GUNZE
Comfort Solutions for Life

GUNZE

Business Report

Consolidated Financial Results for FY2025 (Ending March 31, 2026)

GUNZE LIMITED

TSE Prime (Code:3002)

Contents

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I. Financial Statements FY2025

(Ending March 31, 2026)

I-1. Consolidated Financial Statements for FY2025

Consolidated operating results

(Million of yen)

	FY2025 Bottom Profit Margin	FY2024 Bottom Profit Margin	Y on Y Increase (Decrease)	Y on Y Change (%)
Net Sales	130,918	137,117	(6,199)	(4.5)
Operating profit	4,882 3.7%	7,921 5.8%	(3,038)	(38.4)
Ordinary profit	4,920 3.8%	8,180 6.0%	(3,260)	(39.9)
Profit attributable to owners of parent	509 0.4%	6,279 4.6%	(5,769)	(91.9)

(Major Extraordinary Loss)

Apparel Business Restructuring Expenses (3,311)

※Operating profit: We recorded an inventory write-down of approximately 1.9 billion yen in connection with structural reforms in the Apparel segment.

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I-2. Consolidated Financial Statements for FY2025

Net Sales: Decreased by ¥6,199 million due to the following:

- The impact of sales of electronic components, for which operations ceased at the end of the previous fiscal year.

- A decline in overseas sales of plastic films.

- A decline in sales through existing channels, such as mass-market retailers, in the apparel segment

Operating profit and ordinary profit: Operating profit decreased by ¥3,038 million due to inventory valuation losses from inventory optimization in the apparel business as part of structural reforms, a slowdown in product sales in China, and an increase in fixed costs for the medical business. Ordinary profit decreased by ¥3,260 million.

Profit attributable to owners of parent: Decreased by ¥5,769 million, primarily due to business restructuring expenses recorded in the apparel business for the three months ending June 30, 2025.

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I-3. Timely Disclosure (May 14)

Differences Between Forecasted and Actual Consolidated Financial Results for FY2025

(Million of yen)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Basic earnings per share* (Yen)
Previously announced forecast (A)	133,000	6,400	6,300	1,600	49.51
Revised Forecast (B)	130,918	4,882	4,920	509	15.83
Change (B-A)	(2,082)	(1,518)	(1,380)	(1,091)	–
Change (%)	(1.6)	(23.7)	(21.9)	(68.2)	–
(Reference) FY2024 Results	137,117	7,921	8,180	6,279	189.70

Reasons for the discrepancy

The Apparel segment is currently undergoing structural reforms and implementing a strategy of concentration and specialization. This involves significantly consolidating brands and reducing SKUs. They are identifying inventory that will be discontinued and rigorously estimating its realizable value.
As a result, the Apparel segment incurred an additional 1.9 billion yen in inventory valuation losses, causing operating income, ordinary income, and net income attributable to owners of the parent to fall short of previous forecast figures.
The year-end dividend for the fiscal year ending in March 2026 is 216 yen per share.
(As announced on May 14, 2025.)

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I-4. FY2025 Segment Summary

Key Points of Segment Performance (April 1, 2025 to March 31, 2026)

Functional Solutions	<u>Decrease in sales and increase in profit</u> -Plastic film: Sales were affected by sluggish consumption and the downward pressure on prices in the overseas market, although operating profit increased mainly due to the rollout of new environmentally responsible products in Japan. -Engineering plastics: In engineering plastics, sales were affected by prolonged inventory adjustments in the semiconductor market. -Sales decreased by approximately ¥2,900 million due to the wind-down of the electronic components business, but operating profit improved by approximately ¥300 million.
Medical	<u>Increase in sales and decrease in profit</u> -Expansion of sales of absorbable medical materials including adhesion prevention agent progressed in Japan, despite the impact of price competition. -Sales of products in China were affected by regulations on high-cost medical care and the restrained purchase of Japanese products amid the deterioration of Japan–China relations. -Inventory valuation losses on medical lasers were recorded due to business downsizing. -The business was affected by the increase in fixed costs, including capital expenditures and personnel increases, aimed at the growth of the business.
Apparel	<u>Decrease in sales and profit・Operating loss</u> -The business structural reforms progressed as planned, including the consolidation of production and logistics bases and the streamlining of indirect operations. At the end of the fiscal year under review, inventory valuation losses on non-continuing products were recorded in line with the strategy to focus on specific areas. -While expansion of apparel-related sales through direct-to-consumer channels progressed driven primarily by *Asedoron* and differentiated ladies' innerwear, sales through the existing channels, including mass retailers, were affected by the reduction in sales floor space and consumers' reluctance to make purchases.
Lifestyle Creations	<u>Increase in sales and profit</u> -The real estate category performed well, as the number of visitors increased due to the effects of commercial facility renovations. -The sports club business significantly improved its operating profit due to the recovery of sales at existing stores and the reduction of unprofitable stores.

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I-5. FY2025 Performance by Segment

Consolidated Performance

(millions of yen)

