GUNZE
Comfort Solutions for Life

Business Report

Consolidated Financial Statements for the First Quarter of FY2026 (Ending June 30, 2026)

GUNZE LIMITED

TSE Prime (Code:3002)

Contents

I. Financial Statements for the First Quarter of FY2026

(Ending June 30, 2026)

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I-1(1). Consolidated Financial Statements for FY2026 1Q

Consolidated Operating Results

(millions of yen)

	FY2026 1Q Bottom: Profit Margin	FY2025 1Q Bottom: Profit Margin	Y over Y	
			Increase (Decrease)	Change (%)
Net Sales	31,367	32,240	(872)	(2.7)
Operating profit	3,387 10.8%	1,806 5.6%	1,581	87.6
Ordinary profit	3,419 10.9%	1,838 5.7%	1,581	86.0
Profit attributable to owners of parent	2,640 8.4%	(1,473) (4.6%)	4,113	-

(Major extraordinary gains and losses for FY2025)

Apparel business restructuring expenses (3,434)

I-1(2). Consolidated Financial Statements for FY2026 1Q

Financial Results Summary

-Net sales decreased by ¥872 million attributable to the impact of a decline in apparel sales through the existing channels, including mass retailers, although sales of plastic films remained strong mainly due to advance orders in anticipation of rising material prices.

-Operating profit increased by ¥1,581 million due to the positive impact on profit from the time lag between changes in selling prices and material prices in plastic films, improved profitability in the overseas business, and strong progress in the business structural reforms of the apparel business, and ordinary profit increased by ¥1,581 million.

-Profit attributable to owners of parent increased by ¥4,113 million mainly due to the recording of business restructuring expenses in the apparel business for the fiscal year ended March 31, 2026.

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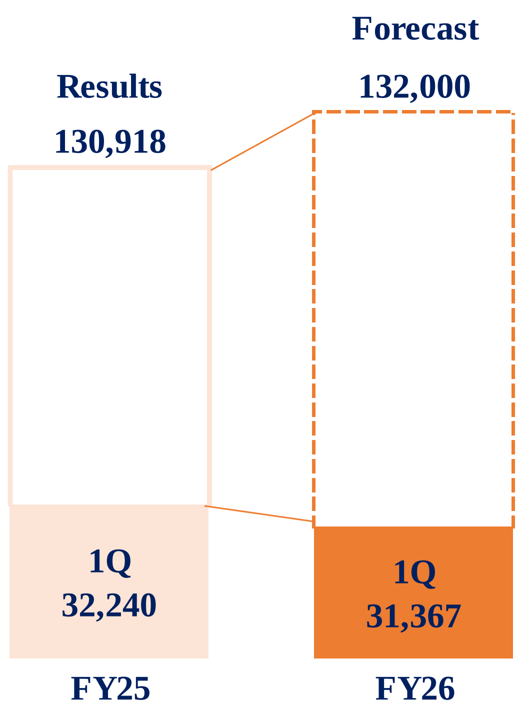
I-2. Consolidated Financial Statements for FY2026 1Q

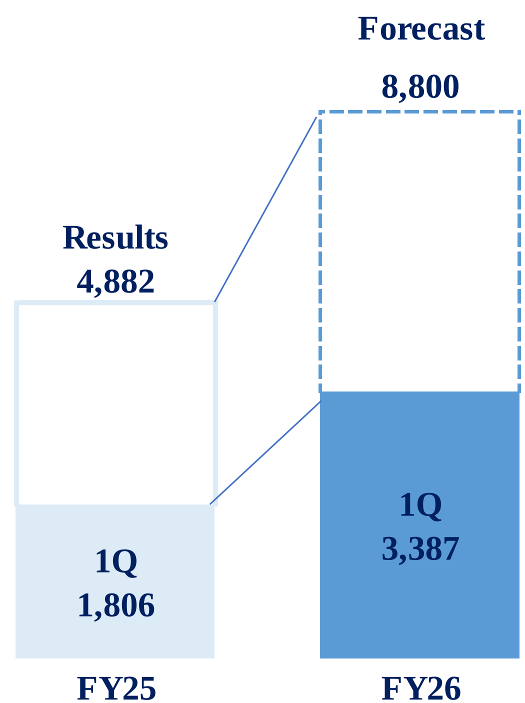
Quarterly Progress Report

(million of yen)

Net Sales



Operateing profit



This fiscal year, while the Medical segment is expected to downsizing of the Medical Laser Business and challenges in our China operations,we are steadily advancing the expansion and recovery of the Functional Solutions and Apparel segments and expect to meet our targets as planned.

