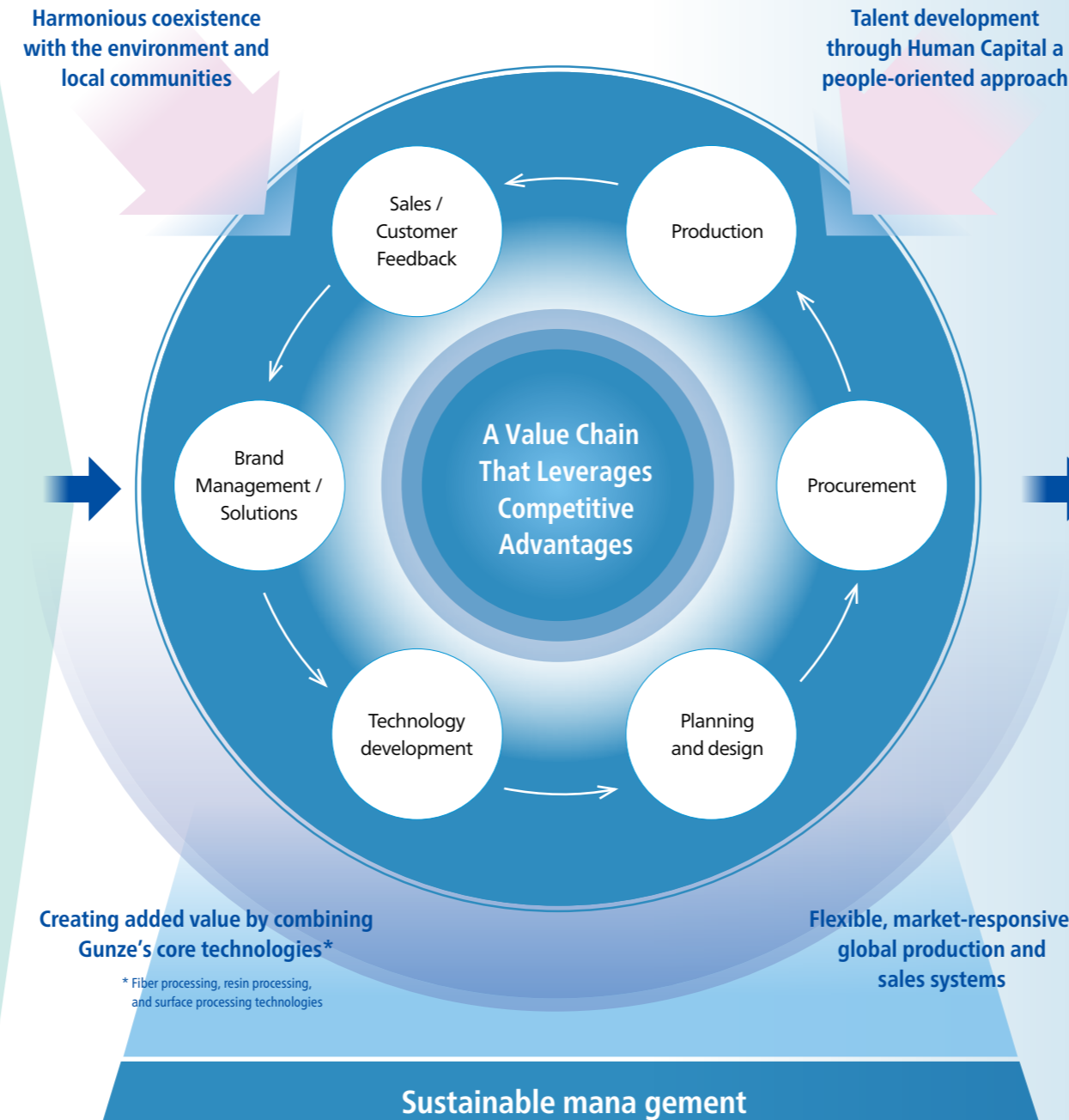
- Responding to the depletion of natural resources
- Reducing environmental impact
- Promoting the reduction of waste and recycling
- Addressing global warming and climate change
- Expanding the use of renewable energy
- Improving quality of life while addressing growing health needs
- Responding to increasingly diverse work styles, employment and careers
- Respecting labor and human rights
- Addressing the shrinking domestic labor market
- Addressing accelerated digitization

### INPUT

(March 31, 2023)

Human Capital	
<ul style="list-style-type: none"> <li>People-oriented approach</li> <li>"Three disciplines" taking hold</li> <li>Diversity of talent</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated number of employees (5,214)</li> <li>Employees holding qualifications (1,336)</li> </ul> <p>* Number of employees incentivized to obtain a qualification</p>
Manufactured Capital	
<ul style="list-style-type: none"> <li>Robust production system with powerful manufacturing expertise</li> <li>Total cost competitiveness</li> <li>IT communications environment</li> </ul>	<ul style="list-style-type: none"> <li>Number of global bases 8 countries</li> <li>Domestic affiliated companies 27 companies</li> <li>Overseas affiliated companies 30 companies</li> </ul>
Financial Capital	
<ul style="list-style-type: none"> <li>Stable financial standing</li> <li>Medium- to long-term capital policies</li> <li>Cost of capital-based management</li> </ul>	<ul style="list-style-type: none"> <li>Net assets 117,691 million yen</li> <li>Interest-bearing debt 15,426 million yen</li> </ul>
Natural Capital	
<ul style="list-style-type: none"> <li>Environmentally friendly products/services</li> <li>Wholesaling of plants and trees</li> </ul>	<ul style="list-style-type: none"> <li>Energy consumption (domestic) 46,389 kL (Crude oil equivalent)</li> </ul>
Intellectual Capital	
<ul style="list-style-type: none"> <li>Broad range of intellectual properties and technologies, from textiles to polymers</li> <li>Corporate brand loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Know-how</li> <li>Number of R&amp;D personnel 65</li> <li>Number of industry-government-academia collaboration projects 19 projects (FY2021 results)</li> <li>Number of patents acquired Domestic 655; overseas 249</li> <li>Number of designs acquired Domestic 200; overseas 8</li> <li>Number of trademarks acquired Domestic 1,946; overseas 796</li> <li>Number of utility model patents acquired Domestic 23; overseas 6</li> </ul>
Social and Relationship Capital	
<ul style="list-style-type: none"> <li>Activities to address social issues through collaboration with local communities</li> <li>Sustainable procurement based on harmonious coexistence and coprosperity</li> </ul>	<ul style="list-style-type: none"> <li>Diverse partnerships (suppliers, external research organizations, customers, local public organizations, etc.)</li> <li>Brand power</li> <li>Share of domestic market: Shrink film approx. 40%</li> <li>Bioabsorbable reinforcement felts approx. 90%</li> <li>Artificial dermis approx. 40%</li> <li>Number of apparel products sold annually in Japan 110 million units</li> <li>Collaboration with local communities</li> </ul>

### BUSINESS MODEL



### OUTPUT

(March 31, 2023)

**Functional Solutions Business** ▶ P.40

- Plastic Films Business
- Engineering Plastics Business
- Medical Materials Business
- Electronic Components Business
- Mechatronics Business

**Apparel Business** ▶ P.42

- Innerwear Business
- Legwear Business
- House Casual Business
- Threads & Accessories Business
- Retail Business

**Lifestyle Creations Business** ▶ P.44

- Real Estate-related Business
- Sports Club Business
- Landscaping and Greening Business

### OUTCOME

(March 31, 2023)

**Gunze Group's Value Propositions**

Safety

Security

Comfort

People and Earth-focused Products/Services

**FY2022 Results**

Human Capital	
Ratio of women employees (non-consolidated)	33.9%
Ratio of women in managerial roles	5.1%
Ratio of women corporate officers	13.0%
Improvement of engagement (Engagement score = 62 pt. / Survey results fiscal year ended March 31, 2023)	
Work-life balance	
Paternity/maternity leave utilization rate	36.0%/100%
Average number of annual leave days taken	14.1
Manufactured Capital	
Capital investment costs	9,597 million yen
Financial Capital	
Return of profits to shareholders (dividend per share)	147 yen (2.5 billion yen in total)
Total shareholder return (TSR)	84.8%
Natural Capital	
Amount invested in the environment through the procurement of green loans	4.5 billion yen
CO <sub>2</sub> emissions (Domestic + Overseas) Scope1+Scope2*	118,324t-CO <sub>2</sub>
(Compared with FY2013 BM: 31% reduction)	
* Gunze Group total	
No. of plants with ISO 14001 certification	14 business sites (As of March 31, 2023)
Intellectual Capital	
R&D expenses	2,501 million yen
Number of patents published	108 (Domestic 76, overseas 32)
Number of industry-government-academia collaboration projects	(22 projects/FY2022 result)
Social and Relationship Capital	
Brand awareness	73.4%
(Nikkei Brand Japan 2023 Survey)	
Contributions to the local community	
Entered into regional comprehensive agreements with Osaka Prefecture, Osaka City, and Kyoto Prefecture	
Model Forest Movement (forest conservation activity)	36 participants per activity, total participants: 144 (collaboration with Kyoto Prefecture)
Joined the emergency disaster response alliance SEMA	
Love Earth activities (support for six organizations, including NPOs)	



# Explanation of the Value Creation Model

The value chain initiatives identified in Gunze's value creation model strengthen the Company's business activities by efficiently utilizing the Group's various capital resources and leveraging its unique strengths.

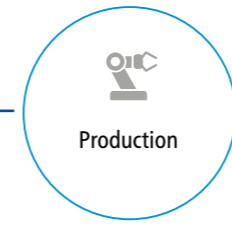
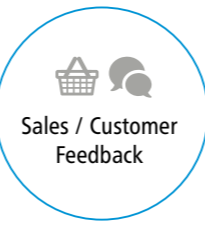
Here we present details of the principal categories of capital for each activity, Gunze's competitive advantage, and the challenges we face in further deepening the Group's efforts to create new value.

● Functional Solutions Business ● Apparel Business ● Lifestyle Creations Business (March 31, 2023)

## Sales / Customer Feedback

- Sales comprise all activities that result in the delivery of products that embody the customer's point of view.
- Customer feedback refers to the comments and inquiries received from customers and end-users that are reflected in efforts to develop, improve, and manufacture products.

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
<b>Human Capital</b> Sales and customer service personnel	<ul style="list-style-type: none"> <li>• Problem solving-type sales that embody the customer's point of view ●/●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing strategies based on an analysis of customer preferences ●</li> </ul>
<b>Intellectual Capital</b> Post-market launch surveys and follow-up capabilities	<ul style="list-style-type: none"> <li>• Professional human resources that are capable of achieving the highest levels of QCDS ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Timely response to market needs ●/●</li> </ul>
<b>Social and Relationship Capital</b> Trusted relationships with clients and customers	<ul style="list-style-type: none"> <li>• The ability to build trusted relationships with customers through customized products ●</li> <li>• The Company's own comprehensive e-commerce site ●</li> </ul>	<ul style="list-style-type: none"> <li>• The provision of solutions to customers that integrate the sales, development, and manufacturing functions ●</li> <li>• Expansion of sales channels to younger customers ●</li> <li>• Entry into new fields ●/●</li> </ul>



## Production

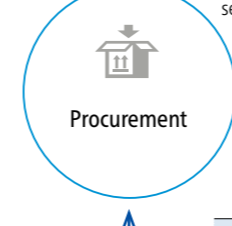
Activities that require collaboration across a wide range of operations, including manufacturing, quality assurance, production technology as well as facility and production control, to ensure strict control over manufacturing, quality, cost, and delivery (QCD) at Gunze Group production plants

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
<b>Human Capital</b> Production engineers familiar with each business site	<ul style="list-style-type: none"> <li>• Pursuit of the highest quality as a technology-oriented company ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Aging of human resources, technology transfer ●/●</li> </ul>
<b>Intellectual Capital</b> Systematized manufacturing technology standards based on the identification of core technologies within the company	<ul style="list-style-type: none"> <li>• In-house complete and seamless production structure ●</li> </ul>	<ul style="list-style-type: none"> <li>• Centralized visualization of information in plants through IoT ●/●</li> <li>• Lack of workers in domestic plants ●/●</li> </ul>
<b>Social and Relationship Capital</b> Contributions to the local economy through collaboration with affiliates and global bases	<ul style="list-style-type: none"> <li>• High overall equipment efficiency based on P-value (*) management ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Aging domestic facilities ●/●</li> <li>• Strengthening productivity and the ability to manufacture a variety of products at overseas plants ●</li> </ul>
<b>Natural Capital</b> Ongoing capital investment to create new technologies	<p>* P value: Productivity improvement rate (Gunze's own productivity metric over the previous year)</p>	<ul style="list-style-type: none"> <li>• Ability to customize production to local characteristics and needs ●/●</li> </ul>
<b>Manufactured Capital</b> High quality through in-house manufacturing and a seamless structure		

## Brand Management / Solutions

- Putting in place a management strategy to build and maintain the Gunze brand or GUNZE brand products and services
- Taking steps to differentiate Gunze from other companies while instilling in customers' mindsets the value of the Gunze brand over time
- Engaging in general marketing activities

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
<b>Human Capital</b> Merchandisers (MDs) that are responsive to customer needs	<ul style="list-style-type: none"> <li>• High-value-added product development capabilities, from R&amp;D to sales ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing brand awareness ●/●</li> </ul>
<b>Intellectual Capital</b> Core technologies that leverage the strengths of each business division	<ul style="list-style-type: none"> <li>• One-of-a-kind products that combine the Company's core technologies ●</li> </ul>	<ul style="list-style-type: none"> <li>• Training and strengthening development personnel ●/●</li> </ul>
<b>Social and Relationship Capital</b> Trusted relationships with customers	<ul style="list-style-type: none"> <li>• Quality assurance system to ensure high quality ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Passing down the necessary expertise and knowledge to specialists and training ●/●/●</li> <li>• Strengthening global expansion ●</li> </ul>



## Procurement

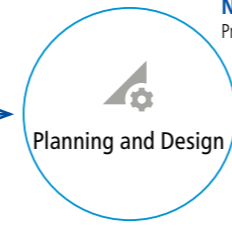
Procurement activities, including those for the raw materials, parts, production equipment, sub-materials used for products based on the manufacturing technology standards determined by the development and design divisions; stable procurement through fair, equitable, transparent as well as socially and environmentally responsible transactions with suppliers

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
<b>Human Capital</b> Human resources that can guarantee the best quality	<ul style="list-style-type: none"> <li>• Collaboration with suppliers through strong, trusting relationships ●/●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Selection of suppliers taking into consideration sustainability issues and concerns ●/●/●</li> </ul>
<b>Intellectual Capital</b> Accumulation of procurement know-how that underpins a broad product lineup	<ul style="list-style-type: none"> <li>• Traceability management of raw materials ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate transactions to maintain and improve relationships with suppliers ●/●/●</li> </ul>
<b>Social and Relationship Capital</b> Trusted relationships with suppliers	<ul style="list-style-type: none"> <li>• Ability to respond to risk through the multiple procurement of raw materials ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Transactions that take into consideration human rights and biodiversity ●/●</li> </ul>
<b>Natural Capital</b> Procurement of environmentally friendly parts and materials		<ul style="list-style-type: none"> <li>• Procurement of materials with an eye that extends to SCOPE 3 ●/●</li> </ul>

## Research and Development

Activities to create sustainable product lines that utilize specific technologies based on the core fiber processing, resin processing, and surface processing technologies

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
<b>Human Capital</b> Human resources with expertise in the business field	<ul style="list-style-type: none"> <li>• Increasingly sophisticated core technologies and the ability to create new businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Progress management with stage gates ●/●</li> </ul>
<b>Intellectual Capital</b> A wide range of R&D themes	<ul style="list-style-type: none"> <li>• Concentration of elemental technologies and development capabilities that maximize value</li> </ul>	<ul style="list-style-type: none"> <li>• Identifying future-oriented themes ●/●</li> </ul>
<b>Social and Relationship Capital</b> The ability to uncover new fields through industry-government-academia collaboration	<ul style="list-style-type: none"> <li>• Promotion of industry-government-academia collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Building business model proposal capabilities ●/●</li> <li>• Promoting researcher-led technology marketing ●</li> </ul>
<b>Financial Capital</b> Financial foundation that underpins R&D		



## Planning and Design

Managing specifications, manufacturing costs, and lot sizes while engaging in activities that lead to the commercialization of products based on the realistic viewpoint of what kinds of products we are looking to bring to the market and what kinds of products we are able to release based on plans

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
<b>Human Capital</b> Human resources tailored to development, manufacturing, and customer needs	<ul style="list-style-type: none"> <li>• Product design that generates high quality ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• The launch new products in new areas using core technologies ●/●</li> </ul>
<b>Intellectual Capital</b> Product development capabilities that anticipate market needs	<ul style="list-style-type: none"> <li>• Ability to develop differentiated products based on a market-in concept ●/●</li> </ul>	<ul style="list-style-type: none"> <li>• Timely response to market needs ●/●/●</li> </ul>
<b>Social and Relationship Capital</b> Trusted relationships with stakeholders	<ul style="list-style-type: none"> <li>• Environmentally friendly product development ●/●/●</li> <li>• Product development capabilities for a recycling society ●/●</li> <li>• Global development capabilities that comply with the regulations of each country ●</li> </ul>	<ul style="list-style-type: none"> <li>• Development geared toward global expansion ●/●</li> </ul>

## Review of the Previous CAN20 Medium-term Management Plan

Under "CAN20," the strategy was divided into the Phase I and Phase II with the aim of growing core businesses and strengthening the management foundation, guided by the vision to provide customers with a special type of comfort which only Gunze can offer and based on the key concept of Focus and Concentration. In Phase II, the plan was extended by one year to FY2021 due to the impact of COVID-19.

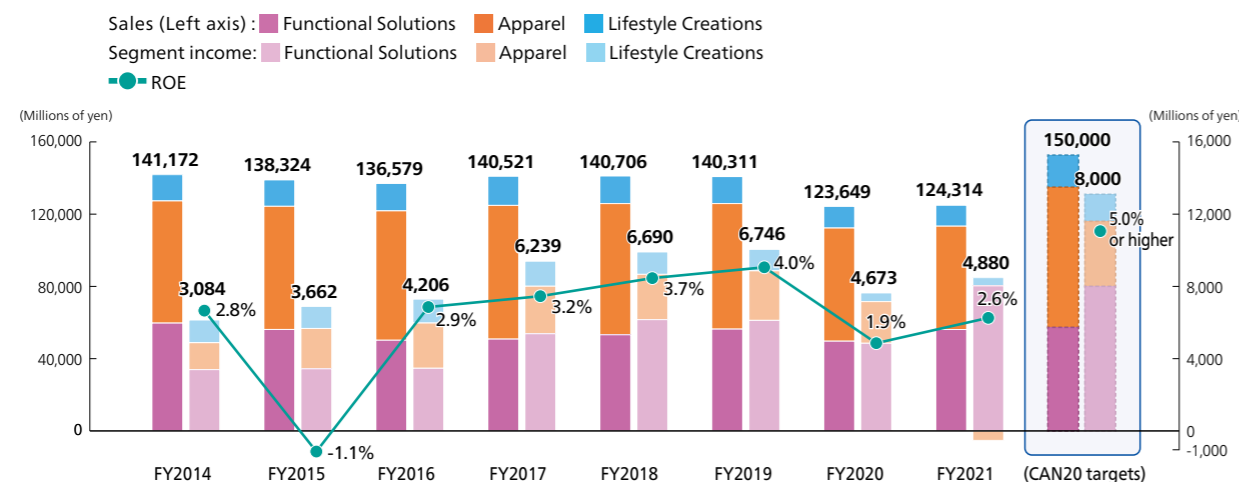
CAN20 has enabled us to build a foundation for future-oriented growth businesses based on the recovery in the functional solutions business driven by growth in the plastics, engineering plastics, and medical fields.

### Achievements and challenges in Phases I and II of the previous Medium-term Management Plan "CAN20"

	Phase I (FY2014 to FY2016)	Phase II (FY2017 to FY2021)
<b>Strategy</b>	(1) Portfolio strategy: Selection and concentration through strategic business units (SBUs) (2) CFA* Project: Health and medical business expansion (Nightingale Project) Creation of new business (Edison Project) (3) Reinforcement of management foundation: Enhance core technologies, Global responsiveness, Strengthen intangible assets, Reduce fixed costs	(1) Business strategies by segment: Revive growth in the Functional Solutions Business (2) Creation of new business: Promote commercialization of Phase I projects, expand business by M&A, construct a mechanism to create new business themes (3) Reinforcement of management foundation: Improve competitiveness by strengthening production base, strengthen management foundation
<b>Achievements</b>	(1) Rapid Progress of Medical Materials Field (70% increase in sales): Net sales increased 70% year over year, while operating income increased 300% year on year, sales of Bioabsorbable Reinforcement Felt expanded in the U.S.A. (2) Revival of Strong Apparel (80% increase in operating income): Women's innerwear: CUT OFF and Seamless innerwear became a big hit Legwear: Leggings pants that created new demand became a big hit (3) Entered the Apparel Retail Business: Jeans & Casual the dan Co., Ltd. became a subsidiary (M&A) Company-owned stores opened (factory outlet, family shop)	(1) Growth in functional solutions business: Establishment of a global manufacturing and sales structure in the plastic films field, growth in semiconductor/medical fields for engineering plastics Establishment of a sales company in the medical field and structures for further growth (including M&A) (2) Women's innerwear and EC growth through differentiated technologies for apparel (3) Clearly promote commercialization of films for next-generation lithium-ion batteries (4) Improve capital efficiency by liquidating unprofitable businesses and idle real estate
<b>Challenges</b>	(1) Delayed response to sales growth (2) Insufficient response to the maturation of mainstay businesses/products (3) Absence of growth business (4) Slow in restructuring electronic components business	(1) Ongoing efforts to create new businesses (2) Strengthen responsiveness to changes in the external environment and the new normal (3) Structural reform and profit improvement in leg wear, sports clubs, and other problem businesses (4) Further collaboration and mobilization of people and organizations (5) Business innovation/model transformation by using digital technology

\* CFA: Cross Functional Approach

### Segment Financial Results



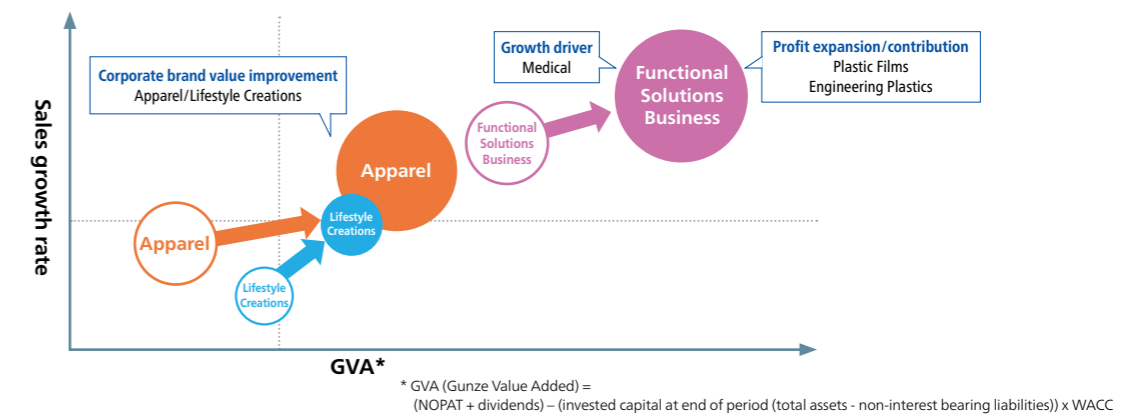
\* The total of consolidated net sales and operating income (after Group-wide adjustment). Breakdown of net sales and operating income by segment (before Group-wide adjustment).

## Medium-term Management Plan "VISION 2030 stage1"

Based on the achievements and challenges of the previous Medium-term Management Plan CAN20 and changes in the external environment, the Gunze Group formulated and announced details of VISION 2030 stage1, a medium-term management plan that covers the three-year period from fiscal 2022 to 2024 in May 2022. In fiscal 2022, the first fiscal year of the plan, the Gunze Group reported an increase in net sales and operating profit in all segments.

The Medium-term Management Plan "VISION 2030 stage1" is Phase I of the realization of "VISION 2030." To formulate the plan, we clarified our vision and goals for 2030, considering ways to eliminate the gap between our current status and our ideal state using the backcasting method. Our vision for 2030 is to "Create new value and deliver a 'feeling of comfort' to customers, contributing to a sustainable society." We also aim to continuously enhance corporate value through sustainable management that balances economic and social benefits, based on the key phrase "Transform and Challenge."

### The Ideal State We Aim to Achieve in 2030



### Business Objectives

#### Financial Goals (FY2024 Targets)

<b>Net sales</b>	<b>140 billion yen</b>
<b>Operating income</b>	<b>10 billion yen</b>
<b>ROE</b>	<b>6.3% or higher</b>

#### Non-financial Goals

Category	Target indicators	2024 targets	2030 targets
Environmental responsiveness	CO <sub>2</sub> emissions reduction rate (Japan + overseas) Scope 1 + 2* *Gunze Group total	28% or higher	35% or higher
	Per-unit energy consumption reduction rate (vs. previous year)	1%/year or higher	
Evolution of Corporate constitution	Promotion of women's empowerment	Ratio of women in managerial roles	6% or higher / 20% or higher
		Ratio of female employees in the workforce	35% / 41%
		Ratio of women hired on a main career track	50% / 50%
	Parenting support	Men's paternity leave utilization rate	50% / 70%
Others	Corporate culture creation	Engagement score	70pt. (estimate) / 80pt. (estimate)
	Work style reforms	Annual paid leave utilization rate	75% / 100%
Productivity improvement rate (P value*) *Gunze's own productivity metric over the previous year		103%	103%

### Four Basic Strategies

In order to promote sustainable management, the Gunze Group has formulated materiality (key) issues for management and has positioned them as the four basic strategies of "VISION 2030 stage1."



# Risks and Opportunities

As the external environment, we have identified the major social issues that may have an impact on the Gunze Group's ability to generate value in the medium- to long-term. The risks and opportunities associated with these have also been identified.

To resolve social issues while appropriately addressing risks and taking advantage of opportunities, we recognize the priority themes raised in the Medium-term Management Plan as management materiality and will continue to enhance value creation.