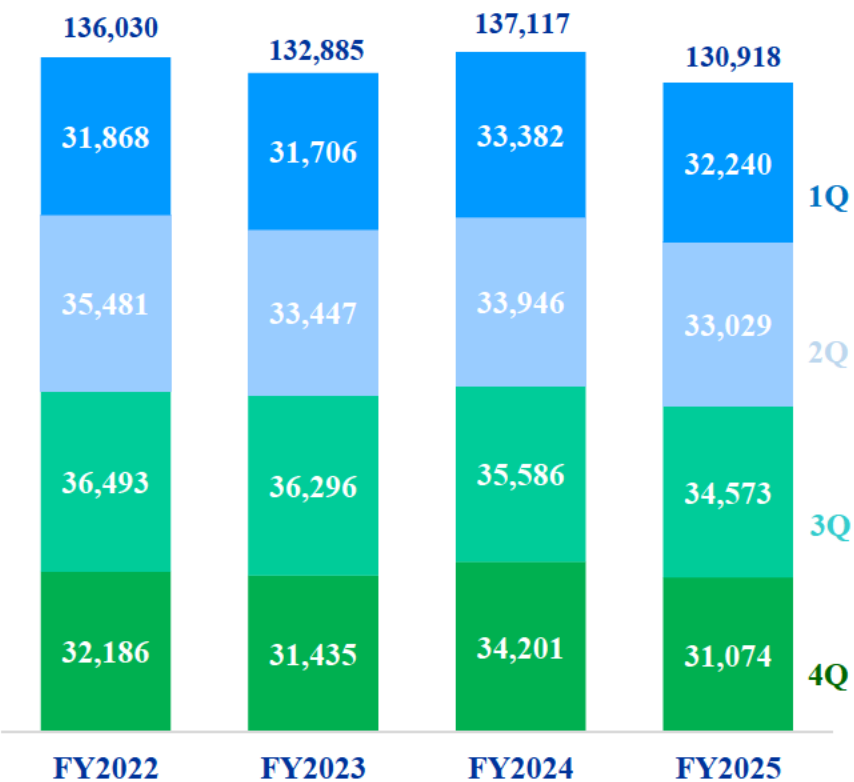
	Net Sales			Operating Profit Bottom: Profit Margin		
	FY2025	FY2024	YoY	FY2025	FY2024	YoY
Functional Solutions	47,543	52,204	(8.9%) (4,660)	7,234 15.2%	7,205 13.8%	0.4% 28
Medical	13,197	12,949	1.9% 248	1,474 11.2%	2,430 18.8%	(39.3%) (956)
Apparel	58,597	60,782	(3.6%) (2,185)	(1,334) (2.3%)	753 1.2%	– (2,087)
Lifestyle Creations	12,530	12,005	4.4% 524	1,232 9.8%	988 8.3%	24.7% 243
Total	130,918	137,117	(4.5%) (6,199)	4,882 3.7%	7,921 5.8%	(38.4%) (3,038)

I-6. Net Sales Trend for FY2025

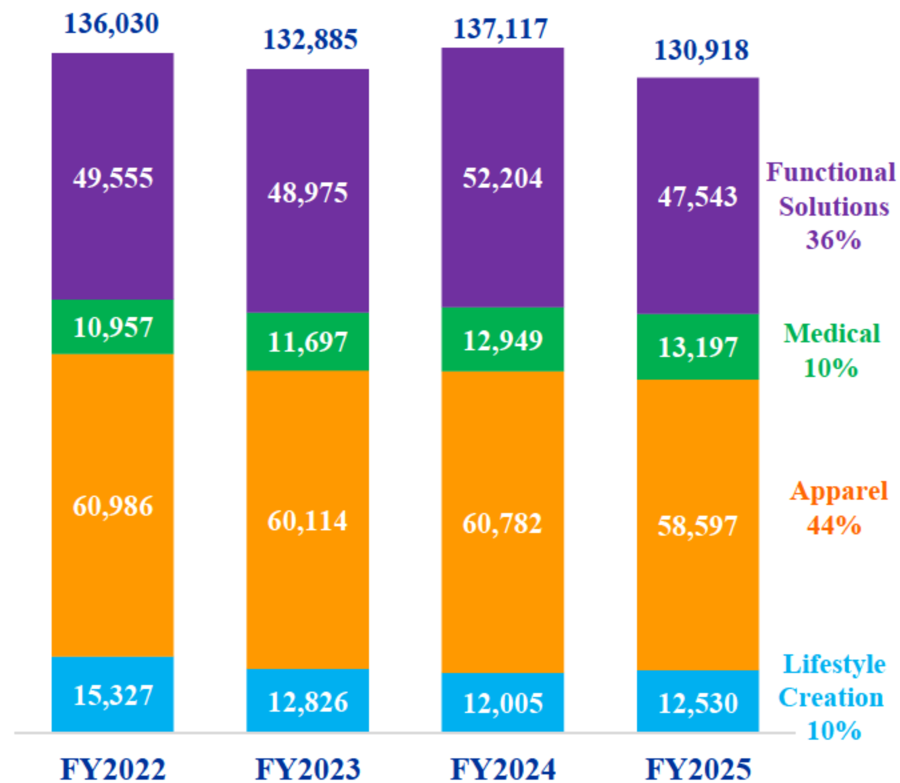
(Unit: million yen)

Net Sales: ¥130,918 million Y-on-Y Change：(4.5%)

< Quarterly Sales Trends>



<Cumulative Sales Trends by Business Segment >



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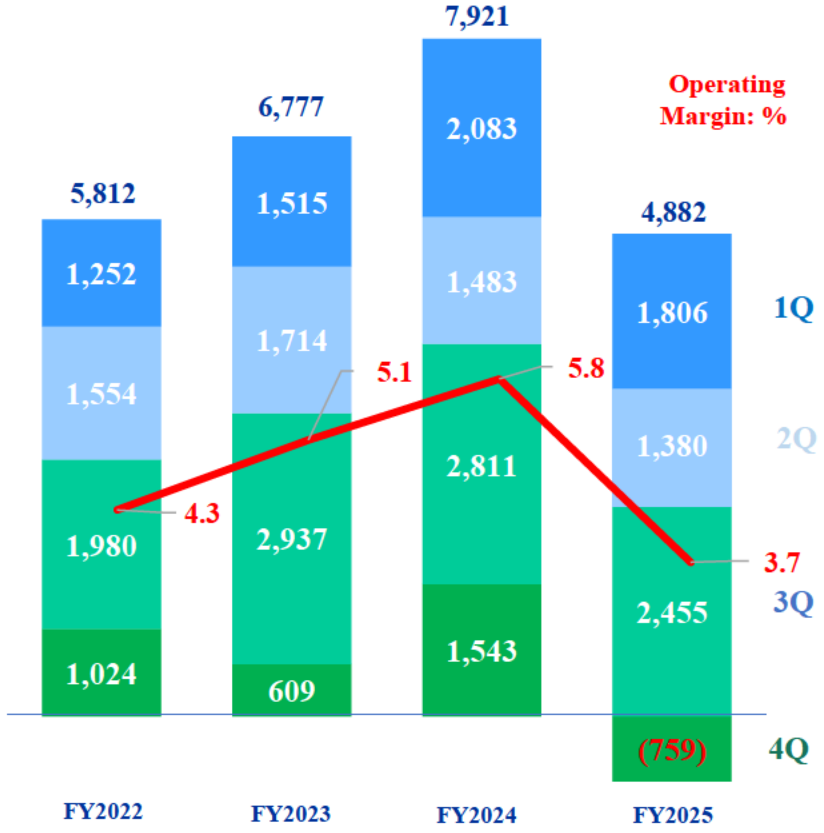
I-7. Net Operating profit Trend for FY2025