II. Business Summary of the First Quarter of FY2026

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II-1. First Quarter Financial Summary

(April 1, 2026 to June 30, 2026)

Key Points of Segment Performance	
Functional Solutions	<u>Increase in sales and profit</u> -Plastic film:Sales performed well, supported by the positive impact on profit from the time lag between changes in selling prices and material prices, the recovery in the overseas market, and improvements in product cost structures in Japan and overseas, in addition to advance orders in anticipation of rising material prices. -Engineering plastics:Sales generally performed strongly, supported by the recovery trend in the semiconductor market.
Medical	<u>Decrease in sales and profit</u> -Amid intense competition in the medical market, sales of adhesion prevention agent and absorbable medical materials including bone fixation devices performed strongly in Japan, but were affected by the downsizing of the medical laser business. -Sales of products in China continue to be affected by regulations on high-cost medical care and the restrained purchase of Japanese products amid the deterioration of Japan–China relations.
Apparel	<u>Decrease in sales and increase in profit</u> -Although sales volume decreased due to the strategy to focus on specific areas, including brand consolidation and price revisions, profitability improved mainly due to the consolidation of production and logistics bases and the streamlining of indirect operations. -Amid sluggish consumer spending, while sales through direct-to-consumer channels remained at the same level as the same period of the previous fiscal year, led by *Asedoron*, sales through the existing channels, including mass retailers, were affected by the reduction in sales floor space.
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 improved its operating profit due to growth in sales at existing stores and the effects of reducing unprofitable stores.

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II-2. FY2026 1Q Performance by Segment

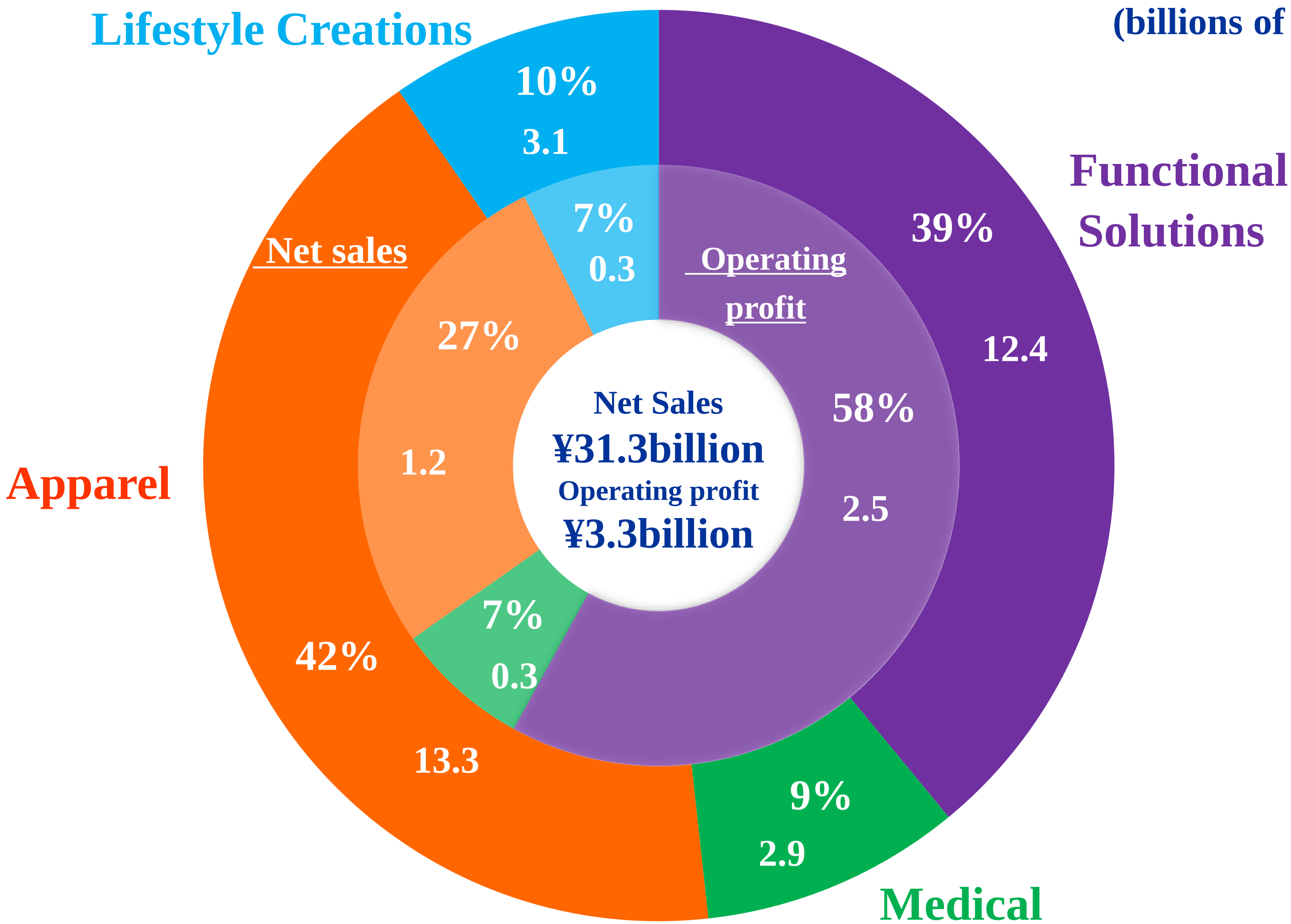
Consolidated Performance

(millions of yen)

