

GUNZE

GUNZE Integrated Report 2022



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
Sompo Asset Management
Co., Ltd. for an eleventh
consecutive year.



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.

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Issued September, 2022

GUNZE

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

Tsurukichi Hatano

Founder

Management Philosophy

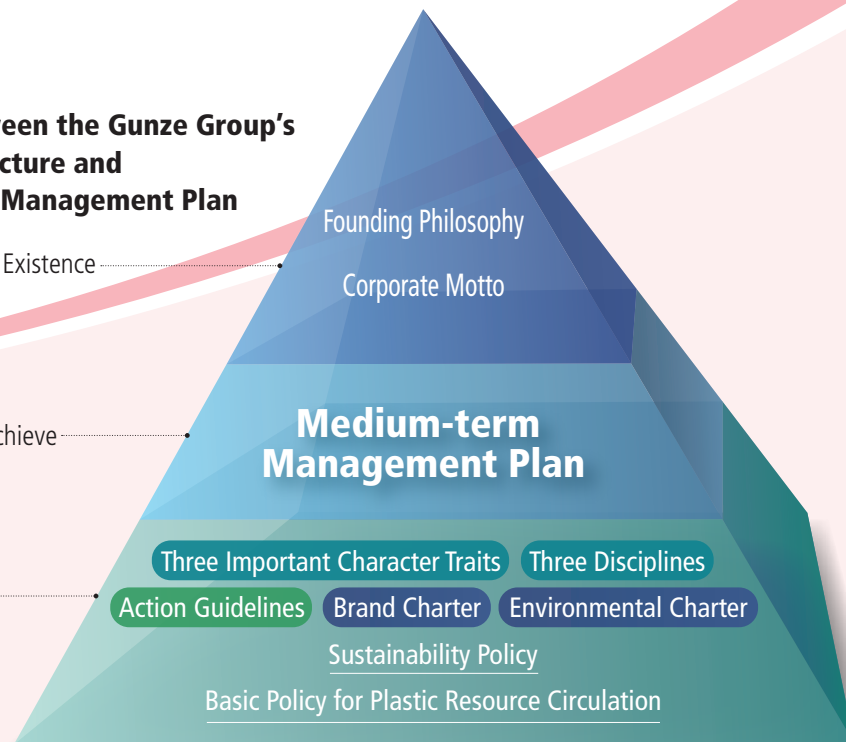
The Gunze Group has consistently lived up to the founding philosophy of “Striving for a harmonious coexistence with all stakeholders through a people-oriented approach and a commitment to quality.” This philosophy serves as the “warp” threads of our corporate management, while our business operations 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.

Relationship between the Gunze Group’s Philosophical Structure and the Medium-term Management Plan

● The Purpose of Our Existence

● Goals We Should Achieve

● Attitudes/Stances We Value



VISION 2030

Create new value and deliver a “feeling of comfort” to customers, contributing to a sustainable society

The Ideal State We Aim to Achieve in 2030

Contribute to society and also achieve Gunze Group sustainable growth through sustainable management capable of generating both economic and social value

Gunze’s Materiality ▶P.20

- Creation of New Value
- Evolution of Corporate Constitution
- Environmentally Responsible Management
- Capital Cost-focused Management

Cover Design Concept

DNA Sustainably Weaving Growth

Gunze’s DNA a tapestry of sustainable growth

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Editorial Policy

Gunze Integrated Report in 2022 was compiled as a financial and non-financial information report for the Gunze Group. The Report largely focuses on activities in fiscal 2021 (From April 1, 2021 to March 31, 2022) with certain content covering the period after April 2022. 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

Investor Relations <https://www.gunze.co.jp/english/ir/>

Non-financial Information

Sustainability <https://www.gunze.co.jp/english/sustainability/>

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.

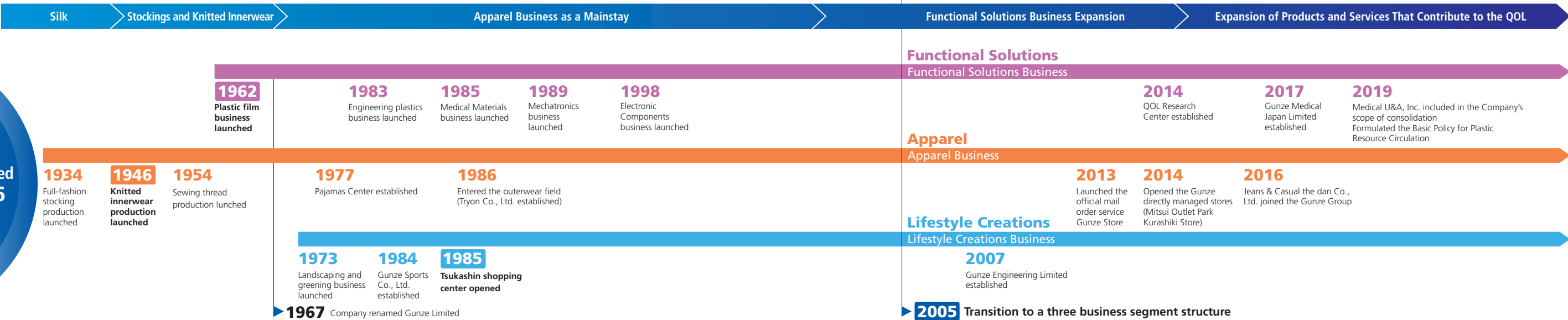
A Track Record of Value Creation

Gunze has continued to provide products and services that address social issues and changes in the business environment as a going concern for 126 years.

Changes in the Composition of Sales



Evolution of the Group's Principal Businesses



Medium-term Management Plan Progression (FY2013-FY2024)



Social Changes and Issues

Gunze's History

The district of Ikaruga, Kyoto is home to the silk industry in Japan, a local industry that has existed since ancient times. Facing difficulties in marketing this silk over an extensive area owing to its low quality, the region was also poor and lacking in resources. Burdened by a harsh environment, the silk industry was in urgent need of improvement and promotion.

1896~
Establishment of a silk manufacturing company to contribute to the local community through the development of local industry

Experiencing the harsh realities of silk farmers of the time, Gunze's founder, Tsurukichi Hatano, was deeply moved to improve the structure of the industry. Just around that time Kyoto Prefecture's cocoons and raw silk were judged to be of the lowest quality prompting the urgent need for improvement. With his belief that "good people make good silk," Hatano was dedicated to employee education to help ensure the high quality of the products.

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. The number of silk farmers fell dramatically, and the silk industry was forced to suspend operations.

1930~
Improving people's lifestyles through rapid expansion of apparel products (hosiery and knitted innerwear) after the end of WWII

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."

With the rapid growth of the petrochemical industry and the increased consumption of plastic resins, plastic products quickly came to replace many everyday items. These products were mass-produced and became an indispensable part of daily life.

1960~
Tackling the challenge as a technology-oriented company through the development of applications for new materials

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.

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.

1985~
Presenting new, enriched lifestyle culture through diversified apparel products and multifaceted business operations

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.

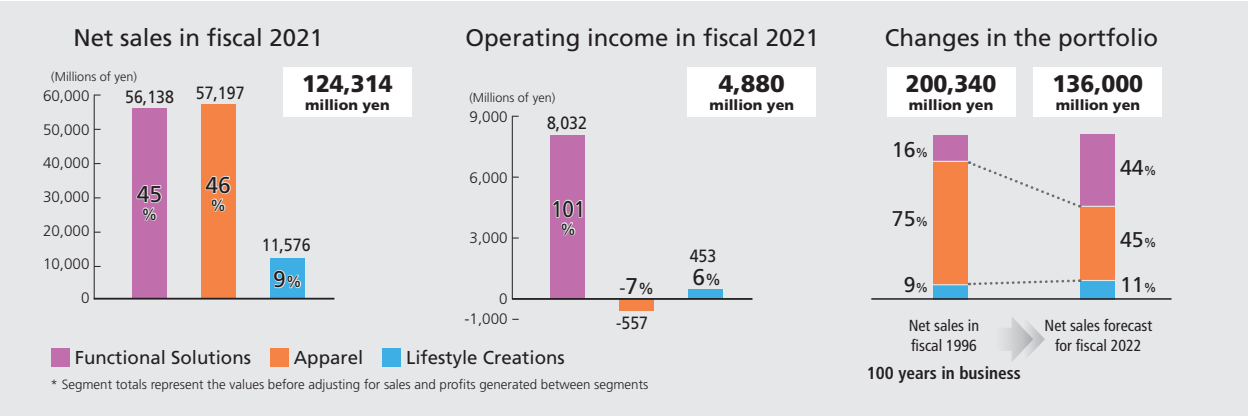
While the market share of developed countries is shrinking, emerging countries such as China are expanding. Under these circumstances, building a business structure that can respond to rapid changes in the structure of society and the economy is a prerequisite for growth. In addition, since the conclusion of the Paris Agreement, calls on corporate management to remain vigilant toward climate change are intensifying.

2010~
Creating new value by integrating functional solutions, apparel, and lifestyle creations businesses

The background of the rapid aging of the Japanese population and increasing health consciousness, Gunze is concentrating on developing new products designed to create new value in the areas of apparel, plastic films, medical materials, and sports clubs. This is intended to help people enhance their quality of life (QOL). In the sports club business as well, Gunze sports clubs initiated new programs in collaboration with local communities to help lengthen healthy lifespans.

At a Glance

Gunze’s businesses generate new solutions in various domains



	Products and Services	Segment Overview	Positioning (fiscal 2021 results)
<div><div>Functional Solutions Business</div><div>Since entering the plastic films field in 1962, the functional solutions business has worked to develop various applications 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.32-35</div></div>	<div><div>Plastic films</div><div><ul style="list-style-type: none">Shrink filmsShrink tubesNylon filmsOPP filmsFlexible Multi-layered sheet</div></div> <div><div>Engineering plastics</div><div><ul style="list-style-type: none">Transfer beltFluor resin tubesFunctional parts for semiconductorsFunctional parts for the health and medical fieldsOther fluorine products</div></div> <div><div>Medical materials</div><div><ul style="list-style-type: none">Bioabsorbable reinforcement feltsBioabsorbable bone fixation devicesArtificial dermisBioabsorbable dural substitutesBioabsorbable surgical suture threadBioabsorbable adhesive barriersMedical lasers</div></div> <div><div>Electronic components</div><div><ul style="list-style-type: none">Touch panels</div></div> <div><div>Mechatronics</div><div><ul style="list-style-type: none">Equipment for packaging and packagingPrinting peripherals</div></div>	<div>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.</div> <div>Development, manufacture and sale of OA equipment and functional parts used in manufacturing processes in all the industries.</div> <div>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.</div> <div>Development, manufacture and sale of touch panels for personal computers, in-vehicle devices, and medical devices.</div> <div>Design, manufacture and sale of labor-saving and other types of equipment for the packaging, printing, dairy, beverage, food processing, and pharmaceutical industries.</div>	<div><div>Plastic</div><div><ul style="list-style-type: none">Shrink label films<div>Domestic Market Share: Approx. 40%</div></div><div><div>Medical Materials</div><div><ul style="list-style-type: none">Bioabsorbable reinforcement feltsArtificial dermis<div>Domestic Market Share: Approx. 90%</div><div>Domestic Market Share: Approx. 40%</div></div></div></div>
<div><div>Apparel Business</div><div>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.36-38</div></div>	<div><div>Innerwear</div><div><ul style="list-style-type: none">Innerwear (men's, women's, kid's)</div></div> <div><div>Legwear</div><div><ul style="list-style-type: none">Socks (men's, women's)Stockings</div></div> <div><div>House casual</div><div><ul style="list-style-type: none">NightwearHome wear</div></div> <div><div>Thread and accessories</div><div><ul style="list-style-type: none">Sewing thread for automobile materialsSewing thread for industrial materials</div></div> <div><div>Retails</div><div><ul style="list-style-type: none">GUNZEJeans / Casual Dan</div></div>	<div>In response to diversifying needs, the products are developed based on various concepts.</div> <div>The products are developed based on both fashion and functionality approaches.</div> <div>The Company develops nightwear that is particular about materials and functions, and home wear that prioritizes lifestyles.</div> <div>The Company has developed a wide range of products, from different sewing threads with new functions and threads for clothing to various industrial materials.</div> <div>The Company has directly managed stores, outlet stores, and casual wear specialty stores.</div>	<div><div>Apparel</div><div><ul style="list-style-type: none">Number of apparel products sold annually in JapanMade in Japan<div>110 million units</div><div>43 million units</div></div></div>
<div><div>Lifestyle Creations Business</div><div>The lifestyles creations business contributes to a higher QOL through the use of Gunze's technologies and know-how. ▶ P.39</div></div>	<div><div>Real estate</div><div><ul style="list-style-type: none">Commercial facility and spa managementReal estate developmentEngineering and energy-saving service</div></div> <div><div>Sports club</div><div><ul style="list-style-type: none">Sports club and swimming school management</div></div> <div><div>Landscaping and greening</div><div><ul style="list-style-type: none">Tree salesFlower sales</div></div>	<div>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.</div> <div>The Company manages community-based sports clubs and offers high-quality services and options.</div> <div>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.</div>	<div><div>Gunze Green</div><div><div>Industry-leading line-up</div><ul style="list-style-type: none">Number of available trees: approx. 2 millionTypes of available trees and flower seedlings: approx. 3,200 types</div></div>

Message from the Chairman



Atsushi Hirochi
Chairman, Representative Director

Atsushi Hirochi

Gunze is committed to engaging in sustainable management in tune with our founding philosophy as a part of efforts to co-create value with stakeholders.

The Role of Our Founding Philosophy

Gunze Ltd. was founded in 1896 in the district of Ikaruga (now Ayabe City), Kyoto as Gunze Silk Manufacturing Co., Ltd. with the aim of promoting the local silk industry. The name Gunze is a coined word that combines “policy of the district” with “the way forward” reflects the founder’s belief that each district should pursue its own policy as well as the Company’s unwavering values and founding philosophy of “harmonious coexistence with all stakeholders surrounding the company through a people-oriented approach and commitment to quality.”

From the outset, the Company’s founder, Tsurukichi Hatano, sought not only to pursue profit, but also to create a community that would bring happiness to employees; silk farmers, shareholders, and all other stakeholders including the local community. I am convinced that this epitomizes the very nature of a sustainable society that is critical today and strongly believe that we must stay true to this philosophy as we work diligently to engage in sustainable management.

Social Value Created through Sustainable Management

ESG initiatives are playing an increasingly important role in corporate management. The Gunze Group has been promoting initiatives to resolve social issues through its core business in order to contribute to the environment and society. In response to the recent upswing in demand for sustainability, the Gunze Group actively participates in a broad array of international initiatives. For example, Gunze signed on to the Global Compact put forward by the United Nations in 2020 and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures in 2021. In this first

fiscal year of the new Medium-term Management Plan, VISION 2030, the Gunze Group will continue to engage in sustainable management. In response to calls for the resolution of long-term social issues, we will provide customers with a feeling of comfort through our products and services. We believe that we can create social value by working to enhance customer satisfaction in concert with our corporate value as a company. In this manner, we will fulfill social needs while growing sustainably alongside society.

Expectations Toward Human Resources in the Leadup to 2030

Due partly to COVID-19, we are working to establish sales and business discussion systems based on non-contact and non-face-to-face communication while strengthening the structure of production sites. To this end, we have pursued technological innovation through digital transformation (DX), taken steps to reform production by adopting IoT, AI, and other digital technologies, and focused on innovating mechanisms to better adapt to changes in the nature of our business. Over and above these initiatives, I recognize the urgent need to change the mindset of our members to address drastic

changes in social conditions while inheriting the DNA of the Gunze Group. Moving forward, we will promote improvements including work style reforms in an effort to further enhance the comfort of each workplace environment, in which diverse human resources can play an active role. We will also work to foster an organizational culture that encourages personal growth through work and a sense of job satisfaction with the aim of becoming a company in which its members take the initiative to excel.

A Closing Message to Stakeholders with Whom We Create Value

Recognizing that the pandemic will continue to linger for the foreseeable future, we are looking to engage in business activities under a “life with corona” scenario. In light of new business opportunities triggered by changes in the social structure, lifestyles, and consumer awareness, we have transformed our development, sales, and production systems in such as way as to keep up with the needs of the times and are implementing measures designed to secure future success.

In fiscal 2022, the start of our new Medium-term Management Plan, we are determined once again to work with all stakeholders to create value in a bid to realize a sustainable society. As we work toward achieving our goals, we humbly ask for your continued support and understanding.



Message from the President



Toshiyasu Saguchi

Representative Director and President

T. Saguchi

Create new value and deliver a feeling of comfort to customers, contributing to a sustainable society based on the key phrase Transform and Challenge

Review of Previous Medium-term Management Plan

From fiscal 2014 to fiscal 2021*, the Gunze Group promoted CAN20, its previous Medium-term Management Plan, by dividing it into first and second phases based on the key concept of Focus and Concentration. Despite having proceeded relatively smoothly until around 2018, the plan was affected by the spread of COVID-19 infections from the fourth quarter of fiscal 2019, during the second phase. Thus, the plan ended with results falling short of targets due to factors that included fluctuations in exchange rates and soaring raw material and fuel prices.

Amid these circumstances, the growth of the functional solutions business was a major achievement. In the plastic films field, a new plant in Vietnam commenced operations, and a global manufacturing and sales system were put in place. In the engineering plastics field, we added a clean plant at the Konan Plant in Aichi Prefecture, enabling us to take advantage of market growth in the semiconductor and medical fields. In the medical materials field, we established Gunze Medical Japan Ltd. and completed the M&A of Medical U&A Inc., thereby establishing a foundation for further growth in the years ahead.

Although the apparel business suffered a downturn from its strong performance in the first phase while generally strug-

gling in the second phase, our differentiation strategy led to the expansion of women's innerwear and EC sales channels. As a result, the EC sales ratio increased to 14%, which is encouraging. Promoting the commercialization of film for next-generation lithium-ion batteries, as part of efforts to develop new businesses, and measures designed to improve capital efficiency by liquidating unprofitable businesses and idle real estate, also met with some success.

In contrast, issues that need to be addressed in the future have also come to the fore. Concerning the creation of new businesses, these will require the cultivation of several seeds to follow on from the film for next-generation lithium-ion batteries. We also need to work on strengthening our ability to respond to sudden changes in the external environment and the new normal. To resolve these issues, we will pursue the promotion of profit improvement in underperforming businesses, further collaboration and integration of people and organizations, and the utilization of digital technology.

* The final fiscal year of CAN20 was extended by one year due to the significant impact the COVID-19 pandemic on the Gunze Group.

[Previous Medium-term Management Plan CAN20](#) ▶ P.16-17

Business Environment

The external environment surrounding the Gunze Group is changing rapidly, and our response to those changes is becoming a major issue for us. The COVID-19 pandemic in particular has had a major impact on society and on our customers' lifestyles. The structural changes in society and industry as well as the evolution of digital technology are bringing about a variety of changes, such as the diversification of work styles, the rapid growth of contactless business, and the expansion of the EC market as well as the faster pace of DX. In the meantime, due to factors such as soaring raw material and fuel prices, the depreciation of the yen, and events in Ukraine, the business environment is becoming increasingly uncertain and harsh in its outlook.

However, these changes have aspects that are working in the Company's favor. Now that remote work has permeated society, we have reached the point at which more flexible and efficient working styles are being put into practice. Some departments in the Gunze Group have high remote work ratios. At the Tokyo branch office, to which we moved in February 2022, we have introduced a free address system that allows employees to choose where to work in accordance with the nature of their duties. As a result, we aim to make more efficient use of office space to strengthen our sales capabilities. We will do this by revitalizing communications between employees across departments, fostering a sense of unity and synergies.

Message from the President

Advocating a commitment to quality in its management philosophy, the Gunze Group implements thorough quality control at its own production plants. By means of a market-out concept that leverages direct points of contact with customers, such as directly managed stores and EC websites, we are working on new products and services as well as product category changes to flexibly respond to those changes in lifestyles. Having been in charge of the Plastics

Goals of Medium-term Management Plan, VISION 2030 stage1

To maintain sustainable growth even amid the previously mentioned dramatic changes in its market environment, the Gunze Group has redefined its vision for the future and clarified the ideal state we aim to achieve in 2030. By back-casting from there, we formulated VISION 2030 stage1, the Medium-term Management Plan we announced in May 2022. During the course of the plan, our vision is to create new value and deliver a feeling of comfort to customers, contributing to a sustainable society. To achieve this vision, while taking Transform and Challenge as our key phrase, we will create economic and social value and realize sustainable management that balances social contribution and the Group's business growth.

As KPIs in terms of economic value we have set net sales of 140 billion yen, operating income of 10 billion yen, and ROE of 6.3% or more in fiscal 2024 as management targets. Since the initiatives extend over a long period of time, our

Division since joining the Company, I have experienced environmental changes similar to those of today, such as soaring crude oil prices during the Gulf War (1990). After the war, however, the Company achieved its highest profit in 1995 due to the strong performance of the Apparel Division. I am confident that we will also be able to overcome these current changes by creating new value.

non-financial targets for improving social value have been set with a view toward 2030.

To achieve our goals, we have formulated four pivotal strategies under the Medium-term Management Plan: (1) Creation of new value; (2) Evolution of corporate constitution; (3) Environmentally responsible management; and (4) Capital cost-focused management. These strategies are closely related to the priority issues (materiality) that the Gunze Group should address. I therefore believe that we will be able to achieve the KPIs for materiality by developing our business based on the Medium-term Management Plan strategies.

[Gunze Materiality](#) ▶ P.20-21

[Medium-term Management Plan, VISION 2030 stage1](#) ▶ P.22-25

Group will increase by creating economic value in the form of improved business performance and social value in the form of improved brand value, and that this will lead to the creation of new value.

[Business Segment Strategies](#) ▶ P.32-39

Capital Cost-focused Management

The Gunze Group has introduced Gunze Value Added (GVA) as an indicator for measuring capital costs. Under the Medium-term Management Plan, we will implement measures to pursue capital efficiency by deploying a performance indicator tree that breaks down invested capital and operating income into elements to improve GVA. We will produce GVA revenue for all divisions in 2024. In addition, divisions that at this time are already profitable in terms of GVA are gradually changing to RO-IC-based target management.

[Financial Capital Strategy](#) ▶ P.26-29

Evolution of Corporate Constitution

The Gunze Group feels that there are still issues to be addressed in terms of promoting women's active participation and providing child-rearing support, and regards them as one of the themes that should be prioritized under the Medium-term Management Plan. Under such circumstances, the apparel business has a high percentage of women on account of its business characteristics, and we are already nurturing female managers in multiple departments. I would like to increase the retention rate of female employees by

putting in place the systems and arranging the office environments that would make it easier for them to work, so that other business divisions can follow suit. In addition, as part of our work style reforms, we have set the annual leave take-up rate as a KPI. However, in light of the changes in work styles, such as the increase in remote work, the Medium-term Management Plan incorporates an engagement score in the KPIs as a more objective indicator.

[Activity Report Toward a Co-creative Society](#) ▶ P.50-53

Company's Future Vision Tailored to Market Changes

Having started out as a revitalized silk reeling business for the development of the local sericulture industry, Gunze Ltd. has expanded its business as a textile manufacturer. However, during the period of rapid economic growth, the demand for petrochemical products grew, and the raw silk business slumped. In such a harsh environment, we entered the plastic film field. After a great deal of trial and error, the first product to be successfully commercialized was the manufacture of packaging film for stockings. The functional solutions business arose from that and has now become one of the pillars of the Company's earnings. I recognize that this style of quickly capturing market needs followed by rapid commercialization is a feature of the Gunze Group and also one of its strengths.

Creation of New Value

To maximize the new value created by the entire Group under the Medium-term Management Plan, we determined

the roles that each of our three businesses—functional solutions, apparel, and lifestyle creations—should play based on their characteristics. Of these, I believe that the business that will drive our future growth will be functional solutions, especially in the burgeoning medical field. To generate further profit, as part of capital cost-focused management, which is one of the strategies of the Medium-term Management Plan, we will proceed with focused investment in this business to contribute to growth fields. I am also expecting the plastics and engineering plastics fields, which have already become pillars of earnings, to further expand and play a role in underpinning business earnings. In the meantime, the apparel and lifestyle creations businesses, which as BtoC businesses have direct contact with customers, will achieve stable growth by strengthening their business foundations and contribute to the enhancement of corporate brand value. I believe that the three businesses will fulfill their assigned roles, that the corporate value of the entire

Aiming to Resolve Social Issues through Sustainable Management

As part of its efforts to realize a sustainable society, the Gunze Group is working to convert two plants to environmentally responsible model factories. The first is the Moriyama Plant in Shiga Prefecture, a circular factory that aims to recycle plastics. We are aiming for zero waste by developing products suitable for recycling, establishing technology for raw material recycling, and by reusing recovered waste plastics. The second is the Yanase apparel plant in Hyogo Prefecture, which is working on becoming a net zero plant. In addition to installing solar panels and using renewable energy, we are looking at part of the production line becoming unmanned, so this will be a carbon-free, smart plant. Once we have completed the replacement of these plants, which are responsible for our two core businesses of plastics and apparel, they will become highly competitive production plants. Including the investments in these two plants, we are planning to have made environment-related investments of 12 billion yen by 2030.