Social Changes	Issues	Risks	Opportunities	Responding to Risks	Materiality	
<p><b>1</b> Changes in the market environment surrounding the Gunze Group</p> <p><b>2</b> Country risk in nations where Gunze operates</p> <p><b>3</b> Spread of COVID-19 infections, etc.</p>	<ul style="list-style-type: none"> <li>Response to changes in customer preferences due to restrictions on social activities</li> <li>Shrinking of domestic market</li> <li>Reorganization of business strategies</li> <li>Business continuity under different environments from normal times</li> </ul>	<ul style="list-style-type: none"> <li>Decline in profitability due to the emergence of non-profit yielding business divisions</li> <li>Obsolescence of technologies/services due to decreased competitiveness</li> <li>Obsolescence of existing needs</li> <li>Difficulties in continuing business operations due to drastic changes in political and economic conditions, including friction between the U.S. and China and the crisis in Ukraine</li> <li>Deterioration in the profitability of overseas production due to fluctuations in foreign currency exchange rates</li> <li>Stagnation in business activities due to infection among Group employees and to infection prevention measures</li> <li>Limitations on the business structure due to changes in society and lifestyles</li> <li>Difficulty in procuring raw materials due to supply chain disruptions</li> </ul>	<p>Business expansion that contributes to improving quality of life</p>	<ul style="list-style-type: none"> <li>Strengthen profitability by focusing on the business portfolio</li> <li>Develop products and services that generate social value, including products that contribute to the reduction of CO<sub>2</sub> ▶ For details: P. 8 → Message from the President</li> <li>Global business expansion ▶ For details: P. 40 → Functional Solutions Business</li> <li>Risk diversification through the development of businesses in regions the Group has not yet entered</li> <li>Return to domestic production ▶ For details: P. 42 → Apparel Business</li> <li>Construction of labor-saving and unmanned lines at plastics and apparel plants ▶ For details: P. 40 → Functional Solutions Business, ▶ For details: P. 26 → Special Feature 2, ▶ For details: P. 42 → Apparel Business</li> <li>Development of functional films to help reduce food loss ▶ For details: P. 40 → Functional Solutions Business</li> <li>Measures to expand the ability to attract customers to the e-commerce site ▶ For details: P. 42 → Apparel Business</li> <li>BCP-driven supplier system development ▶ For details: P. 40 → Functional Solutions Business</li> </ul>	<p>Creation of New Value</p>	
<p><b>4</b> More stringent legal and social rules</p> <p><b>5</b> Contraction of domestic labor markets</p> <p><b>6</b> Increased awareness of human rights</p> <p><b>7</b> Progress in the shift to IT</p>	<ul style="list-style-type: none"> <li>Difficulty of manufacturing under existing standards</li> <li>Lack of diversity among human resources</li> <li>Insufficient revision of standards</li> <li>Increase in cyber-attacks that cannot be handled by existing security systems</li> <li>Irresponsible postings due to the anonymity of SNSs</li> </ul>	<ul style="list-style-type: none"> <li>Litigation, including intellectual property litigation, causing brand value to be lost</li> <li>Revision of products and services due to changes in quality standards</li> <li>Suspension of business activities due to legal violations</li> <li>Difficulty in securing human resources due to a shrinking labor force</li> <li>A lack of creative thinking capabilities due to immobilization of the personnel composition and an upside down population pyramid</li> <li>Lack of diversity due to a low percentage of female employees</li> <li>Potential for human rights violations exist due to insufficient verification of human rights and working environment standards</li> <li>Leakage of important information due to cyber-attacks, computer viruses, and other malicious methods</li> <li>Spread of erroneous information through SNSs</li> </ul>	<p>Expansion of circular economy-driven business models</p> <p>Human capital management that embodies a people-oriented approach</p>	<ul style="list-style-type: none"> <li>Applications for patents, trademarks and design rights</li> <li>Reinforcement of projects requiring certification ▶ For details: P. 22 → Special Feature 1</li> <li>Compliance with global standards ▶ For details: P. 22 → Special Feature 1</li> <li>Improvement of productivity in all areas, including production, sales, logistics, and back-office operations through the use of AI, IoT, sensing technologies, etc. ▶ For details: P. 40 → Functional Solutions Business, ▶ For details: P. 42 → Apparel Business</li> <li>Improvement of productivity through mindset, operating, and office reforms ▶ For details: P. 46 → Human Resources Strategies</li> <li>Building of a personnel system that leads to improvements in the working environment ▶ For details: P. 46 → Human Resources Strategies</li> <li>D&amp;I promotion ▶ For details: P. 48 → Human Resources Strategies</li> <li>Promotion of women's empowerment ▶ For details: P. 49 → Human Resources Strategies</li> <li>Promotion of human resources and independent career development ▶ For details: P. 47 → Human Resources Strategies</li> <li>Implementation of human rights due diligence ▶ For details: P. 50 → Toward a Multi-stakeholder Collaborative Society</li> <li>Education of employees with regard to respect for human rights ▶ For details: P. 50 → Toward a Multi-stakeholder Collaborative Society</li> <li>Reinforcement of cyber-attack countermeasure systems</li> <li>Dissemination of information tailored to stakeholder demographics</li> </ul>		<p>Evolution of Corporate Constitution</p>
<p><b>8</b> Growing severity of global environmental problems</p> <p><b>9</b> Growing international awareness of marine plastic pollution</p>	<ul style="list-style-type: none"> <li>Global warming</li> <li>Conversion to business that reduces use of petroleum-derived raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Damage to production, logistics, and commercial facilities due to large-scale earthquakes, typhoons, floods, and other natural disasters</li> <li>Higher raw material and energy costs</li> <li>Stronger regulations regarding disposable plastics</li> <li>Lower sales due to the spread of products made from plastic alternatives</li> </ul>	<p>Measures to address high social issues created through diverse business development</p>	<ul style="list-style-type: none"> <li>Transition to renewable energy ▶ For details: P. 26 → Special Feature 2</li> <li>Construction of a net zero carbon factory (Yanase Factory) ▶ For details: P. 43 → Apparel Business</li> <li>Procurement of raw materials and environmental load reduction materials ▶ For details: P. 52 → Environmentally Responsible Management</li> <li>Reduction of CO<sub>2</sub> emissions by 35% or more ▶ For details: P. 52 → Environmentally Responsible Management</li> <li>Construction of circular factories ▶ For details: P. 26 → Special Feature 2, ▶ For details: P. 52 → Environmentally Responsible Management</li> <li>Improvement of recycled hybrid film raw material ratio ▶ For details: P. 40 → Functional Solutions Business</li> </ul>		

# Gunze's Materiality

Having identified the risks and opportunities related to important social issues, we have set materiality as the priority theme that will contribute to resolving these issues by leveraging the Gunze Group's businesses and strengths. Through measures and initiatives designed to realize materiality,

we aim to become a sustainable company that contributes to society and achieves sustainable growth for the Group by working to balance economic value and social value.

We Aim to Be a Sustainable Company

Materiality	Our Measures	Gunze's Timeline	Initiatives and KPIs (Fiscal 2024 Targets)
Creation of New Value	<ul style="list-style-type: none"> <li>Creation of new businesses and continued growth of existing businesses (including M&amp;A)</li> </ul>	Medium term	<p><b>New business-related</b></p> <ul style="list-style-type: none"> <li>Commercialization of functional films such as films for next-generation lithium batteries</li> </ul> <p>Development of environmentally friendly products</p> <p>Value creation from resource circulating-type films</p> <ul style="list-style-type: none"> <li>Expand sales of biomass plastic products</li> <li>Expand sales of low-specific gravity polyolefin products</li> <li>Development of films to reduce food waste</li> </ul>
	<ul style="list-style-type: none"> <li>Offering new products/services designed with enhanced sustainability in mind</li> </ul>	Short term	
Evolution of Corporate Constitution	<ul style="list-style-type: none"> <li>Establishing a corporate culture that empowers diverse talent</li> </ul>	Long term	<p><b>D&amp;I promotion (Promotion of women's empowerment, re-employment system, etc.)</b></p> <ul style="list-style-type: none"> <li>Ratio of women in managerial roles: 6% or higher</li> <li>Ratio of female employees in the workforce: 35%</li> <li>Paternity leave utilization rate: 50%</li> </ul> <p><b>Initiatives for Respecting Human Rights</b></p> <ul style="list-style-type: none"> <li>Conduct human rights due diligence on the Company and its major business partners</li> </ul> <p><b>Strengthening of risk response capabilities</b></p> <ul style="list-style-type: none"> <li>Holding of Risk Management Committee meetings: Four times</li> </ul>
	<ul style="list-style-type: none"> <li>Promoting employee mindset/duties transformations through work style reforms</li> </ul>	Medium term	
	<ul style="list-style-type: none"> <li>Transforming business processes through proactive use of digital technology (covering all business processes, including production, sales, development, logistics, back-office, etc.)</li> </ul>	Medium term	
Environmentally Responsible Management	<ul style="list-style-type: none"> <li>Reducing environmental impact from business activities</li> </ul>	Long term	<p><b>CO<sub>2</sub> emissions reduction rate</b></p> <ul style="list-style-type: none"> <li>Reduction versus FY2013 Scope 1 + 2* (Domestic + overseas): 28% or higher</li> <li>* Gunze Group total</li> <li>Starting Scope 3 calculation, setting targets by FY2024</li> </ul> <p><b>Per-unit energy consumption reduction rate (vs. previous year): 1% per year or higher</b></p> <ul style="list-style-type: none"> <li>Construction of Circular Factory: Plastic film, MoriYama Plant (Shiga Prefecture)</li> <li>Construction of Net Zero Carbon Factory: Apparel, Yanase Plant (Hyogo Prefecture)</li> </ul>
Capital Cost-focused Management	<ul style="list-style-type: none"> <li>Strategic allocation of management resources</li> </ul>	Medium term	<p><b>Focused investment of management resources in growth businesses and growth areas</b></p> <ul style="list-style-type: none"> <li>Environment-related investment: 8.6 billion yen</li> <li>Acquisition of new targets by expanding channels EC+SPA sales ratio: 24%</li> <li>Business expansion through business alliances and M&amp;A</li> </ul> <p><b>Restructuring of low-growth businesses and fields</b></p> <ul style="list-style-type: none"> <li>ROE 6.3% or higher</li> <li>Positive Company-wide GVA</li> </ul>
	<ul style="list-style-type: none"> <li>Achieving a positive GVA value by improving capital efficiency</li> </ul>	Medium term	

## Medium- to Long-Term Themes and Major Promotion Items for Sustainable Management —2030~2050—

- Response to climate change
- Resource recycling society
- Sustainable procurement
- Wellness and health
- Consideration for people and society

1 Weaving Gunze's DNA into the Future  
2 Gunze Value Creation Story  
3 Sustainable Management Strategies  
4 Value Creation Performance  
5 Governance for Stable Management  
6 Data



**Shojiro Matsuda**

Corporate Officer  
Representative Director and President,  
Gunze Medical Limited

# Medical Business That Drives Gunze's Growth

## Purpose of the New Segment

Having positioned the medical business as a growth driver in its VISION 2030 stage1 Medium-term Management plan, which is currently under way, the Gunze Group merged Medical U&A Inc. and Gunze Medical Japan Ltd. and strengthened their sales divisions by forming the new company Gunze Medical Limited in October 2022. In April 2023, we merged the R&D, pharmaceutical affairs, sales, and management sections of the medical devices business and the QOL Research Center, with Gunze Medical and thereby created an organizational structure dedicated to medical devices that can be managed from R&D to sales. The goals of this organizational restructuring are to specialize in medical care as well as both vertical and

functional integration. As an independent medical company specializing in medical care and possessing a management decision axis, we have put in place a system that allows us to make decisions quickly. I believe that the merger of our R&D departments will allow us to develop and deliver even better products that are closely aligned to the needs of patients. Starting from the fiscal year under review, the medical field that was formerly included in the functional solutions segment has been newly established as an independent medical business segment. I would like people to gain more of an understanding of our business by strengthening communication with all our stakeholders.

## Continuous Growth and Active Investment

While securing a certain scale of profit, we are actively investing to ensure our future growth while aiming to continuously expand (increase net sales and operating income) by means of the four initiatives listed on the right.

- Sales expansion of existing products: Channel expansion, overseas development
- Investment in new products: R&D, clinical trials, joint research
- Expansion of production: Expansion of factory floorspace, establishment of new factories
- Business expansion through M&As: Acquisition, investment

## Business Expansion through Efforts to Upgrade and Expand the Business Portfolio

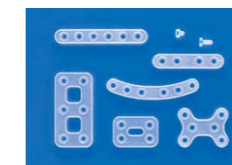
In our medical business, we define the portfolio by clinical department specialist area. I would also like us to be more in tune with our customers and become a company that is needed even more. Under this restructuring, we have reorganized the sales groups that are in direct contact with doctors into five domains, in line with our business portfolio: Craniomaxillofacial Surgery (CMF), Neurosurgery (NEURO), Plastic and Wound Surgery

(WOUND), Respiratory and Abdominal Surgery (Surgical), and Cosmetic Medicine. WOUND is a new domain added in the fiscal year under review. First, we will expand our business in these five domains. Meanwhile, we have also worked on the orthopedics and cardiovascular surgery area themes, which fall outside these five domains. We consider these two areas to be candidates for new portfolios in the future, and I would

like for us to continue working to reinforce and expand our portfolio while concentrating on surgical materials.

### CMF: Craniomaxillofacial Surgery

With its mainstay bone fixation device products, this is a domain in which we have been working closely with doctors from the past to the present. In the years to come, we will maintain our top share in the CMF field by continuing to communicate closely with doctors, who are the users of our products, and by reinforcing and expanding our product lineup for a variety of diseases and to accommodate new surgical procedures.



NEOFIX™ bioabsorbable bone fixation devices

### NEURO: Neurosurgery

Including bioabsorbable bone fixation devices and dural substitutes, our mainstays are products that make sure openings made in the skull during surgery are sealed. Having developed materials x devices to assist not only in the performing of craniotomies, but also in the sealing of openings and surgical operations, we aim to increase our presence in the NEURO domain.



NEOVEIL™ absorbable reinforcement felt

### WOUND: Shaping/Wound Surgery

This is a new domain added to the portfolio in the fiscal year under review. Our mainstay products are artificial dermis, materials that accelerate the wound healing process, and ultrasonic debridement equipment. Promoting the development of a product group following the "TIMERS" concept (T: Tissue non-viable and deficient; I: Infection and

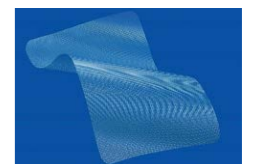
inflammation; M: Moisture imbalance; E: Edge of wound not advancing or undermined; R: Repair/regeneration; S: Social- and patient-related factors), which is important for wound healing, we are committed to improving patient QOL by treating wounds perfectly.



PELNAC™ artificial dermis

### Surgical: Respiratory Surgery + Abdominal Surgery

The two mainstay products that had been handled by the former Gunze Medical Japan Ltd. are reinforcement felts and adhesion barrier materials. Aiming for zero complications and products that are easy for doctors to use, we will continue to make improvements, accumulate clinical evidence, and strengthen global sales expansion.



TENALEAF™ anti-adhesion material

### Cosmetic Medicine

The mainstay products include devices for laser hair removal and the treatment of blemishes and warts, breast reconstruction materials, and Gunze's new cranial reshaping helmet. Since many plastic surgeons are engaged in cosmetic medicine, we will strengthen efforts to develop products in the field of plastic surgery.



MeDioStar™ Monolith long-term hair reduction diode laser

## Responsibilities as a Medical Device Manufacturer

In addition to expanding the production volume of existing products, we are working to improve production efficiency and are achieving results every year in our medical business. After having developed a new product, it is also important to make efforts in anticipation of future business expansion, even in situations where the production volume for mass production is small. For products that can directly affect patient life or death outcomes, we must give top priority to product quality and delivery, which will lead to patient safety and peace of mind in the case of medical equipment. In line with scientific medical technological developments, the quality being demanded of

medical equipment is steadily increasing. Going forward, we need to continue to improve quality on an ongoing basis and, in recognizing that there is no ultimate goal in the case of quality improvement, are committed to fulfilling our responsibilities as a manufacturer.

In the fiscal year under review, we integrated the departments in charge of quality and technology and set up the Technology Center. I would like to think more deeply than ever about quality and technology from the perspective of patients and customers and contribute to medical care development.

## Development Strategies

Previously, we specialized in processing technologies for bioabsorbable polymer materials under the slogan of top global manufacturer of bioabsorbable medical devices and had been providing surgical products that are degraded and absorbed in the body. These bioabsorbable products include surgical suture thread, bone fixation devices, reinforcement felts, adhesion barriers, and even bioabsorbable artificial heart membrane, which is currently undergoing research. Also falling into this category are the artificial dermis and dural substitutes as well as vascular graft, meniscal scaffold, and breast reconstruction materials that are currently undergoing research. Amid these developments, the desire has been hatched to



Pericardial membrane

expand our possibilities into fields other than bioabsorbable medical devices. In discussions with many doctors, I reached the point at which I thought that the mission expected of us was to bring a bright future to patients and that we should not limit ourselves to bioabsorbable medical devices. Requests for the development of non-absorbable medical devices and medical electronic devices and proposals for joint research are increasing, and I sense that expectations for Gunze Medical are steadily increasing too. From bioabsorbable materials, regenerative medicine, medical electronic equipment, and other technological areas will expand and, together with doctors, our stated desire to develop better products to deliver bright futures to our patients remains unchanged. For the members who conduct product development, there are many aspects that are not extensions of the work they have done before. Despite the hardships that are likely to accrue, I am confident that this new challenge will be the source of the chemical changes that will create the Gunze Medical of the future.

## Overseas Strategy

For our overseas strategy, we are aiming for global development from Japan. There are four bases for overseas development: Gunze Medical Equipment (Shenzhen) Co., Ltd. in Shenzhen, China; Gunze International USA, Inc. in New York; Gunze International Europe GmbH in Düsseldorf, Germany; and the business development department in Japan which is also responsible for Asia. Having searched for partner companies with which to develop sales channels in each region, and having obtained that country's pharmaceutical approval, we will take the step of launching sales with a view to expansion. At each step, there will be issues specific to the region, and there may be long-term battles. Notwithstanding these difficulties, we will honestly repeat our meet and talk approach. Once we have reached the sales expansion stage, we will be able to take the measures in which we have been gaining experience in Japan, such as clinical information and interactions with doctors.

First and foremost, I am particular about taking on challenges with a pioneering spirit. We are also developing clinical specialists who will be able to handle the sales



expansion steps. We develop specialists who are familiar with clinical knowledge, product usage, and evidence from their work in Japan. To this end, I believe that it is important to not only build a sales organization for each portfolio, but also to train the marketing department and

the departments in charge of science. I would like to send clinical specialists who have been homegrown in Japan overseas so that they become world-class clinical specialists.

## Pharmaceutical Affairs Strategy

Pharmaceutical affairs are not only a question of correctness, but also of speed. Improving our ability to respond to regulatory affairs will be the driving force behind our continued growth as a company specializing in medical devices. The factors that affect the ability to respond to pharmaceutical affairs are people and systems. From an individual point of view, I think that speed will increase in proportion to the amount of experience we gain in dealing with pharmaceutical affairs. Meanwhile, it is important to handle the number of applications. In addition to

knowledge of development, knowledge of medical practice, manufacturing, and quality is also required, so I think personnel rotation will also be important. In terms of the system, we are thinking of sharing information so that know-how is accumulated not only by individuals but also by teams. In the meantime, since it will also be important to create environments that make it easy for members to continue working, we are searching for a work style that is suitable for each individual and are actively utilizing telecommuting.

## Values on Which Gunze Medical Places Importance

### Contribute to Society through the Supply of Quality Products

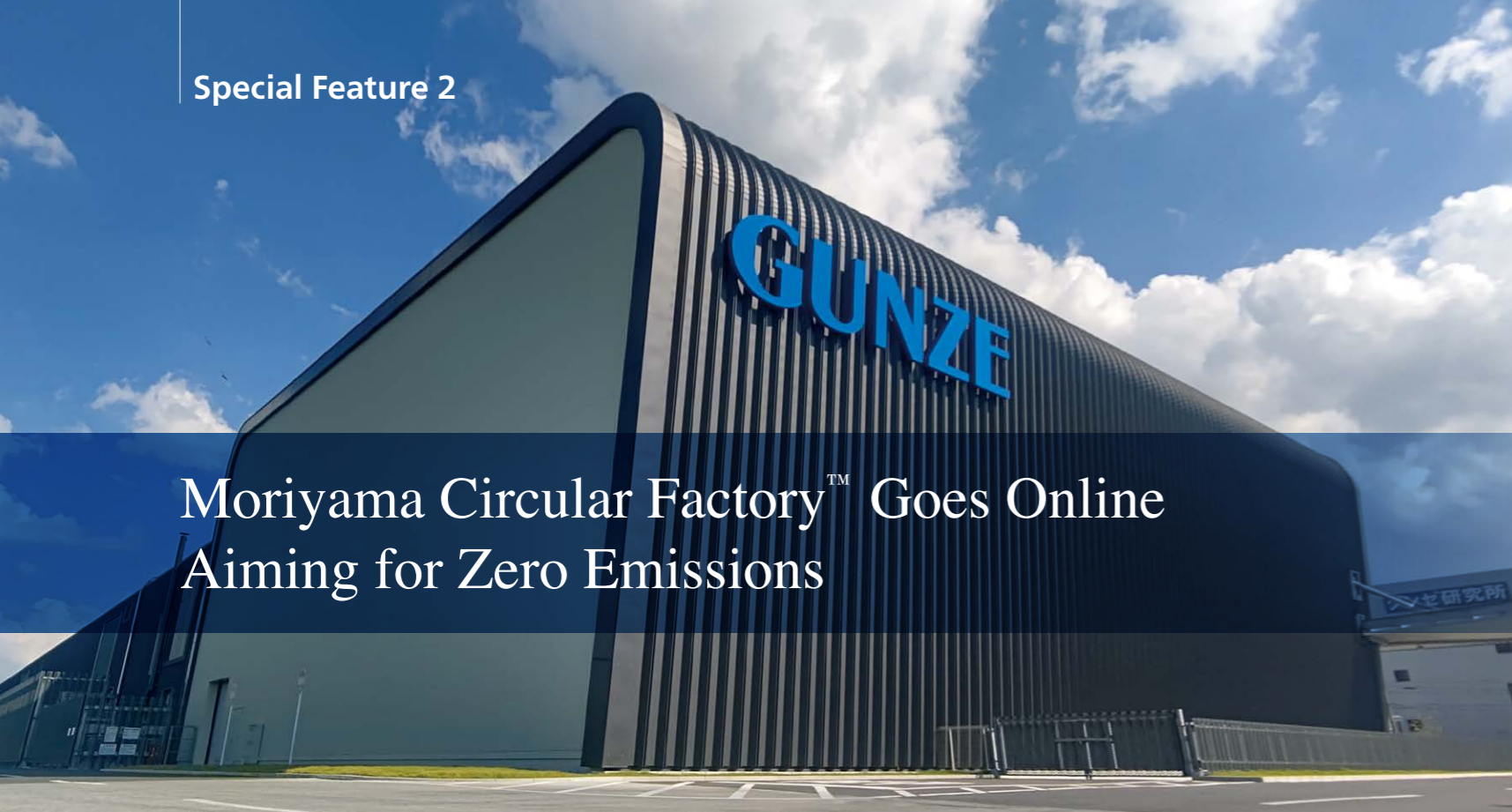
The values on which Gunze Medical places importance are the same as Gunze. We also try not to forget our mission: to deliver bright futures to our patients. To that end, we place great importance on doing things depending on the person and continuing to work earnestly. By this I mean not only for doctors and patients who use medical equipment, as my ideal is for Gunze Medical to be a company that is closer to our employees and partners. For example, we are considering having members with high expertise in technology, regulatory affairs, quality, and sales play an active role as specialists, experts, and professionals. We have started accepting self-reports of transfer requests to help people work in different departments and find the areas of expertise that suit them. In 2022, we advertised overseas assignments, interviewed applicants, and had two of them actually work in China. We create a climate in which motivated people and those who want to take on challenges are able to take them on.

To my mind creating places where people who want to enrich their lives can work in fulfilling ways represents a competitive advantage. Going forward, I would like to continue to grow while repeating trial and error methods. Gunze Medical is a company that has been formed by bringing together three companies: Gunze Medical U&A (MUA), Gunze Medical Japan (GMJ) and Gunze. The latter has a high percentage of new hires, but MUA and GMJ have many mid-career human resources. By having both mid-career and new hires, we can learn from each other's good points, bring about unprecedented new chemical changes, and bring about new evolution. I believe that the ideal is to challenge what we ourselves want to do and become a company that links this to management contributions. I would like to create places where people can say what challenges they would like to take on and create a system that encourages and supports them as well as leads to future management contributions.



Discussion among former MUA, GMJ, and Gunze (now Gunze Medical) members

# Moriyama Circular Factory™ Goes Online Aiming for Zero Emissions



**Yuji Hanaoka**  
Corporate Officer  
President, Plastic Film Company

## What Kind of Circular Manufacturer Does Gunze Hope to Become?

In December 2019, the Gunze Group established the Basic Policy for Plastic Resource Circulation, declaring that 50% of the raw materials used will be recycled and derived from biomass raw materials by 2027, and that the ratio will increase to 100% by 2030. In order to meet the growing social demand for a recycling-oriented society and to achieve our goal, we aim to transform Gunze into a circular manufacturer and thus are pursuing our plan to convert production facilities into circular factories that are resource recycling-oriented and environmentally friendly. Completed in April 2023, the Moriヤマ Circular Factory™ is a high-tech facility that makes use of products and raw materials that were discarded without use in the

traditional linear system of Take (resource extraction), Make (production), and Waste (disposal) as new resources, creating a manufacturing system that recycles resources without producing waste. The Moriヤマ Circular Factory™ is a zero-emission\*<sup>1</sup> factory that produces no plastic waste. The Company will then recover its own multilayer films via heterogeneous lamination\*<sup>2</sup> and establish technologies for separating and recycling different materials to realize the commercialization of 100% recyclable raw materials.

\*1 An initiative to achieve zero waste to landfills by reusing waste from one industry in another.  
\*2 Co-extruded multilayered film made from different materials.

## Initiatives at the Moriヤマ Circular Factory™

### Aiming for Zero Waste in Manufacturing Processes

The Moriヤマ Factory mainly produces shrink film used for labels on PET bottles and detergent containers. Until now, more than 1,000 tons of plastic, including



Observation hallway

production scraps, were disposed of annually in the manufacturing process. However, we are now working to reduce this plastic waste to zero waste by recycling it into raw materials for effective use and eliminating its discharge outside the factory as waste. On the other hand, many of the films produced outside the Moriヤマ Factory are heterogeneous laminated films, which cannot be recycled using current technology and equipment. Every month, we hold online zero waste meetings that gather together 40 to 50 factory members, including those from overseas, to share information on overall progress toward achieving zero waste, including confirming progress for necessary technologies and equipment, as well as progress at each factory. The entire Plastic Film Company is working in unison to achieve the lofty goal of zero waste at all factories by 2030.

## Promoting Labor-saving and Unmanned Operations

The new line to be introduced at the Moriヤマ Factory automates raw materials intake, which is the initial manufacturing process, and the packaging of the final product. In addition, we aim to make the new line virtually unmanned by arranging existing large machines along the new line so that the workers operating them respond only when the line is operating abnormally. If these labor-saving and unmanned systems can be implemented in all domestic and overseas factories, it would reduce man-hours and increase production. We focus on maximizing production output from existing facilities through technological innovation, which will also help reduce invested capital.

## Use of Renewable Energy

The new factory will reduce CO<sub>2</sub> emissions by utilizing Shiga Prefecture's abundant groundwater and renewable energy from a solar power generation system installed on the roof while achieving high-efficiency production with cutting-edge equipment. We will create a highly efficient production system by recycling everything from upstream to downstream, including raw materials, resources, and energy.

## Toward Completion of the Circular Factory in 2026

Throughout the world, recycled materials must be at least 30% recycled to be classified as recycled. As products made from recycled materials are in demand globally, including the United States and ASEAN countries, Gunze is considering how to launch products made from 30% recycled materials first, and then 50% and 70%. The Moriヤマ Factory will achieve zero waste operations by 2024 and complete a recycling center by 2026 to separate and recycle on a commercial basis different types of laminated films, such as nylon and PET, which has proven difficult using conventional technology. This will complete the Circular Factory, which is the final goal of the project. We also aim to convert all our production sites into circular factories, and by 2027 we will have three such overseas facilities (Vietnam, China, and United States), and by

2030 we will collect, separate, and return (return to raw materials) all different types of laminated films in Japan to achieve zero waste Group-wide. In addition, we aim to convert most raw materials to 100% recyclable materials (plant-derived raw materials, etc.) by 2030. Technology for separating and regenerating multilayer oriented films is indispensable to leverage the Gunze Group's core competence, which is technology to add functionality through heterogeneous lamination. We intend to show by 2030 that all films produced by the Plastic Film Company can be collected, separated, returned back to raw materials, and recycled. We will also transform ourselves into a circular manufacturer by achieving our goal of zero waste plastic by 2030.