	Net Sales			Operating Profit Bottom: Profit Margin		
	FY2026 1Q	FY2025 1Q	YoY	FY2026 1Q	FY2025 1Q	YoY
Functional Solutions	12,354	11,515	7.3% 838	2,526 20.4%	1,582 13.7%	59.7% 944
Medical	2,925	3,145	(7.0%) (219)	315 10.8%	540 17.2%	(41.7%) (225)
Apparel	13,321	14,763	(9.8%) (1,441)	1,185 8.9%	363 2.5%	226.7% 822
Lifestyle Creations	3,056	3,018	1.3% 37	321 10.5%	246 8.2%	30.4% 74
Total	31,367	32,240	(2.7%) (872)	3,387 10.8%	1,806 5.6%	87.6% 1,581

II-3. Consolidated Financial Statements for FY2026 by Segment

(billions of yen)



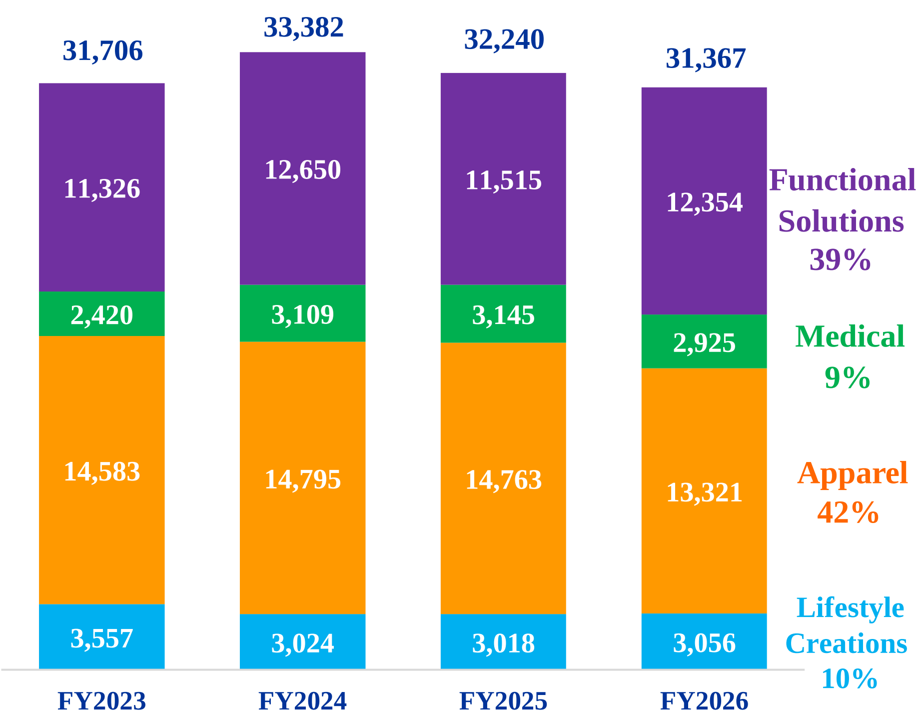
Total includes all corporate expenses not included in segment profit.

II-4. Net Sales & Operating Profit for FY2026 1Q

Net Sales： 31,367 YoY： (2.7%)
Operating profit： 3,387 YoY ：87.6%

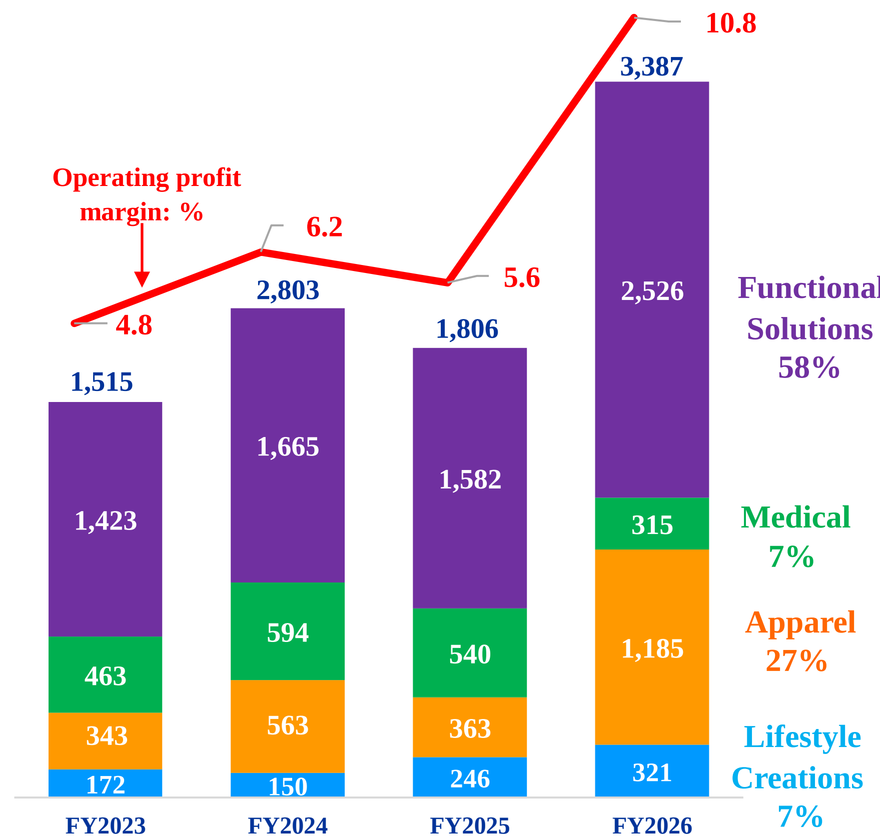
(millions of yen)

＜Sales by Business Segment ＞



＜Operating Profit by Business Segment＞

The total amount includes all corporate expenses not included in segment income.