The global spread of ESG investments over the past few years has significantly changed the situation surrounding petrochemical products. As a result, the production costs of petrochemical products have risen, and have reached the point at which they match the prices of plant-derived and resource-recycled products. The growing awareness of the SDGs is providing added impetus toward the sustainable management that the Company is targeting. We are committed to the creation of sustainable new value and will realize our vision toward 2030.

I would like to take this opportunity to express my heartfelt gratitude in anticipation of your ongoing support for and understanding of the activities of the Gunze Group.

[Circular Factory](#) ▶ P.33

[Net Zero Factory](#) ▶ P.37



Value Creation Model

Social Issues

Spread of COVID-19 infections, etc.

Shrinking of domestic market

Heightened awareness of human rights

Growing seriousness of global environmental problems

Growing international awareness of marine plastic pollution

Founding Philosophy

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

INPUT

(March 31, 2022)

BUSINESS MODEL

OUTPUT

(March 31, 2022)

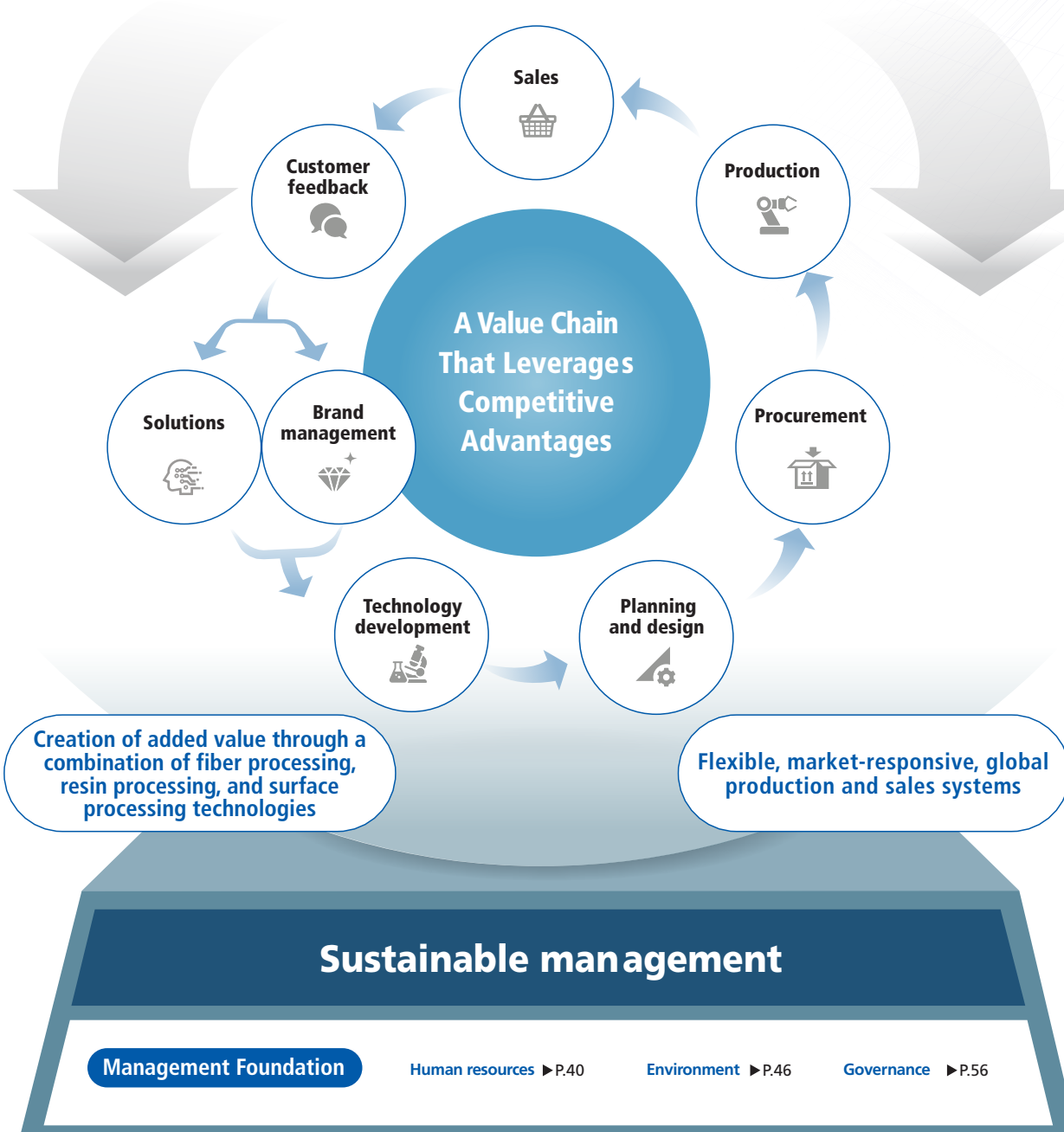
OUTCOME

(March 31, 2022)

Human Capital	
<ul style="list-style-type: none"> People-oriented approach "Three disciplines" taking hold Diversity of talent 	<ul style="list-style-type: none"> Consolidated number of employees (5,692) Those holding qualifications (606)
Manufactured Capital	
<ul style="list-style-type: none"> Robust production system with powerful manufacturing expertise Total cost competitiveness IT communications environment 	<ul style="list-style-type: none"> Number of global production bases Domestic 16, overseas 16
Financial Capital	
<ul style="list-style-type: none"> Stable financial standing Medium- to long-term capital policies Cost of capital-based management 	<ul style="list-style-type: none"> Net assets 114,790 million yen Interest-bearing debt 11,029 million yen
Natural Capital	
<ul style="list-style-type: none"> Environmentally friendly products/services Wholesaling of plants and trees 	<ul style="list-style-type: none"> Energy consumption (domestic) 46,674 kL (Crude oil equivalent)
Intellectual Capital	
<ul style="list-style-type: none"> Broad range of intellectual properties and technologies, from textiles to polymers Corporate brand loyalty 	<ul style="list-style-type: none"> Know-how Number of R&D personnel: 62 Number of industry-government-academia collaboration projects: 16 projects (FY2020 results) Number of patents acquired: Domestic 669; overseas 264 Number of designs acquired: Domestic 189; overseas 9 Number of trademarks acquired: Domestic 1,936; overseas 747 Number of utility model patents acquired: Domestic 27; overseas 6
Social and Relationship Capital	
<ul style="list-style-type: none"> Activities to address social issues through collaboration with local communities Sustainable procurement based on harmonious coexistence and coprosperity 	<ul style="list-style-type: none"> Diverse partnerships (suppliers, external research organizations, customers, local public organizations, etc.) Brand power Shrink film Share of domestic market: approx. 40% Bioabsorbable reinforcement felts: approx. 90% Artificial dermis: approx. 40% Number of apparel products sold: 110 million units Collaboration with local communities

Harmonious coexistence with the environment and local communities

Talent development through a people-oriented approach



Functional Solutions Business ▶ P.32



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

Apparel Business ▶ P.36

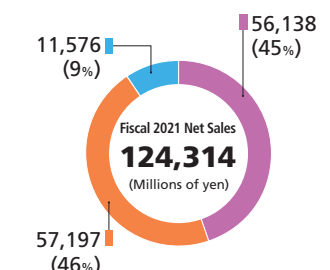


- Innerwear Business
- Legwear Business
- House Casual Business
- Threads & Accessories Business
- Retail Business

Lifestyle Creations Business ▶ P.39



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



Gunze Group's Value Propositions



People and Earth-focused Products/Services

FY2021 Results

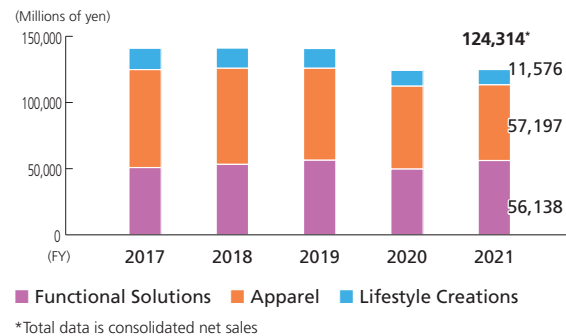
Human Capital	
Ratio of women employees (non-consolidated)	33.2%
Ratio of women in managerial roles	3.1%
Ratio of women corporate officers	15.8%
Improvement of engagement	
Paternity/maternity leave utilization rate	5.0%/100%
Average number of annual leave days taken	12.8
Manufactured Capital	
Capital investment costs	5,947 million yen
Financial Capital	
Return of profits to shareholders (dividend per share)	140 yen (2.4 billion yen in total)
Total shareholder return (TSR)	94.8%
Natural Capital	
CO ₂ emissions (Domestic + Overseas) Scope1+Scope2*	124,156t-CO ₂ (Compared with FY2013 BM: 28% reduction)
Total shareholder return (TSR)	94.8%
* Gunze Group total	
No. of plants with ISO 14001 certification	15 business sites (As of March 31, 2022)
Intellectual Capital	
R&D expenses	2,576 million yen
Number of patents published	89 (Domestic 64, overseas 25)
Number of industry-government-academia collaboration projects	(19 projects/FY2021 result)
Social and Relationship Capital	
Brand awareness	75.8% (Nikkei Brand Japan 2022 Survey)
Entered into regional comprehensive agreement with Osaka Prefecture, Osaka City and Kyoto Prefecture	

Financial and Non-financial Highlights

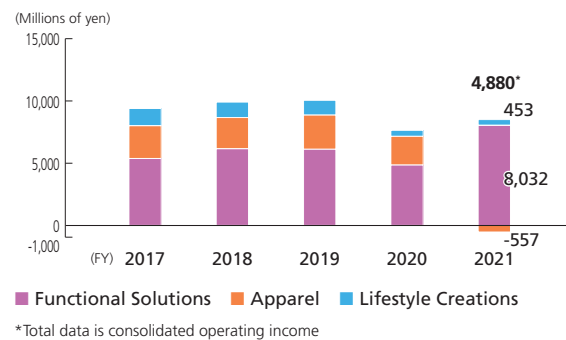
Gunze Ltd. and consolidated subsidiaries Fiscal years ended March 31

Financial

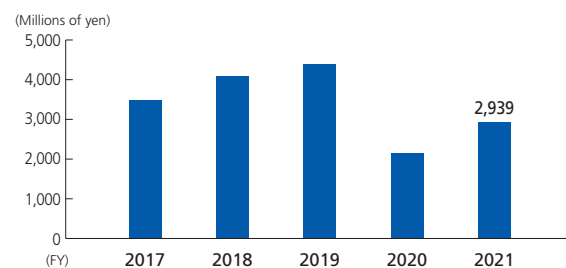
Net Sales by Segment



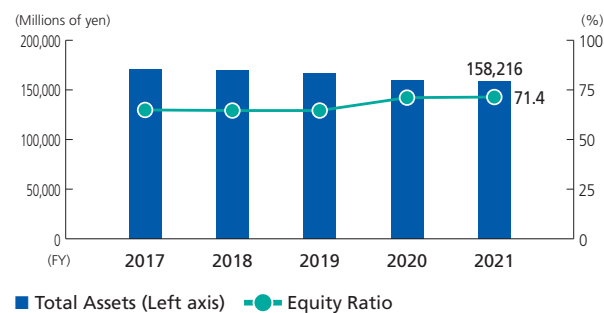
Operating Income by Segment



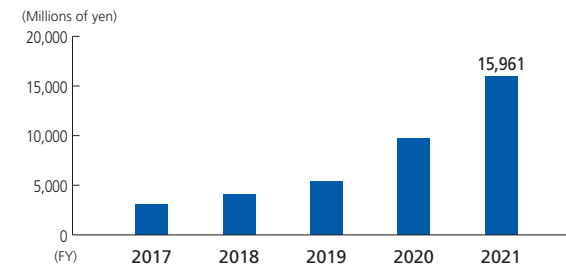
Profit Attributable to Owners of Parent



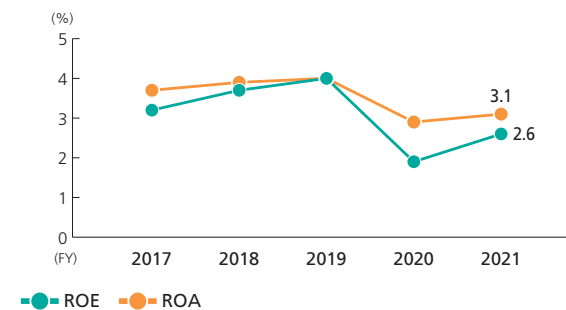
Total Assets/Equity Ratio



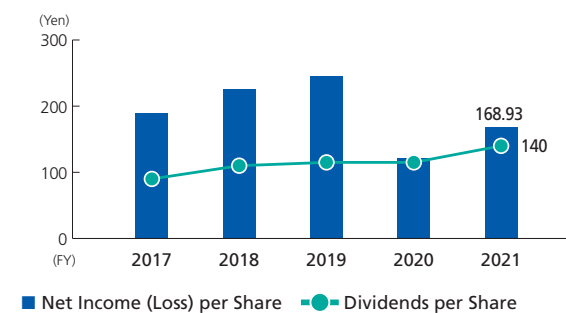
Free Cash Flow



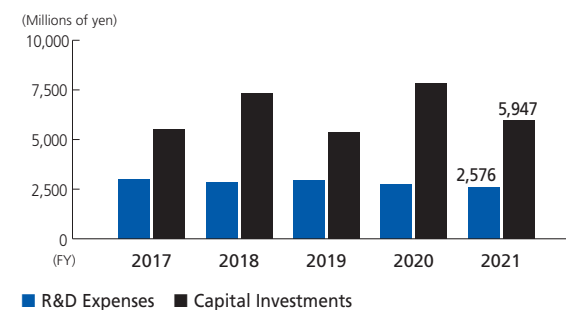
ROE/ROA



Net Income (Loss) per Share/Dividends per Share

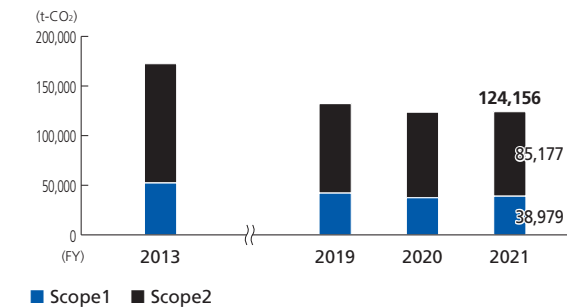


R&D Expenses/Capital Investments

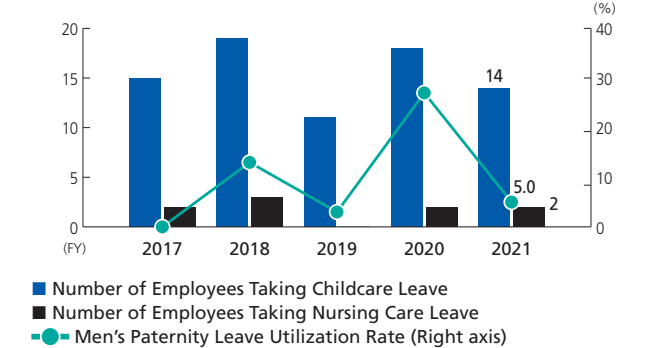


Non-financial

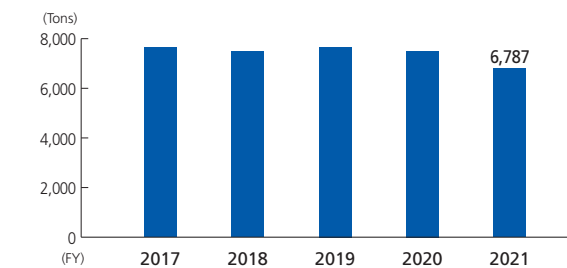
CO₂ Emissions (Japan + Overseas) Scope 1+ Scope 2



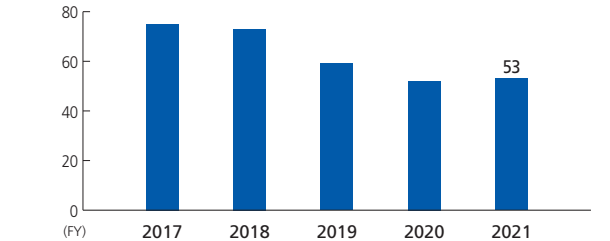
Number of Employees Taking Childcare and Nursing Care Leave/Men's Paternity Leave Utilization Rate



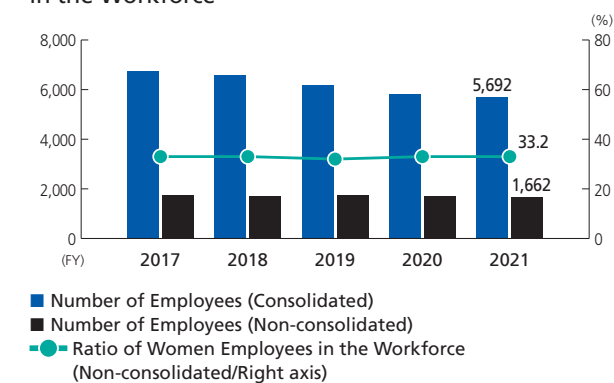
Total Waste Generated (Japan)



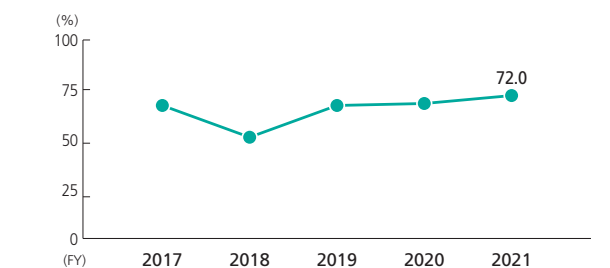
Number of Employees Who Have Acquired Shorter Working Hours for Childcare



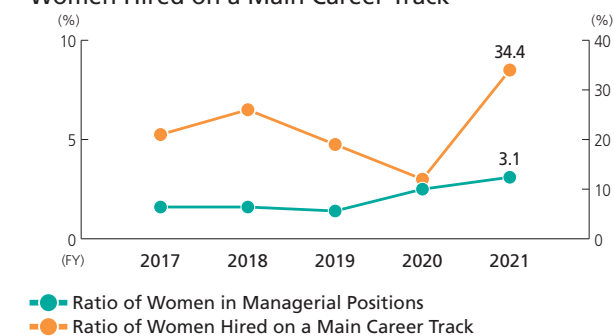
Number of Employees and Ratio of Women Employees in the Workforce



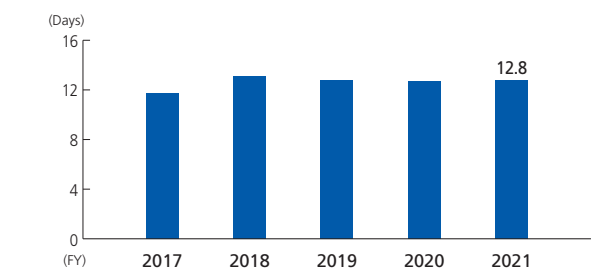
Reemployment Rate after Retirement



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



Average Number of Days of Annual Leave Taken



Previous Medium-term Management Plan “CAN20”

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.

Outline of the Previous Medium-term Management Plan “CAN20”

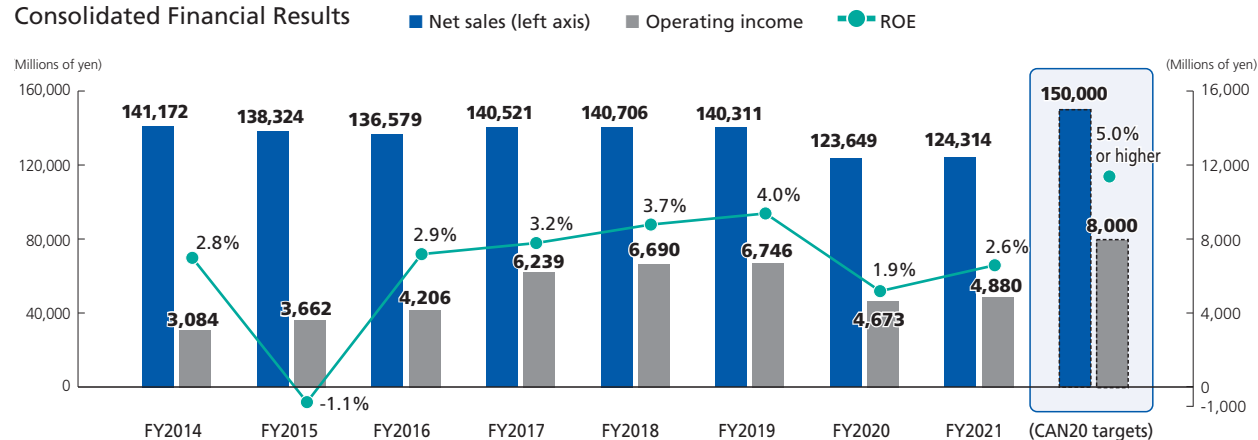
Key Concept	Focus and Concentration
Period	8 years from FY2014 to FY2021 Phase I: FY2014 to FY2016 Phase II: FY2017 to FY2021
2020 Management Vision	Gunze contributes to society as a global company that provides customers with a special type of “comfort” which only Gunze can offer, by further reinforcing its strength.
2020 Business Objectives	Set the health and medical-related fields that help improve the quality of life of people as the core source of growth, and have each business establish a “one-of-a-kind” position in the industry in its respective field through focus and concentration.

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

	Phase I	Phase II
Strategy	<ul style="list-style-type: none"> Portfolio strategy Selection and concentration through strategic business units (SBUs) CFA* Project Health and medical business expansion (Nightingale Project) Creation of new business (Edison Project) Enhance core technologies Global responsiveness Strengthen intangible assets Reduce fixed costs 	<ul style="list-style-type: none"> Business strategies by segment Revive growth in the Functional Solutions Business Accelerate growth in the Apparel Business Steady expansion of the Lifestyle Creations Business Promote commercialization of Phase I projects Expand business by M&A Construct a mechanism to create new business themes Reinforcement of management foundation Improve competitiveness by strengthening production base Strengthen management foundation
Achievements	<ul style="list-style-type: none"> 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. 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 Entered the Apparel Retail Business Jeans & Casual the dan Co., Ltd. became a subsidiary (M&A) Company-owned stores opened (factory outlet, family shop) 	<ul style="list-style-type: none"> Growth in functional solutions business Establishment of a global manufacturing and sales structure in the plastics 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) Women's innerwear and EC growth through differentiated technologies for apparel Clearly promote commercialization of films for next-generation lithium-ion batteries Improve capital efficiency by liquidating unprofitable businesses and idle real estate Ongoing efforts to create new businesses Strengthen responsiveness to changes in the external environment and the new normal Structural reform and profit improvement in leg wear, sports clubs, and other problem businesses Further collaboration and mobilization of people and organizations Business innovation/model transformation by using digital technology
Challenges	<ul style="list-style-type: none"> Delayed response to sales growth Insufficient response to the maturation of mainstay businesses/products Absence of growth business Slow in restructuring electronic components business 	

* CFA: Cross Functional Approach

Consolidated Financial Results



Summary of the Medium-term Management Plan “CAN20”

Based on the challenges faced during Phase I of “CAN20,” in Phase II we pursued the three basic strategies: “business strategy by segment,” “creation of new businesses,” and “reinforcement of management foundation.” In FY2020, we extended the final year of “CAN20” to FY2021 due to the impact of the global COVID-19 pandemic on business activities, while consumer spending and business activities remained severely restricted mainly by the state of emergency declared following the resurgence of infections. In addition, rising tensions over Ukraine and sharp yen depreciation caused raw material and fuel prices to soar, resulting in net sales of 124.3 billion yen, operating income of 4.8 billion yen, and ROE of 2.6% in FY2021. “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. In the apparel business, we worked to restructure production systems and upgrade products and channels to address changes in consumer behavior, yet this business was affected sluggish market conditions with the spread of COVID-19. At the same time, we worked to improve capital efficiency to realize positive GVA by restructuring non-profit-yielding businesses and by liquidating assets, which included selling the Tokyo Office Building and Maebashi LiRiCa. For creating new business, we are now ready to commercialize films for next-generation lithium-ion batteries.

Functional Solutions Business

In Phase I, changes occurred in the business portfolio that are being seen today, namely rapid progress in the medical materials field, whereas structural reforms mainly in the electronic components field have been delayed, with operations struggling overall. In Phase II, we promoted technological and product development in the plastics field to meet demand for environmental responsiveness in Japan. Another achievement was the establishment of a global manufacturing and sales structure, with operations commencing at our new plant in Vietnam. In the engineering plastics field, we upgraded the Konan Plant (Aichi Prefecture) in 2020 to enable greater cleanli-

ness aimed at creating new products centered on the semiconductor and medical fields, for which demand should increase going forward. In the medical materials field, we have expanded development and sales of new absorbable products globally while putting a structure in place for further growth in Japan by establishing Gunze Medical Japan Limited and acquiring Medical U&A, Inc.