Operating Profit: ¥4,882 million Y-on-Y Change:(38.4%)

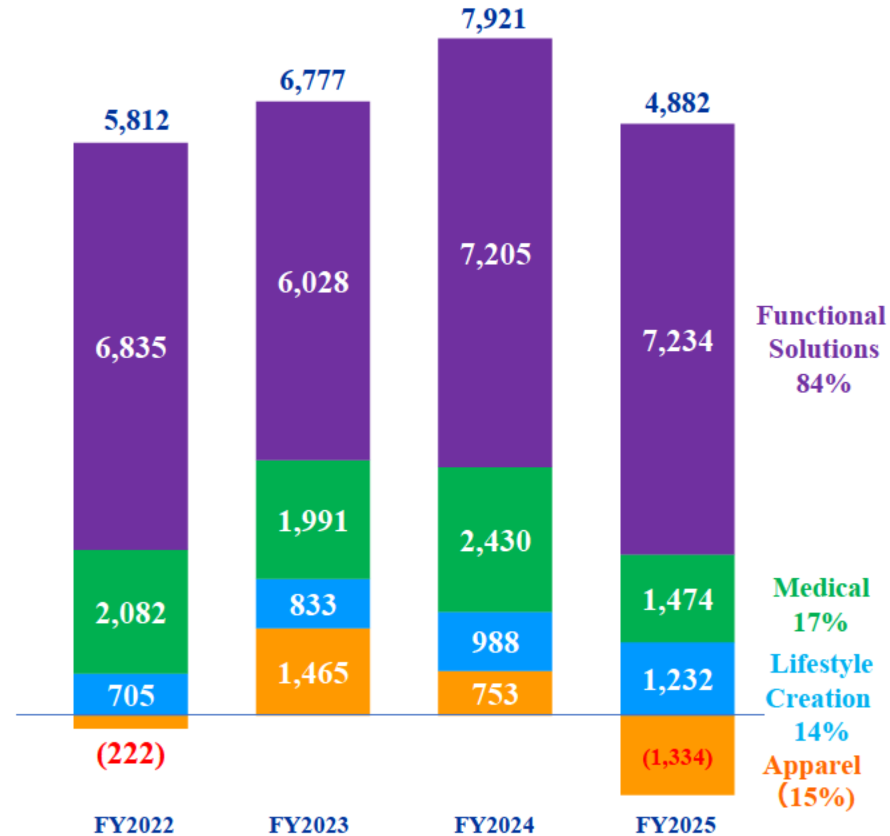
(Unit: million yen)

<Quarterly Operating Profit Trend>



Total amount includes company-wide expenses not included in segment profit.

<Cumulative Sales Trends by Business Segment >



Total amount includes company-wide expenses not included in segment profit.

I-8. Quarterly Financial Results

(Million of yen, %)

	N1Q				N2Q				N3Q				N4Q			
	FY2025	FY2024	Increase/Decrease		FY2025	FY2024	Increase/Decrease		FY2025	FY2024	Increase/Decrease		FY2025	FY2024	Increase/Decrease	
Net Sales	32,240	33,382	(1,142)	(3.4)	33,029	33,946	(917)	(2.7)	34,573	35,586	(1,013)	(2.8)	31,074	34,201	(3,127)	(9.1)
Functional Solutions	11,515	12,650	(1,135)	(9.0)	12,152	12,984	(832)	(6.4)	12,444	12,968	(524)	(4.0)	11,431	13,600	(2,168)	(15.9)
Medical	3,145	3,109	35	1.1	3,335	3,358	(22)	(0.7)	3,353	3,157	195	6.2	3,363	3,323	40	1.2
Apparel	14,763	14,795	(31)	(0.2)	15,021	15,074	(52)	(0.3)	15,966	16,680	(713)	(4.3)	12,845	14,232	(1,387)	(9.7)
Lifestyle Creations	3,018	3,024	(5)	(0.2)	2,819	2,712	107	3.9	3,156	3,028	127	4.2	3,535	3,239	295	9.1
Oparating Profit	1,806	2,083	(277)	(13.3)	1,380	1,483	(103)	(6.9)	2,455	2,811	(356)	(12.7)	(759)	1,543	(2,302)	-
Functional Solutions	1,582	1,665	(83)	(5.0)	1,764	1,585	178	11.2	1,908	1,928	(19)	(1.0)	1,978	2,025	(47)	(2.3)
Medical	540	594	(53)	(8.9)	407	685	(277)	(40.4)	549	505	43	8.7	(23)	645	(669)	-
Apparel	363	563	(200)	(35.6)	(113)	(146)	32	-	682	903	(220)	(24.5)	(2,265)	(567)	(1,698)	-
Lifestyle Creations	246	150	96	64.0	228	152	76	50.0	305	331	(26)	(7.9)	451	353	98	27.8
Ordinary Profit	1,838	2,272	(434)	(19.1)	1,366	1,394	(28)	(2.0)	2,434	2,840	(406)	(14.3)	(719)	1,672	(2,391)	-
Profit attributable to owners of parent	(1,473)	1,600	(3,074)	-	814	1,356	(542)	(40.0)	1,982	1,484	498	33.6	(814)	1,837	(2,651)	-