II-5. Consolidated Financial position for FY2026 1Q

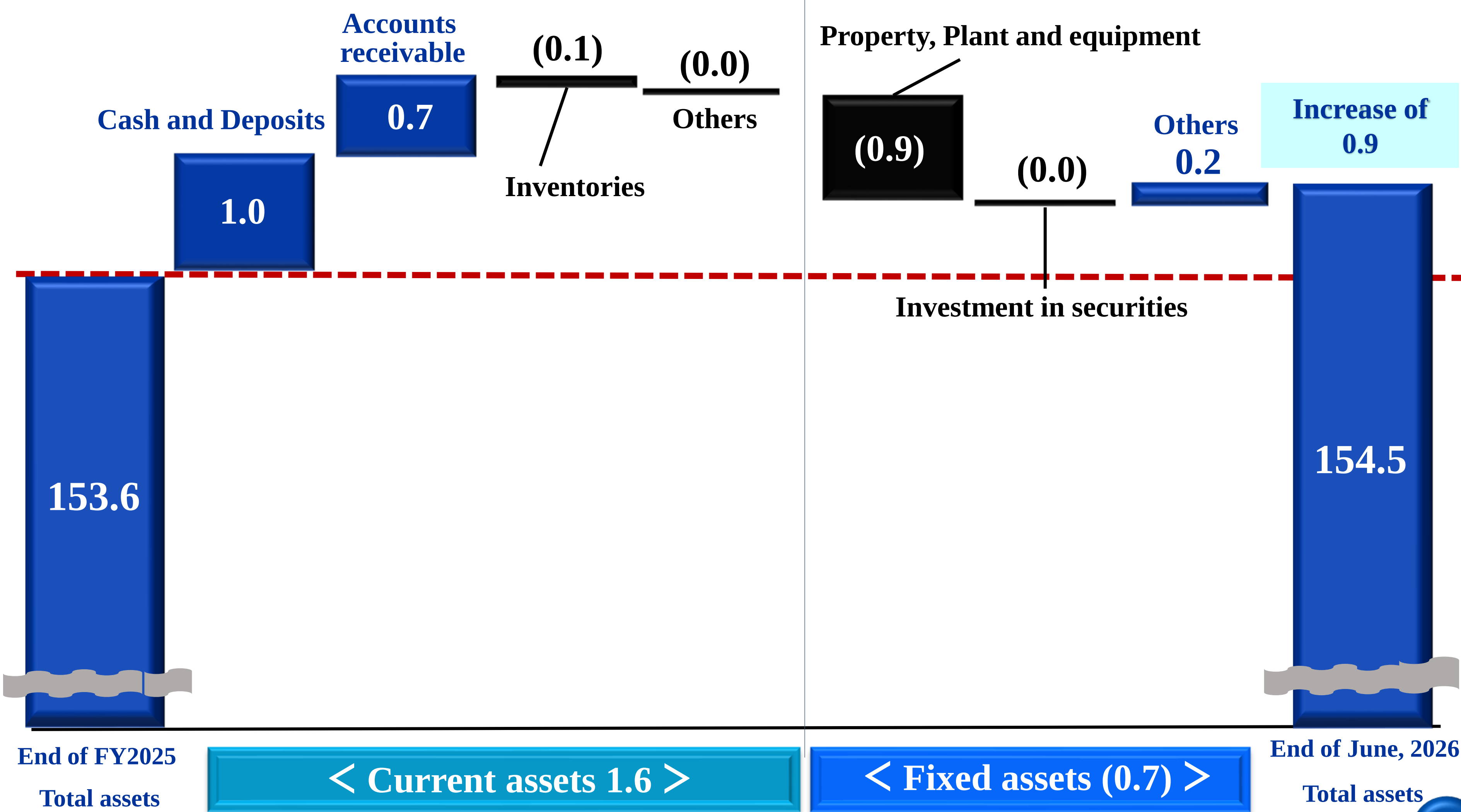
(millions of yen)

	FY2026 1Q	FY2025 1Q	Change
Total assets	154,490	153,612	877
Net Assets	107,839	111,756	(3,917)
Equity ratio	69.8	72.8	(3.0%)
Interest-bearing debt	19,515	13,964	5,551
BPS Net assets per share (JPY)	3,440.20	3,565.39	(125.19)

II-6. Details of Changes in Assets

◆ Difference from the end of the previous period

(billions of yen)



III. Overview by Business Segment

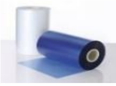
III-2. Business Overview for the First Quarter of FY2026

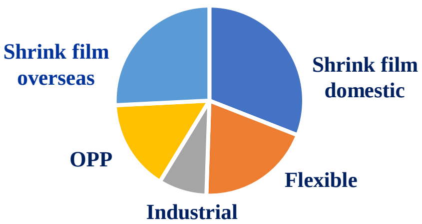
Functional Solutions 1

Plastic films

In response to changes in the market environment, introduce new environmentally friendly products to the market and promote the development of recycling factories.