# Maximizing Lifetime Value (LTV) by Combining the Collective Strength of the Apparel Business



**Ryouji Kawanishi**  
Director and Corporate Officer  
Apparel Business Executive Officer

## Goals of Organizational Restructuring

Whereas the apparel business was significantly impacted by foreign exchange fluctuations, higher raw material prices, and other changes in the external environment during fiscal 2022, in fiscal 2023 we intend to further accelerate the two axes of our growth strategy and our structural reforms targeting profit improvement. In April 2023, we reorganized the Sales Division and the Merchandising Division. As part of this move, we took several measures to transform the organization into one that can fully exercise the competitive advantages found throughout the apparel business in the face of evolving consumer behavior, including the expansion of e-commerce markets and SPA. Specifically, we reoriented the existing product business division system consisting of the Innerwear Division Group, the Legwear Division Group, and the House Casual Center. Similarly, we established the new Sales and Merchandising Division and the new Production Division, where the former integrates the

Sales Division and Planning Division, and the latter overseas the production function as a whole. In an effort to develop products that capture a diversifying range of consumer needs, this organizational restructuring will enable us to better coordinate planning and sales activities, strengthen marketing activities, and accelerate direct to consumer (D-to-C) channel strategies. This organizational restructuring is also based on the concept of more directly perceiving consumer needs with the intent of expanding D-to-C channels, namely e-commerce and SPA, while aiming to curb the contraction in mass retail stores and other existing channels. Moreover, by positioning the women's innerwear and newly established lifestyle groups as growth categories, we will realize product development and sales strategies that combine the collective strength of the business, as well as enable the production strategies for supporting these.

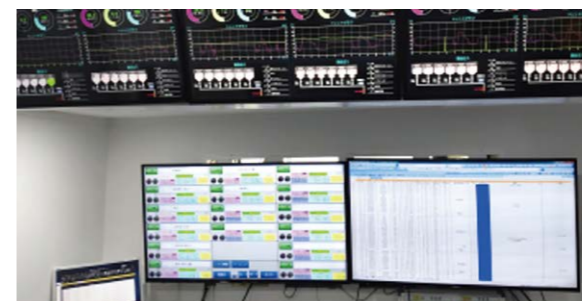
## Sustainable Business Model for the Apparel Business

The conventional business model used by the apparel business assumes mass-production and mass-consumption, where product planning consists of a plan proposal, sales, and production arrangement geared towards twice yearly exhibitions for the spring and summer product lines and the fall and winter product lines. As e-commerce markets have grown significantly in recent years, however, we feel that the time has come for us to rethink the design of this business model. As part of the D-to-C channel strategy, we must without question reflect consumer needs within our products, and focus more energy than ever on marketing. Similarly,

short runs of multiple items and short delivery periods are becoming an essential requirement for production, so we will also begin revising development, production, logistics, and the rest of the supply chain. Although the 2024 problem in logistics, a shrinking domestic labor force, and other major challenges may stand in our way going forward, we must constantly engage head-on with market responsiveness, profitability, and efficiency as we pursue overall optimization. And in order to transition to a customer-focused business model, we intend to implement reforms based on a structure that leverages the collective strength of the apparel

business in the face of sales floor demands, consumer needs, and other underlying factors of change. We will also transition to a global production system. Domestically, we will advance efforts to automate each of our plants in light of the fact that people are no longer seeking employment in the manufacturing industry. At the same time, from the perspective of a global production system, we also recognize the importance of

pursuing optimization at our domestic and overseas production bases in terms of both production capacity and cost. This effort will coincide with automation, since we will find it increasingly difficult to secure labor in Japan as we head towards 2030. We will also shift manufacturing in Japan to focus on high value-added products and items that require a greater level of technical skill, as well as to items for which production can be automated.



Automated Dyeing Parameter Management (Miyazu Plant)



High-efficiency Advanced Knitting Machines (Gunze (Vietnam) Co., Ltd.)

## Capital Cost-focused Management

Although our cost of capital-based management approach targets a return to positive territory for GVA, we believe the greatest challenge for the apparel business lies entirely in recovering operating income. Improving operating income will require ongoing progress along the two axes of the growth strategy and structural reforms, which I mentioned at the start. As part of our growth strategy, we will accelerate D-to-C channel strategies, as well as apply reforms that leverage D-to-C channel know-how to the sales floors at those of our existing sales channels that have been struggling due to decreasing numbers of stores. This will serve as a means of bringing an end to the downward trend in profits. In

terms of products, we will place a focus on women's innerwear, the lifestyle group, and other high value-added products to raise the profitability of the products themselves. At the same time, we will take on the challenge of drastically cutting costs through structural reforms. As the second major business strategy on a par with the growth strategy, our structural reforms will seek to consolidate production bases in Japan and right size the production scale as a means of reducing fixed costs, particularly in the legwear field, which was significantly impacted by COVID-19 and other events. Similarly, these reforms will also seek to shift to high value-added products in order to reliably improve management.



## Strengthening Our Appeal to a Broader Range of Generations

The apparel business has raised a new business strategy that aims to maximize Lifetime Value (LTV). LTV as we interpret it refers to value that helps enable comfortable lifestyles for consumers by creating a situation in which customers feel Gunze products are essential to them as an ever-present comfort even as their interests and preferences change, and in which Gunze products remain connected to customers in some way even as they pass through different life stages.

In order to realize this situation, we will increase direct contact points with customers, as well as continue to provide products that offer high value when worn and products that correspond to different life stages, in a way that aims to ensure customers use Gunze products over the long-term. Yet doing so will require us to strengthen the appeal of our products to a broader range of generations, and to increasingly broaden contact points with customers as the first step. In this respect, our e-commerce site serves to develop loyal customers (top customers) through a proprietary CRM program\* that runs in parallel with capturing new customers. At the same time, we will strengthen collaborations with major shopping malls that possess the ability to attract customers, as well as leverage big data and influencer-based sales promotions, as a means of approaching those customer segments that we cannot reach through our e-commerce efforts alone. In regard to SPA, we will open new stores in all factory outlets, plan to open new stores in commercial facilities that possess the ability to attract customers as standard retail outlets, and expand exposure at directly operated stores. Moving away from our focus on the innerwear category, we will broaden the SPA lineup to include outerwear and will work to create new sales floors, thereby focusing our efforts on extending our customer segments to include

younger age groups and new families. Starting in the previous fiscal year, we also began collaborating with companies that are popular among customer segments that differ from those of

Gunze, particularly customers of younger generations, under the theme of new fields. During the current fiscal year, we will also make an approach to the beauty and health category along with the outdoor market. Appealing to younger segments involves many aspects that we must learn about through collaborations, because this is a field in which Gunze is relatively inexperienced. And we will engage in this effort by leveraging the entire apparel business as we feel this move will serve as an opportunity to ensure new customers experience the value of Gunze. I am convinced that aggressively challenging different approaches to developing brands targeted at younger customer segments and expanding the name recognition of Gunze brands will help us capture new markets in the future. Meanwhile, behind our collaborations with these kinds of companies lies the acknowledgement of our credibility in terms of quality founded on the production technologies Gunze has acquired over the years. We therefore fully recognize the importance of unflinchingly connecting this superb tradition to future generations.

\* Customer Relationship Management (CRM) Program: An approach to building and maintaining strong relationships with customers over the long-term. The CRM Program sends personalized emails and mobile app notifications in line with individual user histories.



Sales Floor for Gunze Products (CIAOPANIC TYPY Kobe umie shop)

## Product Development Targeting Maximized LTV

The strength of Gunze's apparel products is their comfortable feel backed by product development, production

technology, and quality management capabilities accumulated over the years. And by offering products committed

### Gunze Apparel Concept

## Making the everyday lives of wearers 1% happier

Our products make normal, everyday life just 1% happier. Yet this 1% is by no means insignificant. Instead, the power of 1% makes the normal, everyday life of the wearer happier throughout their life, regardless of age or gender.

This is the strength of a comfortable feel.

We have continuously pursued a comfortable feel. And we aim to achieve a new level of comfortable feel in the future. We are therefore more committed than ever to comfortable feel in order to address the diversifying range of customer needs.

to a comfortable feel unique to Gunze in a manner that addresses a broad range of customer needs, we aim to deliver a sense of comfort to everyday life in a way that accompanies our customers throughout their lives. One of our specific product strategies is to enhance

product deployment along the axes of Solutions-oriented Products that address the concerns and troubles of different generations, Medical and Health Category Clothing that improves QOL, and Outfit Proposals that include outerwear centered on the BODY WILD and Tuché brands.

### Solutions-oriented Products that relieve the troubles of customers

Skin-hugging pre- and post-birth innerwear for mothers struggling with anxieties over how their bodies, health, and emotions will change

#### KIREILABO Maternity

Made using adhesive technologies and hem-free materials with excellent elasticity, our maternity innerwear is committed to softness against the skin. This series is tailored to mothers with a design that considers changes in waist and bust size, and the ease of breastfeeding.



Self-care products leveraging technology to solve the everyday anxieties and concerns of men

#### NEXTYLE Boxer Shorts

With a clean look, these boxer shorts reduce leaks, stains, and odors to alleviate the concerns and anxieties of men. The design offers a sense of comfort using cut-off materials, and enables confidence regardless of who is in the room.



A legwear brand tailored to the inner thoughts of "This is what I always wanted!" when realizing something for the first time and discovering that something was truly missing

#### you and

This brand includes tights and leggings that approach the problems of inseam misalignment and skin stress that customers had given up on yet were truly interested in.

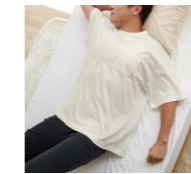


### Medical and Health Category Clothing for improving QOL

T-shirts designed specifically for sleeping, and committed to meeting the increasing needs for good sleep regardless of age

#### "Neru T" T-shirts designed specifically for sleeping

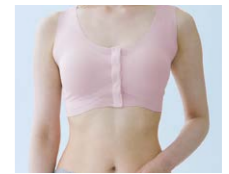
As an area where sweating often occurs, the back side of these T-shirts is made of Outlast® temperature regulation material, originally developed for the National Aeronautics and Space Administration (NASA). These T-shirts support a sleeping environment that focuses on making rolling over easier during sleep by using a dropped shoulder design with a lower shoulder line and a loose fit.



MediCure brand for supporting self-care among those who have had breast cancer and other surgeries or have sensitive skin

#### Silky type, front opening half top bra

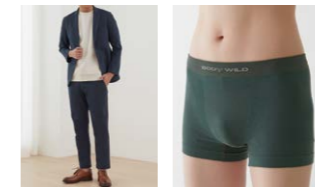
The thin, light feel when worn is produced using materials that have a cool texture, and that provide a pleasant chill when in contact with the skin. The bra also enhances comfort after surgeries, following hot flashes caused by medical treatments, and during hot seasons.



### Outfit Proposals Relying on the Entire Apparel Business

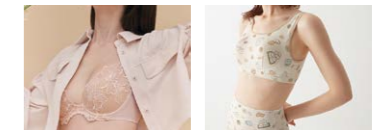
#### BODY WILD men's brand

In addition to strengthening boxer shorts that leverage molded boxer, AIRZ, and other differentiated technologies, this lineup includes jackets and T-shirts that match with our strong-selling stretch pants.



#### Tuché women's brand

This brand enhances the foundation lineup centered on bras in a way that addresses various needs. We are expanding sales of items for a broader range of situations, including through expanded outer pants options and tie-up products with the illustrator Natsumi Teraoka.



### Deploying products tailored to customer needs at directly managed stores

In addition to innerwear and legwear items, we are also expanding our outerwear category lineup in accordance with customer lifestyles at our directly managed stores as a means of capturing new customers through top-to-bottom proposals. Similarly, we are working to expand customer contact points through closer coordination with e-commerce in targeting a synergistic growth effect.



Gunze Directly Managed Store (Asakusa ROX shop)



## Promote innovation by diving deeper into core technologies and combining them effectively

**Katsuhiko Oikawa**

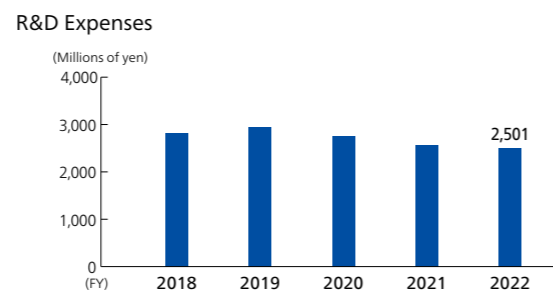
Director and Corporate Officer  
General Manager, Research & Development Department

### Take on the Challenge of New Value Creation by Evolving and Integrating Core Technologies

Since our founding, we have provided a variety of products to our customers through R&D centered on various processing technologies. In apparel products, we have provided items suitable to the times by combining cotton and other fibers with processing technology and production technology that enables stable quality output. In plastic processing, we have contributed to the provision of food packaging that is safe and reliable through multi-layering and composites to achieve the functions demanded by customers. In medical materials, we have provided useful and indispensable products that include developing bioabsorbable products that reduce the burden on patients. In the business world, we provide products that are key components in the major shift from monochrome to color document printing, as well as functional materials that are indispensable in the field of advanced semiconductors. These product lines have been created by refining Gunze's core technologies of fiber processing, resin processing, and surface processing, and we will continue to advance our R&D activities by evolving these three core technologies

**R&D System**  
<https://www.gunze.co.jp/english/technology/organization/>

and in some cases combining them with other technologies. Through the Research Committee meetings held twice a year, the Gunze Group deliberates on research themes based on progress reports. At these meetings, themes that can be immediately implemented and research themes that should be developed over a medium- to long-term span are discussed from the perspectives of Creation of New Value, Evolution of Corporate Constitution, and Environmentally Responsible Management set forth in our Medium-term Management Plan VISION 2030 stage1. The Gunze Group will continue to take on the challenge of creating new value in various fields while evolving its core technologies.



### Creating New Value

Under VISION 2030 stage1, we engage in various R&D activities to deliver to customers new value. We are considering applications in the energy field by developing conductive films based on further advancements in the heterogeneous lamination and dispersive mixing technologies cultivated through our functional solutions, and we are developing films with special functions with the aim of introducing them mainly in the agricultural field. In addition, we have developed wellness and health category products such as MediCure, an underwear brand that reduces skin irritation with the aim of improving

customers' quality of life. Paying close attention to the opinions of medical and nursing care professionals, we are continuing to develop health garment-based therapies that can alleviate specific problems like post-surgical pain. Going forward, we will work with local governments, medical institutions, and other companies to deliver health care products that can improve the quality of life of those who need them. In addition, we will continue to engage in R&D activities that support the advancement of existing businesses.

### Evolution of Our Corporate Constitution

As part of efforts to promote the evolution of our corporate constitution under the basic policy of VISION 2030 stage1, we will accelerate technological innovation through DX in current business processes in order to promote process innovation by actively using digital technology. For production processes, we are strengthening the development of our unique production technologies using sensing, image recognition, and other technologies. In so doing, we are transforming factories into smart plants that enable both productivity improvement and work styles reforms at production sites while also enhancing competitiveness by implementing automation, unmanned operations, and labor-saving measures in production and inspection processes.

For sales processes, we are implementing initiatives to increase sales and improve the accuracy of SCM planning based on demand forecasts and reduce losses through customer and market analysis using big data and AI. Targeted under VISION 2030 stage1, we are building a common SCM platform for the apparel business to enable the transformation to a business model centered on EC and SPA. In indirect business processes, there are currently numerous manual analog operations for which we allocate human resources. To address this, we are working to streamline operations by taking stock of targeted processes, revamping existing business processes, and utilizing automation tools such as RPA to simply them.

### Technological Strategies for Mainstay Businesses under VISION 2030 stage1

#### Plastic Films

In the plastic films field, Gunze mainly supplies films laminated with different materials to produce characteristics not replicated by other companies. Since laminated films need to be separated when they are recycled, we are developing separation and other technologies that control quality of recycled raw materials.

strength. In addition, we intend to expand our core technology by taking on the challenge of developing biomaterials and medical electronic devices utilizing our expertise in bioabsorbable materials.

#### Medical

To date, our medical business has focused on the development of medical devices that specialize in bioabsorbable materials. This is a major strength and core technology of our business. Going forward, we will continue to give top priority to development that takes advantage of this

#### Apparel

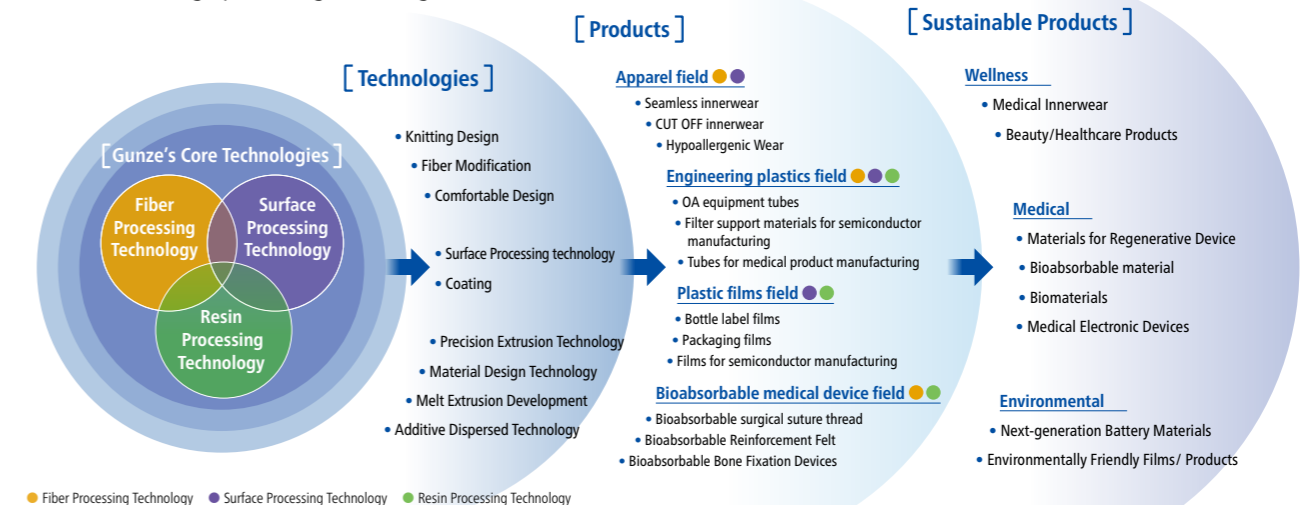
We will develop automation factories both in Japan and overseas using digital technology promoted as a means to strengthen our corporate constitution. In addition, we secure market superiority through high value-added technology and develop new products as a technology-oriented company. We also conduct agile process innovation by seamlessly linking sales, production, and supply through the construction of an SCM platform system.

### Environmentally Responsible Management

Gunze engages in R&D activities to reduce environmental impact, which it positions as an important issue. In each of the existing production divisions, we are conducting various technical studies mainly on improving the efficiency of energy used and production technology initiatives like recycling. In cooperation with universities and

other organizations, we are also exploring the feasibility of CO<sub>2</sub> absorption and fixation by combining our film technology developed to date with biotechnology. Furthermore, we continue R&D activities in cooperation with other companies to upcycle textile products and create new added value.

#### Innovation through processing technologies





## Engaging in Capital Cost-focused Management to Improve GVA and Generate Free Cash Flow

**Hirokazu Sawada**

Director, Corporate Officers  
General Manager of Finance & Accounting Department

Under the Medium-term Management Plan VISION 2030 stage1, the Gunze Group's financial strategy is to improve GVA by balancing investments in growth businesses and sustainable investments in such areas as the environment with reductions in capital costs, while maintaining a solid financial foundation. I strongly believe that business divisions must strengthen the profitability management of invested capital and promote measures aimed at reducing unprofitable capital.

As stock markets become even more discerning toward companies with low stock prices, and the need to improve return on capital, I also recognize that efforts to promote the certainty of earnings growth potential will become even more important.

### Evaluation of Fiscal 2022 Results

On a consolidated basis, Gunze reported net sales of 136 billion yen, up 9.4% compared with the previous fiscal year and in line with forecasts. From a profit perspective, operating income came in at 5.8 billion yen. Despite a 0.9 billion yen increase compared with the previous fiscal year, this was 0.2 billion yen lower than forecasts. Ordinary income totaled 6 billion yen, up 0.6 billion yen year on year and 2.1 billion yen compared with forecasts. Net income was 4.5 billion yen, up 1.5 billion yen year on year, and 0.8 billion yen compared with forecasts.

All businesses were impacted by soaring raw material and fuel prices. The apparel business was also affected by rising import costs due to the sharp depreciation of the yen. Despite this difficult operating environment, the Company was successful in securing an increase in operating income year on year. In specific terms, half of the roughly 10 billion yen negative impact attributable to such external factors as difficulties in procuring raw materials owing to the global shortage in semiconductors and surging transportation costs was offset by price pass-on measures mainly in the plastic films field. Earnings were also boosted by increased sales in the engineering plastics and medical devices and efforts to reduce costs through such endeavors as lowering procure-

ment costs and improving productivity.

By segment, the functional solutions business accounted for the vast majority of profit on the back of record high earnings of 8.9 billion yen, up 0.9 billion yen compared with the previous fiscal year. In contrast, and despite a year-on-year improvement of 0.3 billion yen, the apparel business incurred an operating loss of 0.2 billion yen. In its lifestyle creations business, Gunze reported an increase in profit of more than 0.2 billion yen compared with the previous fiscal year. This was attributable to contributions from the shopping center business and the development of a factory site premise in Nagai City, Yamagata Prefecture.

In fields where profitability is an issue, the film business in the electronic components field was transferred to Daicel Corporation and production terminated at a plant in China in the legwear field in order to optimize production capacity. Losses subsequent to the aforementioned initiatives were posted during fiscal 2021. As such, there is no major impact on extraordinary income and losses. As a result, operating income fell slightly below forecasts. Other indicators, on the other hand, met forecasts announced at the beginning of the year.

### Fiscal 2023 Forecasts

While there are signs that social and economic activities in general are returning to normal with authorities in Japan

reclassifying COVID-19 to a Class 5 category, high raw material and fuel prices and difficulties in procuring certain raw

materials are expected to continue.

In addition, the business environment remains uncertain due to concerns of an economic recession in the U.S. Under these circumstances, we will implement price revisions in response to rising raw material prices, improve productivity through various measures, including steps to improve yields and promote automation, enhance cost competitiveness by optimizing the global production system, and expand our raw material procurement network, without relying on a significant increase in sales outside growth fields in fiscal 2023. Moreover, we have factored into our earnings forecasts efforts to create new value by strengthening our ability to address market needs, including consolidating our organization in the medical field and streamlining the sales structure in the apparel business.

Gunze has disclosed details of its decision to separate the medical business, which is positioned as a driver of growth, from the functional solutions business from 2023. Through such factors as the expansion of new businesses, revenue is projected to increase (109.5% compared with the previous fiscal year). On the earnings front, profit is estimated to climb

0.2 billion yen. As far as the functional solutions business after separation of the medical business is concerned, we are also anticipating a year-on-year increase in revenue (103.8% compared with the previous fiscal year) and an improvement in profit of slightly less than 0.3 billion yen on the back of such factors as the market launch of environmentally responsible products in the plastics field, the start of full-scale operations at the Moriyama Circular Factory™, and growth in the Group's market share of non-OA products in the engineering plastics field. Despite an anticipated downturn in the lifestyle creations business (90% compared with the previous fiscal year), owing to the impact of the previous year's Nagai Project, plans are in place to increase profit by slightly less than 0.1 billion yen due to the expected increase in customers from the renewal of commercial facilities and expansion of the school business in the sports club field.

In overall terms, net sales are forecast to total 140 billion yen (102.9% compared with the previous fiscal year), operating income 7.5 billion yen (an increase of slightly less than 1.7 billion yen year on year), and net income 4.8 billion yen (an increase of slightly less than 0.3 billion yen year on year).

### Progress of Financial Strategies under the Medium-term Management Plan VISION 2030 stage1

To enhance our corporate value over the medium to long term, we undertook capital investments of approximately 10 billion yen in fiscal 2022, including such environment-related investments as the Moriyama Circular Factory™ and growth investments. By funding these investments through such means as the sale of cross-held stocks and idle assets as well as cash and deposits held, we are maintaining a solid financial foundation by limiting the increase in interest-bearing debt to 4.3 billion yen and preventing a decline in our equity ratio. As far as environment-related investments are concerned, we allocated long-term funds procured through general syndicate green loans to ESG initiatives evaluated in the course of

future cash flow plan considerations. Despite an environment in which interest rates are exhibiting an upward trend, we were successful in procuring funds under more favorable terms and conditions than conventional procurement methods by securing loans at low interest rates from financial institutions that endorsed the Gunze Group's management and other policies. In addition, our debt cost has remained low as a result of efforts to raise interest-bearing debt through the flexible issuance and redemption of commercial paper.

#### Initiatives to Enhance Corporate Value through Green Finance

▶P.53

### GVA

The Gunze Group's cost of capital is calculated using the commonly used Capital Asset Pricing Model (CAPM). During the period of the Medium-term Management Plan VISION 2030 stage1, the cost of shareholders' equity and Group-wide Weighted Average Cost of Capital (WACC) have been set at 6.32% and 5.15%, respectively. Recognizing the critical need to identify the return on capital of each business segment in order to strengthen the business portfolio and enhance corporate value, each business division also sets its own WACC. From a WACC by business divisions perspective, it is difficult to select multiple companies with similar business sectors and business sizes. Accordingly, we utilize the average  $\beta$  value and D/E ratio of multiple companies whose principal businesses are in the same fields based on the Nikkei Needs industry classification.

While GVA for fiscal 2022, based on such capital costs, came in at a Group-wide loss of 2.3 billion yen, this reflects a year-on-year improvement of 0.3 billion yen. Moving forward, GVA is projected to improve 1.2 billion yen in fiscal 2023 owing to further growth in operating income and a reduction in invested capital. We are steadily improving our return of capital in a bid to secure positive Group-wide GVA in fiscal

2024.

While positive in the functional solutions and medical businesses, GVA is negative in the apparel and lifestyle creations businesses. As far as GVA positive divisions are concerned, we will work to further improve profitability by managing our return on invested capital (ROIC). Focusing on the steadfast implementation of structural reforms, we will return deficit GVA divisions to profitability as quickly as possible. Gunze is targeting operating income of 10 billion yen in fiscal 2024. While we expect initial plans in the apparel field will be difficult to achieve, owing to changes in the market environment, trends are already exceeding initial plans in the engineering plastics field and medical business. Accounting for each of these factors, we are confident that targets will be achieved on a Group-wide basis.