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I-9. Financial Results for FY2025

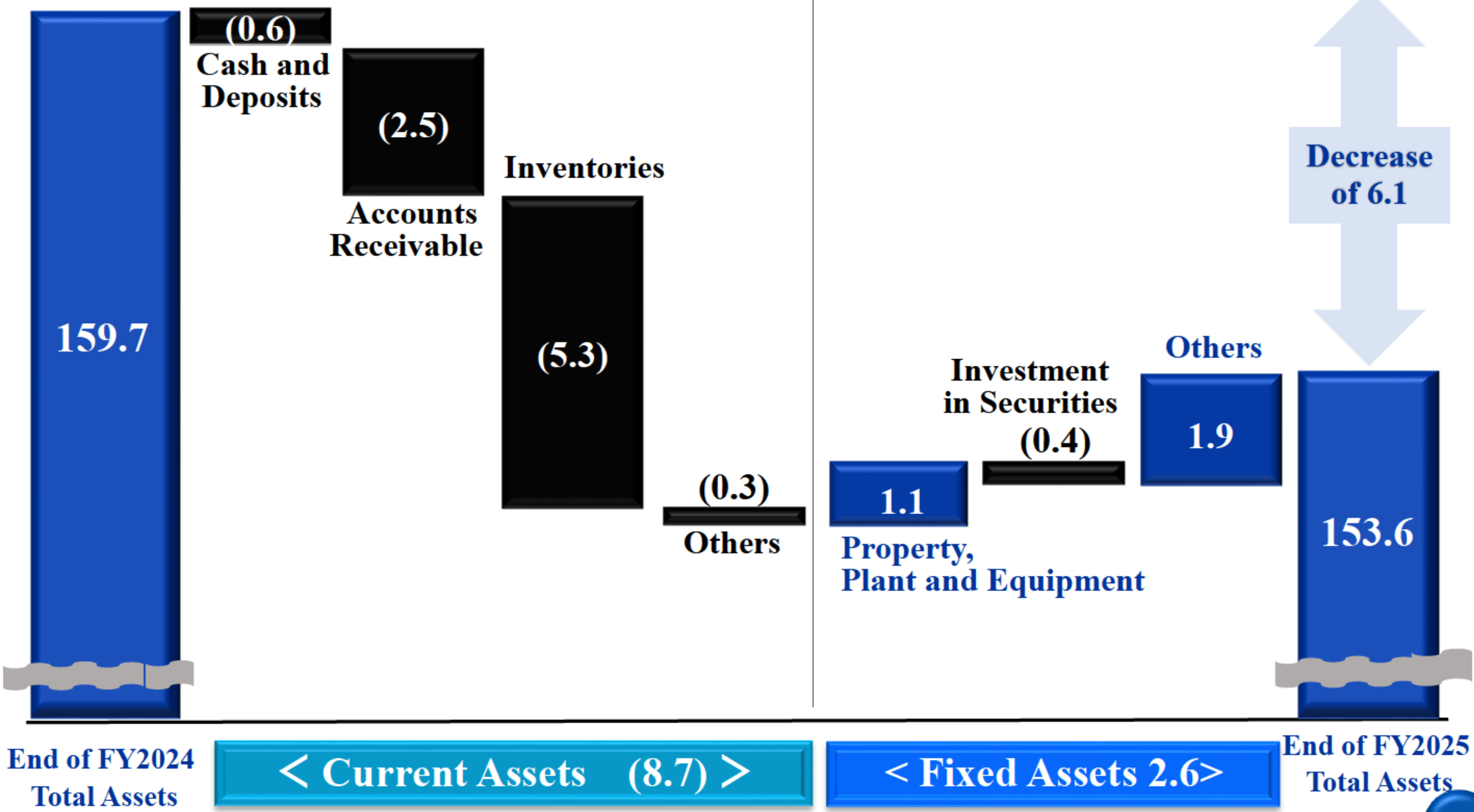
(Million of yen)

	FY2025	FY2024	Change
Total Assets	153,612	159,677	(6,064)
Equity	111,756	119,074	(7,318)
Equity Ratio	72.8%	74.6%	(1.8%)
Interest-bearing debt	13,964	8,960	5,004
BPS Net Assets per Share (JPY)	3,565.39	3,667.20	(101.81)

I-10. Details of Changes in Assets

Difference from the end of previous period

(Unit: Billion of Yen)



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I-11. Cash Flows

(Millions of yen)

	FY2025	FY2024	Change
Operative activities	17,271	11,572	5,698
Investing activities	(11,585)	(7,485)	(4,100)
FCF	5,686	4,087	1,598
Financing activities	(6,320)	(5,184)	(1,135)
Cash and cash equivalents	9,936	10,541	(604)

Breakdown of Operating CF	
Depreciation and amortization	7,260
Decrease in inventory	5,359
Operating profit	4,882

Breakdown of Investment CF	
Acquisition of Fixed Assets	(12,149)

Breakdown of Financing CF	
Proceeds from long-term borrowings amounting	5,304
Dividends Paid	(6,307)
Purchase of treasury stock	(5,007)