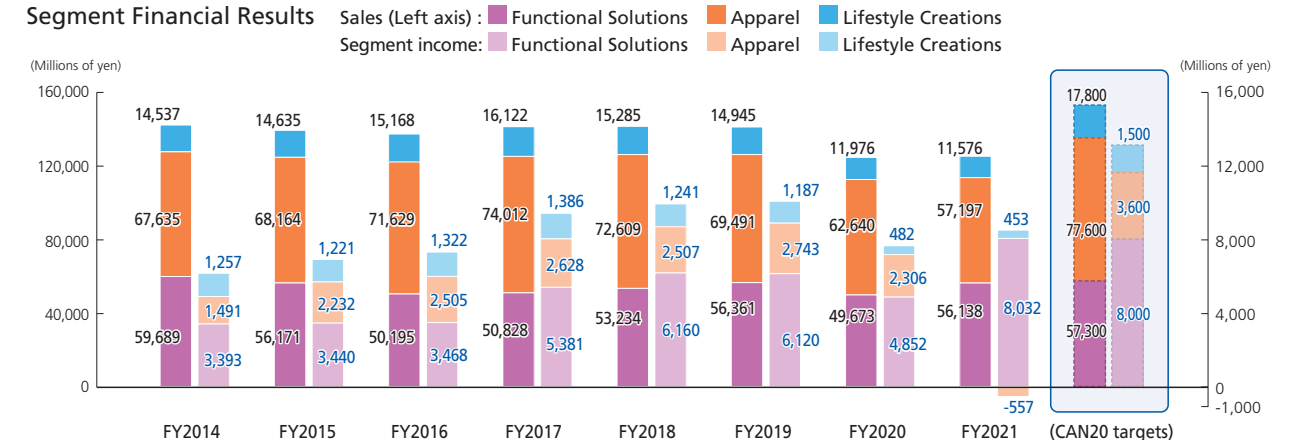
Apparel Business

In Phase I, operating income increased 80% compared with FY2013 owing to growth in ladies' innerwear by expanding CUT OFF items that use differentiated technologies and progress made in restructuring our production systems. In Phase II, we made steady progress thanks mainly to launching the new AIRZ series for men. However, we were severely impacted by the worsening spread of COVID-19, which led to operational suspensions at overseas plants and lower sales of leg wear centered on stockings, as people refrained from going out. In contrast, ladies' innerwear performed well, while differentiated items led by seam-free items that use proprietary Gunze technologies are creating new demand in the wellness and health category amid growing awareness of fem-tech. Particularly in EC channels, sales continued to grow amid changes in consumer behavior.

Lifestyle Creations Business

In the sports club field, we began expanding overseas led by opening new facilities in Cambodia in 2017, while we also opened new facilities in Japan. However, operations were affected by temporary closures and shorter hours requested by local governments due to the spread of COVID-19. Shopping centers were similarly affected by a series of event cancellations and shortened hours, which curbed customer traffic.

Segment Financial Results



* Segment totals are before adjustments for intersegment sales and profits.

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
1 Changes in the market environment surrounding the Gunze Group	<ul style="list-style-type: none"> Response to changes in customer preferences due to restrictions on social activities Shrinking of domestic market
2 Country risk in nations where Gunze operates	<ul style="list-style-type: none"> Reorganization of business strategies
3 Spread of COVID-19 infections, etc.	<ul style="list-style-type: none"> Business continuity under different environments from normal times
4 More stringent legal and social rules	<ul style="list-style-type: none"> Difficulty of manufacturing under existing standards
5 Contraction of domestic labor markets	<ul style="list-style-type: none"> Lack of diversity among human resources
6 Increased awareness of human rights	<ul style="list-style-type: none"> Insufficient revision of standards
7 Progress in the shift to IT	<ul style="list-style-type: none"> Increase in cyber-attacks that cannot be handled by existing security systems Irresponsible postings due to the anonymity of SNSs
8 Growing severity of global environmental problems	<ul style="list-style-type: none"> Global warming
9 Growing international awareness of marine plastic pollution	<ul style="list-style-type: none"> Conversion to business that reduces use of petroleum-derived raw materials

Risks	Opportunities	Materiality
<ul style="list-style-type: none"> Decline in profitability due to the emergence of non-profit yielding business divisions Obsolescence of technologies/services and falling market prices due to decreased competitiveness Impact on sales due to changes in laws and regulations Difficulty in continuing business due to dramatic changes in political and economic conditions Contraction of production and sales activities due to the occurrence of terrorism, war, litigation, disease, and other unexpected events Fluctuation in foreign exchange rates Stagnation in business activities due to infection among Group employees and to infection prevention measures Limitations on the business structure due to changes in society and lifestyles Difficulty in procuring raw materials due to supply chain disruptions 	<ul style="list-style-type: none"> Stringent listing criteria for the Prime Market Expansion of products and services that pursue sustainability Contribution to economic development in countries and regions where Gunze does not currently operate Development of new products that resolve risk Enhanced digital production using AI Product development in response to changes in lifestyles Expansion of online sales channels Standardization of global purchasing and sales systems 	Creation of New Value
<ul style="list-style-type: none"> Litigation, including intellectual property litigation, causing brand value to be lost Revision of products and services due to changes in quality standards Suspension of business activities due to legal violations Difficulty in securing human resources due to a shrinking labor force A lack of creative thinking capabilities due to immobilization of the personnel composition and an upside down population pyramid Lack of diversity due to a low percentage of female employees Potential for human rights violations exist due to insufficient verification of human rights and working environment standards Leakage of important information due to cyber-attacks, computer viruses, and other malicious methods Spread of erroneous information through SNSs 	<ul style="list-style-type: none"> Enhanced capability to address new risks Greater quality and technological innovation More stringent monitoring systems Corporate constitution in which diverse human resources can excel Enhanced engagement through work style reforms Greater digitalization of operations Business activities based on the UN Global Compact and other international norms Evolution of high-grade security systems Increased reliability in disseminating highly credible information 	Evolution of Corporate Constitution
<ul style="list-style-type: none"> Damage to production, logistics, and commercial facilities due to large-scale earthquakes, typhoons, floods, and other natural disasters Higher raw material and energy costs Stronger regulations regarding disposable plastics Lower sales due to the spread of products made from plastic alternatives 	<ul style="list-style-type: none"> Conversion to energy sources other than petroleum-derived raw materials Building of business strategies that reduce CO₂ emissions More active disclosure of corporate information, including disclosures regarding the TCFD recommendations Business reforms connecting to recycling Expansion of biomass and other environmentally responsible products 	Environmentally Responsible Management Capital Cost-focused Management

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.

Materiality	Our Measures and Initiatives	Gunze's Timeline
Creation of New Value	<ul style="list-style-type: none"> Creation of new businesses and continued growth of existing businesses (including M&A) 	Medium term
	<ul style="list-style-type: none"> Offering new products/services designed with enhanced sustainability in mind   	Short term
Evolution of Corporate Constitution	<ul style="list-style-type: none"> Establishing a corporate culture that empowers diverse talent 	Long term
	<ul style="list-style-type: none"> Promoting employee mindset/duties transformations through work style reforms 	Medium term
	<ul style="list-style-type: none"> Transforming business processes through proactive use of digital technology (covering all business processes, including production, sales, development, logistics, back-office, etc.) 	Medium term
Environmentally Responsible Management	<ul style="list-style-type: none"> Reducing environmental impact from business activities  	Long term
Capital Cost-focused Management	<ul style="list-style-type: none"> Strategic allocation of management resources 	Medium term
	<ul style="list-style-type: none"> Achieving a positive GVA value by improving capital efficiency 	Medium term

KPIs (Fiscal 2024 Targets)

New business-related <ul style="list-style-type: none"> Commercialization of next-generation, lithium-ion battery films 	Net sales of medical-related products <ul style="list-style-type: none"> Sales of new medical products
Development of environmentally friendly products <ul style="list-style-type: none"> Value creation from resource circulating-type films Expand sales of biomass plastic products Expand sales of low-specific gravity polyolefin products Development of films to reduce food waste 	Net sales of wellness and health category products <ul style="list-style-type: none"> Telework-compatible products Health category products
D&I promotion (Promotion of women's empowerment, re-employment system, etc.) <ul style="list-style-type: none"> Ratio of women in managerial roles: 6% or higher Ratio of female employees in the workforce: 35% Paternity leave utilization rate: 50% 	Building of personnel system, improvement of working environments <ul style="list-style-type: none"> 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
Educate employees, transform awareness with regard to respect for human rights <ul style="list-style-type: none"> Conduct human rights due diligence on the Company and its major business partners 	Improvement of productivity in all areas, including production, by utilization of AI, IoT, sensing technologies, etc. <ul style="list-style-type: none"> Productivity improvement rate (P value) *: 103%
Strengthening of risk response capabilities <ul style="list-style-type: none"> Holding of Risk Management Committee meetings: Four times 	<p>* Gunze's own productivity metric over the previous year</p>
CO₂ emissions reduction rate <ul style="list-style-type: none"> Reduction versus FY2013 Scope 1 + 2* (Domestic + overseas): 28% or higher * Gunze Group total Starting Scope 3 calculation, setting targets by FY2024 	<ul style="list-style-type: none"> 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)
Focused investment of management resources in growth businesses and growth areas <ul style="list-style-type: none"> 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 	
Restructuring of low-growth businesses and fields <ul style="list-style-type: none"> ROE 6.3% or higher Positive Company-wide GVA 	

We Aim to
Be a Sustainable
Company

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

Response to climate
change

Resource recycling
society

Sustainable
procurement

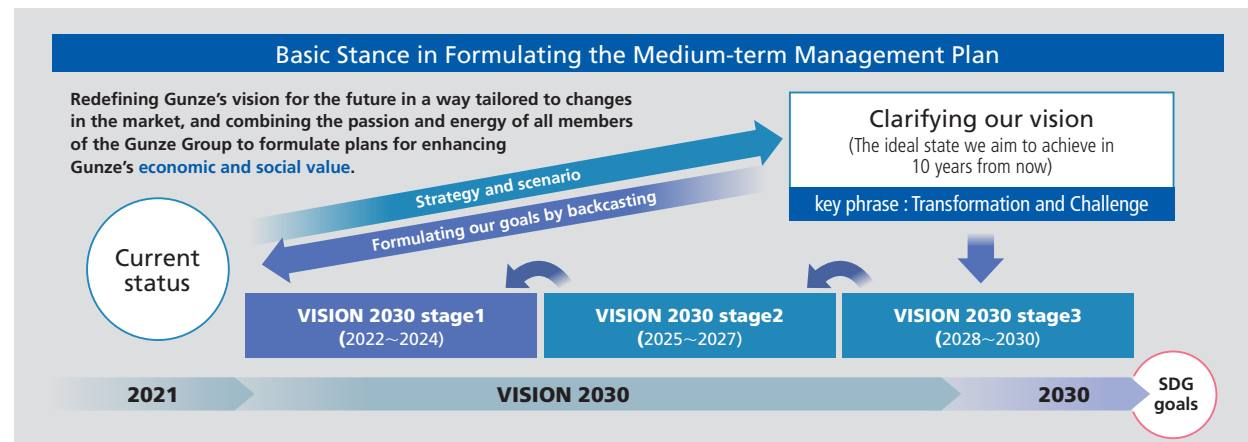
Wellness and health

Consideration for
people and society

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 has formulated its Medium-term Management Plan “VISION 2030 stage1” for the three-year period from fiscal 2022 to 2024. 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.”

Planning Keeping 2030 in Sight

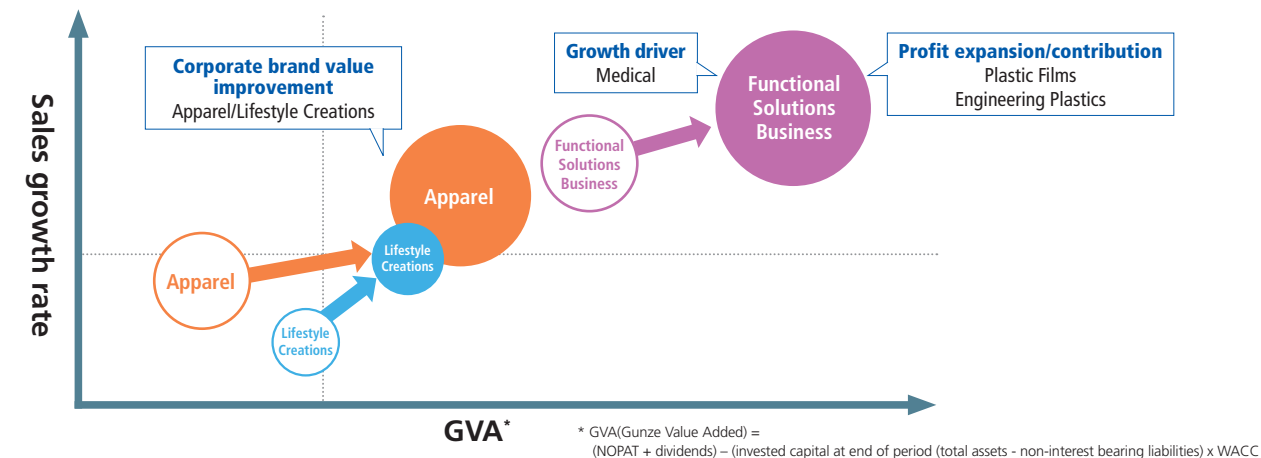


Recognizing Environment Changes

Changes	Impact	New Normal	Setting Gunze's Direction
Changes in social/economic structures	<ul style="list-style-type: none"> Diversifying work styles Expanding healthcare/nursing care markets Growing EC market 	Life under a “with COVID” scenario <ul style="list-style-type: none"> Changing consumer purchasing behavior [Strong sectors] EC, hygiene-related business, home meal replacements, etc. [Sluggish sectors] Retail, travel, eating out, sports club, etc. 	<ul style="list-style-type: none"> Offering new products/services responsive to changes Promoting work styles suitable for the New Normal Creating added value through digital technology
Evolution of digital technology	<ul style="list-style-type: none"> Rapid growth of no-contact business Accelerating digital transformation 	<ul style="list-style-type: none"> Accelerating work style reforms [Offices] Downsizing offices, office relocations to local regions [Work style] Teleworking becoming the normal 	→Taking on the challenge of growth strategy and reinforcing corporate constitution
Heightened environmental awareness	<ul style="list-style-type: none"> Increasing company commitment to “net-zero GHG emissions” by 2050 Activation of SDGs contribution Strengthened environmental regulations 	Global trends <ul style="list-style-type: none"> Accelerating ESG investments Accelerating decarbonized society 	<ul style="list-style-type: none"> Practicing sustainable management →Enhancing customer satisfaction and corporate value

In addition to the above, our business environment is becoming more severe and insecurity is on the rise with soaring oil/raw material costs and the depreciating yen

The Ideal State We Aim to Achieve in 2030



Business Objectives

Financial Goals (FY2024 Targets)

Net sales	Operating income	ROE
140 billion yen	10 billion yen	6.3% or higher

Non-financial Goals

Category	Target indicators		2024 targets	2030 targets
Environmental responsiveness	CO ₂ 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%
	Corporate culture creation	Engagement score	70pt. (estimate)	80pt. (estimate)
	Work style reforms	Annual paid leave utilization rate	75%	100%
Others	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.”



Medium-term Management Plan “VISION 2030 stage1”



Creation of New Value

Build a corporate culture supportive of challenge and able to integrate the power and resources of the entire company

Creation of new businesses and growing existing businesses (including M&A)

Under the theme “promote innovation by diving deeper into core technologies and combining them effectively,” we will develop a platform for new business creation, such as commercializing films for next-generation lithium-ion batteries, partnering with startups, and pursuing M&A. To provide more security and comfort and to benefit future generations, we employ our technology to help create a sustainable society. Under the theme of people/earth-focused products/services “Security, Reliability, Comfort,” we will work to grow existing businesses by expanding into new fields/domains by increasing global sales of the Functional Solutions Business (North America, China, ASEAN, etc.), expanding medical device and semiconductor equipment businesses, broadening DTC businesses in apparel, making the Ladies Inner wear

division a core business, and strengthening the sports club school business.

Offering new products/services designed with enhanced sustainability in mind

We will create sustainable new value by providing people/earth-focused products/services “Security, Reliability, Comfort.” Particularly in medical fields related to medicine and health, our businesses are directly related to the sustainability of people, and we will continue to release innovative new products centered on absorbable products. In addition, we will create value through resource-circulating type plastic films, reinforce and expand wellness and health category products in apparel, and renovate “Gunze Town Center Tsukashin” for enhanced people/environment friendliness.



Capital Cost-focused Management

Strategic allocation of management resources

We focus management resource allocation centered on businesses that contribute to growth fields and sustainability. We will invest 11.4 billion yen in areas that include functional solutions business facility/capacity expansion as new field/facility investment for sustainable growth and the establishment of a solid foundation allowing apparel to shift to DTC business model. Next, we plan to invest a total of 33.2 billion yen in environment-related investment, including 8.6 billion yen for the expansion of environmentally responsible model plants such as the Circular Factory and other building extension/reconstruction, equipment relocation, etc., accompanying environment-related investments. R&D expenses will be increased by 1.7 billion yen to 10.0 billion yen over a

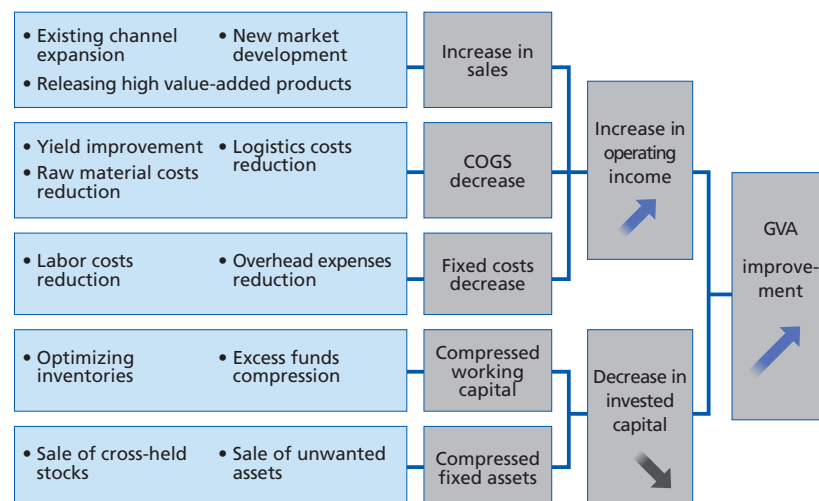
three-year period, but we plan to allocate funding for M&A investments that are flexibly supplied as additional budget.

Achieving a positive GVA value by improving capital efficiency

In VISION 2030 stage1, we target the achievement of positive Company-wide GVA in 2024 as a Company-wide indicator. To this end, we will work to provide appropriate shareholder returns while balancing strategic investments in priority areas—such as new and environment-related fields—with capital cost reductions and, as well as maintaining a solid financial foundation.

Financial Capital Strategy ▶P.26-29

Tree for GVA improvement



Category	Indicator	2021 results	2024 targets
Company-wide	ROE	2.6%	6.3% or higher
	GVA	-2,679 million yen	Positive Company-wide
Divisions with positive GVA	ROIC	MBO based on ROIC	

* Divisions with negative GVA value to exert efforts to reach a positive GVA value expeditiously



Evolution of Corporate Constitution

Establishing a corporate culture that empowers diverse talent

Securing excellent human resources is essential to achieving sustainable growth. Under the corporate message of “Nurture an organizational culture supporting diverse talent to attain fulfillment from work, establishing Gunze as a healthy and visionary company that society can rely on,” we will transform our organizational culture so that all employees can shine, taking into account mainly age, gender, and job responsibilities.

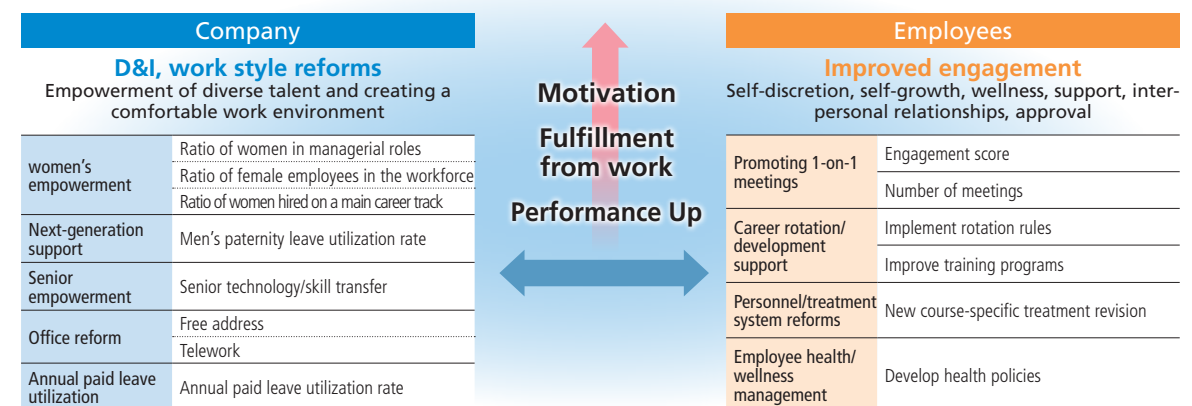
Promoting employee mindset/duties transformations through work style reforms

In February 2022, we relocated our Tokyo Office Building, using this as an opportunity to accommodate new work styles and create an environment where each and every employee can work comfortably and actively. We will implement various measures to reform work styles and improve employee engagement, aiming to both reduce total working hours and improve operational efficiency.

Transforming business processes through the proactive use of digital technology

We will create new value both internally and externally through innovations to sales, products, and indirect operations, while leveraging digital technologies such as AI and other tools. In addition, we link and create portals for man-

agement information so it can be visualized to facilitate quick decision making. Through these efforts, we will improve productivity in our business activities and establish a competitive advantage.



Environmentally Responsible Management

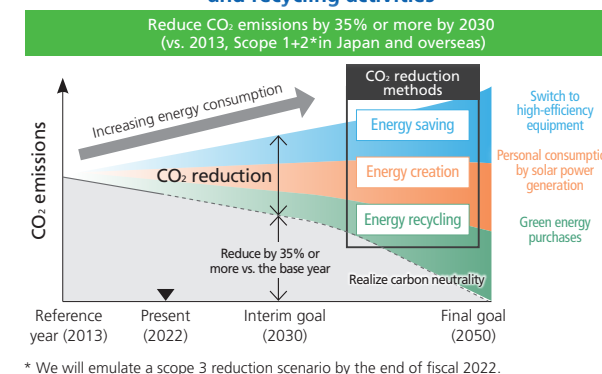
Reducing negative environmental impact through business activities

We will further strengthen our Company-wide efforts to reduce negative environmental impact through our business activities. In “significant promotion of energy saving, creation, and recycling activities,” we aim to reduce CO₂ emissions by 35% or more by 2030 (Scope 1 + 2). In

addition, we will create a Scope 3 reduction scenario in fiscal 2022. Resource recycling initiatives include promotion of recycling through collaboration among all business divisions and promotion of sustainable procurement of recycled materials. The Gunze Group plans to make 12 billion yen in environment-related investment by 2030.

Reducing negative environmental impact through business activities

Significant promotion of energy saving, creation, and recycling activities



* We will emulate a scope 3 reduction scenario by the end of fiscal 2022.

Sustainable procurement

Promote purchase of biomass/renewable materials

Plan to make 12 billion yen in environment-related investment by 2030

VISION 2030 investment (Billions of yen)		Main investment plans
stage1	86	Circular Factory (Moriyama)
stage2	25	“Net Zero Carbon” Factory (Yanase)
stage3	9	Enhanced-efficiency equipment Solar power generation system
total	120	Waste solvent recycling equipment

Financial Capital Strategy



Aiming to improve GVA through capital cost-focused management

Makoto Kumada

Director and Managing Corporate Officer
General Manager, Finance & Accounting Department

The challenge of the financial strategy in the Medium-term Management Plan VISION 2030 stage1 is to maintain a strong financial foundation, while successfully balancing environment-related investments with capital cost reductions, improving Gunze Value Added (GVA), and generating free cash flows. The 33.2 billion yen in total capital investments to be made over the coming three-year period (of which 8.6 billion yen are environment-related investments), will surpass the five-year total during Phase II of CAN20. This increase will require more stable and advantageous financing, as well as an optimal financial portfolio. The key to our financial strategy therefore lies in reducing invested capital and achieving our target operating income of 10 billion yen.

Fiscal 2021 Results

On April 27, the Board of Directors resolved to make and disclose a second downward revision to the results for the fiscal year under review. This revision was primarily due to a 1.3 billion yen loss on valuation of inventories and a 1.1 billion yen impairment loss on fixed assets in the legwear field, as well as a 1.4 billion yen impairment loss in the sports club field and a 300 million yen loss on transfer of business in the electronic components field. The inventory turnover rate for stockings declined dramatically compared with the rate prior to the COVID-19 pandemic, and did not even achieve a single turnover cycle. Similarly, sports club memberships only reached 70% of pre-pandemic levels, and remained nearly flat over the past year. Meanwhile, production capacity for electronic component films was never fully fulfilled. We allocated profits from real estate sales, including the Tokyo branch office,

against these significant losses, where nearly breaking even in terms of extraordinary income (losses) is considered the feature of financial results for the fiscal year under review.

