

GUNZE LIMITED

[**Disclaimer:** Please note that the following purports to be an excerpt translation from the original Proxy Statement of GUNZE LIMITED prepared for the convenience of shareholders outside Japan with voting rights. However, in case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain expressions for domestic procedures that are not applicable to the aforesaid shareholders have been omitted or modified to avoid confusion.]

June 2, 2022

To Our Shareholders:

NOTICE OF CONVOCATION OF THE 126TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

This Notice of Convocation is to inform you that the 126th Ordinary General Meeting of Shareholders of GUNZE LIMITED will be held as described below, but with the following special considerations. In consideration of preventing the spread of the novel coronavirus infection (COVID-19) and to ensure the safety and security of all shareholders, we ask you to refrain, as much as possible, from attending this year's meeting in person. Instead, we suggest that you exercise your voting rights via the Internet (<https://evote.tr.mufg.jp/>) or in writing using the enclosed Voting Rights Exercise Form (by regular mail). Whichever way you choose, the forms must be received no later than 5:00 P.M. on Thursday, June 23, 2022.

Yours very truly,

GUNZE LIMITED
1 Zeze, Aono-cho, Ayabe-shi
Kyoto, Japan

By: Toshiyasu Saguchi
Representative Director and President

PARTICULARS

- 1. Date and Time of the Meeting:** 1:00 P.M., Friday, June 24, 2022
[Registration starts at 12:20 P.M.]
- 2. Place of the Meeting:** Auditorium, Head Office of the Company
1 Zeze, Aono-cho, Ayabe-shi, Kyoto, Japan
- 3. Agenda of the Meeting:**

Matters for Reporting:

1. Report on the Results of Operations, the Consolidated Accounting Documents and Non-Consolidated Accounting Documents for the 126th Business Term (from April 1, 2021 to March 31, 2022).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 126th Business Term (from April 1, 2021 to March 31, 2022).

Matters for Resolution:

- | | |
|----------------------------|--|
| First Proposition: | Proposed Disposal of Surplus |
| Second Proposition: | Partial Amendments to the Articles of Incorporation |
| Third Proposition: | Election of Eight (8) Directors |
| Fourth Proposition: | Election of One (1) Substitute Corporate Auditor |

<Measures taken by the company to prevent the spread of novel coronavirus (COVID-19)>

- On the day of the meeting, non-contact body temperature measurement will be taken at the entrance to the venue. We may refuse admittance to any shareholder with a body temperature above 37.5°C or who appears to be in ill health.
- To avoid any risk of infection, we will not distribute commemorative gifts at this year's General Meeting of Shareholders.
- Staff involved in the operation of the General Meeting of Shareholders will wear surgical masks.
- We ask all attending shareholders to take thorough infection control measures while at the meeting venue, including the wearing of a surgical mask.
- Alcohol-based disinfectant dispensers will be available at the reception desk and other places in the venue.
- To avoid crowding, we are considering the arrangement of seats with more empty space between them. In consideration of the need for taking stronger COVID-19 control measures, there may be a situation in which some shareholders are asked not to enter the meeting venue due to insufficient seats being available.
- To avoid a confined environment, the meeting venue will be ventilated in a timely manner.
- Registration will start at 12:20 p.m.

<Request to shareholders>

- **We ask all shareholders to carefully consider the current situation, and exercise their voting rights prior to the meeting, as much as possible, through regular mail or Internet. (Voting from a smartphone¹ is also possible.)**
- We ask those at higher risk of infection, including the elderly, those with underlying health issues, and those who are pregnant, in particular, to take extra care in making decisions on whether to attend this year's General Meeting of Shareholders.
- We ask all shareholders attending the General Meeting of Shareholders to check the situation of the COVID-19 spread and their own health status on the day of the meeting, and to take full preventive measures such as wearing a surgical mask, etc. We also ask those who are planning to ask a question at the meeting² to inform our staff when making a reservation.

¹ For procedures for voting via smartphone, please refer to this Notice of Convocation and the Voting Rights Exercise Form.

² Those who are planning to ask a question at the meeting will have priority in being guided to the seat exclusively set up near the microphone stand.

We are aware that the General Meeting of Shareholders is a good opportunity to communicate and strengthen relationships with our valued shareholders. However, the safety and health of our shareholders is our highest priority. As such, we will thoroughly implement all possible measures to prevent infection at the meeting venue. **Even so, in light of the current situation with respect to COVID-19, we ask again that each shareholder refrain from attending this year's Ordinary General Meeting of**

Shareholders, as much as possible. We appreciate your kind understanding and cooperation.

Please note that depending on the situation of the spread of COVID-19 by the day of the meeting and the announcements issued by the Japanese government, each ministry concerned, and/or local authorities, major changes, including a change of the meeting venue or restrictions on attendance, may be made with respect to the operation of the General Meeting of Shareholders. To avoid any inconvenience, we ask each shareholder to check our corporate website (<https://www.gunze.co.jp>) for the latest information before attending the General Meeting of Shareholders.