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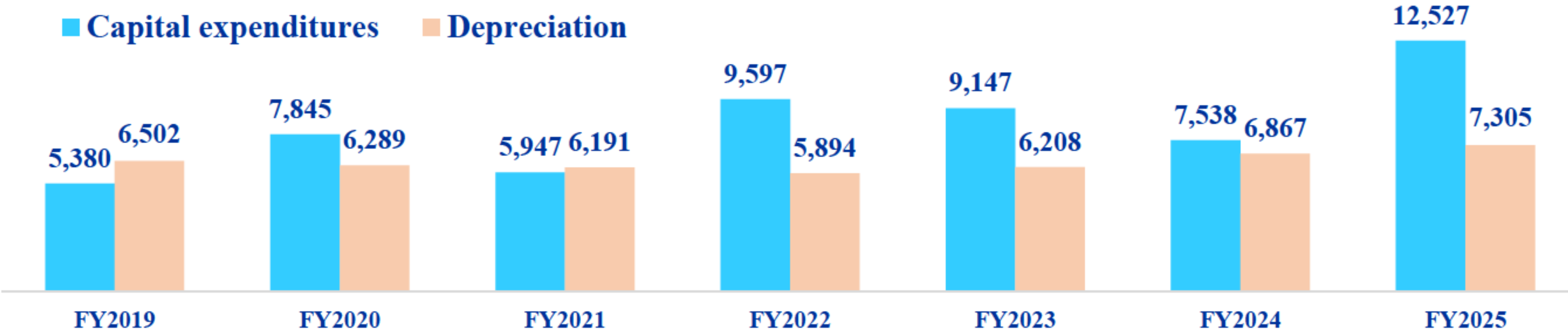
I-12. Capital Expenditures and Depreciation

(Millions of yen)



	Capital expenditures					Depreciation				
	FY2024	FY2025	Change	FY2026	Change	FY2024	FY2025	Change	FY2026	Change
Functional Solutions	1,784	5,866	4,082	3,900	(1,966)	2,803	2,933	130	3,100	167
Medical	2,315	2,492	177	1,500	(992)	575	723	148	800	77
Apparel	1,961	2,762	801	1,700	(1,062)	1,432	1,479	47	1,600	121
Lifestyle Creatins	842	1,034	192	1,500	466	1,516	1,560	44	1,600	40
Others	634	372	(262)	400	28	539	607	68	600	(7)
Total	7,538	12,527	4,989	9,000	(3,527)	6,867	7,305	438	7,700	395

Main investment plans for FY2026

Engineering Plastics: Expanding Production Capacity and Constructing a New Building	2,000
Plastic Film: Expansion of Manufacturing Equipment and Equipment Upgrades	1,800
Medical: Investments in expanding production and sales and so on	1,400
Apparel: Consolidation of domestic facilities Overseas production facilities for Threads and Accessories	1,200

II. Business Summary for FY2025

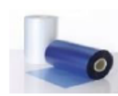
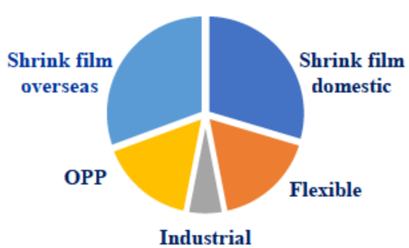
II-1. Business Review for FY2025

Functional Solutions 1

Plastic films

Introduce new environmentally friendly products to the market and promote the development of recycling factories.

Position
Profit increased

Category	Main Products	Topics
Shrink film domestic	Hybrid styrene shrink film is made by coextrusion of PET and PS. It has both well shrinkage and shrink characteristics. Olefin shrink film has a low specific gravity and easy to recycle. 	Our beverage products struggled due to sluggish market conditions, particularly in the vending machine sector. However, we offset this with the launch of new eco-friendly products.
Flexible packaging	The products have excellent gas barrier and pinhole resistance for food industry. 	While general-purpose nylon sales are expanding through enhanced competitiveness, sales of barrier products are being impacted by food price hikes. Exports for balloon applications are also struggling due to customers' inventory adjustments.
Industrial Packaging	For semiconductor manufacturing , EV batteries, and wallpaper industry etc. 	Benefiting from the robust semiconductor market, base materials for adhesive tapes used in manufacturing processes remain strong and reaching a record-high sales volume.
OPP film	Excellent anti-fog characteristic for food package. 	By streamlining our product lineup, we will prioritize improving profitability by focusing on high-value-added products, such as anti-fog types.
Shrink film overseas	Shrink films can be supplied world wide. The company has three production site in USA, China, and Vietnam. 	U.S.: Hybrid products remain solid, and the expansion sales of our next-generation flagship products. Vietnam: Despite facing tough competition from Chinese products, we are implementing cost-cutting measures to turn the situation around. China: Strengthening cost reduction and reevaluating the personnel structure to gain a competitive advantage.

II-1. Business Review for FY2025

Functional Solutions 2

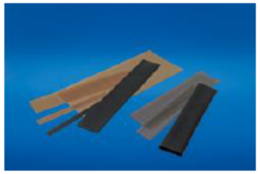
Engineering plastics

To drive business growth, we will strive to expand our share of the OA market while strengthening our non-OA categories, such as semiconductors, medical equipment, and energy.

Position: **Profit increased**

Category	Main Products	Topics
OA Functional products	Fluorine thin film tubes for fusing belts/rolls. The intermediate transfer belt has the top share in the global market.	Printer products are sluggish due to factors such as U.S. tariffs, but office multifunction device and commercial printing products remain stable.
Non-OA products	Functional parts used in manufacturing processes in the industrial market.	- Semiconductor products are affected by inventory adjustments, demand has been recovering since the 4th quarter. - We are working to expand sales through the launch of a new production line for medical and semiconductor products.