Position
Growth & expansion

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.  Focusing on Environmentally Friendly Products Through the Resource Recycling Strategy.	The adoption of environmentally friendly products in the beverage industry is increasing. Sales remained steady, partly due to increased demand before the price hike.
Flexible packaging	The products have excellent gas barrier and pinhole resistance for food industry. 	Cost reductions were achieved through resource recycling, and increased sales were driven by advance orders.
Industrial Packaging	For semiconductor manufacturing , EV batteries, and wallpaper industry etc. 	As demand for semiconductors grows, sales of the tape used in manufacturing processes are also increasing.
OPP film	Excellent anti-fog characteristic for food package. 	There has been an increase in order volume due to supply concerns across the industry.
Shrink film overseas	Shrink films can be supplied world wide. The company has three production site in USA, China, and Vietnam.	U.S.: Sales of hybrid shrink films remain strong. Preparations are underway for the launch of the next generation of products. Vietnam: Sales in the ASEAN market are rebounding thanks to enhanced cost competitiveness. China: Responding to sluggish market conditions by raising product prices and cutting costs.



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III-2. Business Overview for the First Quarter of FY2026

Functional Solutions 2

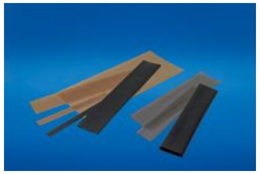
Engineering plastics

To drive business growth, the company 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.	Although sales of multifunction devices for offices and commercial printing presses have remained steady, printer sales have gradually declined due to falling demand.
Non-OA products	Functional parts used in manufacturing processes in the industrial market.	- Sales of semiconductor products remained strong due to rising market demand. - Sales of tubing for catheter manufacturing remained strong in the medical products segment.

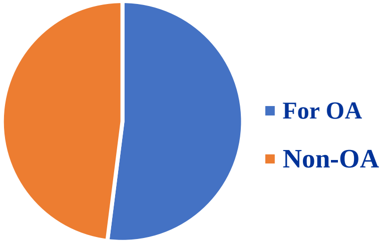
■ Seamless belt



■ Fluorine thin-walled tubing

■ Filter support materials

■ Tear-resistant fluoropolymer tubing



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III-3. Business Overview for the First Quarter of FY2026

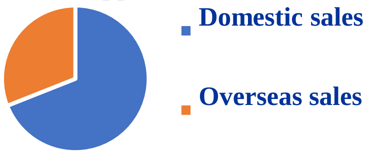
Medical

Position
Growth & expansion

Medical

The company aims to steadily increase sales by offering in-house developed products, while also pursuing growth in our expanding global medical device business.

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: Strengthening countermeasures by emphasizing added value in response to the impact of new competitors entering the market. China: The situation remains challenging due to reduced hospital usage resulting from regulations on high-cost medical care.
Bone fixation devices	Bioabsorbable bone grafting material with special processing. 	Japan: Demand remains steady, particularly in the field of plastic surgery China: Purchases have declined due to concerns over being designated as items subject to medical cost reductions.
Artificial dermis	Absorbable artificial skin using collagen. 	Japan: Adoption and widespread use are progressing, particularly in the field of burn care, at new facilities. China: Policies such as regulations on high-cost medical care have affected progress.
Absorbable adhesion barrier sheet	Absorbable anti-adhesion material consisting of gelatin in film form with an uneven surface. 	Strengthen competitive strategies at key facilities and work to increase market share.
Purchased products like medical laser and others	Medical devices for cosmetics, plastic surgery, wound care and other products.	Medical Lasers: Despite the business downsizing, the company will continue to provide necessary customer support.



III-4. Business Overview for the First Quarter of FY2026

Apparel

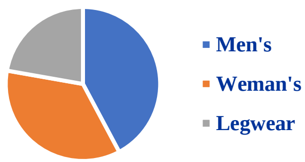
Business Direction

Restructuring

The company is seeking to transition to a sustainable business model that maximizes profitability by focusing on the value-added category.

Innerwear

- **Although sales declined, profitability improved thanks to a focused strategy that included reducing the number of brands and SKUs and adjusting prices.**
- **Focusing on e-commerce, we are promoting a shift in sales channels toward D2C.**



ASEDORON: Sales are performing well because customers like the product's features that are specifically designed to combat sweating.

KIREILABO: Affected by price revisions and product code consolidation.

ASEDORON

Legwear

-Promoting Efficiency Through Brand Consolidation and SKU Reduction
-Improving Profitability Through Price Adjustments and a Review of Low-Profit Categories

Pantyhose: Volume declined due to the withdrawal from low margin private label products and the impact of price adjustments
Socks: Socks: The company is moving forward with optimizing our production bases and withdrawing from unprofitable business segments.

SABRINA Pantyhose

KIREILABO

BODYWILD

III-5. Business Overview for the First Quarter of FY2026

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

Visitor numbers have increased and remain steady, thanks to the effects of new store openings and renovations following the relaunch.

- Real Estate Leasing Business

Both sales and profits are on a steady upward trend

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 implemented measures at each store to increase membership
- The fitness business is stepping up targeted promotional efforts
- Contract work for schools, local governments, and other entities expanded.