In addition to profit growth, we recognize the need to reduce invested capital. For example, the Group-wide Cash Conversion Cycle (CCC) lasted 173 days in fiscal 2022, a slight improvement compared with the previous fiscal year, the number of inventory turnover days deteriorated slightly. Despite the impact of efforts to address difficulties in procuring raw materials, fluctuations in foreign currency exchange

GVA / ROE Results and Forecasts

(Unit: Billions of yen)

	FY2018 (fiscal year ended March 2019)	FY2019 (fiscal year ended March 2020)	FY2020 (fiscal year ended March 2021)	FY2021 (fiscal year ended March 2022)	FY2022 (fiscal year ended March 2023)	FY2023 Forecast (fiscal year ending March 2024)	FY2024 Target (fiscal year ending March 2025)
Operating Income	6.6	6.7	4.6	4.8	5.8	7.5	10.0
Invested Capital	137.3	134.2	132.7	125.8	133.1	129.1	135.0
GVA*	-19	-16	-31	-26	-23	-11	Companywide returned to profitability
ROE	3.7%	4.0%	1.9%	2.6%	3.9%	4.15%	6.32% or higher

\* Gunze Value Added (GVA) = (NOPAT + dividends) - (period-end invested capital (total assets - non-interest-bearing debt)) x WACC

rates, and soaring raw material and fuel prices, we believe there is room for improvement compared to the level prior to COVID-19.

As part of the Group's CCC improvement measures, we began deploying the GVA tree during the fiscal 2023 budget process. In principal committee reporting materials, we break down GVA into a tree format by major component to manage the progress of GVA budgets for each division. Our goals are to increase awareness toward costs as they apply to assets thereby promoting improvements by identifying the amount when major assets, including accounts receivable, inventories, and fixed assets, are converted to costs, and the subsequent impact on GVA.

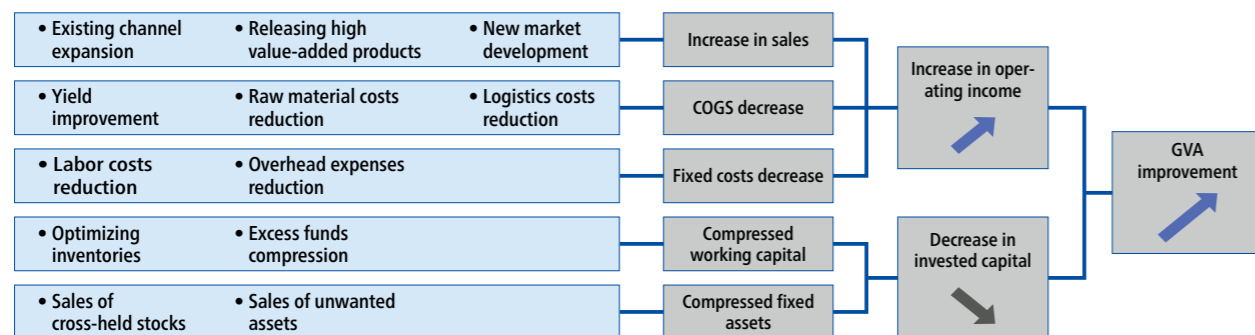
In addition, we undertook the sales of cross-held stocks totaling 3.2 billion yen in fiscal 2022. As a result, the market

value of cross-held stocks as a percentage of total net assets decreased from 9.9% as of the end of fiscal 2021 to 8.7% as of the end of fiscal 2022. Looking ahead, we will work to further reduce cross-held stocks while evaluating the significance of our holdings.

While efforts to promote investments aimed at increasing production in the engineering plastics field and medical business are progressing at a pace faster than originally planned, we expect to achieve our invested capital targets as a result of the aforementioned initiatives.

From fiscal 2022, we have made the degree of GVA target achievement an important KPI in determining performance-linked compensation for Directors and corporate officers. This initiative aims to promote increased awareness toward GVA management.

Performance Indicator Tree for GVA Improvement

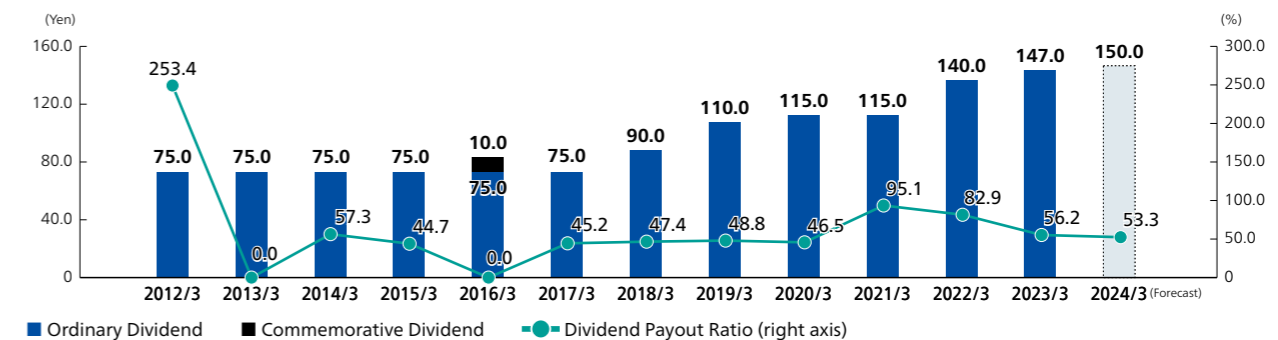


Market Evaluation and Shareholder Returns Strategy

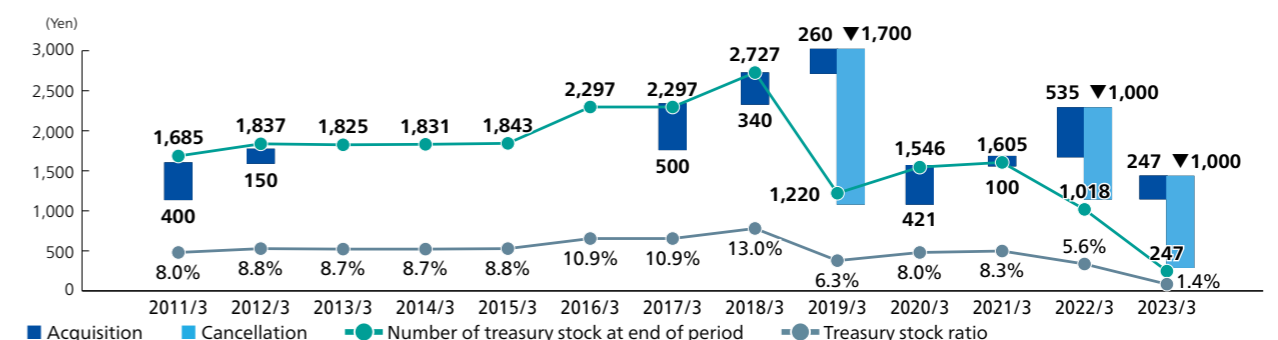
In March 2023, the Tokyo Stock Exchange issued a release on the implementation of management that is conscious of the cost of capital and stock prices. With respect to companies listed on the Prime and Standard Markets, companies with Price Book-value ratios (PBRs) below 1x and companies with issues relating to their return on capital and growth potential, in particular, are requested to take action. The Gunze Group's PBR was 0.7x, as of the end of fiscal 2022, below the benchmark of 1x. PBR is calculated by multiplying Return on Equity (ROE) by the Price Earnings Ratio (PER). Against the Prime Market PER average that trended above 15 times in fiscal 2022, the Gunze Group's cost of shareholders' equity fell below this level on its ROE of 3.9%. Taking the aforementioned into consideration, we recognize the need to address this issue. While the potential exists to reduce the denominator (total equity) in the short term through the large-scale

purchase of treasury stock and dividend increases, the stock market in general is looking for continuous growth in the numerator (earnings). Guided by our shareholder return policy, we will maintain our total return ratio at 100% until ROE exceeds the cost of shareholders' equity, where the existing dividend is based on a Dividend on Equity (DOE) Ratio of at least 2.2% and the remainder is returned to shareholders through the purchase of treasury stock, during the period of the Medium-term Management Plan VISION 2030 stage1. This policy is a clear indication of our intention to provide a stable and continuous return of profits to shareholders, maintain a constant level of total equity, and improve our return on capital through earnings growth. In line with these criteria, we set the dividend per share for fiscal 2022 at 147 yen, and forecast a dividend per share of 150 yen for fiscal 2023.

Dividend per Share, Dividend Payout Ratio



Treasury Stock



\* Gunze carried out a consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, dividends before the end of March 2017 are converted by reflecting this share consolidation.

Enhancing Corporate Value by Promoting the Medium-term Management Plan

Under the Medium-term Management Plan VISION 2030 stage1, the functional solutions business is expected to drive earnings growth, particularly in the plastics and engineering plastics fields. In the plastics field, we will also work to create sustainable corporate value through the start of full-scale operations at the Moriyama Circular Factory™. In the medical business, we will accelerate the pace of business expansion through proactive investments, beginning with efforts to increase production at our Ayabe Plant, and new product sales growth. Moreover, we will improve earnings by implementing structural reforms in the apparel business and strengthening management with a focus on profitability in the lifestyle creations business. Through these means, we will definitively achieve all of the Group's targets for fiscal 2024, including operating income of 10 billion yen and an ROE of 6.32%. We will also work to

secure an ROE of 8% or higher as quickly as possible. Looking ahead, in addition to promoting capital cost-focused management, we will compare and analyze the stock market's assessment as reflected in the Company's stock price with our own estimated theoretical stock prices and take appropriate countermeasures. In addition to the income approach method based on the free cash flow plan of each business, we will calculate and verify the Company's business value using the market approach method based on each business profit plan. Through appropriate corporate communications and IR activities, we will work to have the stock market recognize the previously mentioned growth scenario aimed at achieving the return on capital target. In this manner, we will maintain and improve our PER, which we believe will lead to the creation of corporate value with a PBR in excess of 1x.

Internal Corporate Communications Efforts to Instill Greater Awareness Toward Cost of Capital-based Management

In order for employees to better understand the concept and details of the Group's cost of capital-based management, we have taken steps to explain and promote the importance of GVA, a management indicator, a total of 10 times using the intranet and internal newsletters since fiscal 2020. In doing so, we have worked to instill greater awareness toward cost of capital-based management and to unify all employees behind the Group's endeavors. Furthermore, we took steps to issue a series of easy-to-understand booklets to help employees better comprehend the connection between daily operations and cost of capital-based management and the individual tasks to be undertaken to improve GVA. This initiative was made in response to calls to document the Group's management policies in paper form. After completing this series, we conducted a survey and posted feedback, including details of the level of understanding, on the intranet. We will continue to make cost of capital-based management more familiar to employees. By deepening their understanding, we would expect employees will increasingly put cost of capital-based management into practice in their work.

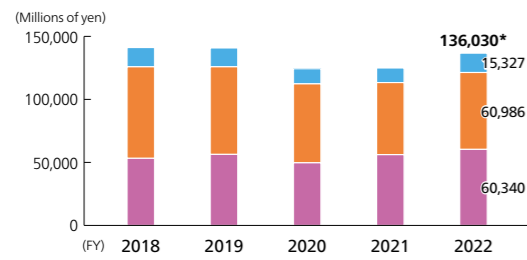


Booklet published to instill greater awareness toward cost of capital-based management

# Financial and Non-financial Highlights

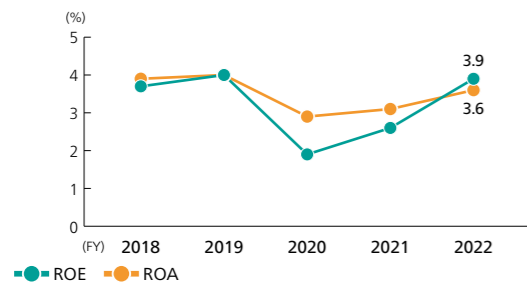
## Financial

### Net Sales by Segment



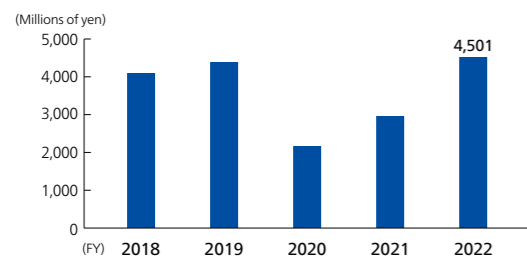
\* Total data is consolidated net sales  
Revenues increased in all segments in fiscal 2022. Net sales totaled ¥136,030 million, up 9.4% year on year.

### ROE/ROA



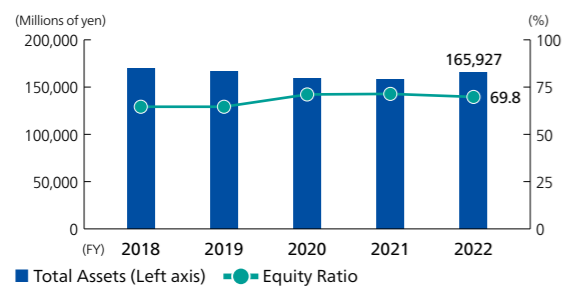
ROE and ROA increased in line with the upswing in net income and operating income. (YoY: ROE up 1.3 percentage points; ROA up 0.5 of a percentage point)

### Profit Attributable to Owners of Parent



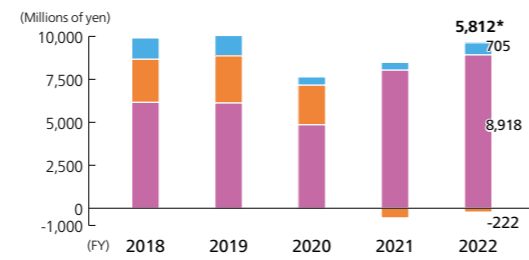
Based on the increase in operating income and posting of extraordinary income, including the gain on sale of non-current assets and gain on sale of investment securities, profit attributable to owners of parent climbed ¥1,561 million year on year.

### Total Assets/Equity Ratio



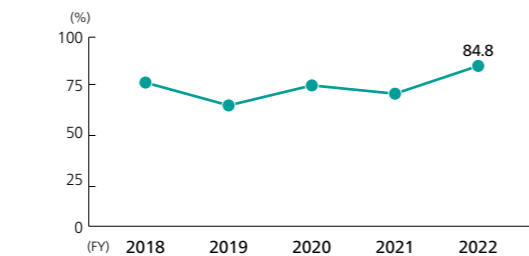
Total assets as of the end of the fiscal year under review stood at ¥165.9 billion, up ¥7.7 billion compared with the end of the previous fiscal year. The equity ratio came in at 69.8% in line with the previous fiscal year.

### Operating Income by Segment



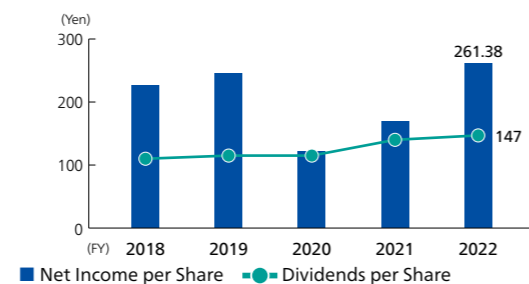
\* Total data is consolidated operating income  
Despite the impact of such external factors as sharp foreign currency exchange rate fluctuations and soaring raw material and fuel prices, Gunze secured an increase in operating income of ¥932 million year on year.

### Total Shareholders Return (TSR)



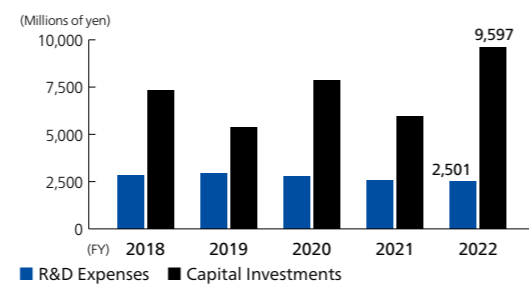
Total Shareholders Return (TSR) in fiscal 2022 came in at 84.8%, up 14.7 percentage points compared with the base year of fiscal 2017 five years ago.

### Net Income per Share/Dividends per Share



The annual dividend for fiscal 2022 was set at ¥147 per share, up from the initial forecast of ¥145 per share. Based on the DOE benchmark (2.2% or higher), the annual dividend for fiscal 2023 is projected to come in at ¥150 per share.

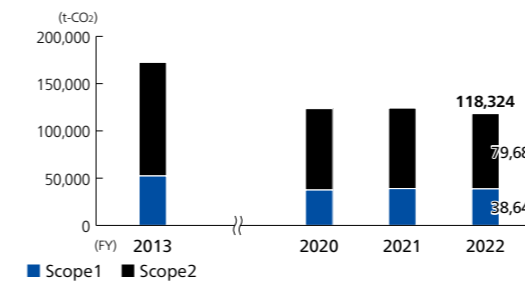
### R&D Expenses/Capital Investments



In fiscal 2022, the Gunze Group made aggressive investments (¥9,597 million) in a plastic film production resource-circulating factory and equipment.

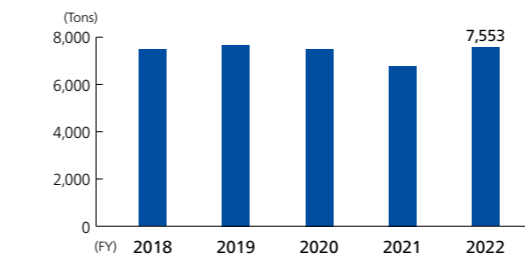
## Non-financial

### CO<sub>2</sub> Emissions (Japan + Overseas) Scope 1 + Scope 2



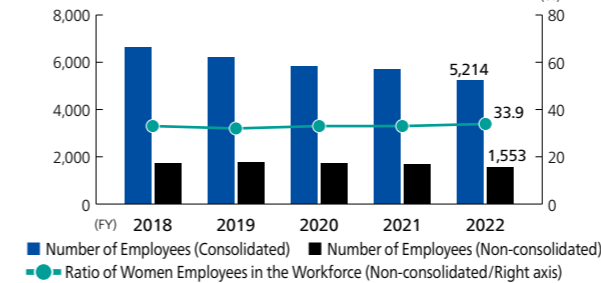
The Group will promote sustainable energy-saving activities and the use of renewable energy to reduce CO<sub>2</sub> emissions.

### Total Waste Generated (Japan)



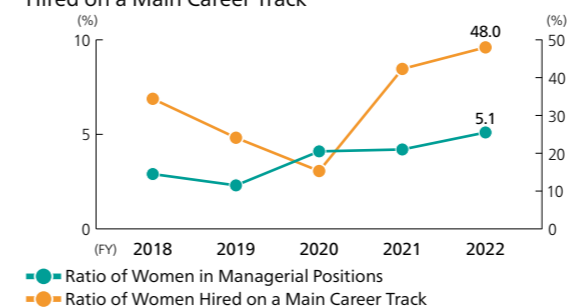
Results in fiscal 2022 exceeded the previous fiscal year. The Gunze Group will strive to reduce the amount of waste generated and promote the recovery and reuse of waste.

### Number of Employees and Ratio of Women Employees in the Workforce



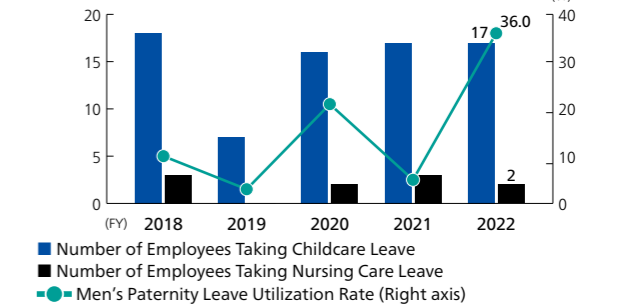
The number of employees decreased on both a consolidated and non-consolidated basis. The percentage of female employees increased 0.7 of a percentage point, to 33.9%.

### Ratio of Women in Managerial Positions/Ratio of Women Hired on a Main Career Track



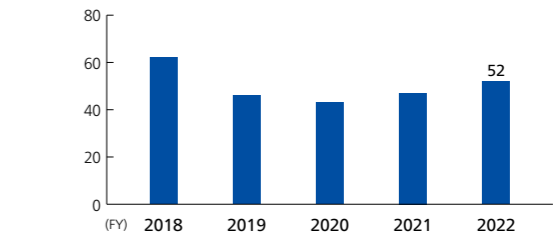
The ratio of women hired on a main career track was 48.0%. The ratio of women in managerial positions is increasing.

### Number of Employees Taking Childcare and Nursing Care Leave/Men's Paternity Leave Utilization Rate



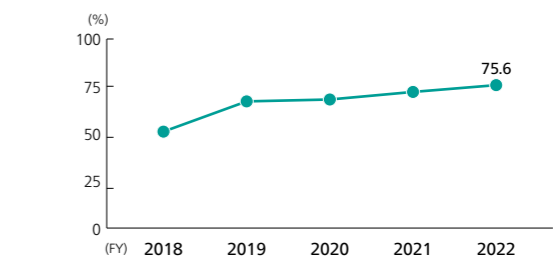
Promoted as child-rearing support, the men's paternity leave utilization rate came in at 36.0%, exceeding the fiscal 2022 target of 30.0%.

### Number of Employees Who Have Acquired Shorter Working Hours for Childcare



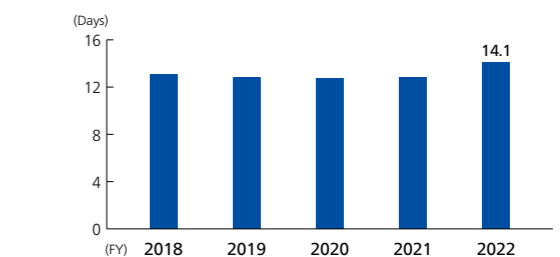
The system of short working hours for childcare is available to employees who are raising a child up to the end of March of the third year of elementary school. The system was utilized by 52 employees in fiscal 2022.

### Reemployment Rate after Retirement



After retiring at the age of 60, 75.6% of employees continue to work under the reemployment program in fiscal 2022.

### Average Number of Days of Annual Leave Taken



The number of days of annual leave taken, which the Group promotes as part of its efforts to establish an organizational culture, came in at 14.1 days, exceeding the target of 14 days in fiscal 2022.

## Functional Solutions Business



### Supporting the future through new fields, including the development of sustainable and other differentiated products that deliver new value and the expansion of global markets

The functional solutions business began in 1962, when the rapid growth of the petrochemical industry and the rising consumption of plastic resins prompted the Company to enter the plastic films field, starting with the production of its own packaging film for stockings. Since then, we have developed unique new technologies through the fusion of resin processing and surface processing technologies. Following these developments, we expanded our business into the engineering plastics field, the electronic components field, and the mechatronics field. Today, we offer one-of-a-kind, niche products in each of these businesses. We will continue to engage in the creation of new value to support a sustainable society and economic activities.

#### Toshiyasu Saguchi

Representative Director,  
President and President Corporate Officer  
Functional Solutions Business and Medical Business Executive Officer

### Fiscal 2022 Business Strategies and Results

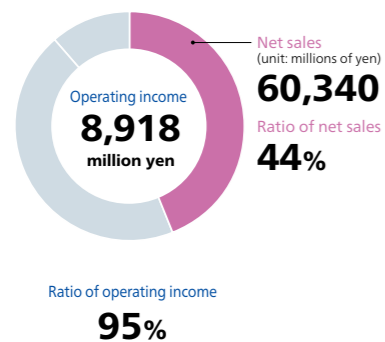
In fiscal 2022, the functional solutions business saw strong performance overall despite the impact of soaring raw material and fuel prices. As a result, the business recorded net sales of ¥60.3 billion and record-high operating income of ¥8.9 billion.

In the plastic films field, sales of packaging films remained robust, whereas films for industrial applications struggled due to weak market conditions. Similarly, our mainstay shrink films also saw lower sales volume due to the shift to label-less bottles in the beverage industry.

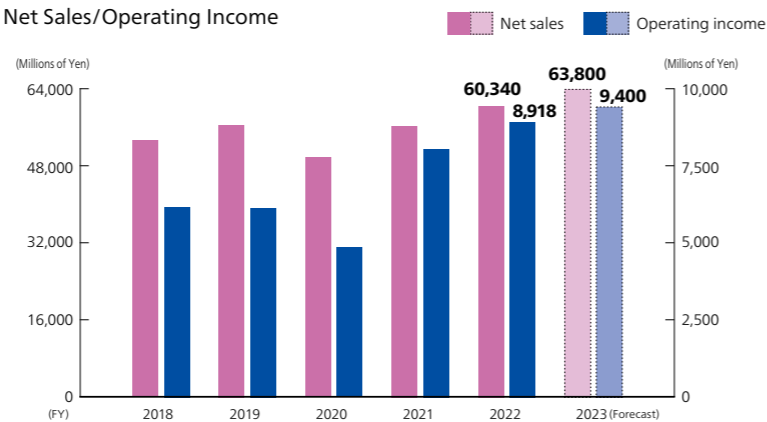
Soaring utility costs also placed downward pressure on profits. In the engineering plastics field, sales of films for OA applications trended positively owing to a recovery in sales of office-related products, while sales of films for the

semiconductor market also continued to perform robustly. The electronic components field was affected by deteriorating market conditions in the touch panel business. Despite the impacts of supply chain disruptions on medical lasers, the medical devices remained firm due to steady progress in new product market launches. As new initiatives, we launched the Circular Factory Project in the plastic films field, developed new applications in the engineering plastics field, and ramped up initiatives toward expanding the medical business through corporate mergers in the medical materials field. On the other hand, we sold off the film division from our electronic components business as part of our business restructuring efforts.

#### Fiscal 2022 results



#### Net Sales/Operating Income



\* Forecast values for fiscal 2023 were calculated so as to include the medical business after splitting it off from the functional solutions business

### Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

#### Plastic Films Field

##### Results and Challenges

In fiscal 2022, the domestic business saw continued strength in nylon and other films that help reduce food loss, despite being affected by a contraction in the shrink label market due to soaring raw material and fuel prices and by a weak market for industrial applications. The overseas business experienced steady sales growth in ASEAN countries, yet was impacted by lower demand in the United States due to the COVID-19 pandemic, weak market conditions due to inflation and other shifts in the business environment, and supply chain disruptions. With the aim of transitioning to a sustainable business structure, we built the new MoriYama Circular Factory as a resource-recycling factory. Going forward, we will actively work to attract customers in an effort to gain an understanding of and support for our resource recycling strategy. Similarly, we will strengthen global expansion as a

circular manufacturer that spreads new application value for plastics to the world in aims of becoming a market leader.

##### Future Initiatives

We will launch and expand sales of recycled, biomass, olefin, and other new environmentally friendly films, as well as films that are effective in reducing food waste and loss. Similarly, we will begin full-scale operations at our Circular Factory (resource-recycling factory) and promote the establishment of recycling centers that will form the foundation of our transformation into a circular manufacturer. We will also deploy the Circular Factory Plan horizontally to overseas factories in the future as appropriate. Moreover, we will advance production innovations through greater application of digital technologies, and we will strengthen sales in overseas markets, including the United States, China, and ASEAN countries.

#### Engineering Plastics Field

##### Results and Challenges

During fiscal 2022, semiconductor-related products contributed significantly to higher sales in the engineering plastics field. Despite the impact attributable to global exhaustion of the fluororesins used as a raw material for these products, our efforts to secure new procurement channels and to implement other aggressive response measures led to a robust performance overall. Health and medical-related products also contributed to business scale expansion as a result of progress in pioneering new markets through finely customized proposals targeting customers against a backdrop of high quality. Although the OA market saw an end to growth in mainstay products for compact devices, which had expanded with the spread of remote work, this area still trended positively

owing to strong sales of multi-function printers for offices against a backdrop of economic recovery.

##### Future Initiatives

We will work to increase the market share of mainstay products targeting the OA market through the development of high-end products intended to address a maturing market, as well as through active deployment of products made using proprietary technologies. On the other hand, along with establishing a bolstered production system for strong-selling semiconductor-related products, we will work to ensure adoption of and develop new customers for health and medical-related products, as well as for products for industrial equipment, through capital investments and other means.