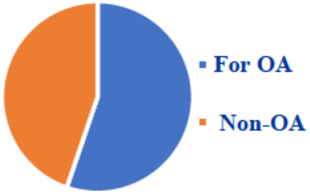
■ Seamless belt



■ Fluorine thin-walled tubing

■ Filter support materials

■ Tear-resistant fluoropolymer tubing



II-3. Business Review for FY2025

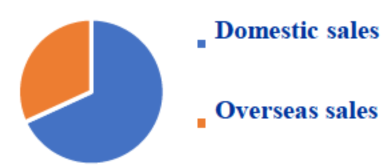
Medical

Position: Growth & expansion

Medical

By offering innovative 'biomaterials × devices' and steadily expanding sales—especially of absorbable products, we aim to grow into a globally expanding medical device company

Category	Main products	Topics
Bioabsorbable reinforcement felt	Suitable for reinforcing sutures and preventing air leakage during surgery. Effective as a scaffold material for tissue regeneration. 	Japan: Progress remains steady despite the entry of competitors, including the expansion of new product types. China: In addition to the impact of policies aimed at reducing medical costs, concerns regarding sales of Japanese products are expected to persist due to the deterioration of Sino-Japanese relations; therefore, we will move forward with measures to promote Chinese-made products..
Bone fixation devices	Bioabsorbable bone grafting material with special processing. 	Japan: Steady expansion has been achieved by increased demand for cases in oral surgery.
Artificial dermis	Absorbable artificial skin using collagen. 	Japan: We are focusing on acquiring burn cases to recover sales. USA & China: Continued development primarily in the trauma field.
Absorbable adhesion barrier sheet	Absorbable anti-adhesion material consisting of gelatin in film form with an uneven surface. 	Despite competition and blockades from rivals, intensifying competition persists. The company is continuing a differentiation strategy centered on value-added appeal and advancing facility penetration.
Purchased products like medical laser and others	Medical devices for cosmetics, plastic surgery, wound care and other products.	Medical Lasers: Inventory write-down due to business downsizing



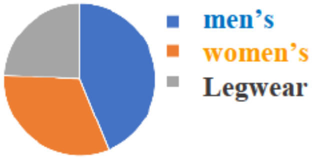
II-4. Business Review for FY2025

Apparel

Focusing on the value-added category, we are strengthening initiatives such as production and logistics restructuring and improving efficiency in indirect departments to enhance capital efficiency and revitalize the business into a sustainable one

Business Direction

Restructuring



Innerwear

- **Optimizing inventory levels and focusing on high-margin SKUs**
- **Focus on key brands, reduce SKUs, and proceed with price revisions.**
- **Accelerating the shift of sales channels toward direct-to-consumer routes, with a focus on e-commerce.**

ASEDORON: Sales remain strong with a year-round focus on sweat mitigation.
KIREILABO: Affected by difficulties in existing channels such as mass retailers.

ASEDORON

Legwear

- **We drive efficiency through brand consolidation and SKU reduction.**
- **Improve profitability through price increases and withdrawal from low-margin categories.**
- **Accelerate the shift to D2C channels, including the development of proprietary products.**

Panty hose: "SABRINA": Sales Struggle Amid Price Adjustments, but Profitability Improves.
Socks: The company is optimizing its production bases and working to exit unprofitable categories.

KIREILABO

BODYWILD

SABRINA Pantyhose

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II-5. Business Review for FY2025

Lifestyle Creations

Business Direction

Restructuring

Real Estate Business

Strengthening property-specific management with a focus on investment efficiency and Moving forward with improvements to low-yield assets

- **Shopping center business**

  Tsukashin (Amagasaki, Hyogo): In addition to the effects of the renovation, the number of visitors has significantly increased and steady performance due to efforts to attract customers from nearby.

- **Real Estate Leasing Business**

  Both sales and profits are showing steady growth.

Tsukashin shopping center

Sports Club Business

Enhance support for underperforming stores, expand the school business, and develop differentiated services and new formats aligned with local and store-specific needs

- Close unprofitable stores while maintaining sales and improving profitability.
- Membership in the school business increased as a result of capturing new demand.
- Average revenue per member in the fitness division rose due to measures such as revising the pricing structure for programs.
- Contract work for schools, local governments, and other entities expanded.

School business

Green Business

Capturing demand for greening and Actively working to sequester CO2

The tree sales business is experiencing a decline due to the rebound effect from the previous period's large-scale projects, such as Osaka Expo.

Ginkgo trees on Midosuji that Gunze donated last year

III. Outlook for FY2026

III-1. FY2026 Forecast

Net Sales: Expected to increase as businesses outside the apparel sector continue to grow steadily.
Operating profit and ordinary profit: Profits are expected to rise due to improved profits in the apparel sector resulting from structural reforms and improved profits in the global plastic film division. Profits are also expected to rise due to a recovery in the engineering plastics sector following a period of inventory adjustment for semiconductor-related products.
Profit attributable to owners of the parent company is expected to improve significantly. Expected to improve significantly.
Dividends for the next fiscal year are expected to be 216 yen per share (an ordinary dividend of 147 yen and a commemorative dividend of 69 yen per share).

(Millions of yen)

Item	FY2026		FY2025		Change	
	Forecast	Profit ratio	Results	Profit ratio	Amount	%
Net sales	132,000		130,918		1,082	0.8%
Operating profit	8,800	6.7%	4,882	3.7%	3,918	80.3%
Ordinary profit	8,400	6.4%	4,920	3.8%	3,480	70.7%
Profit attributable to owners of parent*	5,200	3.9%	509	0.4%	4,691	921.6%