By segment, the functional solutions business expanded by double-digits compared with the previous fiscal year, with all fields in this segment reporting higher revenues. The engineering plastics and medical materials fields, in particular, experienced significant revenue growth and therefore contributed to much tighter management. Meanwhile, in the apparel business, the women's innerwear and threads & accessories fields secured higher revenues despite the COVID-19 pandemic, whereas the legwear field's struggles led operations to enter deficit territory overall. In the lifestyle creations business, sales of unprofitable commercial facilities served to raise investment efficiency, but these efforts were offset by the ongoing chal-

lenges faced by sports club management, leading to an overall decline in revenues and profits.

Net sales in fiscal 2021 amounted to 124.3 billion yen (100.5% compared with the previous fiscal year, 97.9% compared with the forecast), operating income amounted to 4.8 billion yen (up 200 million yen compared with the

previous fiscal year, 2.1 billion yen below the forecast), ordinary income reached 5.3 billion yen (up 300 million yen compared with the previous fiscal year, 1.8 billion yen below the forecast), and net income amounted to 2.9 billion yen (up 700 million yen compared with the previous fiscal year, 2.6 billion yen below the forecast).

Fiscal 2022 Forecast

In addition to the loss on valuation of inventories, impairment loss on fixed assets, and sale of unprofitable businesses and facilities as mentioned before, in fiscal 2021 we recorded structural improvement expenses, including the closure of two domestic plants and one overseas plant in the apparel business. Although these improvement expenses were expected to trigger a certain degree of recovery toward fiscal 2022, circumstances dictated the need to revise forecasts to include the sudden brake in this recovery given recent skyrocketing costs of raw materials and energy, as well as rising procurement costs for overseas products due to the weaker yen. By segment, the functional solutions business is expected to continue performing strongly, and ultimately see an increase in profits of 900 million yen. The apparel business is expected to see higher revenues and profits with the receding impacts of the COVID-19 pandemic, yet a return to profitability remains unlikely. The lifestyle creations business is expected to see a temporary increase in revenues with the sale of public facilities built on the site of a former plant. The lifestyle creations business is also expected to post higher profits with the receding impacts of the COVID-19 pandemic, similar to the apparel business.

The plastics field will continue to progress with its domestic Circular Factory plans, along with the market launch of environmentally responsible products. Moreover, steps will be taken to advance production innovation through digital technologies, and strengthen sales expansion in the United States, China, and the ASEAN region. The engineering plastics field will expand sales of products for health and medical-related applications, as well as for industrial equipment, in addition to increasing its share of products for the mainstay office equipment market. The medical materials field will strengthen sales in the United States and China, release new highly promising products for the next fiscal year, and consider organizational restructuring to improve competitiveness.

The innerwear field will expand health & wellness products and ethical products in response to consumer preferences returning to natural materials, casual-oriented trends, increasing health awareness, and higher environmental awareness. It will also seek to further expand sales of women's innerwear such as products for Femtech and differentiated foundation lineup. Further more, as an environmental effort, the innerwear field will proceed with the Net Zero Factory Project consisting of a transition to effectively zero CO₂ emissions by using renewable energy and unmanned lines at major domestic plants.

The legwear field will strive to enhance market responsiveness to accommodate changes in consumer needs. To this end, it will release new products in the categories of leggings and bottoms including health-related products, while also promoting structural reform by reorganizing production bases.

The real estate field will improve the profitability of commercial facilities and strengthen property management with an emphasis on investment efficiency. The sports club field will implement stricter measures to adapt to the new normal of living with COVID-19 and implement a membership expansion strategy that is tailored to specific regional and store characteristics, as well as a strategy to expand the school business.

In terms of capital investments, we plan to double these compared with the previous fiscal year, where we will make major investments in the functional solutions business, including the Circular Factory Project in the plastics field and production buildings in the engineering plastics field.

Our forecast for fiscal 2022 includes net sales of 136.0 billion yen (109.4% compared with the previous fiscal year), operating income of 6.0 billion yen (up 1.1 billion yen compared with the previous fiscal year), ordinary income of 6.0 billion yen (up 600 million yen compared with the previous fiscal year), and net income of 3.7 billion yen (up 700 million yen compared with the previous fiscal year).

Initiatives for Reducing Invested Capital and Improving GVA

Although the first year of capital cost management for Gunze was fiscal 2019, we actually determined the direction and indicators for this approach in fiscal 2018, when the Corporate Governance Code was revised. Phase II of the previous Medi-

um-term Management Plan CAN 20 covered the five-year period of fiscal 2017 to fiscal 2021, where fiscal 2017, the first year of the Plan, served as the benchmark for the various indicators related to our capital cost management approach.

Financial Capital Strategy

Standing at 140.5 billion yen for the benchmark year of fiscal 2017, invested capital has gradually decreased each year thereafter to 125.8 billion yen in fiscal 2021. Over this four-year period, during which we considered capital cost management, we reduced invested capital by just over 10%, or 14.7 billion yen. The primary areas of reduction were real estate sales totaling 6.5 billion yen on a book-value basis and

cross-shareholding sales amounting to 8.9 billion yen, also on a book-value basis. In particular, the ratio of cross-shareholding to net worth as of the end of fiscal 2021 progressed to a point where it has fallen below 10%. Moreover, total equity increased to 112.9 billion yen in fiscal 2021 from 111.1 billion yen in fiscal 2017. Because the total return ratio of 100% has taken effect, total equity only increased 1.6%,

Invested Capital Reduction: Major Details

(Unit: Billions of yen)

	FY2017 (fiscal year ended March 2018)	FY2018 (fiscal year ended March 2019)	FY2019 (fiscal year ended March 2020)	FY2020 (fiscal year ended March 2021)	FY2021 (fiscal year ended March 2022)
Real estate sale or disposal	0.6	0.5	1.2	0.3	3.9
Balance of cross-shareholding	18.4	18.2	17.7	11.8	9.5
Period-end total equity	111.1	109.5	107.5	113.5	112.9

or 1.8 billion yen.

Under the Medium-term Management Plan VISION 2030 stage1, we plan to make capital investments totaling 33.2 billion yen over a three-year period. Nearly half of the total will be procured through borrowed capital, and if we achieve an operating income of 10 billion yen in fiscal 2024, we expect to realize invested capital of 135.0 billion yen and a total equity of 110.0 billion yen, as well as return Company-wide GVA to profitability and attain a Return on Equity (ROE) of 6.32%, as targeted.

As a side note, 6.32% is equal to our cost of shareholders' equity, which was calculated in fiscal 2018 using a Capital Asset Pricing Model (CAPM) based on the results from fiscal 2017. When formulating VISION 2030 later on, we recalculated ROE based on the figures from fiscal 2020 in part due to an argument for revision and updated it to 5.21%. More recently, we updated ROE again in fiscal 2021 to 5.08%. Although ROE has trended downwards in terms of this calculation, over this period ROE has never exceeded the

cost of shareholders' equity. Despite not yet having achieved our target for ROE, we were reluctant to lower the target value within VISION 2030, and therefore decided to maintain it as is.

Gunze operates three business segments and 13 business divisions. Each business division sets its own Weighted Average Cost of Capital (WACC) to manage GVA. In fiscal 2021, eight divisions achieved profitable GVA, while five divisions recorded a GVA deficit. During the period covered by CAN20, two business divisions turned from deficit to profitability, whereas some of the deficit divisions went further into the red, leading Companywide GVA for fiscal 2021 to remain in deficit territory by just over 2.6 billion yen. In VISION 2030 stage1, we will return deficit GVA divisions to profitability at the earliest time possible, while profitable divisions will shift to Management by Objectives (MBO) based on Return on Invested Capital (ROIC). Returning deficit divisions to profitability means that their ROIC will exceed WACC, whereas profitable division ROIC-based management

means that these divisions will pursue their vision, in other words their desired form, and undertake the challenge of achieving the level of leading industry competitors. Moreover, we will continue to deliberate on unmet targets by deficit divisions as ongoing concerns (assumptions for business continuity), which is why we have planned for GVA to exceed the breakeven point at the present stage. VISION 2030 stage1 was formulated with higher capital requirements than any other previous Medium-term Management Plan. Therefore, we will focus on the Cash Conversion Cycle (CCC), which we introduced as a management indicator two years ago. Although CCC lasted 149 days during fiscal 2017, the first year of Phase II of CAN20. Which fell prior to the COVID-19 pandemic, this indicator has gradually increased since, reaching 181 days in fiscal 2021.

Lower sales and higher inventories were the primary factors for this increase. Although positive steps are being taken to further reduce invested capital with a focus on fixed assets, we must reflect on the fact that we overlooked opportunities to improve the efficiency of current assets.

Finally, I would like to discuss the target share price. In general, we intend to at least double Price Book-value Ratio (PBR). Book-value Per Share (BPS) as of the end of fiscal 2021 stood at 6,535 yen and Earnings Per Share (EPS) was 168 yen. This indicates we would require a Price Earnings Ratio (PER) of 39 times if we were to demand a level that doubles PBR, which is not realistic. An operating income of 10 billion yen, however, would exceed an EPS of 400 yen, so a PER of 16 times would likely just meet this target.

Increasing ROE and the Shareholder Return Policy

As far as increasing ROE is concerned, although obvious, our only options are to reduce total equity as the denominator or expand net income as the numerator. As long as we are to maintain a total return ratio of 100%, and there are no major changes in the valuation difference on available-for-sale securities and the foreign currency translation adjustment, the numerator will remain stable, which leads us to the obvious conclusion that increasing ROE requires expanding net income.

The new Shareholder Return Policy in VISION 2030 makes a few small adjustments to the conventional dividend payout ratio of 50% and to the total return ratio of 100%. In other words, until ROE exceeds the cost of shareholders' equity, we will maintain a total return ratio of 100%, where the existing dividend is based on a Dividend on Equity (DOE) Ratio of at least 2.2%. The first stage applies a specific limit to expanding retained earnings and clearly defines the cancellation conditions for this limit. The second stage eliminates fluctua-

tion caused by the quantity of available resources on a single-year basis in order to present a stable dividend. The dividend forecast for the coming fiscal year is therefore based on dividend resources equal to 2.2% of the 112.9 billion yen in total equity forecasted for the end of the fiscal year, which calculates to 145 yen per share when estimating the number of shares at 17.27 million. Although the dividend payout ratio forecast of 67.7% exceeds the conventional 50%, we have declared a total return ratio of 100%, so any variation will be matched with purchases of treasury shares. We chose 2.2% for DOE because this is the median value according to a securities company survey regarding shareholder returns among companies listed on the First Section of the Tokyo Stock Exchange in fiscal 2020. Although this figure holds no other meaning, we included it at least in order to indicate our intention to maintain this ratio at a certain level, even if profits expand in the future and the dividend payout ratio declines.

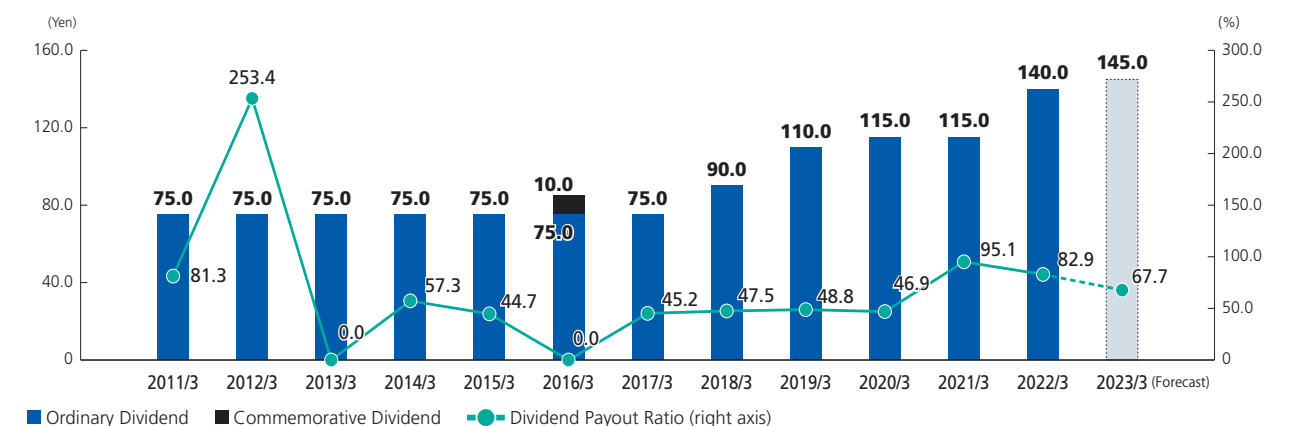
Trends in GVA and VISION 2030 Targets

(Unit: Billions of yen)

	FY2017 (fiscal year ended March 2018)	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 Forecast (fiscal year ending March 2023)	FY2024 Forecast (fiscal year ending March 2025)
Operating Income	6.2	6.6	6.7	4.6	4.8	6.0	10.0
Invested Capital	140.5	137.3	134.2	132.7	125.8	134.7	135.0
GVA	-2.4	-1.9	-1.6	-3.1	-2.6	-2.5	Companywide Return to Profitability
Reference Capital Investments	5.5	7.3	5.3	7.8	5.9	¥33.2 billion over three years	

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

Dividend per Share, Dividend Payout Ratio



Technology Strategy



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

Katsuhiko Oikawa

Director and Corporate Officer
General Manager, Innovation Department

Overview of the Research and Development Strategy for the Medium-term Management Plan VISION 2030

Having raised the desire to be an energetic Innovation department as the basic policy for VISION 2030, all department members will concentrate on two themes, Creating New Businesses and Strengthening Elemental Research, to help create social and economic value, in working toward sustainable growth as a company.

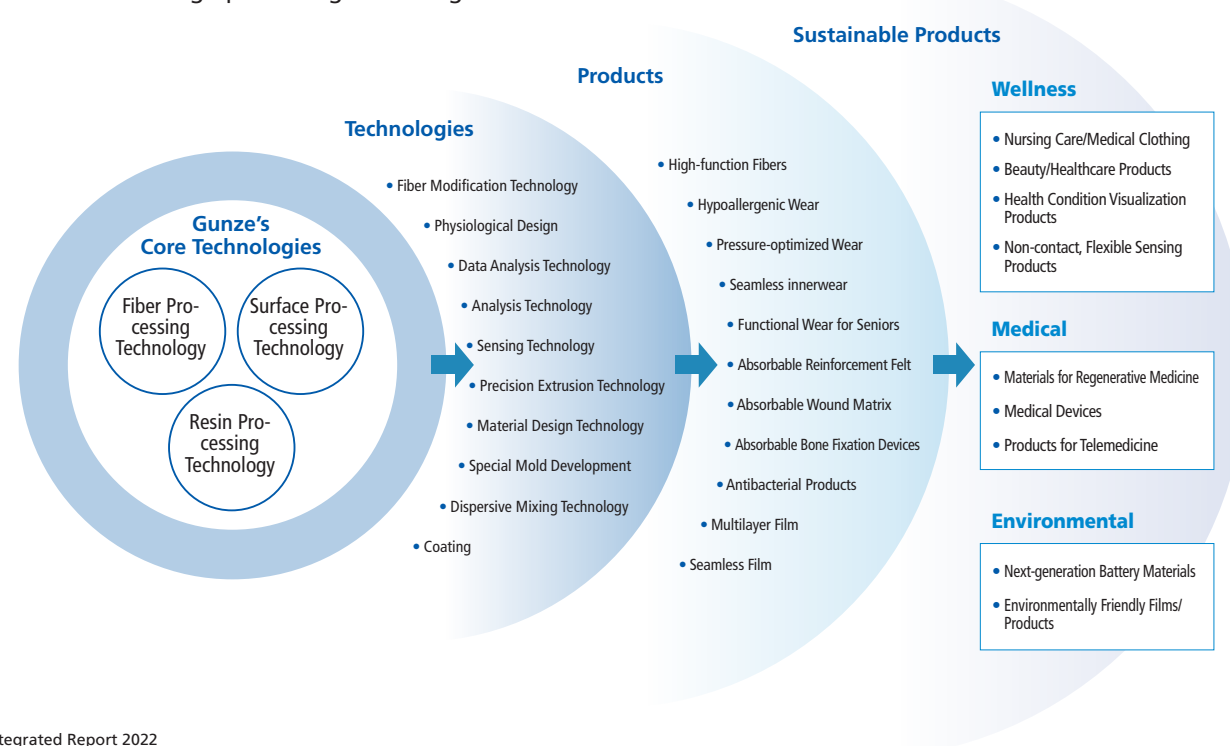
As part of our efforts to create new businesses, we have raised the concept of commercializing functional films. Our first step under this theme will be to launch films used in all polymer batteries, a type of next-generation lithium-ion battery that we aim to perfect as part of VISION 2030 stage1 (FY2022-FY2024). During the current fiscal year, we will build a production system and pursue manufacturing, with increased efficiency and stable quality, while planning for the full-scale market launch of these batteries in fiscal 2024, the

final fiscal year of stage1.

Moreover, by adding various functions to our films, we will work to expand the new Functional Film Group in a way that addresses sustainability and SDG issues.

On the other hand, another important task will be to advance elemental research on technologies that will emerge as future core products in the business divisions. Since its foundation, the Gunze Group has developed technologies with a focus on processing technologies. And today, we conduct research and development in three core areas, resin, fiber, and surface processing technologies. Through this research, we seek to evolve these core technologies further and support the business divisions as a means of creating new product groupings that expand the scope of existing businesses.

Innovation through processing technologies



Energy Innovation

Next-generation lithium-ion battery films

We have been promoting the Edison Project since 2013 for the purpose of creating new businesses and are now engaged in the development of conductive films for use in the next-generation lithium-ion batteries that have emerged from this project. Through a joint-development project between Gunze, Sanyo Chemical Industries, Ltd., and APB Corporation, this initiative is vigorously working to develop a mass-production system for all polymer batteries made using Gunze's conductive films. With the aim of entering various markets in the future, we are primarily expanding applications for stationary batteries, for which demand is high and that can leverage the features of all polymer batteries (e.g.

installation at solar, wind, and other types of renewable energy power plants, and installation for applications that temporarily store power between power plants and factories or homes), and other applications that are suited to using the high-capacity of these batteries.

Although our activities thus far have focused on efforts to ensure the level of function required by customers, we have now entered the stage of improving and verifying quality, cost, delivery (QCD), and preparations for a production prototyping line are currently underway. Going forward, we will develop new functional film groupings, including next-generation lithium-ion battery films, in an effort to establish these as a pillar of the functional solutions business.

Innovation for the Future

Special functional film development

As just one example of a film to which we have added various functions, we are researching a biodegradable film that can be controlled to release the appropriate amount of fertilizer at a constant rate. Although we have only begun to work on this effort at the demonstration level, we intend to add new functions to biodegradable films, thereby allowing them to be controlled so that the appropriate amount of fertilizer is released from the film at a constant rate. Plastic films also tend to possess a negative image in terms of the environment. With this in mind, we are working to develop functional films that provide solutions for our customers while at the same time addressing social issues.

Environment business

Environmental issues are unavoidable, which is why we consider our research and development strategies from the perspective of how we can contribute to the world while engaging in business activities. Gunze originally started off in the silk manufacturing industry and in the past managed a research lab called the Bio-research Center (research on yeast, enzymes, etc.), but as emphasis has come to focus on the sustainability of the global environment in recent years, we believe bio-technologies will become increasingly important going forward. In exploring a direction targeting 2030, we will investigate new technology developments that will play a role in our core business.

Creating Innovation Platforms

In order to create new businesses and produce research results through elemental research, we must nurture department members that possess a broad perspective. And in order for these members to drive new innovations, we must create platforms and foster a corporate culture that ensures we accept each other's diversity and one that links small failures to the future.

No longer in an age where products will sell based simply on their quality, we believe marketing skills that extract the needs of customers and apply Gunze's technologies in a way that matches these needs will become increasingly important going forward. For this reason, we are promoting researcher-led technology marketing in a manner that connects to a more

sophisticated level of business model proposal capability. Moreover, we are actively strengthening our relationships with external partners, including universities, academia, and other companies, and efficiently advancing research as an approach to conducting research and development activities with a sense of speed.

Going forward, We are certain that innovation will serve as a trigger for increasing corporate value as we work to transform the company itself. And the Gunze Group will drive the creation of next-generation businesses through this innovation.

Business Segment Strategies

Functional Solutions Business

Driving further growth of the Gunze Group through aggressive strategies, including the development of differentiated products that meet new needs and the expansion in global markets



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

Toshiyasu Saguchi

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. Our business has grown through the development of “one-of-a-kind” products used in a wide variety of applications. We will continue to work towards the Creation of New Value to support a sustainable society through collaboration among various fields and the integration of technologies.

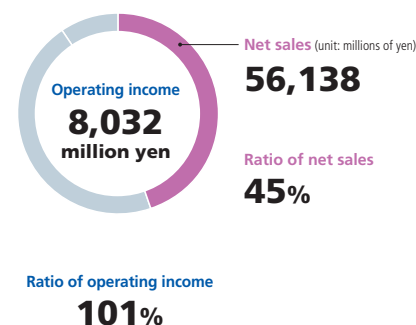
Fiscal 2021 Business Strategies and Results

Although the spread of the COVID-19 pandemic continues, economic activity is gradually returning to normal overseas. In this business, which is weighted heavily to overseas locations, sales were strong, particularly in China and countries throughout the ASEAN region. As a result, the functional solutions business recorded net sales of 56,138 million yen, and an operating income of 8,032 million yen.*¹ In the plastic films field, we introduced new environmentally friendly products to the market and strengthened efforts to expand overseas sales. The domestic demand for packaged foods has continued to grow, supported by the recovery of the overseas market, resulting in a steady growth of the export and industrial film market. The engineering plastics field we have capitalized on the continued growth in the

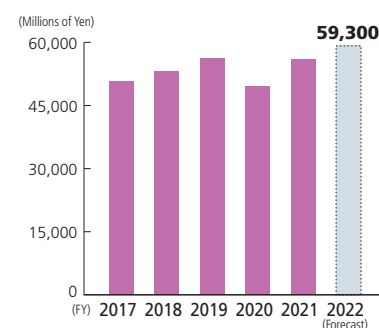
semiconductor market and the strong performance in sales were also supported by a recovery in sales of office equipment-related products. In the medical materials field, sales grew due to a rebound in the number of surgeries and more new hires in Japan and China, as well as an expansion in sales achieved by leveraging the sales capabilities of Medical U&A Co., Ltd., which was included in the scope of consolidation in fiscal 2019. The electronic components field was affected by the prolonged impact of the worldwide semiconductor shortage, but cost-cutting activities made a positive contribution to results.

*1 Due to the application of the Accounting Standard for Revenue Recognition and other related standards, the accounting treatment for revenue differs from the previous fiscal year, and as such, year-on-year increase / decrease percentage changes are not presented.

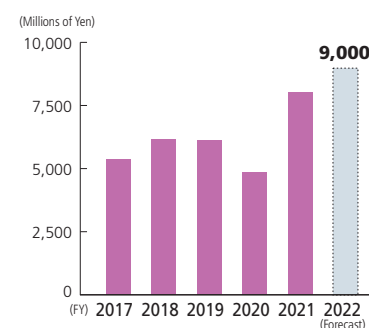
Fiscal 2021 results



Net sales



Operating income



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

Plastic Films Field

Challenges

In the domestic market, our mainstay shrink film struggled due to the COVID-19 pandemic, although nylon film and other products that addressed demand for at-home meals performed well. In addition, we endeavored to develop new products to reduce any impact on the environment and made full-fledged efforts to recycle resources. Overseas markets, on the other hand, grew significantly as COVID-19-related demand expanded in the U.S. and China. The Vietnam Plant, which was established to increase production capacity in response to expansion in the ASEAN market, contributed to this growth. We have been implementing timely and appropriate price pass-on measures to cope with the sharp rise in raw materials and fuel prices since last year.

Actions

With its high disposal rate, plastic is often cited as a material that needs to reduce its impact on the environmental. Gunze has set as its goal, the reduction of environmental impact, by targeting zero waste through the recycling of plastic. In addition to introducing to the market new environmentally friendly products such as thinner films and films made from plant-derived raw materials, we will continue to promote our plan to convert the Moriyama Plant (Moriyama-shi, Shiga) into a circular factory. In addition, while promoting production innovation through lateral rollout of digital technologies, we will expand our sales channels in the U.S., China, ASEAN countries, and other regions to further globalize our business and transform ourselves into a circular manufacturer that spreads the new application values of plastics to the world.

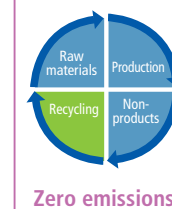
As a first step on the path toward becoming a circular factory, in June 2022 we completed the expansion and renovation of the Moriyama Plant, our core factory. The new factory will be equipped with a solar power generation system on one side of its rooftop and will utilize ground-water (for cooling) in efforts to reduce CO₂ emissions. In addition, by fiscal 2024 we plan to achieve zero emissions, in which there are no waste plastics emitted from plants, by using the latest technology to reduce waste plastics from the production process while also achieving labor savings through automation.