School business

Green Business

Capturing demand for greening and Actively working to sequester CO2

While large-scale projects are performing well in the Tokyo metropolitan area, regional markets are struggling

Ginkgo trees on Midosuji that Gunze donated last year

IV. Forecast for FY2026

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IV-1. FY2026 Forecast

※No Revision of forecast (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%
Operating 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%

IV-2. FY2026 Forecast by Segment

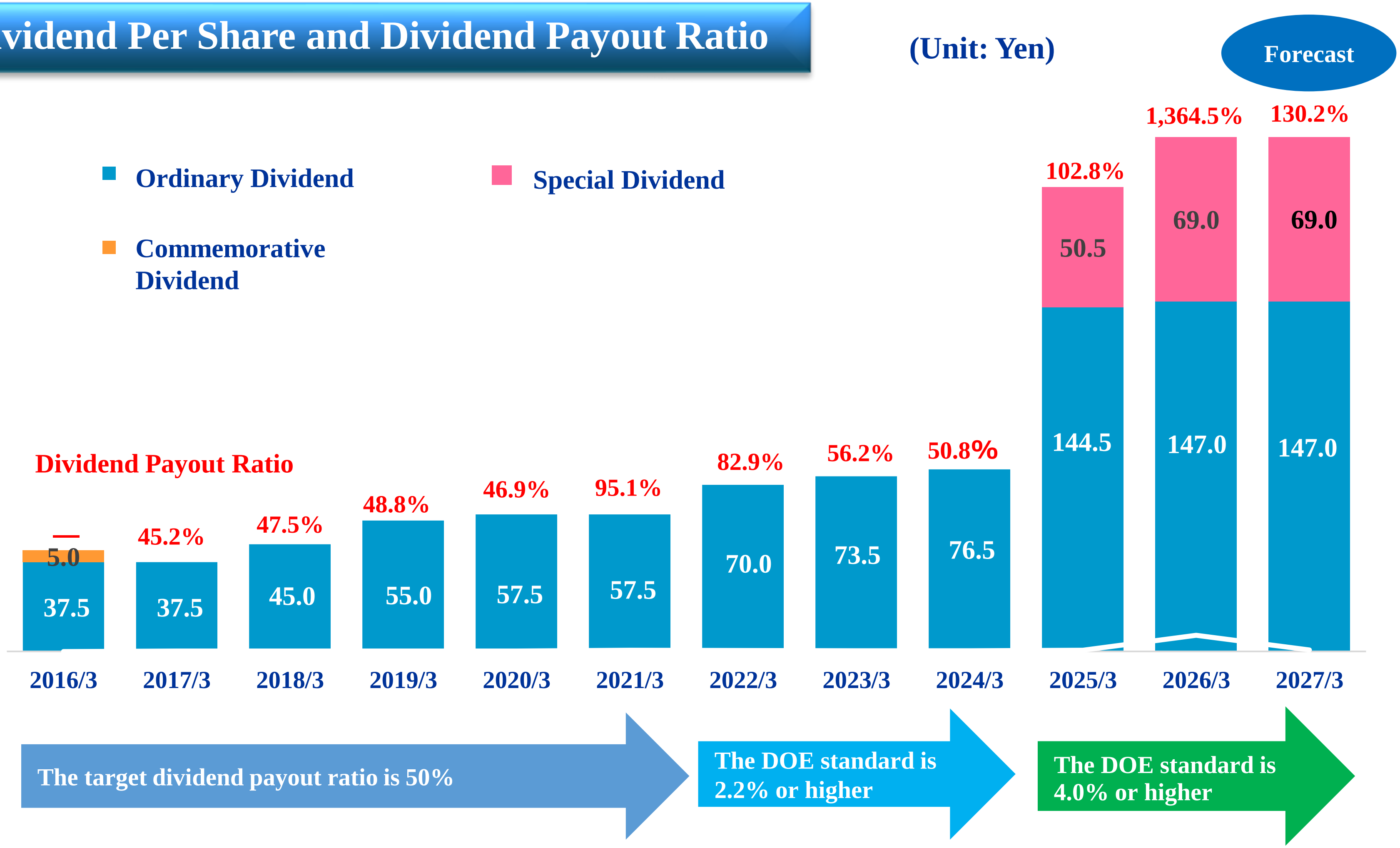
※No Revision of forecast

(millions of yen)

	Net sales			Operating Profit or Loss 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