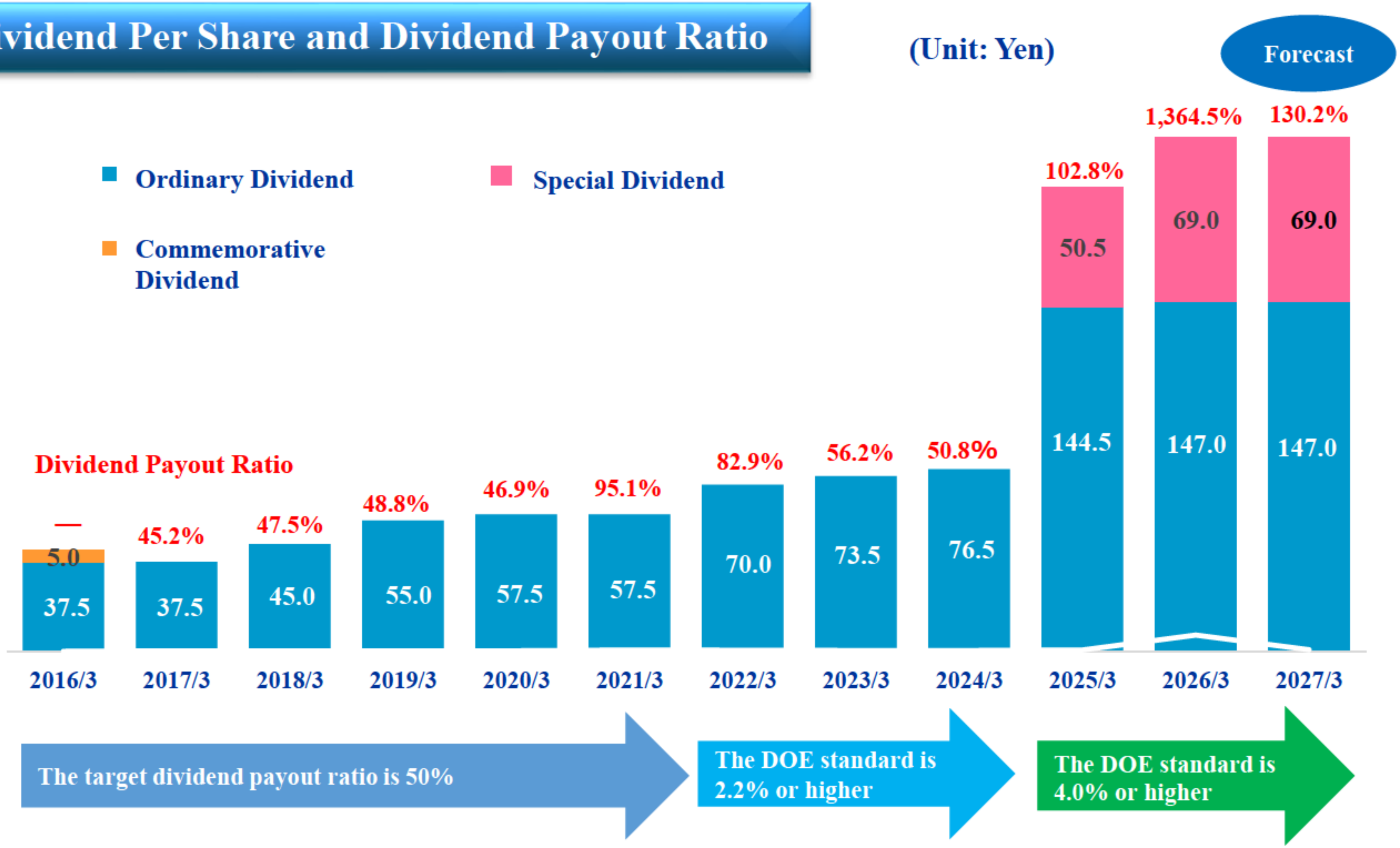
III-2. FY2026 Forecast by Segment

(Millions of yen)

	Net sales			Operating Profit Bottom: Profit margin		
	FY2026	FY2025	Change	FY2026	FY2025	Change
Functional Solutions	49,300	47,543	3.7% 1,757	8,300 16.8%	7,234 15.2%	14.7% 1,066
Medical	14,400	13,197	9.1% 1,203	1,800 12.5%	1,474 11.2%	22.1% 326
Apparel	56,600	58,597	(3.4%) (1,997)	1,300 2.3%	(1,334) (2.3%)	- 2,634
Lifestyle Creations	13,000	12,530	3.8% 470	1,300 10.0%	1,232 9.8%	5.5% 68
Total	132,000	130,918	0.8% 1,082	8,800 6.7%	4,882 3.7%	80.3% 3,918

III-3. Distribution of Earnings to Shareholders

Dividend Per Share and Dividend Payout Ratio



※ As of April 1, 2025, a stock split will be conducted at a ratio of 2 shares for each ordinary share. Prior periods are also stated on a post-stock split basis

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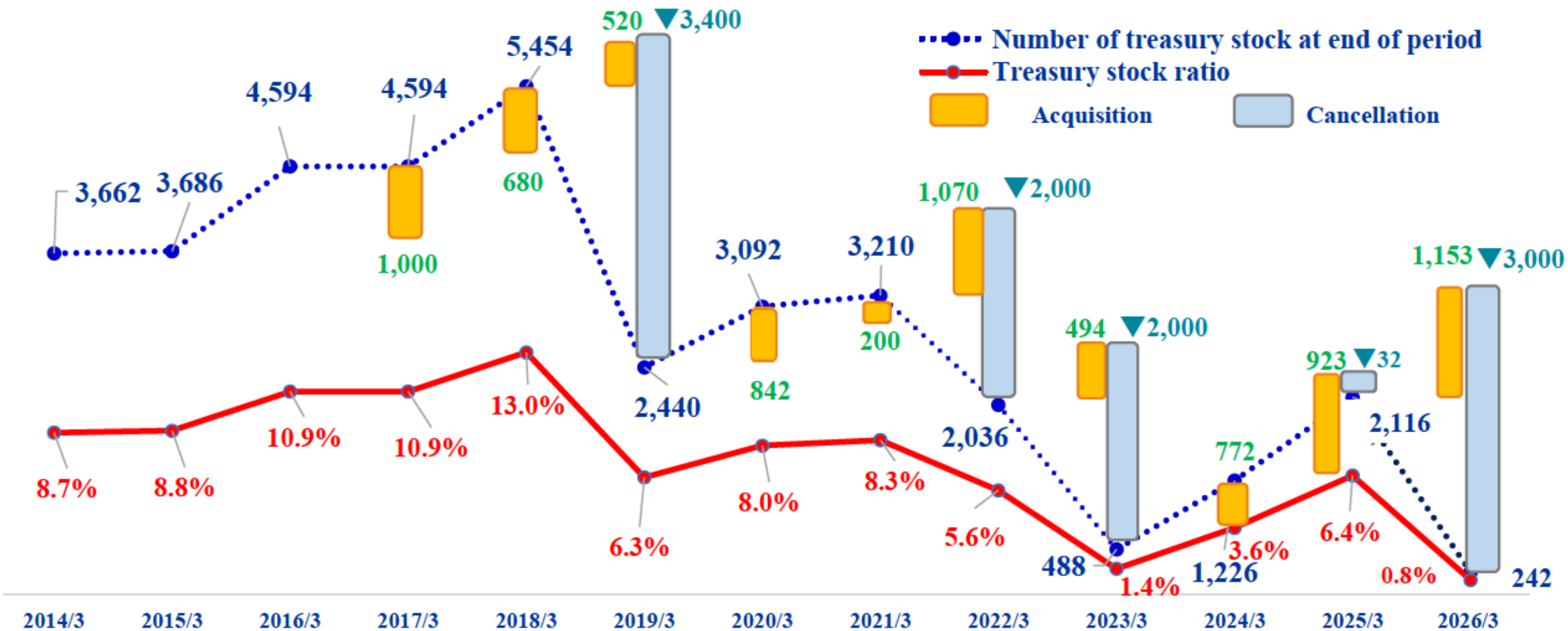
III-4. Distribution of Earnings to Shareholders