The model “ZEB office” utilizes natural energy²

*2 ZEB (Net Zero Energy Building) Buildings that achieve significant energy savings while maintaining the quality of the indoor environment by controlling energy loads, actively utilizing natural energy, and deploying high-efficiency equipment systems that aim to achieve a zero annual primary energy consumption balance by introducing renewable energy and increasing energy independence to the extent possible.

Circular factory



- Petrochemical raw material use reduction**
Thinner film design, increasing bio-based raw materials use
- Establishing a resource circulation system**
Recycling-oriented product development, establishing technology for raw material recycling
- Efficient resource utilization**
Recovering plastic waste for reuse to realize “zero emissions”

Efforts toward becoming a circular manufacturer by 2030

Transformation from a conventional manufacturer using exhaustible resources to a recycling-based manufacturer

Production technology innovation

Establish technologies to break down and recycle waste plastics and disseminate recycling technologies to the world.

Application of existing technologies

2024
“Moriyama GZ Project”
▶ Achieve zero waste

Separation technology for dissimilar laminated products

2026
Circular Factory completion

De-inking of printed materials, raw material recycling (recovery by the market)

2030

“Phoenix Project”

▶ Practical use of in-house recycled raw materials

2027

“Bio 50 Project”

▶ Achieve a 50% ratio of recycled biomass as raw materials used
Plant derived/recycled raw materials of 50%

Circular manufacturer

Supplying recycled raw materials

Product development innovation

Supplying new polyolefin film for recycling

Supplying biomass film, ink

Functional Solutions Business

Specific initiatives that lead to value creation in each field

Engineering Plastics Field

Challenges

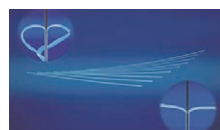
In addition to our efforts to provide advanced functionality to products for office automation equipment, a market that is maturing, we are working to build a highly profitable business that will continue to grow and evolve by enhancing our position in the industry with semiconductor-related and medical-related products as the core of our growth strategy.

Actions

In our mainstay products for the office automation market, we will develop new, one-of-a-kind products that achieve high customer satisfaction through the combination of technologies. In the semiconductor- and medical-related markets, we will achieve growth and high profitability by expanding our lineup of



Fluororesin Fiber Structures



Catheter manufacturing tube

cleanliness-oriented products and responding to increasing demand. Also, we will accelerate the development of products that contribute broadly to the global environment through the provision of engineering plastic materials.

Strengthening of production structure and new offices (ZEB certification acquired)

The Konan Plant (Konan-shi, Aichi), a key plant in this field, is being converted into a facility that creates new value and is environmentally friendly. In 2020, we upgraded the plant to achieve a high degree of cleanliness, which will contribute to the creation of new products, particularly products for the semiconductor- and medical-related markets, where we anticipate market expansion. In June 2022, Gunze acquired its first ever ZEB certification for its new office building (planned completion in February 2023), with its ability to reduce energy consumption by 102%.



Depiction of new office building, Gunze Konan Plant

Medical Materials field

Challenges

During the period of the previous Medium-term Management Plan CAN20, we worked to establish a direct sales structure through the establishment of Gunze Medical Japan Limited, which will subsequently merge with Medical U&A Co., Ltd., thus creating a cornerstone for a business foundation that will strengthen our relationship with customers. The Medium-term Management Plan VISION 2030, which commenced this fiscal year, positions the medical materials field as a priority area to drive growth, and the challenge will be to evolve into a business structure that can accelerate stable growth. In addition, to cope with the uncertainties in the business environment, the task we are faced with is to go beyond Japan and to develop markets in China, the U.S., and other global regions.

Actions

In October 2022, Gunze Medical Japan Limited and Medical U&A Inc. will merge to form a new company, GUNZE MEDICAL LIMITED. In addition, we have begun studying a plan to integrate part of our medical materials business into Gunze Medical, with a target date of April 2023. This reorganization will work to improve growth, profitability, efficiency, and stability, and evolve the Company business structure in a way that continuously accelerates growth.



Medical Lasers

Growth

By combining the development, production, and sales functions of our business divisions with the direct sales and trading company functions of our two Group sales companies, we will build one-stop system, from development to sales, while enhancing our ability to respond to needs. This will also enable a flexible response to market changes by providing a greater range of options, such as in-house developed products and introduced products, use of external or internal resources, or domestic or global resources. In addition, the integration will increase the size of the Company, thereby raising its profile in the industry.

Profitability, efficiency

We will promote the integration of indirect departments and systems to streamline operations and reduce labor, while also enhancing customer responsiveness.

Stability

We will enhance our legal compliance system by consolidating our legal and regulatory responses and clarifying the scope of the regulatory measures we undertake, thereby improving our compliance and governance systems.

In the medical materials field, we will

- Work together with courage to make a difference
- Have mutual respect and enjoy working together

By taking these two action guidelines as a basis for our behavior, we will provide innovative biomaterials and devices that will bring a bright future to patients undergoing surgery. In 2030, the final target year of VISION 2030, we aim to be the top global manufacturer of bioabsorbable medical devices.

Special Feature

New efforts in the medical materials field with an eye toward 2030

Clinical trials begin on Meniscal Scaffold

The meniscus is a cartilage-like tissue between the femur and tibia of the knee joint that serves as a cushion for the knee. Damage to the meniscus due to injury or age-related degeneration can cause pain that makes it difficult to flex and extend the knee, affecting daily life and exercise. Excision of the damaged area relieves pain, but once the meniscus is removed, the cartilage of the femoral side of the knee wears away or the bones bump against each other, resulting in degraded knee function, which may require replacement with an artificial knee joint. The meniscal scaffold is a hybrid composition of bioabsorbable materials and sewing/processing technology,

areas in which Gunze excels. As a substitute meniscus, the patient's own cells invade the base scaffold material and settle into the knee, becoming their own tissue while serving as a cushion for the knee. The Company will work to establish a sales structure in parallel with the aim of obtaining approval in fiscal 2028, and targets annual sales of 1.2 billion yen five years after the product's launch to market.



Meniscal Scaffold

Clinical trials begin in the U.S. for Vascular grafts

Until now, pediatric cardiac surgery for the congenital disease "single ventricle syndrome" has involved bypass surgery using non-absorbable artificial vessels. In this case, the non-absorbable artificial blood vessels do not accompany the growth of the body, and the patient has no alternative than to undergo multiple open chest surgeries to replace the artificial blood vessels, which places a significant burden on the patient. The vascular graft is a hybrid of "bioabsorbable material" and "knitting technology." Cells harvested from the patient's bone marrow are seeded onto this material to form artificial blood vessels. It is then implanted as a

cardiovascular bypass in the patient, and after approximately six months, this vascular regeneration matrix is absorbed and regenerated as a blood vessel in the patient's own tissue. Going forward, we aim to achieve annual sales of ¥400 million by establishing and confirming safety and efficacy in clinical trials in the U.S., as well as by putting in place a firm sales structure.



Vascular Grafts

Development of a breast reconstruction material to replace one's tissue

Breast cancer is a malignant tumor that forms in the breast, and in Japan it is increasing every year. If a person develops breast cancer, surgical procedures include a mastectomy, in which the entire breast is removed, or a lumpectomy, in which a portion of the breast is removed. To regenerate one's own breast that has been removed due to breast cancer, Gunze has been working jointly with industry and academia on the research and develop-

ment of medical devices that reconstruct one's own breast tissue by utilizing the tissue engineering technology that Gunze has cultivated over the years and integrating tissue regeneration promoting material technology, bioabsorbable polymer processing technology and the cutting-edge medical technology of universities. We are constantly striving to conduct research to deliver our products to patients as quickly as possible.

Expanding global sales of bioabsorbable materials

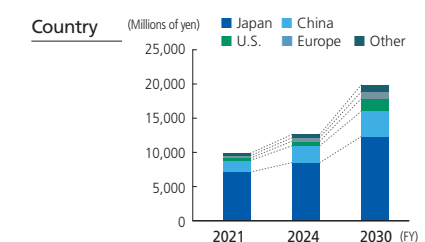
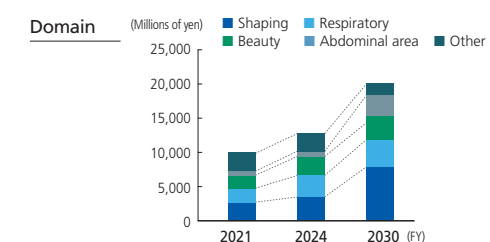
Gunze is promoting the development of bioabsorbable materials on a global scale. Clinical trials have begun in China for the first locally developed product, an artificial heart membrane. The artificial heart membrane is a gelatin film with an interior portion of polyglycolic acid (PGA) mesh that effectively prevents adhesion between the area of incision after cardiac surgery and the chest

wall. This is the world's first anti-adhesion material that can be suture fixed. The product is scheduled to be launched to market in fiscal 2026, with the aim of quickly achieving annual sales of 1 billion yen.



Artificial heart membrane

Business portfolio orientation



Business Segment Strategies

Apparel Business

With a firm grasp of evolving customer lifestyles and needs, we will further transform our business strategy, setting our sights on improving profitability through structural reforms



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

Ryouji Kawanishi

The Gunze apparel business began with the production of stockings in 1934 and knitted innerwear in 1946. Since then, Gunze has offered a “feeling of comfort,” loved by many customers, through innovative products that use its own unique, differentiating technologies. However, as lifestyles change due to the prolonged COVID-19 pandemic, consumer needs are also undergoing a rapid transformation. In an effort to improve profitability, we will further transform our business strategy based on changes in structures of consumption and lifestyles, while accelerating the shift of sales channels to the growing e-commerce and Direct-to-Customer channel for Company-owned stores. At the same time, we are advancing our Net Zero Factory Project as an environmental initiative and promoting structural reform by reorganizing production bases.

Fiscal 2021 Business Strategies and Results

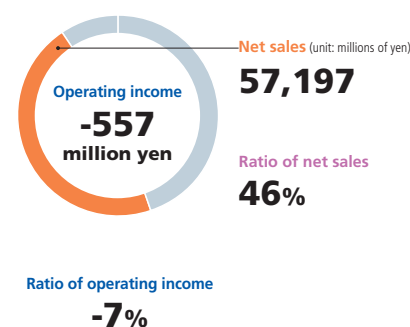
Even the Gunze Group's apparel business was greatly affected by the prolonged COVID-19 pandemic. While sales were strong through e-commerce and mail-order channels—which we have continued to focus on since the previous fiscal year—this was not enough to offset the impact of reduced production and lost opportunities for men's products. This was caused by sluggish store sales due to weak market conditions and the suspension of operations at the Vietnam Plant due to a lockdown.

Under these circumstances, sales of women's products were strong for our foundation garment product lines. These lines are differentiated from other products by using our

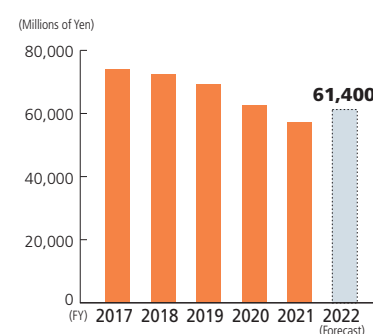
proprietary adhesive technologies, and organic cotton, an environmentally friendly material. In the legwear field, the Company made production adjustments by shutting down a plant due to stagnant sales on account of fewer opportunities to wear stockings. In addition, the Company recorded a loss on valuation of inventories because of decreased profitability. The result for the apparel business was net sales of 57,197 million yen; however, there was an operating loss of 557 million yen*.

* Due to the application of the Accounting Standard for Revenue Recognition and other related standards, the accounting treatment for revenue differs from the previous fiscal year, and as such, year-on-year increases/decreases (%) are not presented.

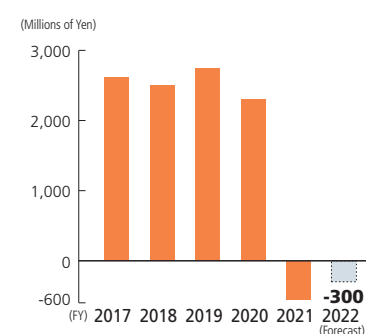
Fiscal 2021 results



Net sales



Operating income



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

Innerwear Field

Challenges

Responding to changes in consumer needs and channel structures will be vital, and we will move forward on the creation of new categories based on growth products, across various areas including the wellness, health, and women's fields. In addition, we will work to expand the purchasing base by targeting younger customers.

One of our most pressing challenges is to improve profitability by urgently responding to the soaring prices of raw materials and the depreciation of the yen.

Actions

We will support comfortable and affluent lifestyles by providing products that meet the evolving needs of our customers. To address the growing health consciousness and environmental awareness, we will further strengthen our wellness and health, and ethical products. Additionally, we will swiftly respond to the rapidly changing market needs in the women's innerwear area, such as with Femtech and the foundation lineup of differentiated products.

As part of our efforts to improve productivity and reduce environmental impact, we are aggressively tackling the challenge of global environmental issues by pushing forward on the conversion of the Yanase Plant (Asago City, Hyogo Prefecture), a core plant for women's innerwear, into a net zero factory. In response to sharp rises in raw material and fuel prices and volatile fluctuations in foreign exchange rates, we will pass on costs to our products as appropriate.

Legwear Field

Challenges

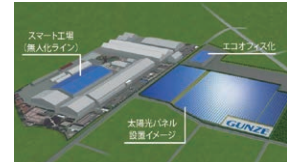
Based on the premise that the market for our mainstay product, stockings, is trending toward contraction and that this is not temporary, we must engage in structural reforms to ensure our survival in the industry. As a plan for action, we will fundamentally review our production system, product strategy, and personnel allocation to transform ourselves into a stable and profitable business.

Threads & Accessories Field

Establishment of a production and sales system that responds to changes in the global market, as well as an environmentally friendly production system

Since its establishment in 1972, the threads & accessories business has developed a wide range of products, backed by stable quality and technology. This ranges from apparel to various industrial materials, such as numerous sewing threads with new functionalities and sewing threads for stitching automobile airbags.

The Yanase Plant becoming a net zero factory, and the Circular Factory plans for the Moriyama Plant, are symbolic of our efforts and our vision for the future of Gunze plants. Made possible for the very reason that Gunze maintains its production base in Japan, and arising from the zero CO₂ plant that uses renewable energy and the smart plant based on unmanned production lines, our aim is to achieve environmentally friendly manufacturing and workstyle reforms at production sites.



Yanase Factory, on the way to becoming a net zero factory

Net Zero Factory

Carbon-free
and
smart plants

- Energy efficiency improvement**
Realtime visualization of energy usage, updating equipment to increase energy efficiency
- Fossil fuel usage reduction**
Switching to full electrification
- Solar panel installation and greening**

Apparel Business

D-to-C* initiatives to accelerate business growth

* Direct-to-Consumer. A business model whereby companies sell their own products direct to customers.

Promotion of e-commerce route sales expansion

Creating mechanisms to attract more customers and improve site usability

Looking toward expanding the growth of our own e-commerce site, Gunze Store, we are working to attract more customers and improve site convenience.

In our efforts to attract customers, we will seek to acquire new customers by evolving our promotions and by leveraging content sites. We will build customer relationships by using apps to disseminate information and link points of sale with SPAs. In terms of enhancing site convenience, we will pursue user-friendly searches and purchases by improving functionality tailored to the purchasing process, such as with the navigation function of Gunze Store. We will also work to shorten delivery times through improved logistics.

 **The Company's e-commerce site, Gunze Store**
<https://www.gunze.jp/store/>

 **The contents site "Kigocochi +"**
<https://www.gunze.jp/kigocochi/>

 **The contents site "Underwear Selection Handy Book"**
<https://www.gunze.jp/store/pages/helpful.aspx>

(Above websites only available in Japanese)

Evolution of business models in new areas

Initiatives to raise consumer satisfaction at Company-owned stores

The 20 Gunze Company-owned stores (as of March 31, 2022) around Japan strive to raise the degree of consumer satisfaction, improve sales areas, and bolster customer service.

We are building new sales areas where consumers can casually coordinate leggings, jackets, and other items to suit their lifestyles. In addition, through collaboration with WORLD CO., LTD., we are working to strengthen our customer service capabilities and propose products that satisfy customer needs.

We also aim to expand customer contact points to further heightening customer satisfaction by doubling the number of Company-owned stores in the next three years.



Gunze Company-owned store (AEON MALL Nagoya Noritake Garden)

Creating new demand through collaboration with different industries

The collaboration with CIAOPANIC TYPY, an apparel brand of PAL Co., Ltd., started with the aim of creating new value, with people enjoying fashion in more stylish and more comfort by combining a sense of casual fashion with the tradition and technologies possessed by Gunze.

The main driver of the project was the project team, which consisted of selected members from across both companies' apparel divisions. Their goal was to create products that "we would want to wear ourselves." The companies shared ideas on everything from planning to sales methods. We will continue to promote collaboration with a range of business categories and to create new demand through the development of functional and fashionable products.



New display patterns in the store

Lifestyle Creations Business

Contributing to the realization of a sustainable society through the pursuit of a "feeling of comfort," in consideration of the environment



General Manager, Finance & Accounting Department
 Life Creations Business Executive Officer
 Director and Managing Corporate Officer

Makoto Kumada

In the real estate development business, the main businesses are shopping center management and property management. In the sports club field, we operate 22 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.

Fiscal 2021 Business Strategies and Results

In real estate development, the leasing business was firm. However, the shopping center business felt the impact of shortened operating hours and event cancellations due to the state of emergency declaration. The sports club business faced difficult conditions due to the ongoing restrictions on account of the COVID-19 pandemic, and membership

numbers have yet to recover. In the greening business gift sales were favorable. As a result, net sales totaled 11,576 million yen and operating income was 453 million yen*.

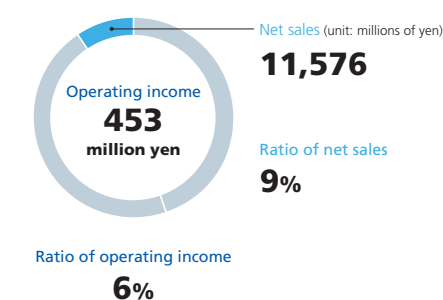
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Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

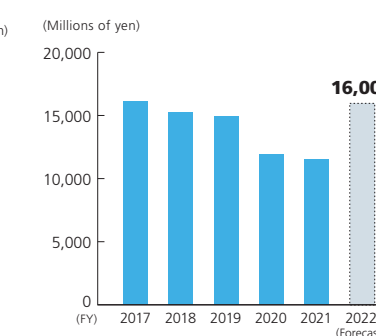
In the real estate development business, we promote the renovation plans of "Gunze Town Center Tsukashin" with consideration for people and the environment and contribute as a hub that continues to be loved by the community. We will also strengthen management according to the property with an emphasis on investment efficiency. In the sports club business, we will work to expand our domain by focusing on

the school business and by providing new services in collaboration with local communities. In the greening business, we will promote the value creation of "increasing greenery in society," and together with contributing to local communities will actively work to increase of fixed volume that will in turn reduce CO₂ emissions.

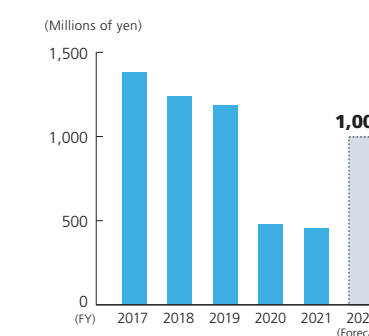
Fiscal 2021 results



Net sales



Operating income



To Realize VISION 2030

—A Discussion about the Company's Human Resources—

Rie Kida

Outside Director



Makoto Ogura

General Manager,
Personnel & General Affairs Department

From a historical perspective, Gunze is a company that treasures its inherited DNA. What are the attributes of Gunze's human resources?

Ogura: Raw silk, a product of the founding silk reeling industry, is woven with warp and weft threads to form fabrics. Any slight imperfection in the quality of the weft thread can be offset through technical skills. Once the warp thread is set on the loom, adjustments to thread quality cannot be made later. For this reason, employing the highest quality thread from the outset is of the utmost importance. Gunze's founding philosophy that embraces a people-oriented approach, a commitment to quality, and coexistence underpins the critical need to create new value by flexibly adapting the Company's weft threads to the needs of the times while treasuring the warp threads of its DNA that are grounded in unchanging principles. As far as the manufacturing process is concerned, Gunze's founder firmly believed that a pure heart produces a lustrous thread, an honest mind produces a thread of uniform fineness, and a peaceful heart produces a thread free of knots. Good people make good silk yarn, and trustworthy people make trustworthy products. We place considerable importance on the heart and soul of the manufacturer because we believe the ideal that Gunze has also defined the attitudes and stances that it values as the three important character traits: sincerity, affection, and modesty. Well-schooled in the philosophies of our founder, Gunze's human resources maintain a firm commitment to quality. With this in mind, I believe that our employees are distinguished by their honesty and ardor.

What human resources challenge do you believe Gunze must address from your perspective as an outside director?

Kida: The attitudes of employees and the emphasis placed on improvement through steady accumulation are extremely

impressive. In contrast, I am yet to meet many employees who are invigorated by unexpected and unique ideas, or passionate about their aspirations for the future. As we transition from a time when the future is considered as an extension of the past to an era where values are changing at an accelerated pace, and past experiences are no longer a pathway to success, Gunze is faced with the challenge of identifying human resources that can adapt. In a corporate culture where unique human resources are removed from a department on the premise that they are a bad fit, or the comments of employees are dismissed as erroneous and proposals rejected on the basis of perceived inefficiencies or a low probability of success in accordance with theories of historical examples of success, employees will inevitably refrain from making comments and avoid standing out. With this in mind, I believe Gunze should look beyond the status quo and place increased value on individuality and creativity. It is important for the Company to consciously foster a corporate climate that welcomes input from outside the box.

What specific measures do you think Gunze should take to address the current status of D&I and pending issues? In particular, what steps should the Company take to achieve its target ratio of women in managerial roles of 20% or more by 2030?

Kida: If Gunze provides opportunities and tries to lift up those employees who work hard in accordance with conventional values and methods, it runs the risk of painting minority heterogeneous employees with the same organizational brush. This is contrary to the inherent meaning of D&I, which places considerable importance on management that leverages diversity. I believe that top management and the Company as a whole must reaffirm its common understanding, namely the need to stimulate innovation in the organization's management and marketing activities by promoting D&I. To increase the number of women in managerial positions,

Gunze must radically change its fundamental approach. The Company raised its ratio of women in managerial positions from 1.5% in the previous fiscal year, to 3% in the fiscal year under review. At this pace, and with a fiscal 2022 target of 4%, the Company will face considerable difficulty in achieving its target of 20% or higher by 2030. Should this rate remain at its current pace, and the ratio come in at around 10% a decade from now, I wonder how Gunze will be viewed by a society in which women are far more active? Thinking seriously about the Company's future, Gunze must be prepared to fundamentally review its approach toward human resources encompassing such wide-ranging issues as development, appointment, and evaluation.

Ogura: Currently, the ratio of women in managerial positions is 3% out of a roughly 350-strong management pool. By rightsizing the number of managers through DX and efforts to flatten the organization, I believe the ratio of women in managerial positions will be 20% or higher 10 years from now. As one initiative aimed at achieving this goal, we first took steps to create a role model for women to become managers while also raising children. Specifically, we introduced a system that allows employees to return to work after six months of childcare leave without interrupting their careers in March 2022. This system is based on the premise that a six-month leave of absence would allow other employees to make the necessary adjustments through mutual support thereby negating the need to fill the temporary absence. Staff members could then return without interrupting their careers. After returning to work, we have also institutionalized support to help defray the costs related to nursery school enrollment and other expenses.

Kida: Situations that require the unexpected and sudden leave are part and parcel of raising children. I suspect there are many employees raising young children who shy away from promotions to managerial positions for fear of inconveniencing those around them. It is therefore extremely important to create a system that allows people to ask for support when unexpected situations arise, and to create an

environment and culture in which all employees are willing to help. Simply sending out the message that women should be encouraged to pursue managerial positions may create uncertainties and conflicts within the organization. Without the proactive support of the Company including efforts to foster the necessary climate and environment, women seeking to advance to managerial positions may balk at the idea and refrain from moving forward in their careers.

Ogura: Gunze's policy is to hire an equal number of men and women for career-track positions in fiscal 2023. The Apparel Division has long had a high percentage of female employees, and women have been continuously placed in positions of responsibility and as managers of women's products. The percentage of women in other divisions is low by comparison. It is therefore important that we continue to adopt a hiring policy that ensures retention across all divisions.

Kida: Depending on the department, some may argue that increasing the number of women will void existing management practices making it difficult to carry out work. I do not dispute that priority should be placed on efficiently completing tasks. I strongly believe, however, that management must deal resolutely with these concerns while maintaining a forward-looking perspective.

Ogura: I believe it is extremely important to motivate and raise the awareness of candidates for managerial promotion. Gunze will further enhance and implement education by level. The Company has a comprehensive development program for new recruits and employees up to their third to fourth year of employment. There is a gap between our training programs and the next level, which I believe is an issue that Gunze must address. As an initial step, we plan to prioritize level-based training for female employees identified as candidates for managerial positions. Thereafter, we intend to fully embed this development program across the Company as a whole, irrespective of gender.