IV-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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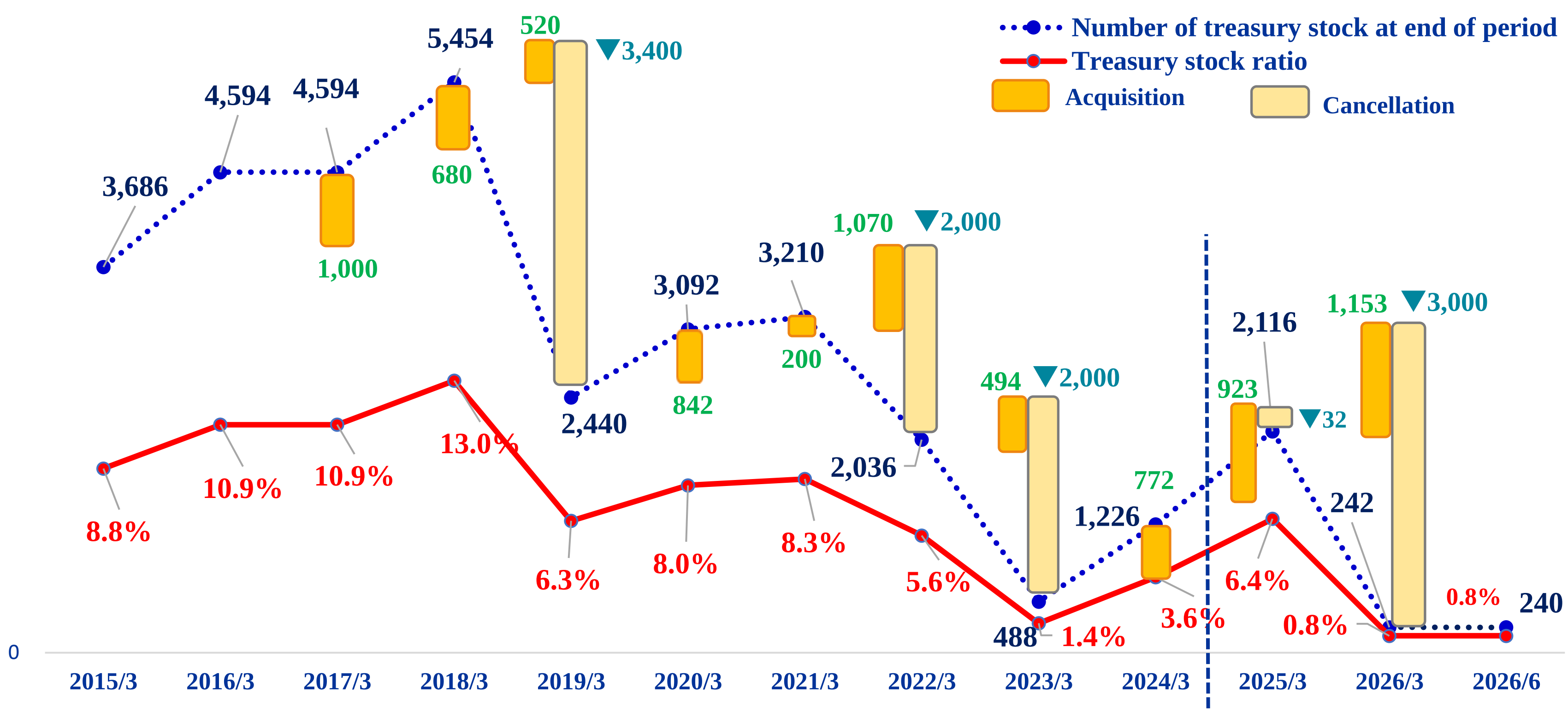
IV-4. Distribution of Earnings to Shareholders

Treasury stock

(Unit: Thousand Shares)



※ 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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V. Key Initiatives to Achieve the FY2026 Targets

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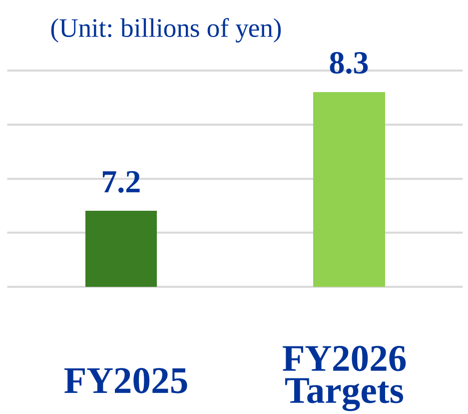
V-1. Key Initiatives to Achieve the FY2026 Targets

Operating profit

Functional Solutions



Plastic films

□Outlook for FY2026

・Raw material prices and sales volumes remain volatile

■**Initiatives to Achieve the FY2026 Targets**

・**Rebuild the profit base of our overseas operations** and work toward a return to profitability.

○Promoting the Commercialization of Olefin Films in the United States

○Expanding sales of differentiated products in Vietnam and strengthening production and sales systems

Engineering plastics

□ Outlook for FY2026

・The semiconductor industry is entering a recovery phase after the inventory adjustment is over.

■**Initiatives to Achieve the FY2026 Targets**

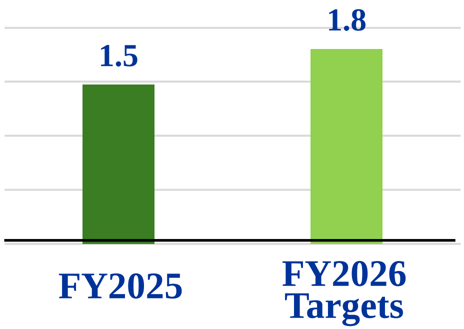
・**Positioning the semiconductor sector as a key growth area**, the company is steadily capitalizing on expanding demand to accelerate business growth.

・The company is working to increase production capacity and strengthen our stable supply system to drive business growth.