#### Medical Materials Field

##### Results and Challenges

In fiscal 2022, sales of our mainstay bioabsorbable reinforcement felts were impacted by the decline in surgeries in Japan during the 7th and 8th waves of COVID-19. Similarly, sales in China also struggled due to that country's zero-COVID and other medical policies. Medical lasers also contested with stagnant sales due to the difficulty in securing devices as a result of global semiconductor shortages. In contrast, bone fixation devices experienced improvements in profitability and supply stability owing to progress in the shift from purchased goods to those made by the Company. On the organizational front, with the aim of creating a foundation for future business growth, we will organize Gunze Medical as a company dedicated to medical devices with a fully integrated system from research to production and sales, and will construct a system for expanding the clinical field and global sales. On a similar note, in fiscal 2023 we split off the medical materials field, which was included in the

functional solutions business, as the independent medical business in order to clearly define its roles as a Gunze growth business.

##### Future Initiatives

We will achieve sustained business growth by creating new corporate value through the provision of innovative medical devices centered on bioabsorbable products. Through organizational restructuring aimed at strengthening the business foundation, we will establish a system to increase production of absorbable reinforcement felt, bone fixation devices, artificial dermis, and other products, and will accelerate business expansion by strengthening sales in the United States and China and by continuously developing new products. With a target completion date of March 2025, we will enlarge and expand the floor area of the Ayabe Plant as our core factory, and introduce equipment to enhance the production scale and improve efficiency.

# Apparel Business



**Aiming to accelerate growth of direct to consumer (D-to-C) channels, promoting organizational restructuring and streamlining that addresses changes in the market, and working to enhance and accelerate strategy execution**

Despite sales returning to a recovery track, in fiscal 2022 the apparel business recorded an operating loss of ¥0.2 billion against higher net sales of ¥60.9 billion. This loss was primarily due to the impact of historical depreciation in the yen and soaring raw material and energy prices. As part of our business structure reforms that we have undertaken with the sincere acknowledgement of these harsh results, we shifted the Company's organizational structure from a business division system to a functional division system in fiscal 2023. This move followed upon our sales organization integration in September 2022. Going forward, we will construct an MD, production, and sales system that reflects consumer needs, and establish competitive advantages through improved brand power leveraging the collective strengths of the apparel business.

**Ryoji Kawanishi**

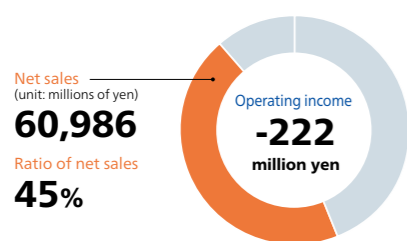
President, Apparel Company  
Apparel Business Executive Officer  
Director and Corporate Officer

## Fiscal 2022 Business Strategies and Results

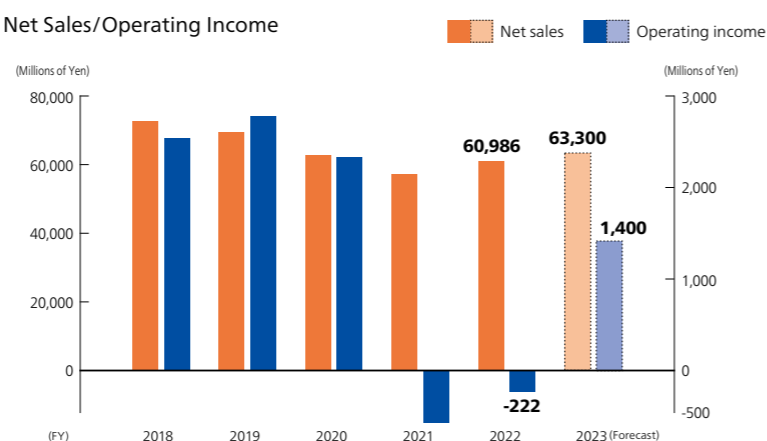
In addition to the market recovery coinciding with the normalization of social and economic activities, which had contracted due to the COVID-19 pandemic, strong performance in the e-commerce and SPA channels led to steadily expanding sales in each field. Profitability, however, deteriorated due to the yen's depreciation at the beginning of the year, as well as to economic fluctuations such as soaring cotton thread and energy prices. In response, we have continued to engage in efforts to recover profitability with a focus on price revisions since the 2022 fall season. In the innerwear field, molded boxer shorts, differentiated foundation, and other high

value-added products performed well. Meanwhile, as a structural reform initiative for the legwear field, we shut down our production base in China and reorganized the production framework into one with a single production base in Japan. This move was made based on our judgement that a major market recovery remained unlikely due to the rapid contraction in the stockings market. Moreover, in regard to the organizational restructuring of the sales divisions, we shifted from an industry-specific sales system to a cross-industry sales system in an effort to streamline operations.

Fiscal 2022 results



Net Sales/Operating Income



## Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

### Innerwear Field

#### Results and Challenges

In fiscal 2022, the overall apparel business saw a further expansion of sales through the D-to-C channels of e-commerce, which has grown in line with changes in consumer behavior, and directly managed stores. At the same time, this business advanced collaboration with other companies. As far as products in the innerwear field are concerned, we expanded wellness and health products and ethical products in response to consumer preferences focused on natural materials, casual-oriented trends, increasing health awareness, and higher environmental awareness. We also strengthened efforts to expand sales of women's innerwear such as Femtech products and the differentiated foundation lineup. Turning to mainstay brands, sales of molded 3D-Boxer shorts in the men's innerwear BODY WILD brand performed well through e-commerce channels. Similarly, YG saw higher sales of NextRa+, which is made from sustainable raw materials and modified cotton fabrics, alongside stronger sales for the in.T series and cutoffs®. Looking at women's innerwear, KIREILABO saw strong sales of innerwear with adhesive cups, heavy-weight fully-seamless innerwear, and Fitte made from organic cotton. Meanwhile, Tuché

saw strong sales for bras and 3D molded shorts, for which we enhanced product variation, through e-commerce channels.

#### Future Initiatives

Through organizational restructuring of the apparel business aimed at improving competitiveness based on our integrated corporate strengths, we will further expand sales through D-to-C channels, including e-commerce, which have been growing in line with changes in consumer behavior, and directly managed stores. Similarly, we will actively promote collaboration with other companies. At the same time, we will focus management resources on the lifestyle field, engage in efforts to attract new customers, and work to expand sales of women's innerwear through differentiated products. In terms of production, we will strengthen cost competitiveness through automation and the establishment of a globally optimized production system. At the same time, we will promote the net zero carbon factory plan (Yanase Plant: Asago City, Hyogo Prefecture) in stages. This plan consists of achieving virtually zero CO<sub>2</sub> emissions through the use of renewable energy and unmanned lines (in some cases) at our core production plants in Japan.

### Legwear Field

#### Results and Challenges

In 2022, we strengthened market responsiveness based on changing consumer needs, aggressively launched new products in the leggings and bottoms categories, including health-related products, and promoted structural reform by reorganizing our production bases. Despite the prolonged continuation of harsh conditions for mainstay stockings and tights, all channels are recovering in line with the return to a normal flow of people. Moreover, as a growth item, bottoms-related product sales trended favorably due to increasing opportunities to wear these items in connection with changing lifestyles. In addition, we will take urgent action to improve profitability with a focus on significantly reducing fixed costs through efforts including revising prices starting in the 2023 spring season, reducing fixed costs, and consolidating production bases to domestic plants.

#### Future Initiatives

From a stockings' perspective, we will renew our mainstay SABRINA brand products while making price revisions in an effort to expand sales through a fresher product lineup. Moreover, we will engage in efforts to expand sales of bottoms and leggings through D-to-C channels, centered on e-commerce based on the introduction of specifically designed products, as a means of strengthening digital sales promotion. Similarly, we will work to expand the field of products in new categories. On the production front, we will work to achieve an appropriate inventory balance. Similarly, we will enhance market responsiveness by engaging in efforts to strengthen our ability to address product replacement and to innovate production sites through automation, for example, under a single domestic production base structure.

### Threads & Accessories Field

#### Results and Challenges

In fiscal 2022, higher overseas sales made up for the impacts of COVID-19 in China and soaring raw material and fuel prices, leading to a strong performance. Amid the differences in market conditions faced by each country, we will actively strengthen operating activities to achieve a recovery from today's uncompromising environment.

#### Future Initiatives

In addition to our mainstay sewing materials for clothing,

we will work to expand sales for applications targeting industrial materials and automobiles, and will strengthen global deployment of recycled threads and other environmentally friendly materials. We will also expand sales to other departments within the Gunze Group. Moreover, we will continue to engage in sales price revisions in an effort to improve profitability. In terms of production, we will strengthen the stability of our production system using the supply capabilities possessed by the four production bases in Asia for the same products.

# Lifestyle Creations Business

## Pursuing the realization of a feeling of comfort within lifestyles through people- and earth-focused services

Results for fiscal 2022 trended positively due to the redevelopment of underutilized land, with net sales reaching ¥15.3 billion and operating income climbing to ¥0.7 billion. In the real estate development business, the main businesses are shopping center management and property management. In the sports club field, we operate 21 clubs in Japan and two clubs overseas. We are committed to providing essential services that complement social infrastructure as bases for local communities. The landscaping and greening business develops environmental businesses that create a sustainable society where people can live in safety and health by providing greenery. We will continue our efforts to respond to changes in the environment and strengthen profitability, while pursuing the realization of a feeling of comfort in people's lifestyles.

### Makoto Kumada

Life Creations Business Executive Officer  
President and Representative Director  
Gunze Development Co., Ltd.  
Director and Managing Corporate Officer

## Fiscal 2022 Business Strategies and Results

In the real estate business, we have improved the profitability of commercial facilities and strengthened property-specific management with an emphasis on investment efficiency. In the sports club business, we have worked to strengthen our response to the post-COVID era, as well as to expand membership and the school business in accordance with regional and store characteristics.

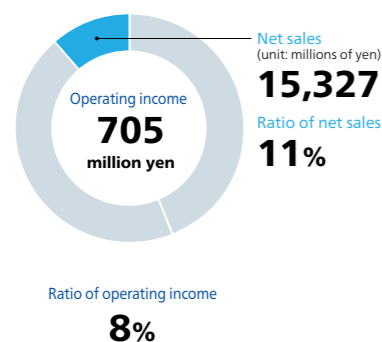
In the landscaping and greening business, we actively engaged in the environmental business to reduce CO<sub>2</sub> emissions. Both the shopping center and the sports club businesses have returned to a recovery track following the lifting of pandemic restrictions on activities.

## Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

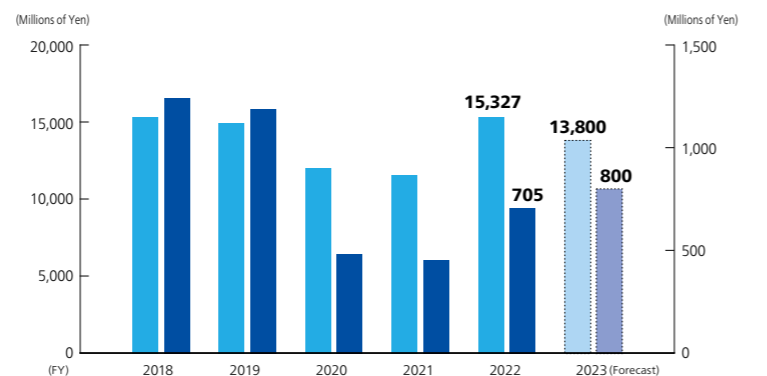
We will renovate commercial facilities in order to enhance the level of their appeal, and strengthen priority management through careful examination of investment efficiency. In the landscaping and greening business, we will actively work to capture demand for greening moving toward Expo

2025 Osaka Kansai and to increase the amount of CO<sub>2</sub> fixed by plants. In the sports club business, along with expanding the school business, we will grow sales and profits by providing services tailored to regional and store characteristics, as well as by developing new types of businesses.

### Fiscal 2022 results



### Net Sales/Operating Income



# Progress of Materiality under VISION 2030 stage1

Materiality	KPIs (Fiscal 2024 Targets)	Current Progress (Figures are Fiscal 2022 Results)	Pending Issues
Creation of New Value	<b>New business-related</b> • Commercialization of functional films such as films for next-generation lithium-ion batteries	• Completion of the initial design of resin current collector films • Implementation of R&D for the commercialization of functional films	• Provision of mass production support tailored to each customer's business situation • Expansion and examination of R&D targets with a view to expanding fields/domains
	<b>Development of environmentally friendly products</b> Value creation from resource circulating-type films • Expand sales of biomass plastic products • Expand sales of low-density polyolefin products • Development of films to reduce food waste	• Development and market launch of biomass plastic film products, low-density polyolefin products, and environment-friendly shrink films that employ recycled raw materials • Development and market launch of a thin coextruded blown film for the vacuum packaging of frozen foods to reduce food waste; expansion of use	• Expansion of the use of environmentally responsible products; establishment of technologies for resource recycling, and; the creation of a mechanism for supply chain collaboration. • Upgrade and expansion coupled with increased use of films that help reduce food waste
	<b>Net sales of medical-related products</b> • Sales of new medical products	• Transformation to an organizational structure dedicated to comprehensive medical devices from R&D to sales (April 2023) • Proactive market launch and sales expansion of new products, including adhesion barrier materials	• Acceleration of the speed of new product development that reflects the needs of the clinical site • Strengthening of selection and concentration through portfolio strategies by medical field as well as exploration of the potential of mergers and acquisitions
	<b>Net sales of wellness and health category products</b> • Lifestyle-oriented products • Health category products	• Strengthening of the Company's ability to respond to changes in consumer behavior and lifestyles by integrating the sales and merchandise planning department in the apparel business as a whole (April 2023)	• Acquisition of new customers by rebuilding the MD strategy and proposing products that maximize customer lifetime value
Evolution of Corporate Constitution	<b>D&amp;I promotion (Promotion of women's empowerment, etc.)</b> • Ratio of women in managerial roles: 6% or higher • Ratio of female employees in the workforce: 35% • Paternity leave utilization rate: 50%	• Ratio of women in managerial roles: 5.1% • Ratio of female employees in the workforce: 34% • Paternity leave utilization rate: 36%	• Maintenance of a 50% ratio of women hired • Increase in the ratio of career hires • Enhancement of leader skills training program and expansion of childcare support systems • Increase in the paternity leave utilization rate
	<b>Initiatives for Respecting Human Rights</b> • Conduct human rights due diligence on the Company and its major business partners	• Conduct of in-house assessments (identification of the actual status of foreign technical interns) (domestic plants: six companies) • Conduct of supplier assessments: 94 companies • Implementation of improvement measures based in assessment analysis results • Conduct of follow-up investigations and discussions of future actions	• Promotion of training and other programs for suppliers (Expansion of coverage to overseas suppliers)
	<b>Strengthening of risk response capabilities</b> • Holding of Risk Management Committee meetings: Four times	• Holding of Risk Management Committee meetings: Four times	• Strengthening of the operations of whistleblower systems
	<b>Building of personnel system, improvement of working environments</b> • Improvement of engagement score: 70 points (estimate) • Annual leave utilization rate: 75% • Productivity improvement through mindset, duty, and office transformations • Streamlining of business processes by utilizing online meetings	• Engagement score: 62 points • Annual leave utilization rate: 70.1% • Office reform: Completion of a new office building at the Konan Plant (Aichi Prefecture), new construction of the Dojima office (Osaka City) • Online meetings: Usage time 119,181 hours	• Continued implementation of 1-on-1 meetings • Increase in the annual leave utilization rate through improvements in operating efficiency such as DX and work style reform • Thorough management of working hours and reduction of long working hours • Establishment and expansion of various systems (telework, flexible work hours, etc.) to enable employees with diverse backgrounds to choose the work style that suits them best
<b>Improvement of productivity in all areas, including production, by utilization of AI, IoT, sensing technologies, etc.</b> • Productivity improvement rate (P value) *: 103% * Gunze's own productivity metric over the previous year	• Productivity improvement rate (P value): Domestic 102.7%, Overseas 100.3%	• Expansion of labor-saving and unmanned lines, and horizontal deployment to each plant	
Environmentally Responsible Management	<b>CO<sub>2</sub> emissions reduction rate</b> • Reduction vs. FY2013 Scope 1 + 2* (Domestic + overseas): 28% or higher * Gunze Group total • Starting Scope 3 calculation, setting targets by FY2024 • Per-unit energy consumption reduction rate (vs. previous year): 1% per year or higher • Construction of Circular Factory: Plastic film, Moriyama Plant (Shiga Prefecture) • Construction of Net Zero Carbon Factory: Apparel, Yanase Plant (Hyogo Prefecture)	• Scope1+Scope2: 118,324t Reduction of 26% or higher (vs. FY2013) • Scope3: 423,860t • FY2022 per-unit energy consumption reduction rate: 0.7% reduction vs. the previous year (domestic) • Completion of the new plastic film Moriyama Plant • Consideration of net zero factory automated line • Construction completion of a ZEB office building at the Konan Plant	• Scope1+Scope2: Reduction of 28% or higher (FY2024) Sustained energy conservation activities and expansion of the renewable energy ratio • Scope3 target setting (FY2024) • Continued FY2022 per-unit energy consumption reduction rate: 1% per year or higher • Establishment of a recycling center at the plastic film Moriyama Plant and ZEB office building • Promotion of smart plants (unmanned lines)
	<b>Focused investment of management resources in growth businesses and growth areas</b> • Environment-related investment: 8.6 billion yen • Acquisition of new targets by expanding channels EC+SPA sales ratio: 24% • Business expansion through business alliances and M&A	• Environment-related investment: ¥3.4 billion (circular factory: ¥2.9 billion, Konan Plant ¥0.5 billion) • EC+SPA sales ratio: 22%	• Promotion of construction plans for a recycling center • Increase in the EC+SPA sales ratio • Cultivation of loyal customers through a proprietary CRM program • New store openings in commercial facilities with considerable ability to attract customers
Capital Cost-focused Management	<b>Restructuring of low-growth businesses and fields</b> • ROE 6.3% or higher • GVA -¥2.3 billion (improvement of ¥0.3 billion vs. the previous year) • Familiarization through the development of all GVA Tree businesses • Dissemination of information to all employees, including overseas employees, using the intranet (eight times) • Transfer of the film business in the electronic components field and termination of production at the Chinese plant in the legwear field	• ROE: 3.9% • GVA -¥2.3 billion (improvement of ¥0.3 billion vs. the previous year) • Familiarization through the development of all GVA Tree businesses • Dissemination of information to all employees, including overseas employees, using the intranet (eight times) • Transfer of the film business in the electronic components field and termination of production at the Chinese plant in the legwear field	• ROE: 6.3% or higher (FY2024) • Positive Company-Wide GVA (FY2024) • Continuous structural reform initiatives
			▶ For details: P. 34~ → Financial Capital Strategy



## Human Resources Strategies



**Makoto Ogura**  
Corporate Officer  
General Manager, Personnel &  
General Affairs Department

The social environment has changed dramatically in recent years, and in this era of uncertainty, the so-called volatility, uncertainty, complexity, and ambiguity (VUCA) era, work styles and individual values are diversifying. In order to keep up with the pace of change, individuals and organizations will need to be autonomous, and the relationship between companies and their employees is expected to change. Employees must proactively contribute to companies by developing their careers on their own based on their expertise and strengths. On the other hand, companies must create growth opportunities for employees and do their utmost to support employee efforts to develop a future career vision. This indicates that a major shift in

values is taking place as the role of managers pivots from management to growth support. Since fiscal 2023, the Gunze Group has established a new system that allows employees to further realize their aspirations regarding career design, and the Group is working to invigorate personnel exchanges through strategic rotations that place the right person in the right job. Especially for younger employees, we intend to establish a system that enables them to design their own careers in order to foster a dynamic organization. At the same time, we will work to motivate mature employees, who make up half of the staff. We expect mature employees who have supported the Company for a long time to continue contributing further to the business. At the same time, we believe it is necessary to support mature employees in building their own second careers with the era of 100-year lifespans in mind. In addition, we will standardize activities to systematically pass on skills to younger employees—an important mission for mature employees—and to blend together skills and know-how. It is said that a company's growth is the sum of its employee motivation. We will promote the passing on of skills from mature to younger employees while also aiming to get younger employees up to speed quickly. In so doing, we will improve motivation and engagement among all generations in order to maximize the Gunze Group's human capital and, in turn, enable sustainable corporate development.

**Human resources are our greatest management resource. We are fostering a corporate culture in which all employees can fully demonstrate their abilities with a sense of job satisfaction, which is the cornerstone of corporate competitiveness, to become a healthy and visionary company.**

The Gunze Group has formulated a management strategy under the key phrase "Transform and Challenge" to realize a sustainable society in its Medium-term Management Plan VISION 2030 stage1. Promoting the evolution of our corporate constitution as part of our human resources strategy, we have established a basic concept of our human resources strategies based on the above that is linked to this evolution. We will promote the creation of an organizational climate in which diverse human resources can play an active role, with the aim of

enhancing the growth and motivation of all employees. In particular, we set KPIs for the ratio of women in managerial roles from the perspective of promoting women's active participation, for men's paternity leave utilization rate from the perspective of providing child-rearing support, for the annual leave uptake rate from the perspective of reforming work styles, and for the engagement score from the perspective of reforming corporate culture. We generally performed well in each category in fiscal 2022.

Materiality, KPIs (Fiscal 2024 Targets)

		KPIs Fiscal 2024 Targets	Fiscal 2022		
			Targets	Results	
Evolution of Our Corporate Constitution	Promoting women's active participation	Ratio of women in managerial roles	Over 6%	4.0%	5.1%
	Providing child-rearing support	Men's paternity leave utilization rate	50%	30.0%	36.0%
	Corporate culture reform	Engagement score	70 points (estimate)	64 points (estimate)	62 points
	Work-style reform	Annual leave uptake	75% (15 days)	14.0 days	70.1% (14.1 days)

## Human Resources Management Policy

Based on our human capital strategy aimed at maximizing human capital, we define the type of human resources we seek as those who can accept different values, think and act on their own initiative, and provide value in their areas of expertise. We will employ a diverse workforce mainly in terms of gender, nationality, age, and values, provide opportunities for education and training that support

independent career development, and give employees a chance to play an active role through placement strategies that drive individual autonomy and organizational growth. All of this will ultimately lead to sustainable company growth. Furthermore, we have formulated a human resources management policy that concentrates on the three pillars: diversity, autonomy, and success.

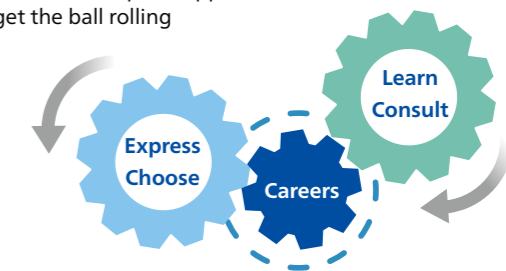


## Promote Human Resources and Independent Career Development

In order to foster a corporate culture that encourages independent career development, we believe it is essential to create opportunities for individuals to learn and consult about career options to find their own direction and to express and choose their own career path. In fiscal 2022, beyond existing level and career training, we expanded our support by providing opportunities for employees to think independently about their careers through such measures as establishing a new voluntary women's career workshop program, expanded career design training, ongoing 1-on-1 meetings, and promotion of recurrent education. Starting in fiscal 2023, we established an HRS Committee (for sharing human capital

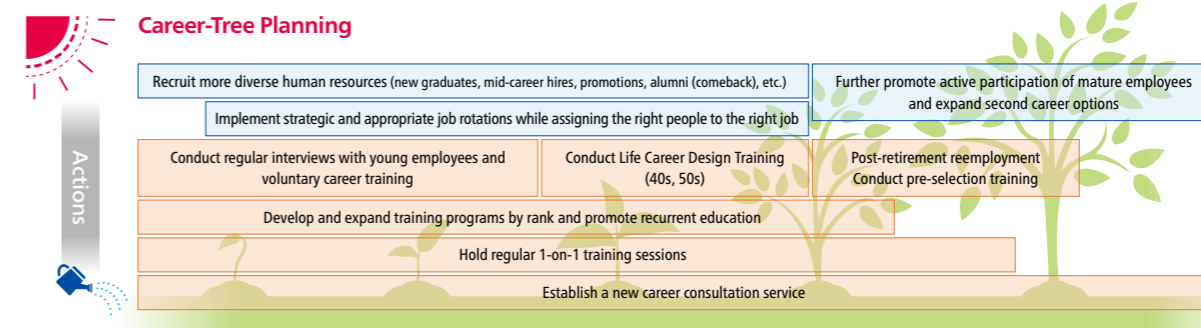
information) to promote the strategic allocation of the right resources in the right places based on independent career development aimed at improving employee engagement and maximizing human capital.

Create and expand opportunities to get the ball rolling



Carrier expectations in each age group and problem-solving approaches

	20s	30s	40s	50s	60s
<b>Expectation</b>	Able to follow a path from my current position and choose my career trajectory	Established one's own career direction within the organization	Consider the direction of one's late-career and move into action	Independently choose and build a promising second career	



Education and Training Systems

	Stratified training			Other general education		Self-education	
	Young employees	Next generation leader training	Management executive development	Skills basics	Career development		
Corporate officers			Management executive training		Coaching training	Distance learning, E-learning	Support system for qualification, language acquisition
Managers		Leadership School II	Leadership School III				
Mid-career employees		New manager training					
Young employees	Leadership School B	Leadership School I		Experimental design IE basic training QC basic training Other	Training for younger training staff	Career design training	
3rd year of employment	Follow-up training at the end of 3rd year of employment						
2nd year of employment	Follow-up training at the end of 2nd year of employment						
New employee	New employee training						

**Established Career Support Desk (from May 2023)**  
 As we enter the era of 100-year lifespans, employees must design their own careers, determine their life goals and career vision (life career), and work toward them in order to achieve independent career development. In order to actively support these actions, we have recently established a Career Support Desk, through which the Company helps employees deal with the various issues that arise in their duties together so that they do not have look for solutions alone.

**Diversity & Inclusion (D&I)**

The Gunze Group regards diversity and inclusion as one of its most important human resources strategies. We aim to enable all employees, regardless of their attributes and values, to fully demonstrate their abilities while feeling motivated in their duties. Further promoting women’s active participation is essential for realizing this aim, and we have defined the ideal state of women’s active participation as: all employees, regardless of gender or life stage, are able to fully demonstrate their abilities while enjoying a good work-life balance and feeling fulfilled in their work. In order to achieve a state in which a certain percentage of decision makers in each organization are women, we are actively working to enhance the number of women in career-track positions, which is a prerequisite for such a state. Specifically, we are promoting measures such as the continued implementation of a 50% female employment ratio (excluding those working rotating shifts), promotion of retention through career support that encourages autonomous growth, enhancement of training programs for promoting leadership positions, and expansion of childcare support systems. In terms of promoting women’s active participation along with work style diversity, we will also work to increase men’s paternity leave utilization rate.