Kida: Training is of course important. I would add that it is also important to take a more in-depth and detailed approach by business division. Arguably, there are fewer



To Realize VISION 2030 —A Discussion about the Company's Human Resources—

women, who are interested in managerial positions than men. I suspect this is not only because of the aforementioned concerns surrounding the need to balance child-rearing with work responsibilities, but also because being a manager itself is not attractive to women. In addition to status, salary, and responsibilities, I believe that it is necessary to provide positive information about how becoming a manager will broaden the scope of one's work, the skills to be acquired, and one's own growth and satisfaction. All of which will feed each individual's development of a fulfilling and happy career.

Should Gunze ramp up efforts to broadcast to the outside world its support for women in the future, I am confident more women will commit to the Company. If this happens, it will have a positive impact on our business, and I believe it will spill over to the future hiring of human resources and motivate women in the Company to aim higher.

What should Gunze do to ensure that human resources who join the Company in the future will feel the work is rewarding?

Kida: For example, apparel products are highly functional and focus on ease of movement and comfort. The comfort of one's underwear can change motivation and performance for the day. Gunze innerwear enhances the quality of life of each and every customer. Whatever the department, the Company's work is consistently linked to the quality of life of its customers. Since our founding, we have

contributed to people and society through our products while flexibly responding to the changing times. I firmly believe that the purpose of our very existence is grounded in this contribution. The first step then is for current employees to take pride in their work. If we can communicate this to the outside world, I believe that people will feel the significance, potential, and value of working for Gunze. Moreover, I think that we should communicate more about what kind of society we want to create and how we would like to contribute to the future, in words that will resonate with young people.

Ogura: Many young people today sincerely want to contribute to society. I feel that the best thing to do is to create an area within the Company where that can be achieved. In the leadup to completion of the Circular Factory in our Plastic Film Company, we are finding that many students looking for jobs are interested in and sympathetic toward our efforts to achieve zero waste. While plastics are today seen in a negative light, the likelihood that plastic products will be reduced to zero is very low. Many students have voiced their keen interest in and affinity toward the idea of contributing to society by ensuring that the materials used in plastic products are recyclable. They are eager to join the Company and work on this project.

Kida: In the work environment for women, the spotlight tends to be on how to balance work and childcare. Looking ahead, I believe that attention should also be placed on balancing work and nursing care. This is an issue that men cannot afford to ignore either. In fact, it is not uncommon to hear that men in their prime have had to quit their jobs to



care for their parents. As the birthrate declines and the population ages, if we do not put in place a system that allows individuals to continue working and building careers despite certain restrictions, we may end up with a shortage of human resources across all age groups. I would like to work on the introduction of diverse work styles coupled with human resources as well as evaluation reforms so that a variety of people can work with peace of mind, demonstrate their abilities, and feel that their achievements are evaluated equitably.

What is your message to the Company's female employees to help Gunze become a company in which women play an active role?

Kida: I would like to see more people step forward and actively play a leading role. I see no reason for anxiety given the Company's declaration of support to bring the percentage of women in managerial positions to 20% or higher in 2030. I also come out people with the hunger and mettle to say: "Let me be the first." If we work as a group to come up with ideas and put them into practice, rather than just wait for the necessary conditions to be provided to us, I strongly believe that we will more quickly bring D&I to fruition.

What do you expect from the people who will lead Gunze in the future?

Ogura: Gunze has experienced an evolution in its mainstay business as a going concern for 126 years. We must continue to accurately grasp the needs of the times and make the most of Gunze's competitive advantage to satisfy customers and stakeholders through its products and services. It is equally important that we contribute to society and achieve sustainable growth of the Gunze Group by balancing economic and social value. To this end, we are looking for first penguins who are not afraid to take risks and boldly try things for the first time. This is especially true for our recruitment activities. We are looking for people who are not afraid of the unknown, who are willing to jump into the vortex of change, who can accept change regardless of their own sense of value, and who are willing to make the effort to change themselves. The world is changing much more than we can imagine. Against this backdrop, innovation will undoubtedly become an important keyword that underpins efforts to sustain and grow for the next 50 to 100 years. We expect to evolve into a company that promotes challenge, creates new value, and fosters an organizational culture where diverse human resources are motivated to work for themselves. The goal is to become a dynamic company with lofty aspirations that is the preferred choice of all.

Young Employees' Vision of Gunze's Future

Keeping Gunze sustainable requires passing the baton firmly to the next generation. What future vision of Gunze do you want to consider and implement?
We interviewed young employees who are currently playing an active role on the job.



Keiko Deguchi
Medical Division
(Entered the Company in 2021)

Q. How do you see yourself working at Gunze in the future?

- ▶ I would like to be an employee who can lead a department as a female manager. It has been several years since I joined Gunze and have found that the Company offers a full range of benefits, especially several programs that enable me to experience life events specific to women. In this environment, I feel that as a manager I could contribute to the business at my own discretion while making my personal life more fulfilling.
- ▶ I would like to be an employee who can encourage and support young staff members who seek challenges.
- ▶ In the Research & Development Department, we often explore potential needs, and I sometimes wonder if my research activities have any social significance. Going forward, I would like to become an employee who is proud that my creations are contributing to society.



Masako Shimada
Innerwear Division Group
(Entered the Company in 2018)

Q. In what areas do you think Gunze's business will contribute to improving quality of life in the future?

- ▶ In the innerwear field, we have been providing products with new value and enjoyment ever since this business began over 70 years ago. I have confidence in these products' comfort and quality. As our values and lifestyles become even more diverse in the future, I want to promote a sense of uniform beauty and general coolness, but also offer innerwear that can adapt to changing times and are accessible to many people.
- ▶ The strength of the medical materials field lies in constantly devising ways to address issues by understanding the needs of doctors and patients. I think this ingenuity will help improve the quality of life of many patients in the future even with the ongoing saturation of goods and services in the market going forward.
- ▶ Plastic films play a major role in ensuring that food products reach consumers safely. They make it possible to eat delicious food from around the world with the same quality in Japan, and are easy for everyone to use. Plastic films are used daily by people, and we think they will continue to help improve quality of life.

Q. How do you think a balance between eco friendliness and business progress is being achieved?

- ▶ Plastics are often talked about in a negative light as a material that destroys the environment. From an opposite perspective, plastics also represent a great business opportunity. In the next 30 years, for example, we may be able to create plastics that are edible or are completely biodegradable. I would like to see the business develop by releasing such unimaginable innovations.
- ▶ I think that landscaping and greening will lead to further business development based on eco friendliness. For example, I anticipate all domestic plants slated for construction in the future will be targets for this if we can showcase a track record of building eco-friendly plants by getting involved with the greening of plants from the design stage.



Yoshimi Iwaya
Plastic Film Company
(Entered the Company in 2015)

Q. What do you find to be a satisfying company and way of working?

- ▶ The ideal environment is one in which people can take on new challenges, where there are many opportunities to offer their own ideas, and even if a challenge ends in failure, people can learn something positive from it for the next time.
- ▶ It would be wonderful if all departments could work flexibly and remotely, and it would be excellent to be able to take a working holiday. I believe that a work environment that respects each individual's preferred style of work will lead to job satisfaction and self-actualization.



Atsushi Ishida
Innovation Department
(Entered the Company in 2018)



Masaki Kono
Legal and Compliance
(Entered the Company in 2020)

Q. What do you want to become through your career?

- ▶ I would like to devote myself to world-class work. I believe that globalization will increasingly make progress, and that global rules and ideas will be applied to Japan as well. While working at the task at hand, I would like to broaden my perspective and adapt to the various changes expected in the future.
- ▶ I hope to be a person who can accept various values and ideas while being able to work in a sociable environment. I would like to be a generous employee who has a clear point of view, rather than being too easy going.



Fuuga Yoshida
Gunze Green
(Entered the Company in 2020)

Q. What kind of company do you want Gunze to be when you become an executive?

- ▶ I would like to revise our systems and practices to make the Company more diversity oriented. We live in an era in which there are no correct answers, so a wide variety of ideas generated by people with various qualities and characteristics will lead to new profit and corporate growth.
- ▶ I want Gunze to be a company that excels at leveraging individual strengths. Gunze has a conservative image, so I would like to maximize Gunze's unique corporate value by leveraging the uniqueness of its human resources—its major asset—as well as by implementing training methods and creating an environment tailored to each individual's characteristics.
- ▶ My dream is to make Gunze a company where people feel that if they join, they will be able to grow more than at any other company and enrich their lives. I want Gunze to provide opportunities for big challenges from a young age, and to further enhance its study abroad and training programs.

Addressing Climate Change related Risks and Opportunities

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.



TCFD climate change related disclosures

Governance

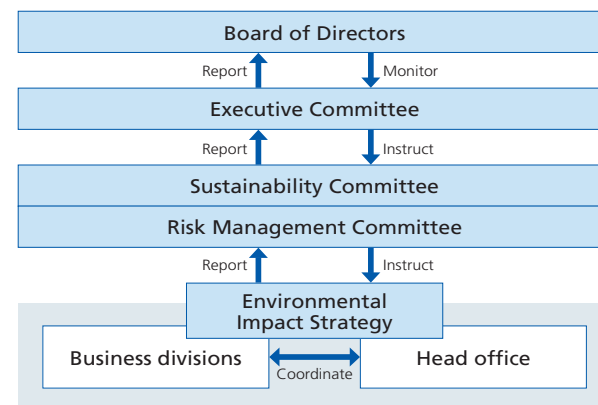
We established the Sustainability Committee, which is chaired by the director or the executive officer in charge of sustainability and includes members who are responsible for head office and business divisions. The Sustainability Committee is an organization that reviews and deliberates on basic policies and implementation items related to climate change, establishing a system that enables the Board of Directors to understand and monitor actual risks and opportunities. We have also established “Environmental Impact Strategy” within the head office to vigorously promote environmental measures centered on climate change as a Company-wide activity.

Risk Management

The Gunze Group’s “Environmental Impact Strategy” Promotion Office examines risks, countermeasures, and opportunities related to environmental issues that include climate change, and it shares these issues with business divisions and other head offices. Business divisions and the head offices mutually cooperate on countermeasures, and “Environmental Impact Strategy” reports to the Sustainability Committee

and Risk Management Committee. A series of important issues related to climate change risk have been reported to the Executive Committee by the Sustainability Committee and the Risk Management Committee, and then to the Board of Directors to integrate and manage Company-wide risks.

Gunze Group Environmental Management System



Roles of Committees and Organizations in the Environmental Management System

Board of Directors	Monitors the progress of measures to address environmental issues, particularly climate change, as discussed and decided during business execution
Executive Committee	Discusses and makes decisions on important business administration and execution matters related to environmental issues centered on climate change Group-wide
Sustainability Committee	Discusses and makes decisions on basic and response policies for environmental issues, particularly climate change, and sustainability
Risk Management Committee	Discusses occurrence of risk events for climate change and other environmental issues, measures taken or to be taken, and risk prevention
Environmental Impact Strategy	Promotes the Gunze Group's response to environmental issues, particularly climate change. Identifies risks and opportunities related to climate change

Strategy

In fiscal 2021, we selected the plastic films and innerwear fields as core Gunze Group businesses for scenario analysis, identifying short- to long-term risks, considering countermeasures, and identifying 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*¹ presented in the IEA World Energy Outlook and the warming progression scenarios (4°C scenario) based on the IPCC AR5 RCP8.5 scenario*². 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.

*1 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 CO₂ emissions by 2050.

*2 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	Financial impact	Innerwear	Plastic	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	○	○	• Risk response 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	○	○	• Risk response Establish technologies that break down and reuse waste plastic and provide products that meet customer needs ▶P.49
	Changes in energy mix (electricity prices)	• Higher ratio of renewable energy to electric power has driven up electricity prices	Medium to long term	Small	○	○	• Risk response ▶P.33, 37 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		○	• Opportunities ▶P.30 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	○		• Risk response ▶P.48 Promote a shift from petroleum-derived to green materials.
	Changes in customer behavior	• More consumers are making purchasing decisions in line with their environmental impact	Medium to long term	Medium	○		• Risk response ▶P.50 Increase sales of environmentally responsible products for ethical consumption
Physical risks (4°C)	Acute risks	• Lower sales due to business activity suspensions and supply chain disruptions caused by wind and flood damage	Short to medium term	Medium	○	○	• Risk response Enhance supply chain disaster prevention at manufacturing sites and in logistics to strengthen business continuity capabilities
	Chronic risks	• Cotton prices up due to rising temperatures	Medium to long term	Medium	○		• Risk response ▶P.50 Develop biomaterials and recycled materials

* 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

Indicators and Targets

To systematically reduce CO₂ 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 and 2 CO₂ emissions and formulate reduction scenarios for Scope 3. In addition, the Gunze Group will focus its efforts on

promoting the Circular Factory Plan in the plastic films field and the Net Zero Factory* Plan in the innerwear field as priority initiatives.

* Net Zero Factory
Gunze defines this as a production plant that both functions as an eco-friendly carbon-free factory with zero CO₂ emitted from production processes as well as eco office functions, and a smart plant that is automated (unmanned sewing line) by using IoT to innovate production processes.

CO₂ reduction results (Scope 1, 2, 3)

		FY 2021	compared to FY 2020		compared to FY 2013	
		Emission volume (t-CO ₂)	Reduction volume (t-CO ₂)	Reduction rate (%)	Reduction volume (t-CO ₂)	Reduction rate (%)
Achievements	Scope1+2	124,156	-562	-0.5%*	48,353	28.0%
	Scope1	38,979	-1,520	-4.1%*	13,334	25.5%
	Scope2	85,177	959	1.1%*	35,019	29.1%
	Scope3	411,434	13,685	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.

Report on Environmental Load Reduction Activities

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. During the period of the Medium-term Management Plan, we will focus on environment-related investment (planning 8.6 billion yen over the three years up to fiscal 2024) and promote activities linked to sustainable management.

Efforts Aimed at Plastic Film Resource Recycling

In December 2019, the Gunze Group established its Basic Policy for Plastic Resource Recycling, promoting the renewed use of plastic containers and labels while indicating its policies for engaging in resource recycling. Due to the worsening marine plastic problem and the trend toward the

tightening of regulations on disposable plastics, we are strengthening environmentally friendly product development to fulfill our social responsibility as a manufacturer and seller of plastic film packaging materials.

New Recycling-compatible, Polyolefin-based Heat-shrinkable Film

We launched GEOPLAS® FRG, a polyolefin-based, heat-shrinkable film, as a new product. Having a density of 1 or less, polyolefin (FRG) reduces the amount of resin used compared with other materials even of the same thickness, leading to a reduction in greenhouse gas emissions. In the near future, this will enable horizontal recycling, by which labels will be separated by their differences in density. (Horizontal recycling is a method in which the collected plastic is

pulverized into small pieces, washed, and used for the same purpose as the original container. Having been used for PET bottles, this process is called “bottle to bottle” recycling.) By taking this one step further and bringing about its further evolution to “label to label” recycling, we will be building a new resource circulation system for heat-shrinkable films.

Comparison of resin amount* chart

Material	Thickness (μm)	Density	Amount of resin when PET is set as 100%			
			25%	50%	75%	100%
PET	40	1.35				100%
Multilayered (PET/OPS/PET)	40	1.15		85% (15% reduction)		
OPS	40	1.05		78% (22% reduction)		
Polyolefin (FRG)	40	0.95		70% (30% reduction)		

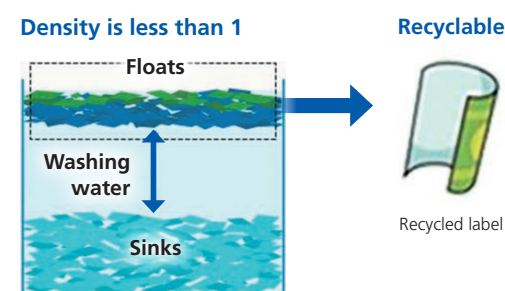
* Amount of resin per area

Biomass Film by Mass Balance Approach

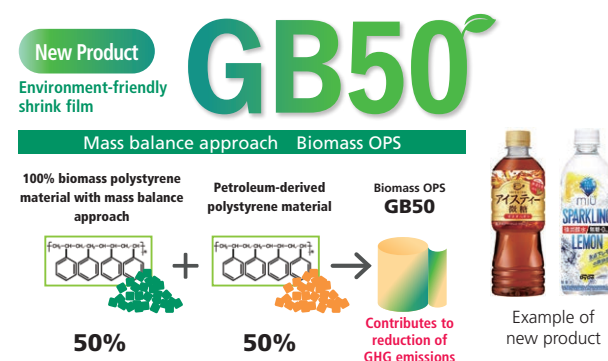
We launched Fancywrap™ GB50, a new grade of shrink film. About 50% of this styrene-based product is derived from biomass raw materials by means of the mass balance approach*. By the company receiving certification from a third-party organization, traceability will be ensured. At Gunze, we are promoting the reduction of environmental impact through biomass as a measure to reduce the use of petroleum-derived raw materials.

* The mass balance approach is when a raw material with certain features (e.g., biomass raw material) is mixed with a raw material that lacks certain features (e.g., petroleum-derived raw material) during processing and distribution from raw materials to products. This approach distributes the raw material with specific features to parts of the product according to the input amount of the raw materials with the specific features.

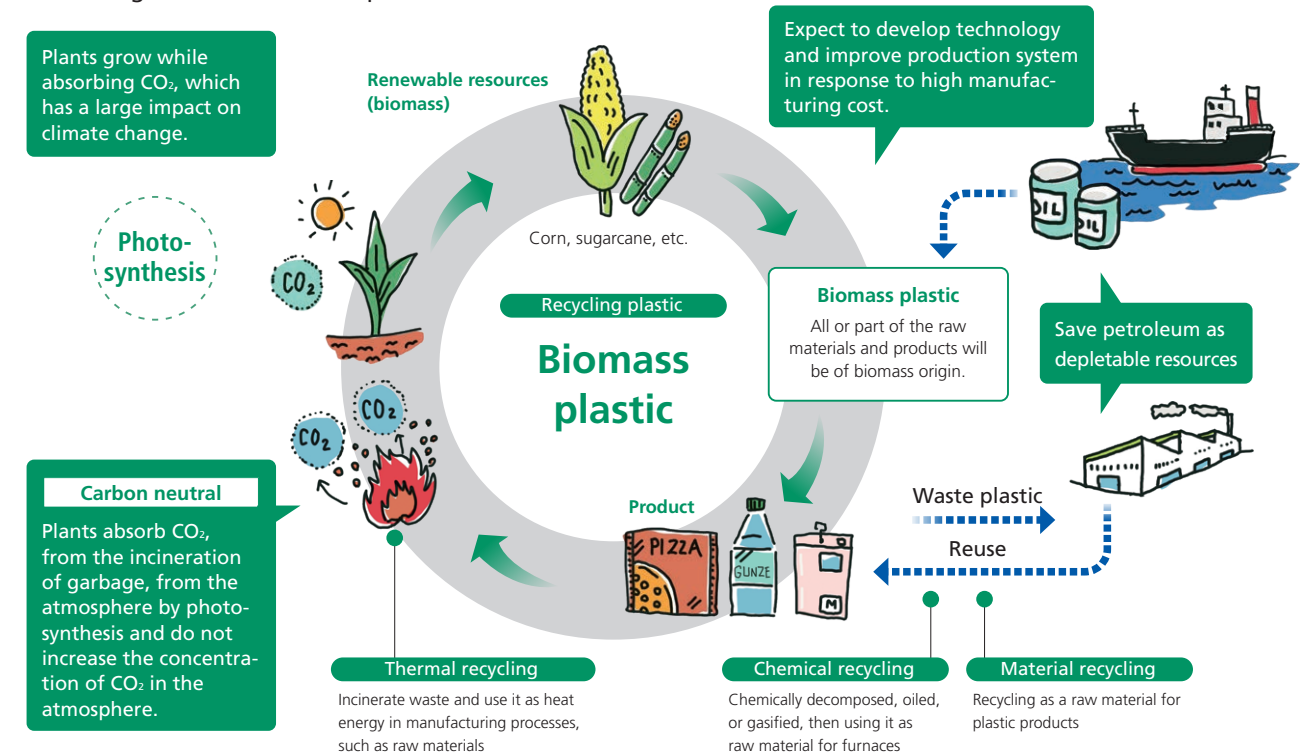
Image of recycling with polyolefin (FRG)



Biomass Film by Mass Balance Approach



Promoting the use of biomass plastics



Efforts to Promote Recycling That Transcends Business Divisions

Manufacturing recycled hangers that make use of the film scraps generated during the production of plastic films, the Gunze Group introduced them in part of its “HOT MAGIC” men’s seasonal innerwear for the fall/winter of 2022. For this recycled hanger, repelleted material (pellets are granular synthetic resin) from the film waste generated during manufacturing and finely crushed remnants generated during the manufacture of beverage bottle caps are mixed, turned into raw materials and molded into hangers. The film used is an eco-friendly polyolefin shrink film, and Gunze is the only company in Japan to have developed the film for labels.

Recycling hangers is an initiative unique to Gunze, which is involved in both the plastic film field and the apparel business. We will continue to engage in zero waste initiatives in the years ahead.



Recycled hangers made from film scraps

Efforts to Achieve the SDGs

Support activities for Midosuji Avenue Ginkgo Trees

In the aftermath of the enormous damage caused to the rows of ginkgo trees that line Midosuji Avenue (Osaka City) by Typhoon No. 21 in September 2018, Gunze entered into the “Agreement on Supply of Ginkgo Trees in Midosuji Avenue” with Osaka City in December 2019. The aim of the agreement is to preserve the ginkgo trees in a good condition and pass them on to future generations. In response to a request based on this agreement, in fiscal 2021 Gunze provided 14 ginkgo trees that needed replanting in the Midosuji target area (Dotonboribashi Minamizume to Namba section). This was through Gunze Green Co., Ltd., which conducts greening projects. We will continue to provide these services in the years to come.

Related SDGs



Scenes showing ginkgo trees being carried out from a field for replanting.

Activity Report Toward a Co-creative Society

The Gunze Group is promoting initiatives to create new value in partnership with a variety of stakeholders. We are contributing to resolving social issues by striving to provide products and services designed with enhanced sustainability in mind. We will also foster a fulfilling organizational culture and believe that by working to improve employee engagement this will give rise to enhancements in corporate value and improved competitiveness as well as lead to the evolution of our corporate constitution.

Aiming to Improve QOL for Patients

As the average life expectancy increases, the possibility of undergoing multiple surgeries in one's lifetime also rises. Adhesions, a phenomenon where organs and/or tissue damaged by surgical intervention adhere to one another during the tissue remodeling process, can cause problems during follow-up and subsequent surgeries. If adhesions occur, the degree of difficulty of the subsequent surgeries will increase, as will the stress placed on patients and the onus on doctors. Therefore, with the aim of making occurrences of adhesion as unlikely as possible, the Gunze Group has developed TENALEAF®, an absorbable adhesive barrier material. Reducing the likelihood of adhesions occurring leads to the shortening of

surgery times, and due to its high flexibility and ease of manipulation. TENALEAF® is also expected to lead to improved QOL for patients.



For Those Troubled by Infant Skull Deformities

Until the age of about one year, the skulls of infants are soft and composed of a number of loosely connected bones. The skull's shape easily deforms into conditions that include plagiocephaly (oblique head) and brachycephaly (short head), due to external pressure caused by orientation habits when sleeping. In response to calls for a remedy from families troubled by infant skull deformities, the Gunze Group has obtained pharmaceutical approval for its ReMO baby® helmet, which corrects skull positional deformation in infants. We create helmets that fit the

shape of each baby's head and will correct any deformity as the infant grows. Through domestic manufacturing, we have put in place a system capable of providing high-quality products by responding to needs in detail.



ReMO baby® helmet for correcting skull positional deformation in infants

Sustainable Product Development That Is Closely Connected to People and the Environment

In the apparel business people- and environmentally-friendly materials are used actively to develop sustainable products. The Fitte group of the KIREILABO women's innerwear brand is supported by customers for its a rich lineup that meets a variety of needs, such as the gentle comfort of organic cotton blend materials and natural earth colors. Even while making the bust firm, we have achieved gentle comfort with our COMFY MAKE BRA. Its washing tag is transfer printed, and we adopted an organic cotton blend material for all materials that come into contact with the skin (excluding the under tape, sewing thread, metallic

parts and fittings, and the transfer print). In the legwear field, the WASHIITO (Japanese paper yarn) brand of ethically made socks, which provides pleasant comfort for the feet while being environmentally friendly, recently made its debut. The socks made from Japanese paper fiber—waste from managed coniferous forests—We have achieved a new soft texture that is different from ordinary Japanese paper fibers by utilizing a new technology to make extremely thin Japanese paper into yarn. This is a product that takes full advantage of the antibacterial, deodorizing, water-absorbing and quick-drying merits of

Japanese paper.

In the house casual wear field, Gunze launched KAIMIN NAVI, a pajama series that makes rolling over in bed easy. Made from organic cotton, which places less of a burden on the environment than common cotton, these pajamas are colored with dyes extracted from natural materials (cherry blossoms, carnations, blueberries, bamboo charcoal, etc.). While feeling the natural power of plants, people- and environmentally-friendly KAIMIN NAVI pajamas can be worn with peace of mind.