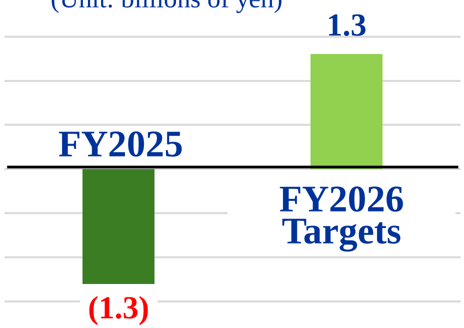
V-1. Key Initiatives to Achieve the FY2026 Targets

Operating profit

(Unit: billions of yen)



(Unit: billions of yen)



Medical

☐ Outlook for FY2026

・While the Chinese market is expected to remain sluggish for the time being, sales of the company's own products in Japan remain strong.

■ **Initiatives to Achieve the FY2026 Targets**

・**Shift to a business structure centered on our own products**

・Reducing Reliance on China by Expanding Sales in Europe, the Americas, and APAC

・Scale back low-profit businesses and build a portfolio of high profit businesses

Apparel

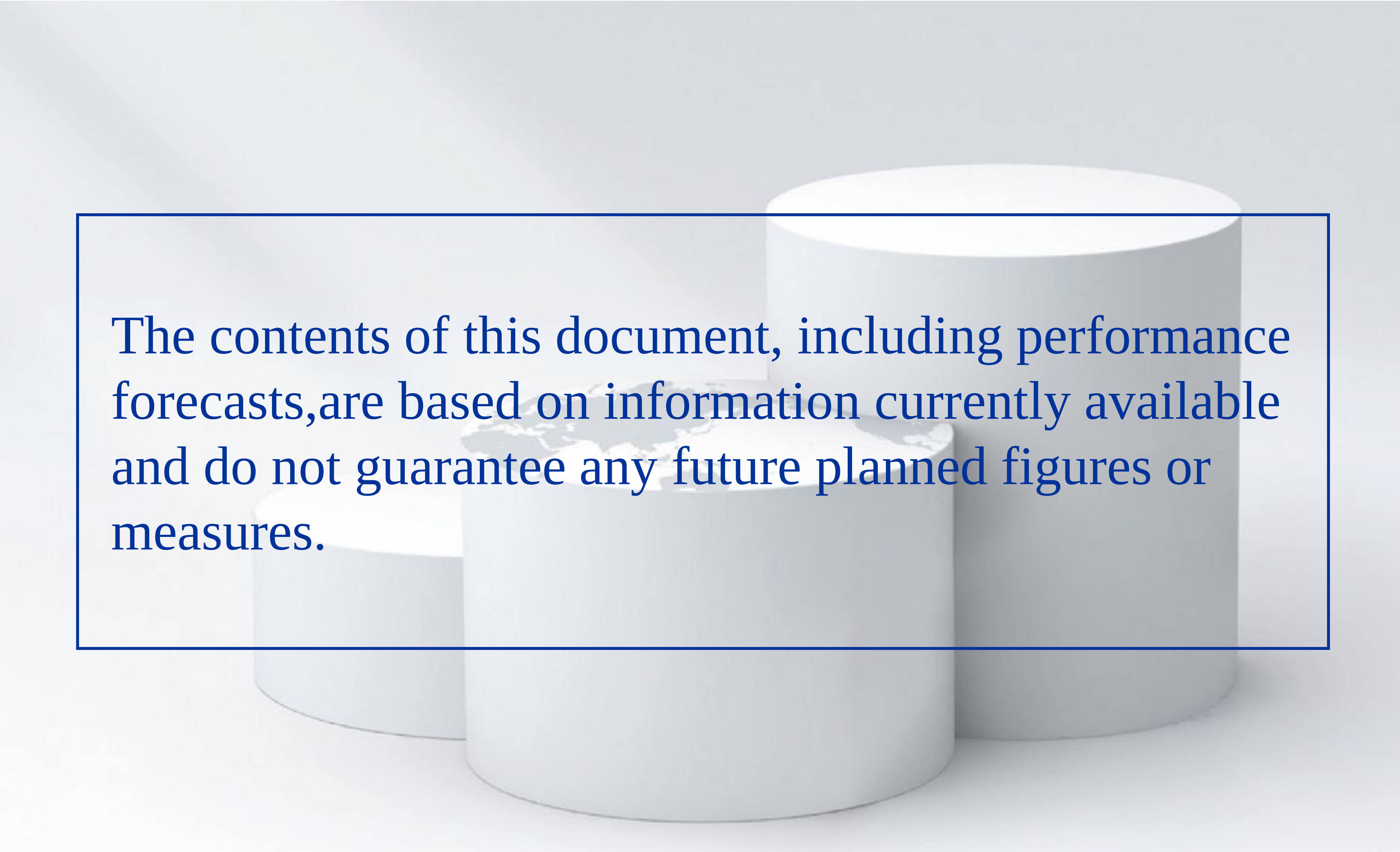
☐ Outlook for FY2026

・Despite the downsizing of existing routes, the company expects to improve profitability through structural reforms

■ **Initiatives to Achieve the FY2026 Targets**

・**The effects of profit improvement measures** such as plant consolidation, reductions in indirect staff, and price revisions are beginning to take full effect.

・ Improved profits are due to the reversal of inventory write-downs (+1.9 billion yen)



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