Treasury stock

(Unit: Thousand Shares)



FY2025 Share Repurchase Status　As of March 12, 2026: 1,153,400 shares, 4,999,956 thousand.

*Resolution of the Board of Directors meeting held on November 5, 2025: 1.4 million shares of the Company's common stock (maximum) (4.05% of total outstanding shares), 5.0 billion yen (maximum). Acquisition Period: November 6, 2025, to March 24, 2026

FY2025 Treasury Stock Cancellation: Cancelled on March 31, 2026: 3,000,000 shares of common stock.

(Percentage of total issued shares prior to cancellation: 8.67%)

IV. The Future Direction of Our Key Business Areas

IV-1. The Future Direction of Our Key Business Areas

Medical sector： Key Initiatives for Profit Growth

□ Addressing the Stagnation of Growth in Our China Operations

- Sales are expected to remain sluggish in the first half of the year as agencies continue to adjust their inventory levels due to the ongoing impact of regulations on high-cost medical care.
- We will promote the domestic production of products such as tissue reinforcing materials in China and restructure our product lineup.

□ Downsizing of the Aesthetic Medicine Business

- In light of changes in the market environment, we will scale back our operations in the aesthetic medicine sector, where demand is highly volatile.
- We will write down the value of our inventory of medical laser equipment and proceed with its early disposal

■ The Future Direction for Profit

- Shift our business portfolio to focus on proprietary products that offer stable revenue streams.
- For our overseas operations, expand sales in regions such as Europe, the Americas, and APAC (excluding China) to systematically reduce our reliance on the Chinese market.
- Systematically reduce our procurement of low-margin external products, such as medical lasers.

→ **We aim to quickly return to an operating profit margin of 20%**

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IV-2. The Future Direction of Our Key Business Areas

Apparel Sector :Progress on Structural Reforms

Operating Profit improvement target: 3.3 billion yen (FY2024–FY2027);
Plan to achieve 93% of this target in FY2026

Actions to Be Taken	FY2025	FY2026	FY2027
Focused Strategy	Improve profitability by focusing on high-margin categories		
Target Amount: 1.7 billion yen (FY2025–2026 combined)：Target achievement Rate: 90% (Target expected to be met in FY2027)			
Pricing Optimization	●August 2025-: Price revision for Stockings; February 2026-: Price revision for Innerwear		
Review of the Brand Portfolio	● FY2025–2026: Reduce total SKUs by 25%		
Value Chain Reform	Enhancing Cost competitiveness through the Consolidation of Production and Logistics Hubs and a shift to Overseas production		
Target Amount: 900 million yen (FY2025–2026 combined) : Target Achievement Rate: 101%			
Consolidation of Domestic Production and Logistics Facilities	●End of December 2025: Ayabe (logistics hub); End of March 2025: Yanase (factory) – Operations to cease ●End of December 2026: Tohoku (factory) and Fukuchiyama (logistics hub) – Operations scheduled to cease		
Other Reforms	Optimizing Indirect staff to transform the Business Model through Specialization		
Target Amount: 700 million yen(FY2025–2026 combined): Target achieved 89% (Expected to reach target in FY2027)			
Optimization of Indirect Staff	●Voluntary Retirement and Other Matters		

We aim to achieve our operating profit target through additional measures (Cost reductions, in administrative staff, withdrawal from unprofitable businesses, etc.) in response to changes in the external environment, such as exchange rate fluctuations and energy costs.

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IV-3. The Future Direction of Our Key Business Areas

Apparel Sector: Our Vision for 2030

◆A Business Model that achieves both Value Creation and Monetization (2030 KPIs)

Operating Profit Margin 10%	Inventory Turnover Rate 4 times per year	Reduce Lead Time by 50%	※GVA Return to profitability

※GUNZE Value Added

Delivering Value to Customers

We reliably deliver unique solutions—ones that no other company can replicate—at the optimal time to address the pressing challenges faced by our target customers.

Profit Model

- Optimal pricing based on unique value
- High-turnover inventory management (4 turns per year)
- Improved profit margins (low-waste operations)
- Reduced foreign exchange risk

Process Reform

Balancing the maximization of customer customer value through cross-departmental collaboration with the establishment of a highly efficient organizational structure

① Value creation centered on the customer experience
② Lean production and logistics
③ Holistic organizational management
④ Global local production and consumption model

Business Resources

- Trusted brand equity
- Advanced manufacturing and processing technologies and proprietary materials
- Scientific evaluation technologies (evidence)
- Vertically integrated manufacturing and sales structure
- Direct sales model (in-house e-commerce & SPA)
- Nationwide multi-channel sales network

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The contents of this document, including performance forecasts,are based on information currently available and do not guarantee any future planned figures or measures.