MediCure for Kids Children's Underwear That Aims to be Gentle on the Skin

Products that reduce skin irritation, MediCure underwear supports self-care after surgery, particularly for those with sensitive skin or after breast cancer treatment. In response to requests from dermatologists and customers, for underwear for children due to its gentle comfort, we launched MediCure for kids.

Having undergone clinical research at a university, this material has a smooth texture and is comfortable to wear even when you perspire. In addition to being completely seamless, the washing instructions are printed to reduce

irritation caused by seams and tags. Gunze is promoting the development of products that take underwear from mere clothing to clothing for medical treatment that takes care of the skin and spirit. From 2021, we started selling these products at dermatology clinics through Medical U&A, Inc.



Initiatives for MediWellness That Combine Medical Care and Sports

In preparing for the super-aging society, in which people often live to 100, the Gunze Group has, since fiscal 2020, been working on initiatives that combine medical care and sports as MediWellness with the aim of realizing a healthy and prosperous lifestyle.

In fiscal 2021, we collaborated with the Kishimakai Dynamic Sports Medicine Institute to provide and conduct a verification inspection of a preventative improvement exercise program for knee pain and back pain sufferers at the Takaishi Kenkou Living Lab in Takaishi City, Osaka

Prefecture. Through this verification inspection, we aim to develop a new fitness business, possibly expanding into other areas and providing services for corporations and local governments.



Providing an exercise program from which preventative improvement can be expected

For Products That Are Close to Women's Bodies and Hearts

Gunze has been working on developing products that are close to women's bodies and hearts for many years. In recent years, as Femtech has been attracting attention, the Company once again held an in-house seminar to deepen understanding of women's bodies and health. We invited Dr. Kaori Koga, from the Department of Obstetrics and Gynecology at The University of Tokyo Hospital, as a lecturer and about 100 people, mainly product planners and sales representatives, attended the seminar. They learned about the structure of women's bodies and the problems associated with age and life stage changes. Through the provision of products that capture needs that change with the times, Gunze will continue to support women so that they can lead their lives more comfortably and in their own way.

Related SDGs



Views from in-house seminars

Initiatives for Diverse Human Resources and Work Style Reforms in Business Activities

Work Style Reforms [Female Managers]



Yuko Ide
Manager,
Sales Division
Medical Division

I would like to create an environment in which all members can speak freely and create a team where they can share their thoughts. Many of the

members who belong to the Medical Division are mid-career hires, and there are a great many people with a wide variety of experiences and knowledge. I think that one of the benefits of having a diverse group of members is that when members share their opinions, they come to realize things

that they would not have been able to come up with on their own, and they can achieve results beyond their imagination. I also believe that having the awareness that what happens in a team is not someone else's problem, respecting each other's values, and sharing opinions empathetically will increase that power even further. My goal is to build a friendly, close-knit team, that, in spite of occasional clashes, stimulates and accumulates experiences of successes and failures, as well as shares them.

Up until now, I have only learned and received helped by my superiors and colleagues. From now on, I would like to set firm goals and continue taking a broad view as I learn in a proactive manner so that I can communicate to achieve goals while contributing to the development of the Medical Division.



Mayumi Tasaka
Manager,
Merchandising Division,
Innerwear Division Group

As a manager, what I am trying to do is to keep a broad perspective. I think that if I were to become skilled at noticing changes in each team member,

even if they trivial things, then I would be able to use that information not only at work but also, depending on the situation, to help with personal matters, follow-up, and to increase motivation. I tend to be sitting in front of a computer more in my day-to-day work, but I try to see the expressions on the faces of the team members on a regular basis. I make sure I call out to members who are sitting in silence at

their computers for long periods of time.

Also, when I am having difficulty dealing with something or do not know how to make a decision, I make sure I consult with senior managers around me instead of thinking about it on my own.

At Gunze, the ratio of women in managerial positions is still low. Up until a few years ago, questions such as whether I had the potential to be a manager in the future, or with whom should I be talking to in the Company about becoming a manager never entered my head. However, without worrying about things too much I spent my time with the feeling of what will be, will be. Actually, I am grateful that there are many people around me who provide their support when I am having difficulty dealing with a particular matter. Of course, it is necessary to make the effort to acquire management roles and skills on my own, but first of all, I would like to think for myself and make progress one step at a time.

Work Style Reforms [Men Taking Childcare Leave]



Takuya Iwatsuki
Yanase Plant,
Innerwear Division Group

When my first child was one year old, still at a difficult age, and the second child was on the way, I decided to take parental leave. When my wife was in the stable

stage of her pregnancy, I was also conducting personnel interviews, so I decided to take the leave after having spoken with my superior. My family was very happy that I was able to take childcare leave, and I was happy when my parents told me that Gunze is a very good company. Additionally, I am very grateful to my colleagues for having sent me off on leave without a single displeased look on their faces. Thanks to having taken childcare leave, I was able to work efficiently so that I could allocate time for housework and childcare and became more aware than ever before about task prioritizing.

Work Style Reforms [Free Address at the Tokyo Branch Office]

The Tokyo branch office, which was relocated in February 2022, consolidated the previous multi-story floors into one floor, adopted a system where employees are free to change desks, and improved space efficiency. In addition to revitalizing communications between employees across departments, fostering a sense of unity, and strengthening sales capabilities through synergies, we have expanded and upgraded our functions as a base in the Tokyo metropolitan area, such as

by expanding our showrooms and putting in place every kind of infrastructure for dealing with web conferences and business negotiations. As an initiative for work style reform, we have also created a compact and comfortable office environment—through the practice of streamlining operations and by going paperless—that allows employees to freely choose where to work according to their work content, thereby responding to changes in business styles.

1. Flexible Office Environment That Fosters Creativity

We have created zones modeled on our founding silk industry, enabling flexible work styles according to the content of the day's business operations.



Unwind
A comfortable area where, just like loosening threads, people can relax and come up with new creations



Weave
An area where people can sharpen their concentration and shape the ideas they have created as if they were weaving them among themselves.



Spin
This is an area where anyone can feel free to stop by and share a variety of information and ideas as if spinning threads.

2. Strengthening Information Dissemination

Dissemination of information using showrooms displaying apparel products.



Full view of the showroom



Practical use example (1)



Practical use example (2)

3. Promoting Work Styles Unconstrained by Location

By introducing a seat reservation system, the status of team members for the day can be shared and office attendance information seen in visual form.

Taking advantage of the relocation of the Tokyo branch office, we will transform the environment into one in which every employee can work comfortably by encouraging new styles of

working throughout the Company. At the same time, we will work to improve productivity and, in turn, enhance corporate value by cultivating a rewarding organizational culture.

Business Process Transformation Strategy

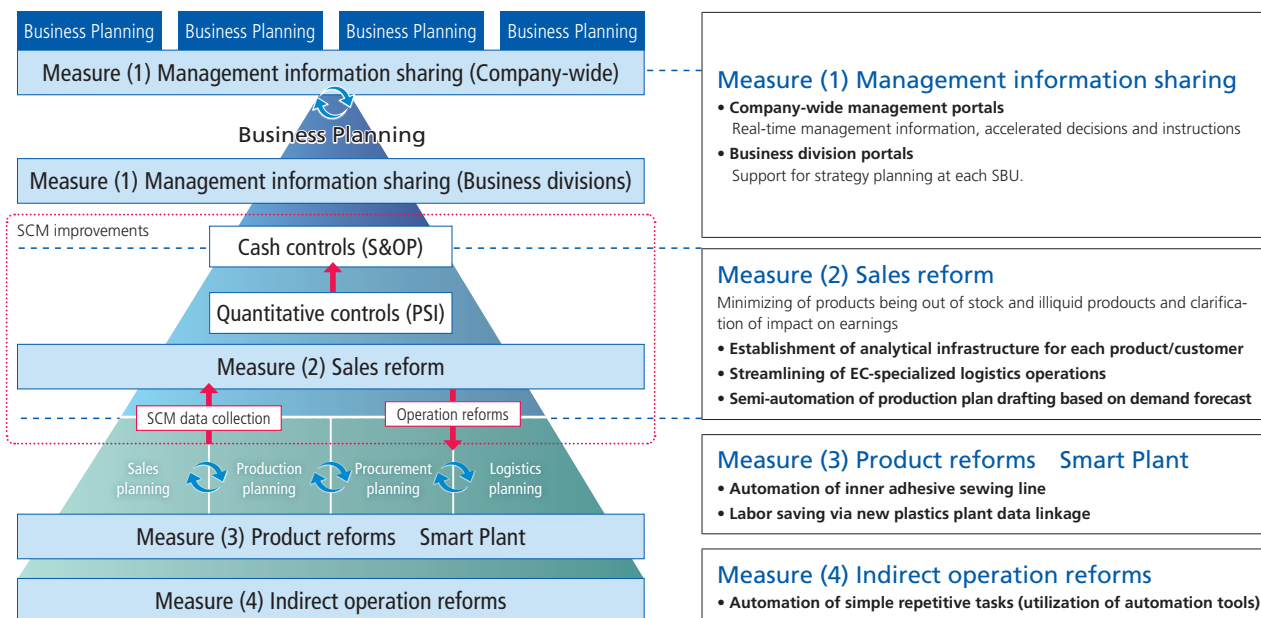
In recent years, the environment surrounding companies has undergone significant change due to environmental changes brought about by COVID-19. Amid the rapid acceleration of work style reforms typified by remote work, contactless business is growing rapidly, and the creation of added value utilizing digital technology has been becoming more important. Under “VISION 2030 stage1,” the Medium-term Management Plan that we have launched from the current fiscal year, we will accelerate digital transformation (DX) for current business processes and promote taking on the challenge of our growth strategy and reinforcing our business constitution.

Business Process Transformation through Digital Technology

Efforts toward digital technology utilization as a company

Priority Action Items	1. Management information sharing	2. Sales reforms
	3. Product reforms	4. Indirect operation reforms

Focusing on two points—sustainable management and work style reform—we will implement initiatives that link profit improvements (shareholders), easier work styles (employees), and added benefits in products (customers) to increase corporate value through digital measures.



Management Information Sharing

Amid the need for corporate management to respond quickly to an external environment that changes on a day-to-day basis, the acceleration of management decisions and their decision-making processes is being demanded. We will restructure company-wide and business division-specific management portals and promote the visualization of management information, such as company-wide energy usage, by introducing management information and energy monitoring systems.

Company-wide management portals

Disclosing the business management indicators of each business division as a management tool for management, we

will put in place a system that allows us to check the management status through daily progress management.

Business division management portals

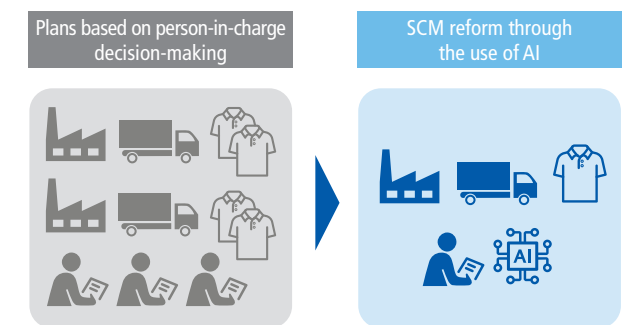
Aiming to improve the GVA management of each business, we will integrate information on PSI (production, sales, and inventory) management to support strategy planning at each SBU, while developing a system that enables profit forecasts, landing point forecast management, and the deeper exploration of issues. Adopting the ROIC concept, we will also set KPIs for each type of business based on sales expansion, cost reduction, and capital cost reduction, as we put in place a system that leads to management improvements.

Sales Reforms

We will promote efforts to expand sales through customer and market analyses by utilizing Big Data, AI, etc., efforts to improve the accuracy of demand forecast-based SCM plans, and efforts to reduce losses.

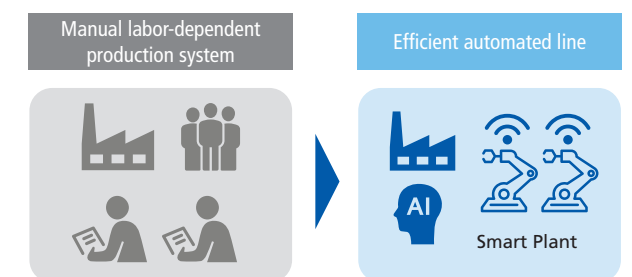
- Breaking away from different SCM systems for each product category, we will build a common SCM platform for the apparel business that will be compatible with the transformation to a business model centered on EC and SPA channels, which is the aim under our medium-term management plan.
- By optimizing the inventory problems that each business department has by means of digital technology, we will minimize products being out of stock and illiquid products while promoting efforts that will lead to improved earnings.

- By streamlining delivery business processes, we will eliminate dependence on task individualization and pursue efficiency through automation.



Product Reforms

We will transform by building a Smart Plant to achieve both productivity improvements and production site work style reforms. These will be achieved by utilizing sensing, digital, and AI-based technologies as well as automation, unmanned systems and labor-saving technologies in production processes.



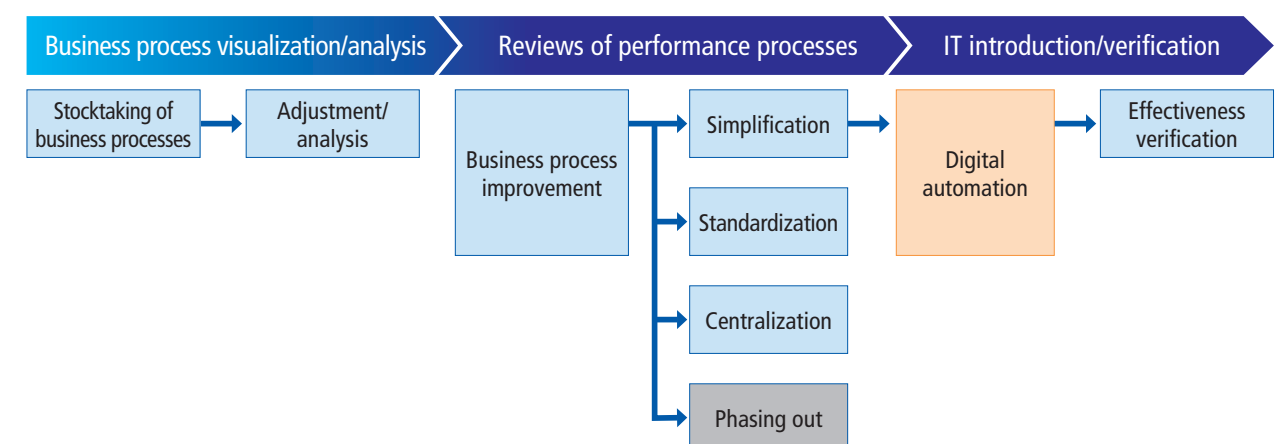
Indirect Operation Reforms

Looking at each task, there is a lot of repetition, and the situation is that is the part to which human resources are allocated. By utilizing tools such as robotic process automation (RPA) for this part of the process, we will save labor, shift to high-value-added work, and promote the transformation to high-quality work.

- Streamlining the current analog work (data processing, handwritten inputs, etc.) will lead to improved productivity through labor saving. Specifically, we will take stock of the

eligible business processes while conducting a review of the conventional business processes themselves. Thereafter, we will introduce automated digital tools in situations where business processes have been simplified to put labor saving into effect.

- Indirect operations include production, sales, and management. In Gunze's case, we will start mainly from the sales and SCM management departments that have determined that they will be more effective based on the results of business analyses.



Corporate Governance

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. Furthermore, we consider improving shareholder value, by enhancing 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 stakeholders and strengthen and upgrade our internal control functions as a way to enhance our corporate governance. The basic policy for corporate governance in the Gunze Group is stipulated in the Gunze Corporate Governance Guidelines.

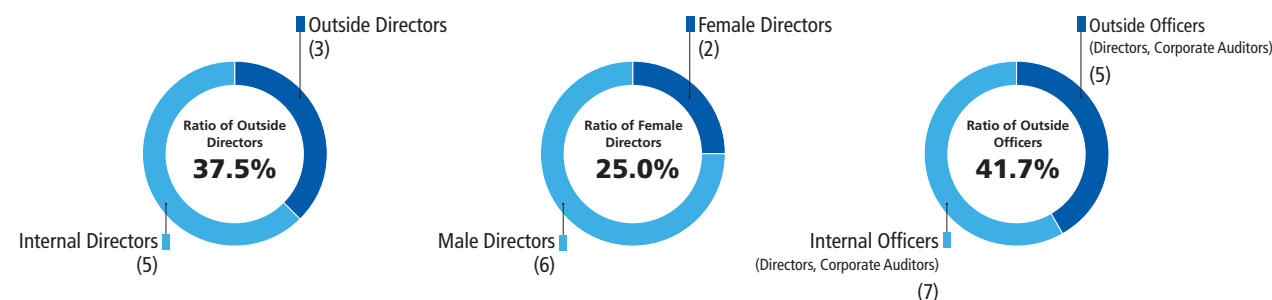
 **Gunze Corporate Governance Guidelines**
<https://www.gunze.co.jp/english/ir/policy/governance/>

Management Structure

Gunze is a company with a Board of Corporate Auditors. To enable appropriate and prompt decision-making and supervision of Gunze Group business activities, we appoint Directors from within the Company who possess knowledge, experience, and abilities with regard to the industry and internal conditions, while taking diversity into consideration, as well as several outside Directors who can actively provide advice and proposals from a fair and objective standpoint, and who have management experience at other companies and specialized knowledge and experience not otherwise found within the Company. The Board of Directors is comprised of eight Directors, and as a rule, is convened once a month. The Board of Directors

makes decisions on important matters related to business execution and matters stipulated by laws and regulations, and the Articles of Incorporation. It also supervises the status of the execution of duties by Directors. The Company has introduced a corporate officer system to facilitate accelerated business decisions and to strengthen the business execution system, and has appointed 15 corporate officers, including four who also serve as Directors. In addition, the Executive Committee consists of Representative Directors, Officers with roles, Directors in charge by function, and seven corporate officers who deliberate on important matters related to business execution, and seek to accelerate decision making.

Composition of the Board of Directors



Fiscal 2021 Board of Directors' meetings, advisory committees, etc.

	Times held	Attendance (Internal Officers)	Attendance (Outside Officers)
Board of Directors	13 times	99%	100%
Board of Corporate Auditors	14 times	100%	100%
Executive Committee	22 times	100%	—

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 2022,

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 report 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 2022. As a result, the composition, operation, agenda items, execution of individual roles, and mutual supervision of the Board of Directors were generally evaluated positively. Furthermore, taking into consideration the results of the evaluation conducted by the external organization and comparisons with external data, we believe that the effectiveness of the Board of Directors as a whole has been ensured. In addition, the enhanced feedback on the status of dialogue with shareholders (investors), which

had been an issue for the company, was this time evaluated favorably as a result of our continuous efforts, although this continues to be positioned as an important management issue. On top of strengthening of oversight of sustainability initiatives and internal control systems, and invigorating discussions on management strategies and other issues, the release of the Directors' skills matrix has once again brought into focus and confirmed future issues, and as such, we will continue to work to improve the effectiveness of the Board of Directors by promptly considering countermeasures.

Executive Remuneration System

The Gunze system of remuneration for Directors is linked to the Company's business performance in order to function as an incentive to continuously improve corporate value. In determining individual compensation, our basic policy is to set appropriate levels based on the responsibilities of each position. Compensation for Executive Directors consists of a base salary as fixed compensation, a bonus linked to business performance, and stock-based compensation. Outside Directors who perform a supervisory function are paid only base compensation in light of their duties. In addition, Gunze has positioned the executive remuneration system as a key corporate governance issue, and in tandem with the start of the Medium-term Management Plan "VISION 2030 stage1," Gunze has decided to increase the ratio of performance-linked compensation as an incentive to maximize corporate value. The key performance indicator (KPI) used in the calculation of the bonus amount is Gunze Value Added

(GVA), specifically, operating profit before income taxes + dividends – year-end investment capital x WACC, and this will be reflected from the following fiscal year. With regard to stock-based compensation, the Company plans to reflect to that an evaluation of stock compensation relative to the Total Shareholders Return and TOPIX, as well as an evaluation that examines to what extent Companywide CO₂ emission reduction targets have been achieved as an ESG evaluation index, from the following fiscal year. The Nomination/Compensation Committee deliberates on the determination of an individual Director's compensation based on the remuneration system established by the Board of Directors, and the Board of Directors respects the report of the committee and determines that it is in line with the basic policy. The decision-making policy is decided by the Board of Directors after deliberation by the Nomination/Compensation Committee.

KPI of the Executive Remuneration System *Reflected from the following fiscal year

Remuneration type	KPI (performance indicators)
Bonus	· Reflect GVA (Gunze Value Added) for each fiscal year
Stock compensation	· Reflect relative evaluation of TSR (Total Shareholders' Return) and TOPIX for each fiscal year · Reflect degree of achievement of Companywide CO ₂ reduction goals as ESG evaluation indices

Nomination/Remuneration Committee

The Company established the Nomination/Remuneration Committee as an advisory committee to the Board of Directors. Its purpose is to ensure independence, transparency, and objectivity in the procedures for nominating candidates for Director and Corporate Auditor, appointing senior man-

agement, and determining compensation for Directors. The Nomination/Compensation Committee consists of two Representative Directors and three outside Directors, and is chaired by an outside Director.

Succession Plan

The development of a successor to the head of the Company is one of the most important management issues. The Nomination/Compensation Committee formulates a succession plan that sets forth requirements for the qualifications of the President and a policy for his/her development, which is

then decided by the Board of Directors. The Board of Directors shares such succession plan and regularly confirms the development status of management executives who could be candidates for President based on reports from the Nomination/Compensation Committee.

Corporate Governance

■ Directors and Corporate Auditors' Skill Matrix

The Company's Board of Directors consists of a maximum of 15 members, including at least two outside Directors who are highly independent. The Gunze Board of Directors, as a whole, is composed of internal Directors who possess knowledge, experience, and abilities across business fields, such 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, so that they can make appropriate and prompt decisions on Gunze Group business activities and supervise the execution of those decisions in light of the

management strategy, as well as 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. Composition and appointment to the Board of Directors is decided by the Board of Directors based on the report of the Nomination/Compensation Committee. In addition, at least one of Gunze's Corporate Auditors must have appropriate knowledge of finance and accounting.

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	10 years [62]	○	○			○		
	Male	Toshiyasu Saguchi	Representative Director & President	8 years [60]	○	○			○		
	Independent Female	Hiroe Nakai	Outside Director	4 years [61]	○ (Chair)					○	
	Independent Male	Osamu Kujiraoka	Outside Director	3 years [66]	○	○			○		
	Independent Female	Rie Kida	Outside Director	2 years [53]	○	○			○		
	Male	Makoto Kumada	Director	5 years [60]			○				
	Male	Katsuhiko Oikawa	Director	6 years [59]				○			
Corporate Auditors	Male	Ryouji Kawanishi	Director	1 year [59]		○	○				○
	Male	Tomio Suzuki	Standing Corporate Auditor	1 year [58]			○				○
	Independent Male	Keigo Inoue	Outside Corporate Auditor	8 years 7 months [67]						○	
	Independent Male	Yoshio Suzuka	Outside Corporate Auditor	7 years [69]			○				
	Male	Shinichiro Morita	Corporate Auditor	1 year [65]		○		○			

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

(As of June 30, 2022)

■ Promoting Compliance

Gunze recognizes the importance of compliance in order to realize its basic management policy of "sustainably boosting corporate value." The Legal & Compliance regularly conducts necessary education and training for members in their efforts to convey an appropriate understanding of compliance. In fiscal 2021, the Personnel & General Affairs Department and the Legal & Compliance collaborated to conduct harassment prevention training on 30 occasions, mainly for management-level executives. In the future, we plan to expand the scope of training opportunities to non-management personnel through e-learning and other methods that suit the actual conditions of each department. 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. In anticipation of revision to the Whistleblower Protection Act, 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 2021, there were no consultations or reports subject to public interest reporting at the external reporting desk.