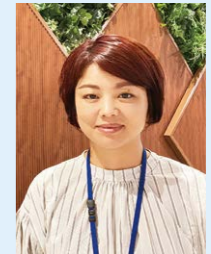
**Policy for Improving Internal Conditions**

In improving our internal environment, we place the utmost importance on a people-oriented approach, one of our management philosophies. To create an environment in which employees can work safely, healthily, and to the best of their abilities, we continue to improve operations through DX, thoroughly manage working hours, reduce long working hours, and develop and expand various systems (telecommuting, flexible work hours, etc.) to enable employees from diverse backgrounds to choose the work style that suits them best. The activities of the Work Style Reform Committee include various initiatives based on the four pillars: raising employee awareness, developing business infrastructure, reforming operations, and engaging in office reform. The relocation of the Tokyo branch office in February 2022 was an opportunity to realize office reform by promoting the shift to a free address system. We are laterally deploying this know-how in the Osaka area, taking the same approach at the Dojima Office, which opened in August 2022. In addition, we are promoting the improvement of the annual paid leave utilization rate with the aim of allocating the work time saved by improving operational efficiency to time that employees can spend freely. In consideration of human rights, we are actively working to create a corporate culture of no harassment, no inducement, and no neglect by continuing to conduct surveys to ascertain the actual situation and provide training based on the results as part of our efforts to prevent harassment in the workplace.

Feedback from Training Participants and Men’s Paternity Leave Users

**Leadership Training: Corporate Contributions for Women’s Active Participation**

I am a mid-level employee in the Company (which has a low percentage of women) who took leadership training in fiscal 2022. The course gave me a clearer understanding of myself, and I am currently going to school to obtain a certification for my future career development. Understanding my own characteristics, I have a better idea of what I need to learn and what I have to do to become a sought-after leader. I have also become more mindful about looking for causes and more efficient ways to solve operational problems, enabling me to find clues to solutions more quickly and clearly than before. In past training sessions I have attended, the participants were mainly those who were hired at the same time and doing similar work as myself. This time, however, I think we received training from the same perspective and mindset owing to the participation of women from the generation who will be tasked with leading Gunze in the future. I am grateful that this training has expanded my network of women in the Company, and I have made connections with people who work under similar conditions (childcare, flexible work hours, nursing care) and people in other workplaces, as well as making friends who can empathize with each other on various issues. This training was an opportunity for me to update my own career and to try new challenges. Looking ahead, I hope to contribute to the Company in any way I can by utilizing the contents of this training program to help younger employees and colleagues change their working styles and develop their careers so that they will be motivated to keep working, whether they are men or women.



**Masayo Suzuki**  
 Sales, Department Store Apparel Company

**Life, Career Training Promotes Human Resources and Independent Career Development**

I took the life and career design training course (at age 50) at a time when I was wondering about my future in this so-called era of 100-year lifespans. During this training, participants looked back on their careers so far, reexamined their values, organized their roles in life, and learned the concept of clarifying their desired vision for the future. Through this, I designed an autonomous way of living and working, giving me the opportunity to prepare and take action to realize my personal goals in my own way and with a positive attitude. After the training, I got in touch with a senior certified career consultant to determine my future direction and to set milestones toward taking the next step. I want to help others grow by sharing my knowledge and skills with them, giving advice, and sharing opinions. With this in mind, I began studying to acquire qualifications, using senior employees who had helped me as role models. I also had a 1-on-1 meeting with my supervisor to discuss my future career aspirations and reskilling (relearning) situation. This preparation and actions coincidentally coincided with my transfer to the Human Development. Currently serving on the Education Team, I am working to support the independent career development of our employees through various training programs and career counseling. I intend to continue developing my own career by thinking independently about it and striving for self-improvement, while reexamining how I live and work from time to time.



**Mitsunori Fujita**  
 Human Resources Development Office Personnel & General Affairs Department

**Work Style Reforms: Men’s Paternity Leave**

I took paternity leave to reduce my wife’s daily burden as much as possible and to create an atmosphere where it would be easy to take paternity leave where I work at the Konan Plant. Since there was no precedent for this in my department, about six months prior to when I wanted to take the leave, I spoke to my colleagues about how to cope with my absence. I then took paternity leave for a little less than a month, starting three weeks after my wife’s expected delivery date. After taking paternity leave, I became more aware than ever of completing my work more efficiently and on time. In addition, we are putting more effort into training our members so that the workplace can function without problems even when key personnel are absent. Taking paternity leave gave me enough time to learn about childcare. My wife said it was reassuring to have me with her during this difficult time caring for our first child and helping her throughout my paternal leave made her feel comfortable with taking care of the baby thereafter. I am still able to reduce my wife’s workload and perform my duties with a greater awareness of the balance between work and childcare.



**Takeshi Shibata**  
 Engineering Plastics Division Konan Plant

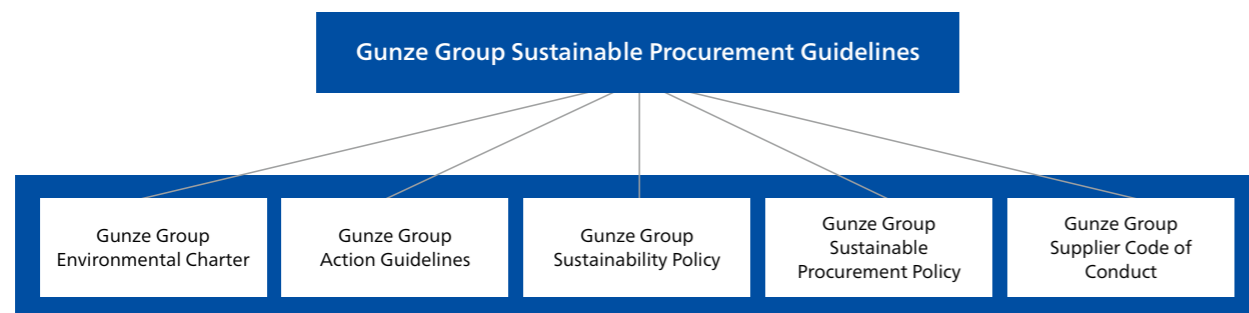
## Supplier Initiatives

### Sustainable Procurement and Promotion Structure

In recent years, the environment surrounding companies has changed dramatically in the context of globalization, and stakeholder interest in sustainability has risen to unprecedented levels.

Realizing a sustainable society will require companies to look beyond their own efforts, and to also take action throughout their supply chains. We recognize the need to present suppliers with a more concrete approach to sustainability in the supply chain in light of recent rapid environmental changes, and have established the Gunze

Group Sustainable Procurement Guidelines (2021) to further promote understanding and cooperation with the Gunze Group's sustainable procurement activities. These guidelines are disseminated to all Gunze Group business divisions and their members via the Sustainability Committee. Together with this, suppliers are requested to understand the purpose of the guidelines, comply with each item of the Supplier Code of Conduct, and practice the necessary actions and activities to achieve the purpose of the guidelines. We are also asking for the spread and penetration of the guidelines to those in the supply chain further upstream.



## Human Rights

### Gunze Group's Human Rights Policy

With a corporate name that expresses our intent of protecting local communities as our basic policy, Gunze's founding philosophy takes a people-oriented approach. Over our 127 years of history, we have therefore valued the rights of employees and all other related parties. In order to clarify our stance on this respect for human rights while taking into account international norms, we formulated and announced the GUNZE'S HUMAN RIGHTS POLICY in June 2022.

**GUNZE'S HUMAN RIGHTS POLICY**  
<https://www.gunze.co.jp/english/sustainability/management/humanrights>

### Conducting Human Rights Due Diligence Initiatives implemented up to April 2023 are as follows.

#### 1. In-house Assessments

In the apparel business, one of our main businesses, we conducted a survey of six factories in Japan that accept foreign technical interns. With media reports and other sources suggesting that trainees are prone to human rights risks, we undertook this initiative as a priority issue to understand the actual situation of foreign technical interns.

#### Method

Interviews were conducted with regard to appropriate working hours, wages, living environment, and occupational health and safety at work sites, based on the items

to be checked as exemplified in a separate volume of the "Guidelines for Responsible Corporate Conduct in the Textile Industry"<sup>\*1</sup> issued by the Japan Textile Federation (JTF).

#### Assessment results and future actions

Although no major human rights risks were identified, we discovered issues that need to be improved, such as the necessity to establish a Vietnamese language consultation service. In the future, we will promote measures to address this issue and develop a system to conduct periodic assessments by including a survey of the actual conditions of foreign technical interns in internal audit items.

#### 2. Supplier Assessments

We ask that suppliers understand the Gunze Group Sustainable Procurement Guidelines, which include the perspective of the Gunze Group's respect for human rights. In addition, from December 2022 to April 2023, we conducted assessments of all business divisions, with priority given to key suppliers of the following business divisions.

Business area	No. of relevant suppliers	Response rate
Apparel Business	75 companies	72%
Medical Materials Business	5 companies	100%
Plastic Films Business	14 companies	100%

#### Method

We had suppliers conduct a self-assessment based on the Global Compact Network Japan's Self-Assessment Questionnaire<sup>\*2</sup> for CSR procurement in order to confirm the status of their initiatives for human rights considerations, environmental conservation as well as quality and safety.

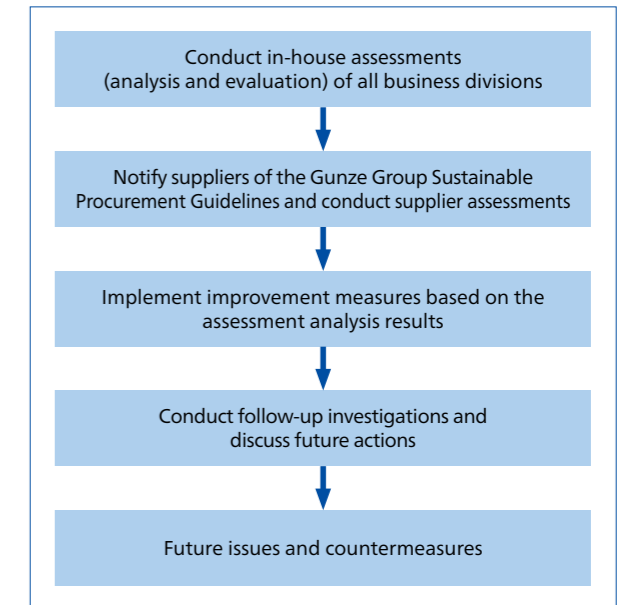
#### Assessment results and future actions

No critical human rights issues were identified in the scope of this submission. We are considering future efforts such as offering training programs for suppliers to gain their understanding and cooperation in our human rights initiatives. We also plan to expand the scope of assessment to include overseas suppliers. We will continue our efforts to prevent and address issues through such measures as strengthening the operation of our whistleblower systems.

<sup>\*1</sup> Guidelines for Responsible Corporate Conduct in Textile Industry: Guidelines for promoting corporate activities that respect international human rights, formulated by the Japan Textile Federation in cooperation with the International Labour Organization (ILO) Office in Japan.

<sup>\*2</sup> Self-Assessment Questionnaire for CSR procurement: Questionnaire developed by the Global Compact Network Japan to assess degree of understanding of CSR requirements.

#### Human Rights Due Diligence<sup>\*3</sup> Implementation Flow



<sup>\*3</sup> A process for identifying negative impacts on and risks for human rights, analyzing and evaluating risks, and formulating and implementing appropriate measures

## Value Co-creation with Multiple Stakeholders



<sup>\*</sup> Medium-term Management Plan VISION 2030 stage1 KPI

# Environmentally Responsible Management

The Gunze Group is advancing efforts to reduce environmental load through its business activities. In the plastics films field, we are aiming to strengthen activities for resource recycling—including the reduction of waste plastic, conversion to environmentally friendly and recyclable raw materials, and the development of recycled products that transcend the boundaries of our business divisions—as we transform into a circular manufacturer.

## Activities to Reduce Environmental Load

### Basic Approach

Gunze is working to balance both social and economic value by strengthening initiatives aimed at reducing environmental load with a focus on three major promotional items, namely, responding to climate change, realizing a resource-recycling society, and promoting sustainable procurement. In responding to climate change, we will endeavor to save energy, create energy, and use renewable energy with the goal of reducing total CO<sub>2</sub> emissions in Scope 1 and Scope 2 by at least 35% (compared to the 2013 benchmark) by 2030. Moreover, we will promote environmentally responsible business operations by further considering the use of energy innovations. As a part of efforts to realize a resource-recycling society, we will

reinforce efforts to recycle waste at all domestic business sites, spearheaded by the MoriYama Circular Factory™, in order to reduce waste throughout the Group. Finally, from a sustainable procurement perspective, we will promote the use of recycled, raw biomass, and other environmentally friendly materials, enhance relationships with suppliers, and work to reduce CO<sub>2</sub> emissions from raw materials. Through these resource recycling and sustainable procurement initiatives, the Gunze Group will take positive steps toward upgrading and expanding its lineup of environmentally responsible products while reducing Scope 3 emissions.

### The Gunze Group's Environmental Technologies and Initiatives

#### (1) Responding to climate change (saving energy, creating energy, and using renewable energy)

- Reducing energy loss through the introduction of energy management systems (EMS)
- Improving the efficiency of boilers, air conditioners, and other utility equipment
- Saving energy through new buildings with airtight and thermal insulation (acquire ZEB and CASBEE certification)
- Systematically installing solar power generation systems
- Shifting to low CO<sub>2</sub> emission fuels (from heavy oil to LPG and electrification)



New ZEB certified office (Konan Plant)



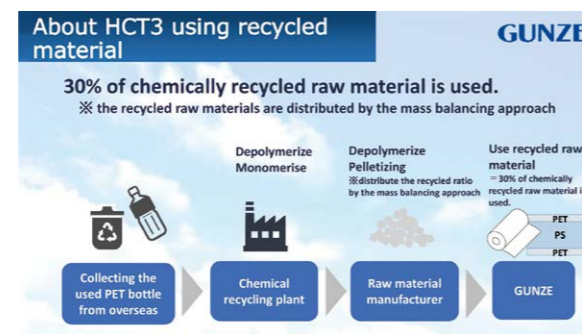
Electric chiller (Ayabe Engineering Plastics Co., Ltd.)

#### (3) Promoting sustainable procurement

We will actively work to upgrade and expand environmentally responsible products, with the aim of increasing the use of such sustainable raw materials as recycled polyester, organic cotton, and bio-mass for packaging.



Threads and accessories  
Sewing thread made of 100% recycled polyester



Plastic Film Company Hybrid shrinkable film with a recycled material ratio of 30%

## Initiatives to Enhance Corporate Value through Green Finance

### Developing a Green Finance Framework

The Gunze Group put in place a green finance framework in fiscal 2022 with the support of Nomura Securities Co., Ltd., the Group's structuring agent. Based on the Green Bond Loan Principles/Guidelines, Gunze's green finance framework outlines the Group's policies toward funds earmarked specifically for projects designed to improve the environment. These policies encompass details of (1) the use of funds, (2) the project evaluation and selection process, (3) management of the funds procured, and (4)

reporting.

In recognition of the framework's compliance with the subject principles and guidelines, Gunze received the highest Green1 (F) rating from Japan Credit Rating Agency, Ltd. (JCR). Representing Japan's first overall resource-recycling initiatives at the time this rating was received, funds procured were allocated to the Circular Factory Project\*1 that circulates plastic resources at the Plastic Film Company's MoriYama Plant.

### Executing Green Loans

Utilizing the aforementioned framework, Gunze procured funds through a syndicated, term green loan from MUFG Bank, Ltd. in September 2022. The funds were allocated on a progressive basis up to April 2023 and used for the construction of the Group's circular factory CASBEE\*2 A-ranked building, the installation of a new production line, and the construction of the Engineering Plastics Division's Konan Plant office, which received the BELS\*3

5-star and ZEB\*4 certifications.

As a procurement initiative (loan) that helps improve the environment while fulfilling the requirements of the carbon dioxide emission control subsidy (initiative to support the development of a system to promote green bonds, etc.), this project received a grant from the Green Finance Promotion Corporation, which was selected by Japan's Ministry of the Environment.

### Future Policies

The framework developed in this instance, covers all of the Gunze Group's environment-related investments and enables the execution of green bonds and green loans under the framework to finance the subject investments. Moreover, we believe that the cost advantage of sustainable finance compared with conventional financing methods will improve in the future owing to growing social awareness toward sustainability and changes in the financing environment resulting from revisions to the Bank of Japan's policies.

The Gunze Group will proactively undertake the procurement of funds utilizing this framework to ensure both social and economic benefits.

\*1 Circular Factory Project: A factory project designed to realize resources recycling without generating waste in the plastic films field by developing products suitable for recycling, establishing technologies for recycling, and reusing waste plastics.

\*2 CASBEE: Comprehensive Assessment System for Building Environment Efficiency. A five-level rating system that comprehensively evaluates building quality, encompassing such environmental considerations as energy conservation, the use of materials and equipment with low environmental impact, as well as indoor comfort and landscaping.

\*3 BELS: Building-Housing Energy-efficiency Labeling System. Established by Japan's Ministry of Land, Infrastructure, Transport and Tourism based on the Guidelines for Displaying Energy-Saving Performance of Buildings, this system objectively evaluates and ranks energy-saving performance by the number of stars from one to five.

\*4 ZEB: Net Zero Energy Building. A building that aims to achieve a comfortable indoor environment while creating energy from renewable energy sources, and reducing the balance of primary energy consumed by the building to zero through energy conservation using a structure with improved heat insulation and sensors, etc.

### Nature Preservation Social Contribution Activities

Gunze concluded the Agreement on Forest Use and Conservation with the Kyoto Model Forest Association and has been conducting volunteer activities for satoyama conservation in the concluded area in Ayabe, the city where the Company was founded, as part of the Kyoto Model Forest Movement in Ayabe about four times a year since July 2010. The model forest initiative encompasses the practice of sustainable community development proposed by Canada at the World Earth Summit in 1992. The goal is to develop and conserve forests that provide multifaceted functions, including the production of timber, prevention of global warming, prevention of sediment runoff and collapse, recharge of water sources, formation of good landscapes, improvement of health, and biodiversity. The initiative resumed in fiscal 2022 after a hiatus owing to the COVID-19 pandemic. This model forest activity has been conducted a total of 42 times since its start in 2010 and attracted an aggregate total of 1,237 participants.

Activities since 2018 include the construction of an observatory and the planting of mountain cherry trees as well as maple trees in the Obata district of Ayabe City as part of the Obata Castle Restoration Project. Most recently, we have been working with the Obata Castle Preservation Association, NPO Satoyama Net Ayabe, Kyoto Prefectural College of Forestry, Kyoto Prefectural Nakatan Regional Promotion Bureau, and the Ayabe City Department of Agriculture, Forestry, Commerce and Industry to establish a native azalea colony.



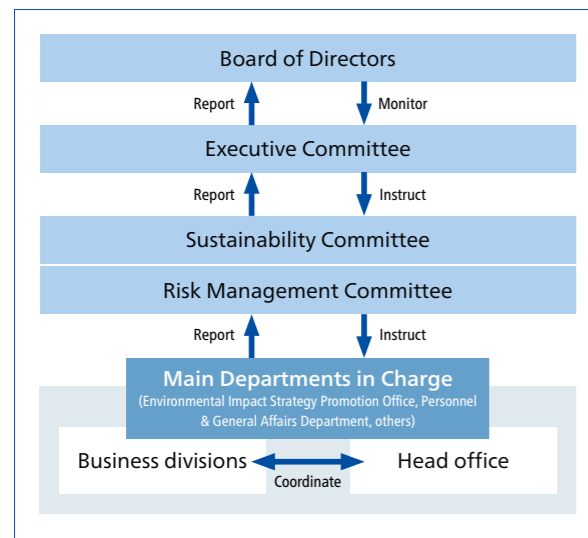
Kyoto Model Forest Campaign in Ayabe (Fiscal 2022)

# Addressing Climate Change-related Risks and Opportunities

We established the Sustainability Committee, which is chaired by the director or the executive officer in charge of sustainability and includes members who are responsible for head office and business divisions. The Sustainability Committee is an organization that reviews and deliberates on basic policies related to sustainability.

In addition, the committee is chaired by the director or executive officer in charge of compliance, with the aim of developing a system to prevent and manage risks that may occur in the Gunze Group and to promptly respond to any risks that do occur. We established the Risk Management Committee, whose members include the heads of key head office divisions, to address risks and opportunities posed by climate change.

Governance Structure for Sustainability Promotion



Roles of Committees and Organizations in Sustainability Promotion

Committees and Organizations	Roles
Board of Directors	Monitors the progress of measures to address sustainability issues, including issues pertaining to the environment, particularly climate change, as well as human capital and other topics as discussed and decided during business execution
Executive Committee	Discusses and makes decisions on important business administration and execution matters related to Group-wide sustainability, such as environmental issues centered on climate change, as well as human capital and other topics
Sustainability Committee (As a general rule convened once per quarter)	Discusses and makes decisions on basic and response policies as pertains to sustainability
Risk Management Committee (As a general rule convened once per quarter)	Discusses occurrence of risk events related to sustainability, measures taken or to be taken, and risk prevention
Main Departments in Charge	Promote initiatives to address sustainability issues and identify risks and opportunities (Environmental Impact Strategy Promotion Office, environmental issues with a focus on climate change; Personnel & General Affairs Department: human capital of the Gunze Group, etc.)

## Climate Change Initiatives and Efforts to Address the TCFD

In October 2021, the Gunze Group expressed support for the recommendations put forward by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD). TCFD requires disclosure of the frameworks for examining climate change, indicators, and targets for evaluating the medium- and long-term impact of climate change on corporate value and for identifying risks and opportunities from climate change, and the way in which these examinations are reflected in corporate management.

- (1) Governance** Governance on climate change is incorporated into the sustainability governance structure.
- (2) Risk management** Major risks related to climate change are based on the Sustainability Governance Structure Chart. Important issues are reported from the Sustainability Committee and Risk Management Committee to the Corporate Officers' Meeting and then to the Board of Directors, thereby integrating and managing Group-wide risks.
- (3) Strategy** We selected the plastic films field and apparel business (innerwear) as the Gunze Group's main businesses for scenario analysis, and we identified short- to long-term risks, studied countermeasures, and for these, extracted considerations and opportunities.



This time, we conducted analysis in response to the 1.5°C target since this has become the global target. Specifically, we have formulated two scenarios that reference reports issued by governments and international organizations. These include the decarbonization scenarios (1.5°C scenario) such as the NZE2050<sup>1</sup> presented in the IEA World Energy Outlook and the warming progression scenarios (4°C scenario) based on the IPCC AR5 RCP8.5 scenario<sup>2</sup>. The two scenarios are analyzed based on transition risks toward a decarbonized economy and physical risks associated with the progression of global warming. The Gunze Group will continue to revise its scenario analysis to improve its strategies.

<sup>1</sup> NZE2050 (Net Zero Emissions by 2050): One of the scenarios presented in the IEA's World Energy Outlook 2020. It is a 1.5°C scenario that surpasses the target of the Paris Agreement and aims for zero CO<sub>2</sub> emissions by 2050.  
<sup>2</sup> RCP8.5 Scenario: A scenario in Figure SPM6 of the summary for government policymakers of Synthesis Report (SYR) of the IPCC Fifth Assessment Report (AR5), which forecasts a temperature increase of 2.6°C to 4.8°C by 2100.

Responding to Climate Change related Risks and Opportunities

Risk items	Risks	Period	Degree of financial impact	Plastic films field	Innerwear field	Responding to Risks and Opportunities	
Transition risk (1.5°C)	Coal prices	Emissions trading and carbon taxes introduced in many countries, increasing operating costs	Medium to long term	Large	○	○	<b>Risk response:</b> Reduce the financial impact of carbon taxes by increasing investment in renewable energy and shifting to low-carbon energy sources
	Plastics regulations in various countries	Raw material prices increased due to stricter regulations prompting the introduction of bio-materials and recycled materials	Medium to long term	Large	○	○	<b>Risk response:</b> Establish technologies that break down and reuse waste plastic and provide products that meet customer needs
	Changes in energy mix (electricity prices)	Higher ratio of renewable energy to electric power has driven up electricity prices	Medium to long term	Small	○	○	<b>Risk response:</b> Use of equipment with low power consumption; promote the installation of self-consumption solar power generation
	EV and renewable energy penetration rates	—	Medium to long term	Large	○	○	<b>Opportunities:</b> Strengthen sales of lithium-ion batteries and semiconductor film with the spread of EVs
	Price shifts in key commodities	Manufacturing costs for crude oil-derived synthetic fibers has increased	Medium to long term	Large	○	○	<b>Risk response:</b> Promote a shift from petroleum-derived to green materials.
Physical risks (4°C)	Changes in customer behavior	More consumers are making purchasing decisions in line with their environmental impact	Medium to long term	Medium	○	○	<b>Risk response:</b> Increase sales of environmentally responsible products for ethical consumption
	Abnormal weather	Lower sales due to business activity suspensions and supply chain disruptions caused by wind and flood damage	Short to medium term	Medium	○	○	<b>Risk response:</b> Enhance supply chain disaster prevention at manufacturing sites and in logistics to strengthen business continuity capabilities
	Rising temperatures (volume of cotton cultivation)	Cotton prices up due to rising temperatures	Medium to long term	Medium	○	○	<b>Risk response:</b> Develop biomaterials and recycled materials
	Rising temperatures	—	Medium to long term	Medium	○	○	<b>Opportunity:</b> Products that address rising temperatures. Strengthened sales (shrink films, innerwear)

\* Time period: Short-term 1-2 years, medium-term 3-5 years, long-term 6-10 years  
 \* Financial impact in 2050: Small = less than 100 million yen, Medium = 100 million yen to 1 billion yen, Large = 1 billion yen or more

## (4) Indicators and Targets

To systematically reduce CO<sub>2</sub> emissions, we will strengthen our efforts to save energy, create energy, and use renewable energy in our business activities, and take measures to promote the 3Rs (reduce, reuse, and recycle) and implement other resource recycling and eco-friendly initiatives. In fiscal 2022, we will redouble our efforts to reduce Scope 1\*<sup>1</sup> and 2\*<sup>2</sup> CO<sub>2</sub> emissions and formulate reduction scenarios for Scope 3\*<sup>3</sup>. In addition, the Gunze Group will focus its efforts on

promoting the Circular Factory Plan in the plastics films field and the Net Zero Factory Plan in the apparel (innerwear) field.

\*1 Scope 1: Greenhouse gas emitted directly by the Gunze Group (fuel combustion, industrial processes)  
 \*2 Scope 2: Indirect emissions from the use of electricity, heat and steam supplied by other companies  
 \*3 Scope 3: Indirect emissions other than from Scope 1 and Scope 2 (emissions from other companies related to the activities of the Gunze Group)

CO<sub>2</sub> reduction results (Scope 1, 2, 3)

		FY2022	Compared to FY2021		Compared to FY2013	
		Emission volume (t-CO <sub>2</sub> )	Reduction volume (t-CO <sub>2</sub> )	Reduction rate (%)	Reduction volume (t-CO <sub>2</sub> )	Reduction rate (%)
Achievements	Scope1+2	118,324	5,832	4.7%	54,184	31.4%
	Scope1	38,643	335	0.9%	13,669	26.1%
	Scope2	79,681	5,496	6.5%	40,515	33.7%
	Scope3	423,860	-13,192	-3.2%	—	—

\* Scope 1 and 2 are calculated for all Gunze Group business sites in Japan and overseas (Scope 2 calculation is based on market criteria)  
 \* Scope 3 is calculated for all Gunze Group business sites in Japan.

## Basic Policy for Corporate Governance

The Gunze Group recognizes that legal and regulatory compliance is essential for meeting our basic management policy of sustainably boosting corporate value. Accordingly, we strive for swift decision-making and timely and appropriate disclosure of corporate information so that we can respond appropriately to the social and economic environment. We therefore consider


improving shareholder value, by enhancing the transparency of our management, to be one of our most important management objectives. To achieve this, the Gunze Group seeks to build sound relationships with our multiple stakeholders and strengthen and upgrade our internal control functions as a way to enhance our corporate governance.

## Initiatives to Enhance Corporate Governance

In fiscal 2005, the Gunze Group introduced a corporate officer system in order to accelerate business decisions and to strengthen the management supervision function. Along with reducing the number of Directors in 2005, we clarified the management responsibilities of Directors and revised their term of office in 2006 from two years to one year with the goal of establishing a management framework that can respond more quickly to changes in the business environment. At the same time, we began appointing outside Directors in an effort to ensure the transparency of management.

In addition, we have striven to enhance our corporate governance by having the Board of Directors make a final

decision on nominating candidates for Director positions following deliberations by the Nomination/Remuneration Committee. The Nomination/Remuneration Committee was established in fiscal 2019 as an advisory committee to the Board of Directors, is comprised of the Representative Directors and outside Directors, and is chaired by an outside Director. Moreover, in 2015 we formulated the Gunze Corporate Governance Guidelines as the basic policy for corporate governance by the Gunze Group. We revised these Guidelines in June 2021.

 **Gunze Corporate Governance Guidelines**  
<https://www.gunze.co.jp/english/ir/policy/governance/>

### History of Governance Enhancements

Initiative Details	
Fiscal 2005	Introduced a corporate officer system and reduced the number of Directors
Fiscal 2006	Reduced the term of office for Directors from two years to one year Began appointing outside Directors and female Directors
Fiscal 2015	Formulated the Gunze Corporate Governance Guidelines
Fiscal 2019	Established the Nomination/Remuneration Committee (chaired by an outside Director as an advisory committee to the Board of Directors) Ratio of outside Directors exceeds one-third of the Board
Fiscal 2021	Published the skill matrix for Directors and Corporate Auditors

## Corporate Governance Structure

The Gunze Group is a company with a Board of Corporate Auditors, where the Board of Corporate Auditors is comprised of four Corporate Auditors, two of whom are outside Corporate Auditors (as of June 23, 2023). The Corporate Auditors attend the Board of Directors and other important meetings, conduct onsite audits of business and management divisions, and inspect domestic and overseas subsidiaries, while performing other duties,

in order to fulfill their management supervisory function. The current management structure is comprised of nine Directors (of whom two are women), including three outside Directors. Moreover, the Company has introduced a corporate officer system to facilitate accelerated business decisions and to strengthen the business execution system, and has appointed 14 corporate officers, including five who also serve as Directors.

## Board of Directors

As entrusted by the Company's shareholders, the Board of Directors assumes the responsibility for realizing efficient and effective corporate governance for the sake of all shareholders, achieving sustained Growth for the Gunze Group as a result of realizing this level of corporate governance, and striving to maximize corporate value in the long term. To fulfill its responsibilities, the Board of Directors executes oversight functions over overall management practices in order to ensure fairness and transparency. The Board also nominates, evaluates, and determines remuneration for the President and other executives, while assessing important risks facing the Gunze Group and drawing up counteractions. The Board also makes important operational decisions to ensure the best possible decision-making for the Company. As a general rule, the Board of Directors meets once per month (held 13 times in fiscal 2022), during which it makes decisions on important matters related to business execution and matters stipulated by laws, regulations, and the Articles of Incorporation. It also supervises the status of the execution of duties by Directors.

## Executive Committee

Along with the Board of Directors, the Company also convenes the Executive Committee, which comprises the Representative Directors, the Managing Directors, Directors in charge of specific functions, and Corporate Officers (held 20 times in fiscal 2022). This committee deliberates on important matters related to business execution, and seeks to accelerate decision making.

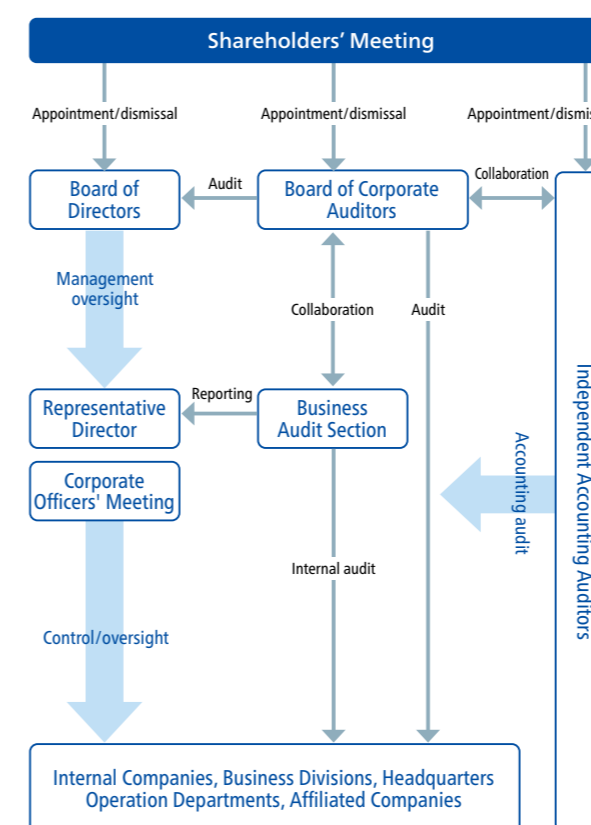
## Nomination/Remuneration Committee

The Company established the Nomination/Remuneration Committee as an advisory committee to the Board of Directors. Comprised of two Representative Directors and three outside Directors, and chaired by an outside Director, this Committee serves to ensure independence, transparency, and objectivity in the procedures for nominating candidates for Director and Corporate Auditor, appointing senior management, and determining compensation for Directors.

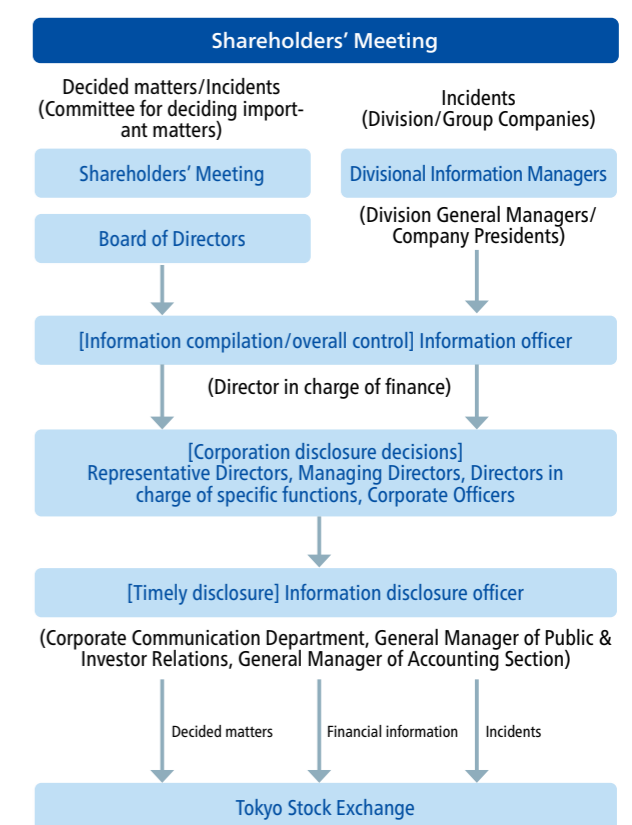
## Internal Systems Concerning Timely Disclosure of Corporate Information

The Gunze Group recognizes that legal and regulatory compliance is essential for meeting our basic management policy of sustainably enhancing corporate value. Accordingly, we strive to improve the health and transparency of management through swift decision-making and the timely and appropriate disclosure of information in a way that corresponds to the social and economic environment.

### Corporate Governance Structure



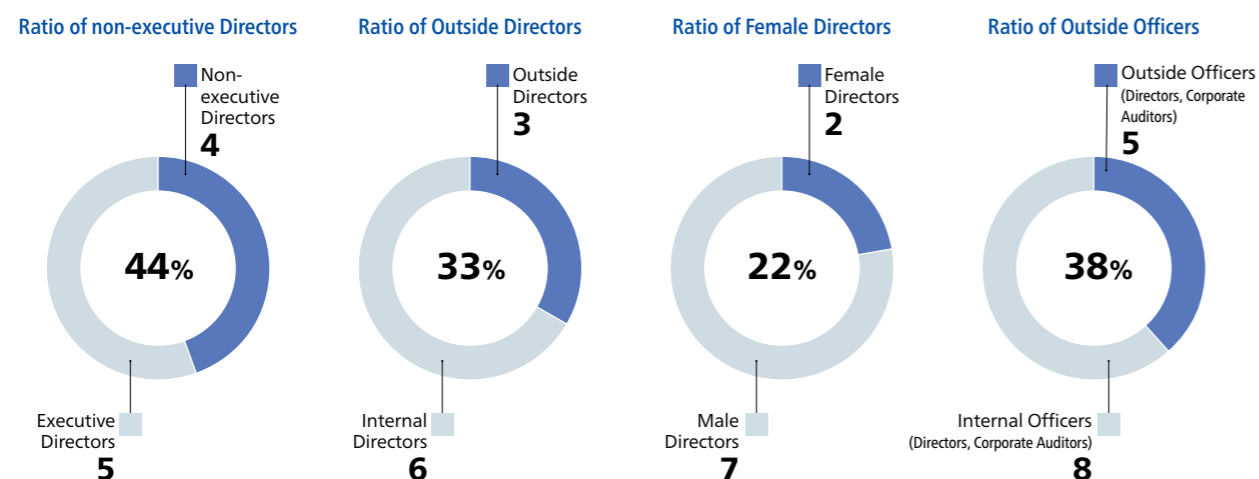
### Timely Disclosure Structure



Fiscal 2022 Board of Directors' meetings, advisory committees, etc.

	Times held	Number of agenda items	Number of reports	Attendance (Internal Officers)	Attendance (Outside Officers)
Board of Directors	13	40	51	98%	98%
Board of Corporate Auditors	15	22	18	97%	97%
Corporate Officers' Meeting	20	73	(included in the number of agenda items)	100%	-

Composition of the Board of Directors



Directors and Corporate Auditors' Skill Matrix

Attributes	Name, Posts, etc.	Years of service [Age]	Nomination/Remuneration Committee member	Internal executives		Outside executives		Main specialty areas				
				Management in each area of business	Management experience at other companies	Finance/accounting	Production technology/R&D	Sales/marketing	Legal	Internationality		
Directors	Male Atsushi Hirochi	Chairman & Representative Director	11 years [63]	○	○					○		
	Male Toshiyasu Saguchi	Representative Director & President	9 years [61]	○	○					○		
	Independent Female Hiroe Nakai	Outside Director	5 years [62]	○ (Chair)							○	
	Independent Male Osamu Kujiraoka	Outside Director	4 years [67]	○		○				○		
	Independent Female Rie Kida	Outside Director	3 years [54]	○		○				○		
	Male Makoto Kumada	Director	6 years [61]		○		○					
	Male Katsuhiko Oikawa	Director	7 years [60]					○				
	Male Ryoji Kawanishi	Director	2 years [60]		○		○					○
Male Hirokazu Sawada	Director	- [58]				○						
Corporate Auditors	Male Tomio Suzuki	Standing Corporate Auditor	2 years [59]					○				○
	Independent Male Koji Funatomi	Outside Corporate Auditor	- [62]					○				
	Independent Male Norihito Naka	Outside Corporate Auditor	- [61]								○	
	Male Shinichiro Morita	Corporate Auditor	2 years [66]		○			○				

• A circle indicates the main skills possessed by each person.

(As of June 23, 2023)

## Director and Corporate Auditor Appointments

As far as the nomination of Director and Corporate Auditor candidates and the appointment of senior management are concerned, the Nomination/Remuneration Committee deliberates on each matter based on the selection criteria stipulated by the Board of Directors, after which the Board of Directors makes a final decision. Given that the Gunze Group engages in the functional solutions, medical, apparel, and lifestyle creations businesses from a multifaceted perspective on a global basis, the Company seeks to ensure that the Directors possess the ability to make appropriate and prompt decisions regarding these business activities, and that they can supervise the execution of those decisions. In order to do so, we have established a basic policy of constituting the Board of Directors with a balanced arrangement of members, whereby the Board of Directors makes a final decision on nominations following deliberations by the Nomination/Remuneration Committee. In line with this policy, we appoint internal Directors who possess knowledge, experience, and abilities

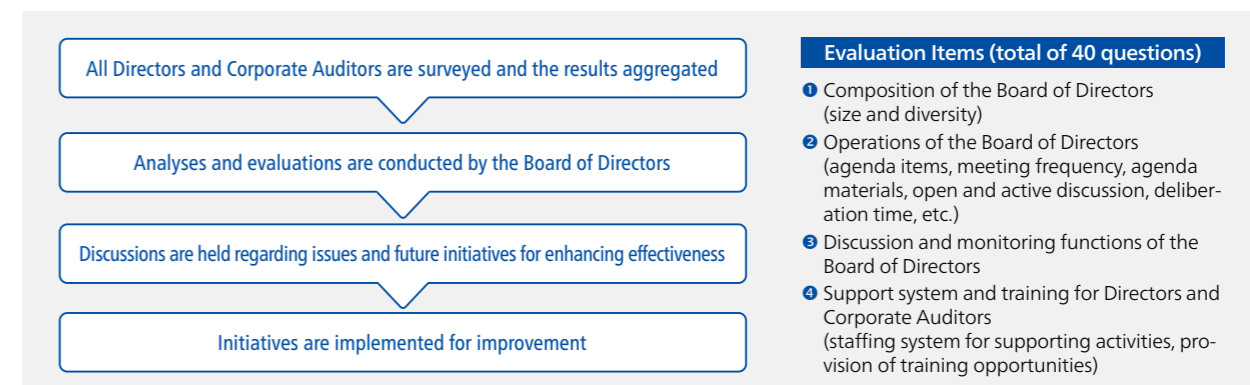
in each of the business fields, as well as in finance and accounting, technology development and research, sales and marketing, legal affairs, and human resources, while taking into consideration diversity, including gender and internationality. We also appoint multiple outside Directors who can actively provide advice and proposals from a fair and objective standpoint, and who possess management experience at other companies and specialized knowledge and experience not otherwise found within the Company. Turning to Corporate Auditors, we have established a basic policy of constituting the Board of Corporate Auditors with an arrangement of members who can present fair opinions from an expert perspective and an independent standpoint, including at least one member who possesses appropriate knowledge regarding finance and accounting. In line with this policy, the Board of Directors makes a final decision on nominations following deliberations by the Nomination/Remuneration Committee and after receiving the approval of the Board of Corporate Auditors.

## Assessment of Board of Directors' Effectiveness

Every year, all Gunze Directors and Corporate Auditors conduct an assessment on the effectiveness of the Board of Directors as well as their own performance as Company officers. They submit their results to the Board of Directors, which in turn analyzes and evaluates the overall effectiveness of the Board based on the aggregate results. In March 2023, all Directors and Corporate Auditors who comprise

the Board of Directors were the subject of a survey conducted by the Company, and as they responded directly to an external organization, they were assured anonymity in their responses. Based on the analysis and advice from the external organization on the aggregate results, the results were reported, discussed, and evaluated at the annual meeting of the Board of Directors held in May 2023.

### Analysis and Evaluation Process



### Evaluation Results for Fiscal 2022

- Based on the survey responses, the Board of Directors received a generally positive evaluation in terms of composition, operations, agenda items, execution of individual roles, and mutual supervision, among others. Furthermore, taking into consideration changes in the evaluation results following employment of the external organization and comparisons with the previous year's evaluation and external data, we believe that the effectiveness of the Board of Directors as a whole has been ensured in a continuous manner.
- In addition to addressing ESG and implementing sustainability initiatives, both of which are positioned as key issues in the Medium-term Management Plan, strengthening oversight of risk management and internal control systems; invigorating discussion on management strategies and other important management issues; and feedback regarding the status of dialogue with shareholders (investors) were recognized as important in that they are ongoing issues for improving the effectiveness of the Board of Directors. In response, we will consider more effective actions and continue to engage in solutions.

## Director and Corporate Auditor Training

Immediately after taking on their posts, newly appointed directors of the Company, including independent outside directors, are required to participate in training programs offered by the director in charge of legal affairs and compliance or external attorneys at law. They are also to be informed about the Gunze Group's management strategies, financial positions, and other important matters by the President or director(s) in charge of executing business operations or other executives named by the

President. Moreover, to fulfill their respective roles, the Directors and Corporate Auditors of the Gunze Group are required to proactively collect information regarding the Gunze Group's financial positions, legal and regulatory compliance, corporate governance, and other matters. They must also continuously strive to improve their knowledge and skills. Expenses required for participating in external training and seminars are borne by Gunze as claimed.

## Succession Plan

### Formulating the President's Succession Plan

1. Under the recognition that the development of a successor for the President is an important matter for management, following deliberations by the Nomination/Remuneration Committee, the Board of Directors formulates a succession plan that specifies qualifications for the post of president and a candidate development policy, and provides final approval for the plan.

2. The Board of Directors shares this president succession plan among all members of the Board, periodically confirms the results of examinations and deliberations regarding the development status of senior management with the potential to succeed the President made by the Nomination/Remuneration Committee, and determines a candidate for succeeding the President in accordance with the succession plan when the current President steps down from this post.

## Executive Remuneration System

Under the current Executive Remuneration System, we have increased the ratio of performance-linked compensation as an incentive to maximize corporate value. Moreover, the key performance indicator (KPI) used to calculate the amounts for bonuses reflects Gunze Value Added (GVA: operating profit before income taxes + dividends - year-end investment capital x WACC), which

prioritizes performance evaluations. Meanwhile, the KPI used to calculate stock-based compensation reflects the relative evaluation between Total Shareholders' Return (TSR) and TOPIX, as well as an evaluation that examines to what extent Companywide CO<sub>2</sub> emission reduction targets have been achieved as an ESG evaluation index.

### KPI of the Executive Remuneration System

Remuneration type	KPI (performance indicators)
Bonus	<ul style="list-style-type: none"> <li>Reflect the GVA for each fiscal year</li> </ul>
Stock compensation	<ul style="list-style-type: none"> <li>Reflect relative evaluation of TSR (Total Shareholders' Return) and TOPIX for each fiscal year</li> <li>Reflect degree of achievement of Companywide CO<sub>2</sub> reduction goals as ESG evaluation indices</li> </ul>

### Officer Remuneration, etc.

Remuneration type	Total amount of remuneration (millions of yen)	Total amount of remuneration by type (millions of yen)			Number of eligible officers
		Fixed compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding outside Directors)	177	103	38	35	6
Corporate Auditors (excluding outside Corporate Auditors)	24	24	-	-	2
Outside Directors	21	21	-	-	3
Outside Corporate Auditors	14	14	-	-	2

## Promoting Compliance

The Gunze Group recognizes the importance of compliance in order to realize its basic management policy of "sustainably boosting corporate value." Legal & Compliance regularly conducts necessary education and training and streams training videos on the Company's intranet for members, for example, in an effort to convey an appropriate understanding of compliance. In fiscal 2022, we began holding hybrid training programs for new employees consisting of e-learning purchased from an external company and in-person training conducted by lecturers from Legal & Compliance. In addition, we now hold follow-up training to share Gunze's sense of ethics, to deepen the understanding of insider trading regulations and of cautionary points regarding social media use, and to enhance the awareness of compliance. In addition, consultation regarding compliance and other issues is available through the "Advice Hotline," and is handled discreetly and with consideration for the privacy of involved parties. We have also established an external whistleblower hotline staffed by outside attorneys, and have secured a route for attorneys to report directly to

corporate auditors in the event of a report of a fact that falls under the category of whistleblowing. In fiscal 2022, there were no consultations or reports subject to public interest reporting at the external reporting desk.

### Breakdown of Reporting and Consultation

Cases	Fiscal 2021		Fiscal 2022	
	Hotline	External reporting desk	Hotline	External reporting desk
Workplace relationships	7	0	6	0
Sexual harassment	0	0	1	0
Power harassment	3	1	7	1
Facts subject to whistleblowing	0	0	0	0
Others	4	0	4	0
Total	14	1	18	1

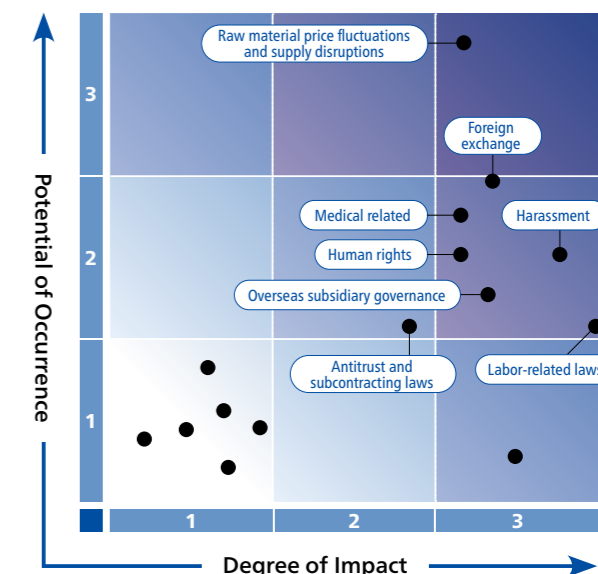
## Strengthening the Risk Management System

The Gunze Group has established a Risk Management Committee based on the "Risk Management Regulations" used to prevent risks in general and respond appropriately to unforeseen situations and contingencies. The most serious risks are governance of overseas subsidiaries, compliance with labor-related laws, prevention of harassment, compliance with antitrust and subcontracting laws, and compliance with the Pharmaceutical and Medical Device Act and clinical research laws in the medical business, as well as securement of transparency. In response, we have been taking action to minimize each of these risks. The Risk Management Committee met four times in fiscal 2022, during which it received monitoring result reports from the main departments designated to take charge of each of these risks, verified the execution status of countermeasures, and discussed and determined future action. In regard to the risks of raw material price fluctuations and supply disruptions due to changes in international relations, the Risk Management Committee collects information on and ascertains the risks faced by each business division, after which the head office and business divisions work in unison on risk management efforts.

Moreover, a risk has emerged regarding social credibility loss due to the increasing numbers of violations of the Act against Unjustifiable Premiums and Misleading Representations and of the Pharmaceutical and Medical Device Act, as well as to the increasing frequency of

inappropriate expressions, resulting from the apparel business's efforts to promote greater sales through e-commerce channels. In regard to this risk, the Risk Management Committee will engage in activities that mitigate such risks across business divisions and that increase corporate value on an ongoing basis, namely through training organized by Legal & Compliance and through internal database inspections conducted by representatives from multiple divisions, for example.

### Risk Map





# Enhancing the Gunze Group's Corporate Value as a Part of Efforts to Realize VISION 2030



**Hiroe Nakai**  
Outside Director

**Osamu Kujiraoka**  
Outside Director

**Rie Kida**  
Outside Director

## The Gunze Group has received a growing number of requests to improve the speed of its management decisions during discussions with investors. What are your thoughts on these frontline deliberations from an outside perspective?

**Nakai:** Gunze is sometimes said to lack a sense of speed when it comes to implementing new initiatives. To the contrary, I believe that the Company frequently identifies issues at an early stage, often looks for a response, and acts swiftly once an appropriate solution is found. Regrettably, this process is not visible from the outside, and as such may appear to lack sufficient speed. Disclosure and dialogue with investors regarding the decision-making process can be difficult, but is an issue that must be improved.

**Kida:** While steps are taken to put forward and steadily implement business strategy plans by business division to secure positive GVA, undertaking the management of targets within each business division runs the risk of slowing the decision-making process as divisions that are forced to drive overall growth become overly cautious. Taking into consideration such factors as the level contribution to the Company as a whole and the potential of the market, I am also concerned that delays may arise when determining whether or not to withdraw. I believe that the speed at which decisions are made can be improved if management resources are allocated in line with a clearly defined business portfolio and management routinely discusses the criteria for

key issues, including whether to invest aggressively or consider withdrawing from a business.

**Kujiraoka:** I have participated in discussions on such issues as plans and prospects for business initiatives, and can attest to the fact that management has frequently expressed an awareness toward the need for speed and expectations for timely reporting. I often feel that such themes as the launch of a new business or business expansion are naturally carried out with a sense of speed because of their forward-looking nature, and that even themes that entail the restructuring and review of existing businesses prioritize speed commensurate with plans. Having said this, hasty decision must of course be avoided at all cost.

If Gunze's image as a prudent, earnest, and staid company is creating concerns surrounding a lack of speed, steps should be taken to showcase the Company's ability to engage promptly in business activities on a daily basis.



**Hiroe Nakai**  
Outside Director

Outside Director since 2018. Ms. Nakai applies her objective viewpoint to the management of the Gunze Group based on her ample experience and insight in a wide range of fields, including corporate legal and general civil affairs as an attorney.

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## Gunze is engaging in management that emphasizes the cost of capital. As far as management activities are concerned, what do you think is necessary to further increase corporate value?

**Nakai:** Gunze's PBR ratio has fallen below 1x, indicating a low evaluation of the Company's value and its potential for improvement. In addition to our current earnings, we must demonstrate to the market the potential for sustained growth in Gunze's corporate value going forward. Gunze is engaged in a wide range of circular factory, net zero factory, and other pioneering initiatives. It is vital that the Company quantifies and highlights the value of these initiatives in a definitive and easy-to-understand manner while showcasing its future.

**Kujiraoka:** Gunze has developed a variety of businesses since its foundation and continues to focus on creating new businesses. This kind of consistent effort is essential for the survival of a company. I am acutely aware of Gunze's fervent efforts to improve the profitability of its business, effectively utilize its assets, and otherwise enhance its corporate value. Nevertheless, I believe that the Company must also communicate details of its accomplishments since its foundation to the present day and garner the market's understanding and acceptance to enhance its corporate value.

**Kida:** To further increase its corporate value, it is imperative that the Company invest in R&D and human capital to accelerate the pace of high value-added business creation, increase quantity, and improve quality. It is equally important to prioritize investments in both growth and high profitability fields as a Group-wide strategy that looks beyond the income and expenditures of individual business divisions. Profit margins in the apparel business, a mainstay of the Group's sales, have struggled in recent years. Improving profit margins is therefore a pressing issue. Looking beyond the conventional confines of a manufacturer to make a quality product, I believe the Company must not only improve the efficiency of its organization and facilities, but also further accelerate its D-to-C activities (its sales strengths) and implement a brand strategy that once again clarifies the value of the Gunze brand to become the preferred choice of customers.

## What is needed to increase new growth areas following the medical business, which is responsible for driving growth?

**Kujiraoka:** I look forward to Gunze's vibrant and dynamic efforts to create growth fields. Creating new markets and

high value-added products requires both a market-in and product-out approach. In addition to a market-in approach that addresses market needs, I believe that a product-out approach that utilizes the Company's potential is also essential in creating new markets with amazing products.

Providing comfort is an area in which Gunze maintains a competitive edge. With this in mind, I believe there are areas of growth where diverse businesses are connected.

**Kida:** To reiterate, Gunze must actively invest in R&D and human resources. It is important that the Company foster a corporate culture that encourages its employees to develop new businesses and take on new challenges, and to provide training while establishing related challenge and evaluations. In this so-called era of volatility, uncertainty, complexity, and ambiguity (VUCA), rapid social change, and difficulties in predicting the future, I believe it is important for the Company to adopt a give-it-a-go approach.

Regardless of past successful practices, customs, and organizational decision-making procedures, I am convinced that Gunze will be better served by responding to change in a flexible and timely manner. In adopting this give-it-a-go approach, the Company can then identify and nurture seeds of future growth. Every effort should be made to foster an organizational culture that has the courage to take on new challenges and to learn from and make the most of any subsequent failures going forward.