Breakdown of Reporting and Consultation

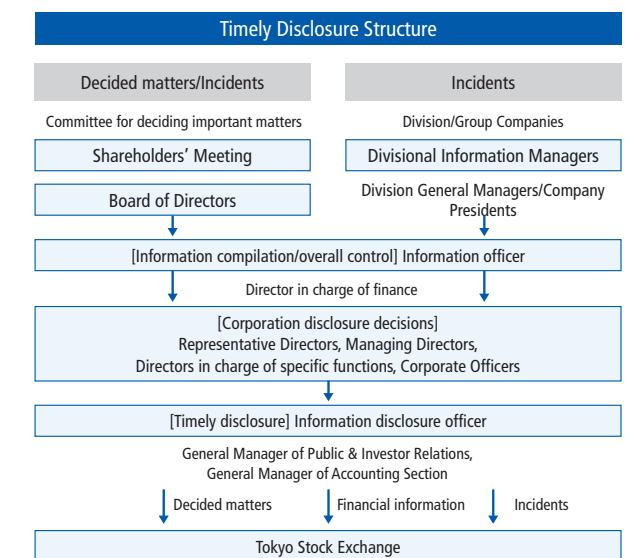
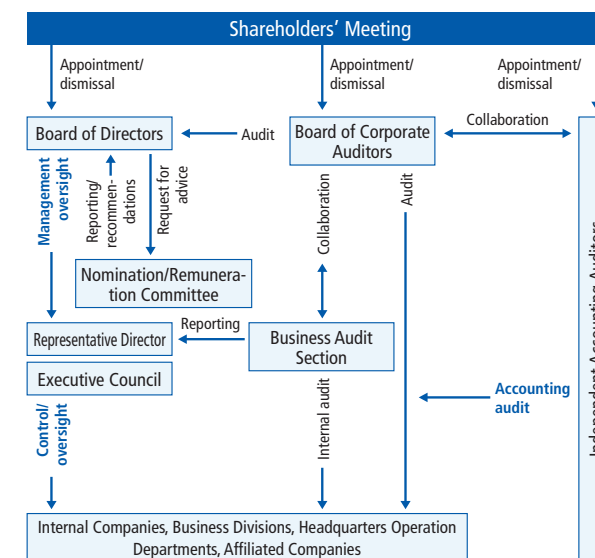
Cases	Fiscal 2020		Fiscal 2021	
	Hotline	External reporting desk	Hotline	External reporting desk
Workplace relationships	4	0	7	0
Sexual harassment	4	0	0	0
Power harassment	5	1	3	1
Facts subject to whistleblowing	0	0	0	0
Others	3	1	4	0
Total	16	2	14	1

■ Strengthening the Risk Management System

Gunze 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 Risk Management Committee, chaired by the Corporate Officer in charge of Legal & Compliance, met twice in fiscal 2021 to review priority risks in terms of likelihood of occurrence and magnitude of risk. 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 ensuring transparency. In addition, we have established a system for regular monitoring of each risk by the main department in charge, and we are strengthening cross-orga-

nizational efforts. With regard to measures to combat COVID-19 infections, after bringing together a Company-wide approach, the functional departments with jurisdiction consider specific measures and instruct business units to respond as appropriate. We recommended that our members be vaccinated for the safety of members and customers, while respecting the individual's willingness to be vaccinated. Over the past year, we have been able to operate and continue our business without major disruptions to operations as a result of implementing appropriate risk countermeasures as needed in response to fluctuations in the number of infected people and changes in the situation in each region. For other risk cases, we are working to prevent recurrence by providing detailed follow-up and training to the relevant departments.

Corporate Governance Structure



■ Message from a Corporate Auditor

An auditing structure that supports sustainable management

When promoting sustainable management, companies are now required to make unprecedented changes and reforms to their value systems and actions. As a Corporate Auditor and a member of the Board of Corporate Auditors, I play the role of "protector," specifically by auditing and delivering opinions regarding new corporate activities intended for sustainable management from the perspectives of soundness, legality, and risk management. However, I must also maintain an awareness of my role in facilitating ongoing reforms that lead the Company toward its vision.

By collecting information regarding sustainability with the help of the wide range of expertise of the outside Corporate Auditors and by objectively assessing Gunze's initiatives, I hope that at the least I can provide advice about where Gunze should accelerate or apply the brakes toward its reforms.

With the start of VISION 2030 stage1, Gunze has entered the phase of taking action toward achieving sustainable management. Not solely limited to sustainable management, companies must instill their philosophies among every member of the organization, who must also understand these philosophies and cooperate with their respective companies, in order to turn action into form. As a Corporate Auditor, I call on each business site to ensure that Gunze's sustainable management philosophy has been explained in detail at each workplace. I would like to help improve the effectiveness of the activities by keeping a close eye on whether each initiative has the sympathy of members and provide advice as necessary. At the same time, I am focusing on carefully checking whether the status of governance and workplace environment are in line with the objectives of sustainable management.



Tomio Suzuki

Standing Corporate Auditor

Gunze as Seen from the Outside

Interviews with Outside Directors



Hiroe Nakai

Outside Director

Q. What are your thoughts on the direction and challenges of collaboration with external parties and initiatives in the Creation of New Value, a basic strategy identified under the Medium-term Management Plan?

I believe that undertaking the challenge of new businesses that look to the coming age is itself necessary for increasing corporate value. M&As are not just about simply making companies larger. Instead, they also hold the potential to achieve further advancements through mutual synergy effects. And by diversifying the types of businesses and regions, M&As are also effective in hedging against risk. Gunze possess technologies that can be transferred to various fields, which is why I believe M&As with companies with which Gunze can anticipate synergy effects are meaningful. On the other hand, partnerships with venture companies are able to breathe new life into companies, and because many of them operate businesses that effectively address the SDGs, I hope that Gunze successfully seeks out ways to enhance corporate value by integrating these businesses. M&As and partnerships also hold significant risk, however, so Gunze must conduct sufficient due diligence from the outset, and consider these with an eye to the corporate value of the other party and the post-partnership vision. Gunze must also debate, in advance, the withdrawal conditions once an M&A or partnership has been formed in the event that the initiative unfortunately does not progress as initially expected.

Q. What was discussed by the Board of Directors when formulating the Medium-term Management Plan? And what efforts are you engaged in to ensure the Board of Directors functions effectively?

As far as the Medium-term Management Plan is concerned, the Board of Directors must consider whether the strategies therein look to future generations, more specifically, whether they possess a vision for ten years out. Which is why we debated the M&As and research and development projects within the Plan, for example, by questioning specific concepts, and why we have investigated concrete approaches to problematic divisions. At Board meetings, in addition to pointing out legal problems, I consistently maintain an outside perspective when presenting opinions on many agenda items, including the needs of modern society, transformational and social ethics, facilitation of synergy effects among business divisions, and problematic areas of which the Company is not yet aware. And I facilitate many suggestions and debates regarding issues that are not included in the agenda in the direction of advancing Gunze's business execution.



Osamu Kujiraok

Outside Director

Q. How should the Gunze business portfolio evolve?

At a company where I was previously employed, I once had the opportunity to join a heated debate over views of life and death between a famous professor and scholars in the medical field, which left a deep impression on me. Medical care necessarily values extending average life expectancies and recovering from illness and injury, but it is also deeply involved in how we live happily and how we die happily, and is helpful in living a rich life. Under its management philosophy of providing a Feeling of Comfort, Gunze has positioned the Medical Materials business as the core of growth industries, where aiming to provide new products and services is in some sense a necessity, and plays a major role.

Moreover, I believe product development that combines the experience and technology of the Apparel, Plastic, Sports, and other business divisions offers significant potential for new businesses going forward. Which is why I expect to see Gunze pioneer markets in areas where markets converge in a way that goes beyond the framework of the business divisions. Illustrating a management philosophy and corporate identity that clearly express Gunze's new initiatives in an easy-to-understand manner, I believe, will become a future management issue.

Q. Please tell us about what was discussed by the Board of Directors regarding the formulation of the Medium-term Management Plan, and about the role of Outside Directors in achieving targets.

A sense of uncertainty over the future has been growing with each passing day due to COVID-19 and the situation in Ukraine, which has led us to a time where it is extremely difficult to take the helm of management. The Board of Directors recognizes that uncertain elements exist when setting long-term target values as part of formulating the Medium-term Management Plan under these conditions, yet deliberations were unrestrained and energetic, and included highly critical opinions. In particular, we held many discussions regarding the vision for the Company in 2030, efforts to specify concrete numerical targets to realize this vision, and the propriety of indicators for non-financial targets, for example. Ahead of the Board meetings, we also had opportunities to exchange opinions with related departments, which have been reflected in VISION 2030 and the non-financial target values. The Medium-term Management Plan must be shared in detail with all employees, and must present concrete initiatives for realizing these targets. Against this backdrop, I intend to contribute in a way that produces results by objectively checking and assessing this situation from an outside perspective.

Special Feature



GUNZE'S HUMAN RIGHTS POLICY STATEMENT

<https://www.gunze.co.jp/english/sustainability/management/>

Human Rights and Gunze's Required Roles

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 126 years of history, we have therefore valued the rights of employees and all other related parties. Stipulating the number of working hours per day, providing work-related and non-work-related educational opportunities, and paying attention to dining and living environments for the purpose of employee health are just a few examples of the actions we started taking immediately after our founding. Moreover, when we purchased cocoons from local silk-raising farmers, we consistently followed instructions to buy at the highest possible price without bargaining, which we feel accurately expresses Gunze's desire to provide rich, fulfilling lives to all individuals involved in our businesses, including local communities and suppliers.

Many companies, including Gunze, today do business on a much larger scale that crosses international borders, which means we are now required to accept a much greater degree of social responsibility. In 2011, the United Nations announced the UN Guiding Principles on Business and Human Rights, and Japan, which declared its endorsement of these Principles, formulated the National Action Plan on

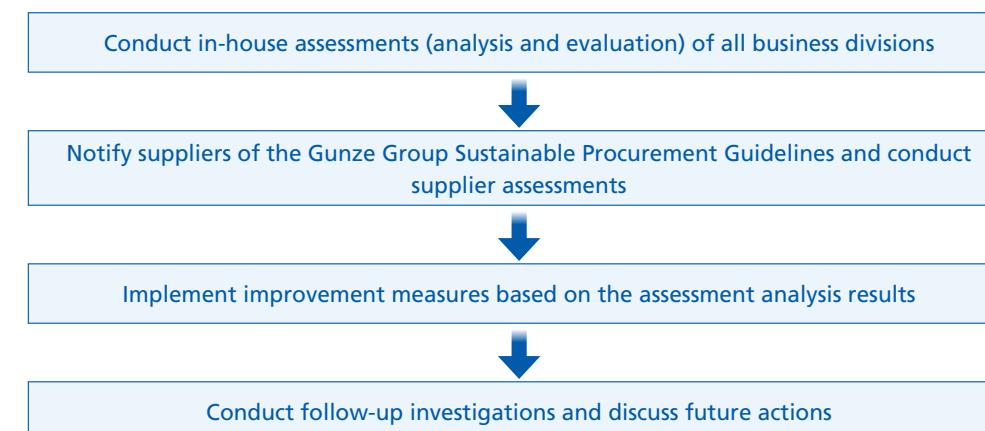
Business and Human Rights in 2020. Both the Guiding Principles and the National Action Plan stipulate that companies, which play an important role as part of society, must become leaders in respecting human rights. Moreover, all of the Sustainable Development Goals (SDGs) under the slogan of Leave no one behind are based on the premise of those rights with which all humans are born. Amid this movement, Gunze also reconfirmed its intent to respect human rights as part of business operations, and after signing on to the UN Global Compact, we formulated and announced GUNZE'S HUMAN RIGHTS POLICY in June 2022. Going forward, we believe it will become important to ensure an understanding among our stakeholders by verbalizing our philosophy of a people-oriented approach, something of which we had not previously spoken in detail, because we saw it as obvious. In a world where globalization has advanced, neither people nor companies can exist on their own. The relationships between companies have become incomparably complex since the time of our founding, and the types of stakeholders involved in our businesses have also increased. Leveraging these relationships, Gunze will continue to strive in a way that allows us to help build a better, happier society.

About the formulation of GUNZE'S HUMAN RIGHTS POLICY

Based on the corporate philosophy of valuing a people-oriented approach, the Gunze Group believes that it holds the responsibility to respect the human rights of all individuals that may potentially be affected by its corporate activities. In order to clarify this stance on respecting human rights, we formulated GUNZE'S HUMAN RIGHTS POLICY in June 2022. Along with endorsing and abiding by the UN Guiding Principles on Business and Human Rights and other international principles, as part of our relationship with our em-

ployees, we identify the negative impacts on human rights and endeavor to remedy them appropriately through whistleblower systems and other effective mechanisms. We also work to advance a proper understanding of human rights. In addition, as part of our relationship with the supply chain, we gather information on any risks that could cause negative impacts on human rights among our suppliers as well, and require our suppliers to work toward preventing and mitigating these risks.

[Human Rights Due Diligence* Implementation Flow]



* A process for identifying negative impacts on and risks for human rights, analyzing and evaluating risks, and formulating and implementing appropriate measures

Management Team

At Minamigaoka Park (Ayabe City, Kyoto), where the founder, Tsurukichi Hatano, and his wife Hana are buried



1 Atsushi Hirochi

Representative Director, Chairman
Date of Birth January 11, 1960
1983 Joined Gunze
2021 Representative Director, Chairman
Shares held: 14,855

2 Toshiyasu Saguchi

Representative Director, President and
President Corporate Officer
Date of Birth November 14, 1961
1984 Joined Gunze
2021 Representative Director, President and
President Corporate
Shares held: 7,292

3 Hiroe Nakai

Outside Director
Date of Birth May 20, 1961
Major career
Representative Attorney, Hinata Law Office
2018 Outside Director
Shares held: 1,000

4 Osamu Kujiraoka

Outside Director
Date of Birth September 25, 1955
Major career
President, Dakuon Co., Ltd.
2019 Outside Director
Shares held: 700

5 Rie Kida

Outside Director
Date of Birth May 27, 1969
Major career
Representative Director, Woman's Feelings Marketing
Laboratory
2020 Outside Director
Shares held: 200

6 Makoto Kumada

Directors and Managing Corporate Officer
General Manager, Finance & Accounting
Department
Date of Birth July 24, 1961
1984 Joined Gunze
2022 Director and Managing Corporate Officer
Shares held: 3,798

7 Katsuhiko Oikawa

Director and Corporate Officer
General Manager, Research &
Development Department
Date of Birth April 12, 1963
1986 Joined Gunze
2017 Director and Corporate Officer
Shares held: 3,785

8 Ryouji Kawanishi

Director and Corporate Officer
President, Apparel Company
Date of Birth December 7, 1962
1986 Joined Gunze
2021 Director and Corporate Officer
Shares held: 1,532

9 Tomio Suzuki

Standing Corporate Auditor
Date of Birth March 20, 1964
1986 Joined Gunze
2021 Standing Corporate Auditor
Shares held: 1,618

10 Keigo Inoue

Outside Corporate Auditor
Date of Birth April 23, 1955
Major career
Kintetsu Department Store Co., Ltd. Outside Audit &
Supervisory Board Member
2013 Outside Corporate Auditor
Shares held: 2,000

11 Yoshio Suzuka

Outside Corporate Auditor
Date of Birth October 28, 1952
Major career
HURXLEY CORPORATION Outside Audit & Supervisory
Board Member
2015 Outside Corporate Auditor
Shares held: 900

12 Shinichiro Morita

Corporate Auditor
Date of Birth June 13, 1957
1988 Joined Gunze
2021 Corporate Auditor
Shares held: 3,996



Summary of Consolidated Eleven-Year Financial and Non-financial

(As of March 31, 2022)

	FY2011	FY2012	FY2013	FY2014	FY2015		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Year-on-year
Results for the year													
Net sales (Millions of yen)	136,621	132,373	142,425	141,172	138,324		136,579	140,521	140,706	140,311	123,649	124,314	0.5%
Operating income (Millions of yen)	1,023	1,710	4,375	3,084	3,662		4,206	6,239	6,690	6,746	4,673	4,880	4.4%
Profit attributable to owners of parent (Millions of yen)	571	-1,161	2,508	3,215	-1,201		3,102	3,486	4,087	4,387	2,147	2,939	36.9%
Financial position at year-end													
Total assets (Millions of yen)	168,517	163,328	166,544	175,331	169,749		169,460	171,273	169,632	166,633	159,629	158,216	-0.9%
Interest-bearing debt (Millions of yen)	33,912	30,646	24,856	29,546	31,407		28,469	28,374	26,242	25,067	17,613	11,029	-37.4%
Shareholders' equity (Millions of yen)	108,979	107,600	112,357	115,643	105,158		108,153	111,141	109,506	107,566	113,554	112,903	-0.6%
Equity ratio (%)	64.7	65.9	67.5	66.0	61.9		63.8	64.9	64.6	64.6	71.1	71.4	
Cash flows													
Net cash provided by (used in) operating activities (Millions of yen)	-1,417	12,343	13,753	9,512	11,775		13,832	9,007	11,491	13,688	8,595	9,155	
Net cash provided by (used in) investing activities (Millions of yen)	-7,780	-7,564	-5,414	-9,240	-12,046		-7,834	-5,954	-7,373	-8,262	1,169	6,806	
Free cash flows (Millions of yen)	-9,197	4,779	8,339	272	-271		5,998	3,053	4,118	5,426	9,764	15,961	
Net cash provided by (used in) financing activities (Millions of yen)	8,373	-5,100	-8,303	1,726	-1,274		-4,116	-1,783	-5,483	-4,886	-9,335	-12,358	
Management indicators													
ROA(%)	0.6	1.0	2.7	1.8	2.1		2.5	3.7	3.9	4.0	2.9	3.1	
ROE(%)	0.5	-1.1	2.3	2.8	-1.1		2.9	3.2	3.7	4.0	1.9	2.6	
Per share information													
Net income (loss) (Yen)	29.62	-60.60	130.88	167.81	-63.90		165.95	189.30	225.60	245.00	120.94	168.93	
Total net assets (Yen)	5,688.90	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	
Dividends (Yen)	75	75	75	75	85		75	90	110	115	115	140	
Payout ratio (%)	253.4	–	57.3	44.7	–		45.2	47.5	48.8	46.9	95.1	82.9	
Others													
Capital investments (Millions of yen)	12,069	6,930	6,768	6,005	8,586		9,739	5,536	7,346	5,380	7,845	5,947	
Depreciation (Millions of yen)	8,171	7,587	6,288	6,830	6,604		6,862	6,528	6,650	6,502	6,289	6,191	
R&D expenses (Millions of yen)	3,247	3,293	3,189	3,346	3,135		3,074	3,000	2,824	2,953	2,752	2,576	
Number of employees (consolidated)	8,963	8,285	7,629	7,354	6,858		7,038	6,754	6,607	6,185	5,808	5,692	
Number of employees (non-consolidated)	2,082	2,016	1,936	1,889	1,842		1,833	1,757	1,703	1,743	1,718	1,662	
Segment information (Operating segments)													
Net sales	Functional solutions (Millions of yen)	51,500	49,538	58,235	59,689	56,171	50,195	50,828	53,234	56,361	49,673	56,138	13.0%
	Apparel (Millions of yen)	72,948	69,991	70,461	67,635	68,164	71,629	74,012	72,609	69,491	62,640	57,197	-8.7%
	Lifestyle creations (Millions of yen)	13,424	13,867	14,497	14,537	14,635	15,168	16,122	15,285	14,945	11,976	11,576	-3.3%
Segment profit	Functional solutions (Millions of yen)	3,587	2,813	4,745	3,393	3,440	3,468	5,381	6,160	6,120	4,852	8,032	65.5%
	Apparel (Millions of yen)	192	1,393	1,400	1,491	2,232	2,505	2,628	2,507	2,743	2,306	-557	–
	Lifestyle creations (Millions of yen)	920	1,044	1,367	1,257	1,221	1,322	1,386	1,241	1,187	482	453	-6.0%
Environmental responsiveness													
Total waste generated (Japan) (tons)	9,156	8,198	8,721	8,855	8,026		7,261	7,633	8,431	7,692	7,526	6,787	
Corporate culture creation													
Employment rate of people with disabilities (%)	2.10	2.00	2.27	2.39	2.28		2.23	2.05	2.40	2.10	2.23	2.07	
Average length of service (years)	19.7	19.8	20.1	20.3	20.3		20.0	20.5	20.4	20.1	20.2	20.1	
Number of occupational accidents (incidents)	16	15	27	25	34		26	39	28	42	29	37	



Company Profile and Stock Information

(As of March 31, 2022)

Company Profile

Company Name	GUNZE LIMITED
Office	<ul style="list-style-type: none">Osaka Head Office: Herbis Osaka Office Tower, 2-5-25, Umeda, Kita-ku, Osaka 530-0001, Japan TEL: 81(6) 6348-1313Registered Head Office: 1 Zeze, Aono-cho, Ayabe, Kyoto 623-8511, JapanTokyo Office: TOKYO SHIODOME BUILDING, 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7315, Japan TEL: 81(3) 4485-0000
Date Established	August 10, 1896
Paid-in Capital	26.1 billion yen
Main Businesses	<ul style="list-style-type: none">Functional SolutionsApparelLifestyle Creations
Gunze Group Organization	60 companies (including Gunze and affiliates)
Number of Employees	Gunze Limited (non-consolidated) : 1,662 Gunze Group (consolidated) : 5,692 (As of March 31, 2022)
Main Banks	MUFG Bank, Ltd., Mizuho Bank, Ltd., Bank of Kyoto, Ltd.

Stock Information

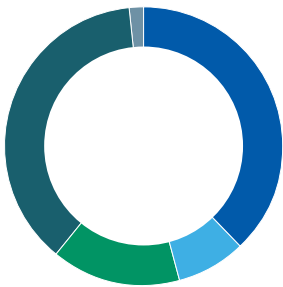
Closing Data	March 31
Ordinary General Meeting of Shareholders	June
Total Number of Authorized Shares	50,000,000
Number of shares issued and outstanding	18,293,516
Number of shareholders	25,935 shareholders
Stock listings	Tokyo Stock Exchange Prime Market (Securities Code 3002)
Number of shares per trading unit	100
Accounting Auditor	Kyoritsu Shinmei Audit Corporation

Major Shareholders (top 10)

Shareholders	Number of shares held (thousand issues)	Shareholding ratio (%)
Custody Bank of Japan, Ltd.	2,416	13.99
The Master Trust Bank of Japan, Ltd.	1,932	11.19
MUFG Bank, Ltd.	594	3.44
The Bank of Kyoto, Ltd.	587	3.40
National Mutual Insurance Federation of Agricultural Cooperative	451	2.61
Gunze Group Employee Stock Ownership Plan	425	2.46
The Dai-ichi Life Insurance Company, Limited	298	1.73
DFA INTL SMALL CAP VALUE PORTFOLIO	284	1.64
GSI Creos Corporation	271	1.57
JP MORGAN CHASE BANK 385781	199	1.16

1. Held shares are rounded down to the nearest thousand.
2. Gunze holds 1.107 million treasury shares, but is not included in the above list of major shareholders. Moreover, the shareholding ratio is calculated using 17.275 million shares, which does not include treasury shares, as the denominator.

Breakdown of Shares by Shareholder Category



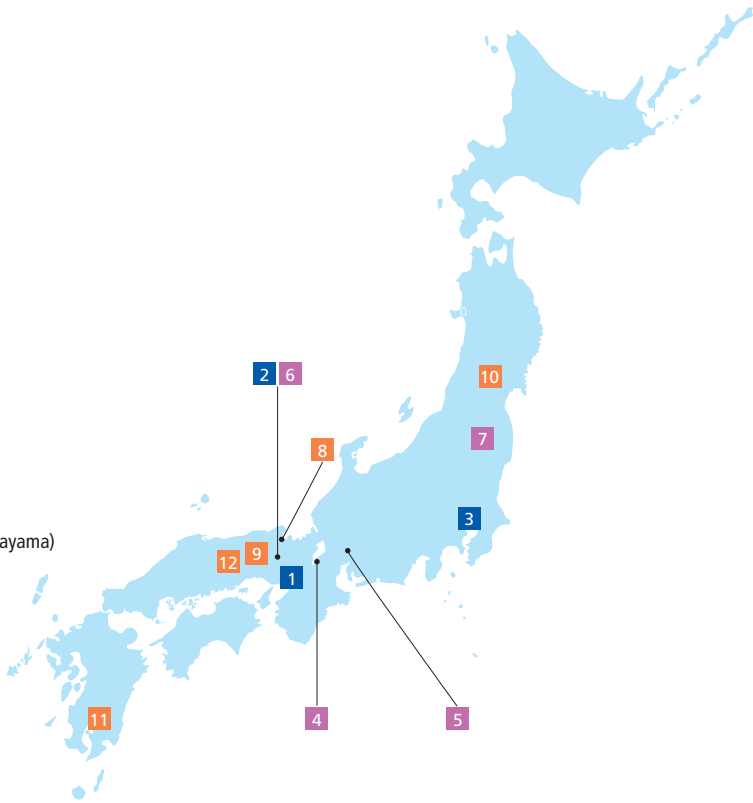
Japanese financial institutions	38.0%
Other Japanese Corporations	7.9%
Foreigners	15.2%
Individuals and others	37.3%
Financial instruments	1.6%

Business Locations

[JAPAN] Main Factories and Subsidiaries in Japan

Functional solutions Apparel

- 1 Osaka Head Office (kita-ku, Osaka)
- 2 Registered Head Office (Ayabe-shi, Kyoto)
- 3 Tokyo Office (Minato-ku, Tokyo)
- 4 Moriyama Plant (Plastic Films: Moriyama-shi, Shiga)
- 5 Konan Plant (Engineering Plastics: Konan-shi, Aichi)
- 6 Ayabe Plant (Medical Materials: Ayabe-shi, Kyoto)
- 7 Fukushima Plastics (Plastic Films: Motomiya-shi, Fukushima)
- 8 Miyazu Plant (Innerwear: Miyazu-shi, Kyoto)
- 9 Yanase Plant (Innerwear: Asago-shi, Hyogo)
- 10 Tohoku Gunze Co.Ltd. (Innerwear: Sagae-shi, Yamagata)
- 11 Kyusyu Gunze Co.Ltd. (Legwear: Kobayashi-shi, Miyazaki)
- 12 Tsuyama Gunze Co. Ltd. (Thread and Accessories: Tsuyama-shi, Okayama)



[GLOBAL] Main Factories and Subsidiaries Outside Japan

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