**Nakai:** As Japan becomes an increasingly super-aged society, the medical field will inevitably expand. Extending Gunze's gentle to the skin concept and technologies to people's well-being as a whole will help further distinguish the Company from its competitors. Inspired by the goal of helping others through quality products, Gunze is more likely to uncover new needs by closely aligning itself to those who are ill or who have become less active through age. With this in mind, I believe that the challenge facing Gunze is to make the world widely aware of its ongoing efforts to provide quality products in the medical field by utilizing its technological capabilities. Medical care is an issue that continues to be questioned irrespective of national boundaries, and global expansion will be the key to Gunze's next leap forward.

## Gunze has outlined a strategy to actively engage in D&I in its VISION 2030. What are your thoughts on current conditions and what challenges do you see for the future?

**Nakai:** Various organizations in Japan have made little progress and continue to lag behind other countries with respect



**Osamu Kujiraoka**  
Outside Director

Outside Director since 2019. Leveraging his career as an executive officer of a publishing company, Mr. Kujiraoka applies his objective viewpoint to the management of the Gunze Group based on his broad knowledge, especially in the medical field, one of the Company's high-growth businesses.

▶ Career details P. 66 → Management Team



**Rie Kida**  
Outside Director

Outside Director since 2020. Ms. Kida applies her objective viewpoint to the management of the Gunze Group based on her ample experience and broad knowledge especially in the field of B-to-C transactions and women's empowerment.

▶ Career details P. 66 → Management Team

to gender equality. Gunze is one of the companies that has struggled with this issue, and we are currently seeing serious efforts implement appropriate measures. Despite these endeavors, the Company still has a long way to go to achieve its target ratio of 20% or higher women in managerial roles by 2030. In similar fashion to its male employees, Gunze must put in place a workplace environment in which its female employees can feel equally fulfilled and maintain balance with their personal lives if it is to achieve this target. In addition, it is important to have a corporate culture that encourages employees to return to the Company after taking maternity or childcare leave, or for some other reason. Meanwhile, amid this corporate culture, it is also important to actively recruit mid-career workers in a bid to instill a breath of fresh air. This initiative is directly related to Gunze's development and expansion as well as the promotion of D&I.

**Kujiraoka:** New ideas and flexible approaches are a byproduct of diversity. Each in turn helps to foster a new corporate culture and enhance corporate value. While discussions regarding the empowerment of women have been active during Board of Directors' meetings, dialogue on D&I is very much in the infancy stage. Gunze must promote in-depth discussions on diversity, including foreign national employees. I also see the need to avoid developing the Group's overseas business as something special. The Group's overseas business should be positioned as just another part of Gunze's overall business and on an equal footing with the Group's domestic operations. I sometimes hear people say that "others are also addressing the issue" or "we must..." in response to concerns surrounding D&I, including the SDGs. I would argue that adopting a positive approach is important efforts and will lead to real benefits.

**Kida:** When asking whether the organization is fully utilizing the individual capabilities of its diverse human resources in terms of such aspects as gender, age, and nationality, a look at various indicators would suggest the Company has a way to go. One key indicator, the ratio of women in managerial roles, for example, remains low at 5.1%. A look at the Group's endeavors to date and current circumstances clearly indicate that a solution is unlikely to be found overnight. Here, I believe the Company should prepare and thoroughly communicate both internally and externally a roadmap for the next eight years, employing a backcasting method, in order to achieve its VISION 2030 target of a 20% or higher ratio of women in managerial roles. I also believe that women must take the initiative in proposing and

implementing career plans. On a personal note, I would like you to take on the role of generating and disseminating ideas for the success of diverse human resources, not limited to those of one gender or the other.

**What qualities do you think are necessary for management executives, and what skills and experience should be refined to achieve these qualities?**

**Kida:** GUNZE has its own distinctive pillars of business, and management executives are made up of people who are well-versed in each of these fields. Looking beyond the confines of an individual business division, I believe it is important for management executives to have the perspective, knowledge, and conceptual ability to create synergies as well as formulate and execute growth strategies for the Group as a whole. With a view toward broadening the pool of management executive candidates, Gunze must provide opportunities to actively participate in internal and external training, workshops, and networking while putting in place an environment in which candidates can gain experience from an early stage, including rotation among business divisions.

**Nakai:** In order for Gunze to grow dramatically in the future, it is vital that it break free from the status quo and expand its business. To achieve this, management executives must possess the ability to anticipate, nurture, and deliver the next businesses to society. Moreover, while a diverse range of human resources is necessary for the development of an organization, coaching skills are also required to organize and nurture human resources. The ability to grow resides not in the leader, but is an inherent subordinate quality. The key here is to properly uncover this ability, build relationships of trust, and provide a source of encouragement. While these attributes are innate, I believe they can be created through multifaceted learning and experience.

**Kujiraoka:** The significance of the SDGs lies in the concept of involvement and cooperation. I believe that considerable coordination is required to achieve sustainable growth. Over and above this collaboration, cooperating with unexpected partners from different industries through various means, including business expansion through M&As in certain instances and entering new businesses, as well as interaction with local residents are also of importance. Looking ahead, it is important for future management executive candidates to gain experience by going out and meeting a variety of people and exchanging opinions.



**Two outside corporate auditors were newly appointed in fiscal 2023.**

**Each outside corporate auditor expressed his expectations and aspirations for the Gunze Group.**

**I am committed to the sustainable development of the Gunze Group.**

What do you think are the attributes of a good company?

There are a number of attributes that I believe constitute a good company. These include sound results, outstanding product and service quality, high salary levels, generous returns to shareholders. First and foremost, however, a good company is one in which employees can enjoy and take pride in their work.

There are four states that make people happy: to be loved, praised, useful, and needed. I have heard that at least three of these states can be obtained through work. Playing an active and positive role in a workplace environment where an employee's attributes are valued and employed in a manner that contributes to society as a whole will inevitably fulfill the states of praise, use, and need. In this day and age, prerequisites for a company to engender feelings of joy and pride are robust corporate governance and the trust of society. Chapter 2 of the Gunze Group's Corporate Governance Code calls for appropriate collaboration with stakeholders other than shareholders as well as the formulation of a management philosophy to underpin the enhancement of corporate value over the medium to long term together with the implementation of a corporate code of conduct. In this regard, Gunze's corporate principles that underscore a people-oriented approach, a commitment to quality, and harmonious coexistence have remained deeply rooted throughout the Company since its foundation. With this in mind, I am confident that Gunze adheres strictly to the principles of governance. Looking to the future, it is important that the Company tackle the need to pass on this history and its traditions to the next generation.

Immediately after my appointment as an outside corporate auditor, I received a booklet titled Gunze's Motto, which outlines action guidelines for putting the spirit of the Company's founding into practice. With the founding philosophy engraved in my heart, I will do my utmost to contribute to the sustainable development of the Gunze Group.



**Koji Funatomi**  
Outside Corporate Auditor

Mr. Funatomi has ample experience as a tax accountant and professional knowledge regarding finance and accounting, and is expected to appropriately perform his duties independently and from an objective perspective with regard to the Company's financial and accounting position.

▶ Career details P. 66 → Management Team

**Leveraging my knowledge of the law, I will work to support the Gunze Group.**

After reading the Company's Annual Securities Report and Integrated Report 2022, I was impressed by the way GUNZE earnestly confronts difficult management issues while adhering to its management philosophy and traditions since its founding. I am equally impressed by the Company's stance toward corporate governance and compliance, its efforts to address environmental issues, and willingness to change what needs to be changed while preserving those features that continue to serve it so well. Amid the uncertain economic environment, I believe that management will continue to confront difficult conditions for some time to come. In order to achieve VISION 2030, I am convinced that the Company must adapt to changes in the market and environment, while at the same time, maintaining sustainable management.

As an attorney, I have been privileged to work with a wide variety of companies. My role is to provide the Board of Directors with advice on such matters as risk management systems and compliance from a legal perspective. Through these means, I hope to support the Group achieve the sustainable growth set forth in VISION 2030.



**Norihito Naka**  
Outside Corporate Auditor

Mr. Naka has professional knowledge and ample practical experience as an attorney, and is expected to appropriately perform his duties independently and from an objective perspective with regard to the Company's compliance.

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# Management Team

(As of June 23, 2023)



## Directors and Corporate Auditors

### 1 Atsushi Hirochi

Representative Director, Chairman  
Date of Birth January 11, 1960  
Joined Gunze in 1983. Engaged in all aspects of business at the Apparel Company. After serving as Director, Corporate Officer, and Company President of the Apparel Company as well as General Manager of the Management & Strategy Department, served as President, Representative Director from April 2017 to June 2021. Appointed Chairman and Representative Director, Gunze in June 2021.  
Shares held: 17,989

### 2 Toshiyasu Saguchi

Representative Director, President and President Corporate Officer  
Date of Birth November 14, 1961  
Joined Gunze in 1984. Engaged in all aspects of business at the Plastic Film Company. After serving as Director, Corporate Officer, and Company President of the Plastic Film Company as well as General Manager of the Management & Strategy Department, appointed Representative Director, President, and President Corporate Officer, GUNZE in June 2021.  
Shares held: 10,956

### 3 Hiroe Nakai

Outside Director  
Date of Birth May 20, 1961  
Registered as an attorney at the Osaka Bar Association in 1988. Established Hinata Law Office and appointed Representative Attorney in 2011. Appointed an outside auditor at Kansai Paint Co., Ltd. in 2016. Appointed a Director at GUNZE in June 2018.  
Shares held: 1,300

### 4 Osamu Kujiraoka

Outside Director  
Date of Birth September 25, 1955  
Joined Nikkei Inc. in 1978. After serving as President and CEO, Nikkei Meical Publishing Inc. from 2015, appointed a Director at GUNZE in June 2019. Appointed President, Dakuon Co., Ltd. in 2019.  
Shares held: 1,000

### 5 Rie Kida

Outside Director  
Date of Birth May 27, 1969  
After serving as Managing Director, RESCO FORMATION Inc. from 2009, appointed Representative Director, Women's Feelings Marketing Laboratory Inc. in 2013. Appointed a Director at GUNZE in June 2020.  
Shares held: 400

### 6 Makoto Kumada

Director and Managing Corporate Officer  
Representative Director and President, Gunze Development Co., Ltd.  
Date of Birth July 24, 1961  
Joined Gunze in 1984. Involved in all aspects of accounting and administration. Appointed Director, Corporate Officer and General Manager of the Finance & Accounting Department in June 2017. Appointed Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. in April 2023.  
Shares held: 5,465

### 7 Katsuhiko Oikawa

Director and Corporate Officer  
General Manager, Research & Development Department  
Date of Birth April 12, 1963  
Joined Gunze in 1986. Involved in all aspects of business segment, headquarters, and R&D operations. Appointed Director, Corporate Officer, General Manager of the Research & Development Department in June 2016.  
Shares held: 4,948

### 8 Ryoji Kawanishi

Director and Corporate Officer  
President, Apparel Company  
Date of Birth December 7, 1962  
Joined Gunze in 1986. Involved in all aspects of accounting and administration. Appointed Director, Corporate Officer, and Company President of the Apparel Company in June 2021.  
Shares held: 2,539

### 9 Hirokazu Sawada

Director and Corporate Officer  
General Manager, Finance & Accounting Department  
Date of Birth March 11, 1965  
Joined Gunze in 1988. Involved in all aspects of accounting and administration. After serving as Corporate Officer, Deputy President of the Plastic Film Company, appointed Director, Corporate Officer, and General Manager of the Finance & Accounting Department in June 2023.  
Shares held: 1,379

### 10 Tomio Suzuki

Standing Corporate Auditor  
Date of Birth March 20, 1964  
Joined Gunze in 1986. Involved in all aspects of accounting and administration. After serving as Corporate Officer, General Manager Personnel & General Affairs Department, appointed Corporate Auditor, GUNZE in June 2021.  
Shares held: 1,918

### 11 Koji Funatomi

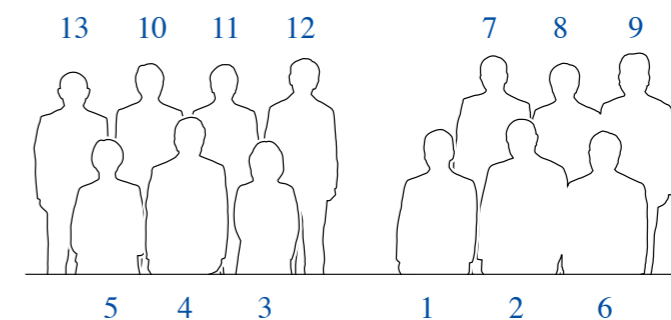
Outside Corporate Auditor  
Date of Birth March 29, 1961  
Joined Japan's National Tax Agency in 1983. Appointed Outside Corporate Auditor, J.S.B. Co., Ltd. in 2022. Appointed Chief Audit Commissioner, Izumi City in 2022. Appointed Corporate Auditor, GUNZE in June 2023.  
Shares held: --

### 12 Norihito Naka

Outside Corporate Auditor  
Date of Birth September 11, 1961  
Registered as an attorney at the Osaka Bar Association in 1991. Appointed Outside Corporate Auditor, NOAH Company Limited in 2010. Joined Kaneko, Naka & Morimoto Law Firm in 2023, appointed Representative Attorney. Appointed Corporate Auditor, GUNZE in June 2023.  
Shares held: --

### 13 Shinichiro Morita

Corporate Auditor  
Date of Birth June 13, 1957  
Joined Gunze in 1988. Appointed Corporate Officer, General Manager Medical Division in April 2013. Appointed Corporate Auditor in June 2021. Appointed Outside Auditor, NITOSEIKO CO., LTD. in 2023.  
Shares held: 3,996



## Managing Corporate Officers

### Katsuhiko Kimura

General Manager, Engineering  
Plastics Division

### Takahiro Oka

General Manager, Corporate  
Strategy Department

## Corporate Officers

### Nobuya Oka

General Manager, Threads  
& Accessories Division

### Kazunari Saho

General Manager,  
Mechatronics Division

### Tomohisa Okuda

General Manager, Technology &  
Development Department

### Hiroko Yoshika

General Manager, Intellectual Property  
• Legal Department

### Yuji Hanaoka

President, Plastic Film Company

### Shojiro Matsuda

General Manager, Medical Division

### Makoto Ogura

General Manager, Personnel &  
General Affairs Dept.

# Summary of Consolidated Eleven-Year Financial and Non-financial Performance

(As of March 31, 2023)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Year-on-year	
<b>Results for the year</b>													
Net sales (Millions of yen)	132,373	142,425	141,172	138,324	136,579	140,521	140,706	140,311	123,649	124,314	136,030	9.4%	
Operating income (Millions of yen)	1,710	4,375	3,084	3,662	4,206	6,239	6,690	6,746	4,673	4,880	5,812	19.1%	
Profit attributable to owners of parent (Millions of yen)	-1,161	2,508	3,215	-1,201	3,102	3,486	4,087	4,387	2,147	2,939	4,501	53.1%	
<b>Financial position at year-end</b>													
Total assets (Millions of yen)	163,328	166,544	175,331	169,749	169,460	171,273	169,632	166,633	159,629	158,216	165,927	4.9%	
Interest-bearing debt (Millions of yen)	30,646	24,856	29,546	31,407	28,469	28,374	26,242	25,067	17,613	11,029	15,426	39.9%	
Shareholders' equity (Millions of yen)	107,600	112,357	115,643	105,158	108,153	111,141	109,506	107,566	113,554	112,903	115,757	2.5%	
Equity ratio (%)	65.9	67.5	66.0	61.9	63.8	64.9	64.6	64.6	71.1	71.4	69.8		
<b>Cash flows</b>													
Net cash provided by (used in) operating activities (Millions of yen)	12,343	13,753	9,512	11,775	13,832	9,007	11,491	13,688	8,595	9,155	1,794		
Net cash provided by (used in) investing activities (Millions of yen)	-7,564	-5,414	-9,240	-12,046	-7,834	-5,954	-7,373	-8,262	1,169	6,806	-5,920		
Free cash flows (Millions of yen)	4,779	8,339	272	-271	5,998	3,053	4,118	5,426	9,764	15,961	-4,196		
Net cash provided by (used in) financing activities (Millions of yen)	-5,100	-8,303	1,726	-1,274	-4,116	-1,783	-5,483	-4,886	-9,335	-12,358	1,007		
<b>Management indicators</b>													
ROA (%)	1.0	2.7	1.8	2.1	2.5	3.7	3.9	4.0	2.9	3.1	3.6		
ROE (%)	-1.1	2.3	2.8	-1.1	2.9	3.2	3.7	4.0	1.9	2.6	3.9		
<b>Per share information</b>													
Net income (loss) (Yen)	-60.60	130.88	167.81	-63.90	165.95	189.30	225.60	245.00	120.94	168.93	261.38		
Total net assets (Yen)	5,613.46	5,863.45	6,038.71	5,624.41	5,784.83	6,084.46	6,059.06	6,061.10	6,419.62	6,535.42	6,789.78		
Dividends (Yen)	75	75	75	85	75	90	110	115	115	140	147		
Payout ratio (%)	—	57.3	44.7	—	45.2	47.5	48.8	46.9	95.1	82.9	56.2		
<b>Others</b>													
Capital investments (Millions of yen)	6,930	6,768	6,005	8,586	9,739	5,536	7,346	5,380	7,845	5,947	9,597		
Depreciation (Millions of yen)	7,587	6,288	6,830	6,604	6,862	6,528	6,650	6,502	6,289	6,191	5,894		
R&D expenses (Millions of yen)	3,293	3,189	3,346	3,135	3,074	3,000	2,824	2,953	2,752	2,576	2,501		
Number of employees (consolidated)	8,285	7,629	7,354	6,858	7,038	6,754	6,607	6,185	5,808	5,692	5,214		
Number of employees (non-consolidated)	2,016	1,936	1,889	1,842	1,833	1,757	1,703	1,743	1,718	1,662	1,553		
<b>Segment information (Operating segments)</b>													
Net sales	Functional solutions (Millions of yen)	49,538	58,235	59,689	56,171	50,195	50,828	53,234	56,361	49,673	56,138	60,340	7.5%
	Apparel (Millions of yen)	69,991	70,461	67,635	68,164	71,629	74,012	72,609	69,491	62,640	57,197	60,986	6.6%
	Lifestyle creations (Millions of yen)	13,867	14,497	14,537	14,635	15,168	16,122	15,285	14,945	11,976	11,576	15,327	32.4%
Segment profit	Functional solutions (Millions of yen)	2,813	4,745	3,393	3,440	3,468	5,381	6,160	6,120	4,852	8,032	8,918	11.0%
	Apparel (Millions of yen)	1,393	1,400	1,491	2,232	2,505	2,628	2,507	2,743	2,306	-557	-222	—
	Lifestyle creations (Millions of yen)	1,044	1,367	1,257	1,221	1,322	1,386	1,241	1,187	482	453	705	55.5%
<b>Environmental responsiveness</b>													
Total waste generated (Japan) (tons)	8,198	8,721	8,855	8,026	7,261	7,633	8,431	7,692	7,526	6,787	7,553		
<b>Corporate culture creation</b>													
Employment rate of people with disabilities (%)	2.00	2.27	2.39	2.28	2.23	2.05	2.40	2.10	2.23	2.07	2.20		
Average length of service (years)	19.8	20.1	20.3	20.3	20.0	20.5	20.4	20.1	20.2	20.2	19.8		
Number of occupational accidents (incidents)	15	27	25	34	26	39	28	42	29	37	32		

# Company Profile and Stock Information

(As of March 31, 2023)

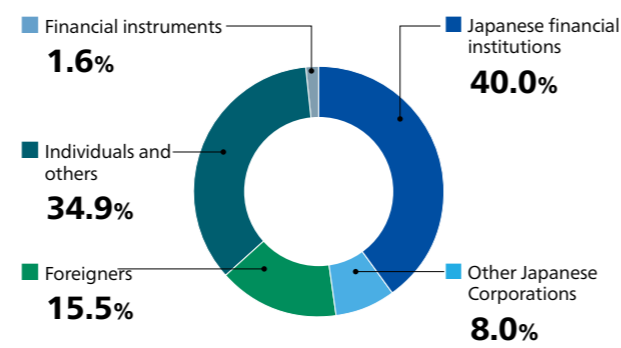
## Company Profile

<b>Company Name</b>	GUNZE LIMITED
<b>Office</b>	<ul style="list-style-type: none"> <li>Osaka Head Office: Herbis Osaka Office Tower, 2-5-25, Umeda, Kita-ku, Osaka 530-0001, Japan TEL: 81(6) 6348-1313</li> <li>Registered Head Office: 1 Zeze, Aono-cho, Ayabe, Kyoto 623-8511, Japan</li> <li>Tokyo Office: TOKYO SHIODOME BUILDING, 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7315, Japan TEL: 81(3) 4485-0000</li> </ul>
<b>Date Established</b>	August 10, 1896
<b>Paid-in Capital</b>	26.1 billion yen
<b>Main Businesses</b>	<ul style="list-style-type: none"> <li>Functional Solutions</li> <li>Medical</li> <li>Apparel</li> <li>Lifestyle Creations</li> </ul>
<b>Gunze Group Organization</b>	58 companies (including Gunze and affiliates)
<b>Number of Employees</b>	Gunze Limited (non-consolidated) : 1,553    Gunze Group (consolidated) : 5,214
<b>Main Banks</b>	MUFG Bank, Ltd., Mizuho Bank, Ltd., Bank of Kyoto, Ltd.

## Stock Information

<b>Closing Data</b>	March 31
<b>Ordinary General Meeting of Shareholders</b>	June
<b>Total Number of Authorized Shares</b>	50,000,000
<b>Number of shares issued and outstanding</b>	17,293,516
<b>Number of shareholders</b>	26,348
<b>Stock listings</b>	Tokyo Stock Exchange Prime Market (Securities Code 3002)
<b>Number of shares per trading unit</b>	100
<b>Accounting Auditor</b>	Kyoritsu Shinmei Audit Corporation

## Breakdown of Shares by Shareholder Category



\* The pie graph shows percentages against the total number of shares issued and outstanding.

## Major Shareholders (top 10)

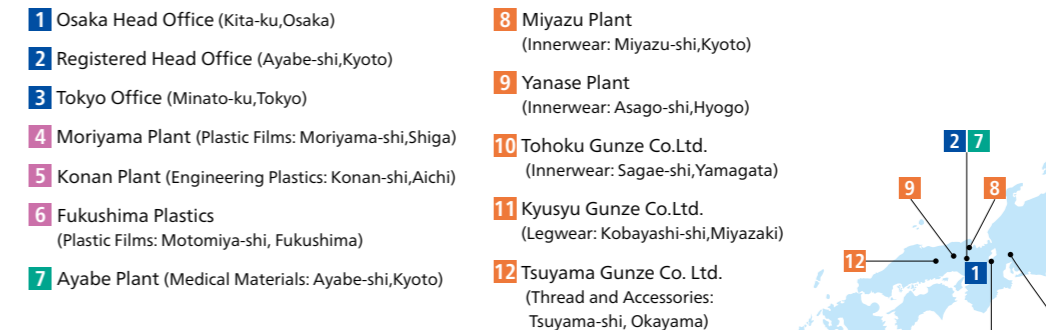
Shareholders	Number of shares held (thousand issues)	Shareholding ratio (%)
Custody Bank of Japan, Ltd.	2,520	14.79
The Master Trust Bank of Japan, Ltd.	2,072	12.16
The Bank of Kyoto, Ltd.	587	3.45
Gunze Group Employee Stock Ownership Plan	476	2.79
National Mutual Insurance Federation of Agricultural Cooperative	451	2.65
DFA INTL SMALL CAP VALUE PORTFOLIO	306	1.80
MUFG Bank, Ltd.	297	1.74
The Dai-ichi Life Insurance Company, Limited	290	1.70
GSI Creos Corporation	271	1.59
Gunze Business Partner Shareholding Association	207	1.22

1. Held shares are rounded down to the nearest thousand.

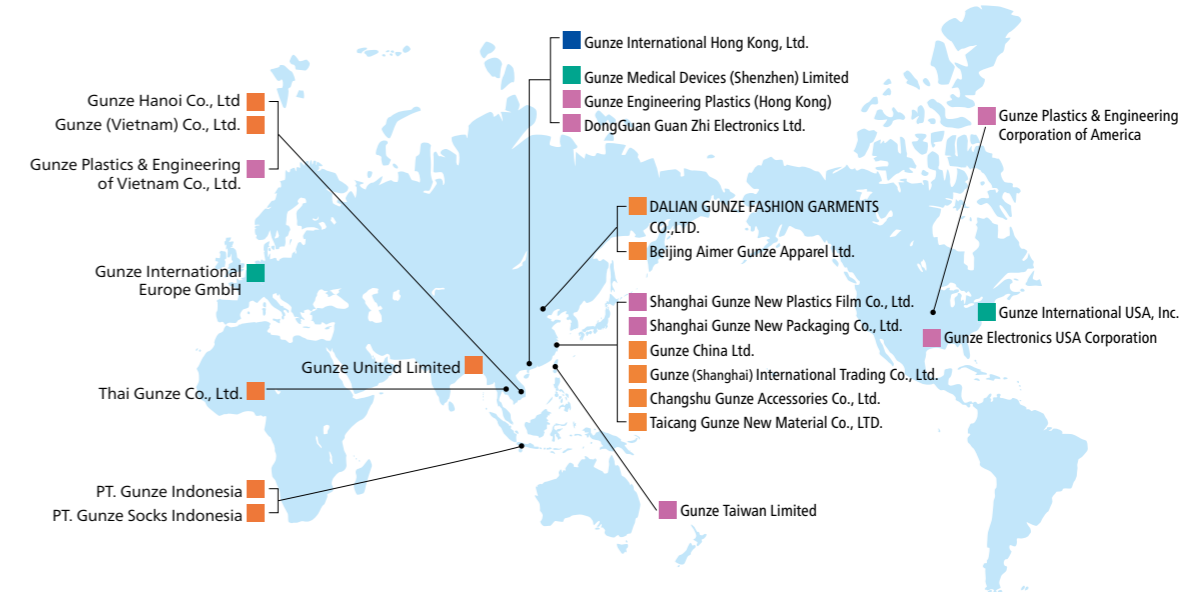
2. Gunze holds 247 thousand treasury shares, but is not included in the above list of major shareholders. Moreover, the shareholding ratio is calculated using 17,046 million shares, which do not include treasury shares, as the denominator.

## Business Locations

### [JAPAN] Main Factories and Subsidiaries in Japan



### [GLOBAL] Main Factories and Subsidiaries Outside Japan



## About the GUNZE Integrated Report 2023

The Gunze Group has published integrated reports since 2018 to provide readers with a deeper understanding of the Group's efforts to create value over the medium and long term. Based on this report, we have engaged in a series of dialogues with stakeholders.

The GUNZE Integrated Report 2023, now in its sixth issue, outlines measures to realize management materiality, a priority theme identified in the Group's Medium-term Management Plan VISION 2030 stage1, and introduces the Group's sustainable management initiatives aimed at balancing economic and social value.

With the Corporate Communication Department playing a central role in the editing function, the GUNZE Integrated Report 2023 was prepared in collaboration with related departments. As the head of the Corporate Communication Department, I attest to the legitimacy of the report's production process and the accuracy of the information contained herein.

I hope that the GUNZE Integrated Report 2023 will be of use to all stakeholders in better understanding the Gunze Group. Moving forward, we will continue to refine this report and strive to make it a valuable resource for communication with stakeholders.

### Junko Nakashima

General Manager  
Corporate Communications