Guide to Exercising Voting Rights via the Internet, etc.

When you exercise your voting rights via the Internet, please check the following guidelines and follow the procedures outlined below.

Deadline for accepting votes via the Internet:
5:00 p.m. on Thursday, June 23, 2022

Voting via the Internet is possible only by accessing the Site for Exercising Voting Rights (the “Voting Site”; <https://evote.tr.mufg.jp/>) designated by the Company. After accessing the Voting Site, log in using the login ID and temporary password shown on the voting form. Then select “approve” or “disapprove” for each proposition by following the guidelines on the screen. (Please note that this site will be closed every day between the hours of 2:00 a.m. and 5:00 a.m.)

Votes via the Internet will be accepted until 5:00 p.m. on Thursday, June 23, 2022. However, we ask that you vote sooner if possible.

Please note you will have to bear expenses incurred in accessing the Voting Site (Internet connection expenses, etc.).

If you vote more than once via the Internet, only your last vote will be considered valid. Also, if you vote both from your computer and smartphone, only your last vote will be considered valid.

For inquiries regarding the system, etc.
Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agent Department
(Help Desk)
TOLL FREE: 0120-173-027
(Hours of operation: 9:00 a.m. through 9:00 p.m.)

Electronic Voting Platform for Institutional Investors

Institutional investors are entitled to use the Electronic Voting Platform operated by ICJ, Inc. for electromagnetically exercising their voting rights for this Ordinary General Meeting of Shareholders of GUNZE LIMITED.

GENERAL MEETING OF SHAREHOLDERS

Propositions and Reference Matters:

First Proposition: Proposed Disposal of Surplus

It is proposed that surplus be disposed as follows:

1. Matters related to the term-end dividend:

Returning earnings to shareholders is one of the most important management policies of the Company. Accordingly, the Company works to continue providing a stable dividend based on the medium-term business outlook, with a target payout ratio of approximately 50% on a consolidated basis. In line with this basic policy, it is proposed that the 126th term-end dividend shall be as follows:

- (1) Kind of asset distributed:
Cash
- (2) Matter related to distribution of asset to shareholders and total amount:
¥140 per share of common stock of the Company
Total amount: ¥2,418,586,660
- (3) Effective date for distribution of surplus:
June 27, 2022

Second Proposition: Partial Amendments to the Articles of Incorporation

1. Reasons for Amendments

The amended provisions stipulated in the proviso to Article 1 of the supplementary provision of “Act for Partial Amendment of the Companies Act” (Act No. 70 of 2019) are due to come into effect on September 1, 2022. Accordingly, to prepare for the introduction of a system to provide reference materials, etc., for the General Meeting of Shareholders in an electronic format, the Company will amend its Articles of Incorporation as follows:

- ① Paragraph 1 of Article 16 in the proposed amendments stipulates that the Company shall take measures to provide information included in the reference materials, etc., for the General Meeting of Shareholders in an electronic format.
- ② Paragraph 2 of Article 16 in the proposed amendment stipulates that the Company shall establish a provision for limiting the scope of matters to be described in documents sent to shareholders who requested them.
- ③ Accordingly, the provision of Article 16 of the current Articles of Incorporation, “Disclosure of Reference Materials for the General Meeting of Shareholders on the Internet and Deemed Provision of That Information” will become unnecessary, so it will be deleted.
- ④ In addition to the above, the Company will establish supplementary provisions concerning the effective date and other matters to the Articles of Incorporation that have become necessary along with the aforementioned establishment of new provisions and the deletion of the unnecessary provision.

2. Details of Proposed Amendments

The details of the proposed amendments are as follows:

(Parts proposed to be amended are underlined.)

Current Articles of Incorporation	Proposed Amendments of Articles of Incorporation
Chapter 3. General Meeting of Shareholders Article 12. – Article 15. (Text omitted)	Chapter 3. General Meeting of Shareholders Article 12. – Article 15. (Text unchanged)
<u>(Disclosure of Reference Materials for the General Meeting of Shareholders on the Internet and Deemed Provision of That Information)</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments of Articles of Incorporation
<p data-bbox="240 259 778 965"><u>Article 16.</u> <u>Should the Company disclose information relating to matters stated or indicated in reference materials for the General Meeting of Shareholders, the Report on the Results of Operations, the Consolidated Accounting Documents, and Non-Consolidated Accounting Documents on the Internet in connection with convening the General Meeting of Shareholders in accordance with the Ordinance of the Ministry of Justice, it may be deemed that the Company has provided shareholders with the said information.</u></p> <p data-bbox="405 1025 619 1059">(New provision)</p> <p data-bbox="240 1839 608 1921">Article 17. – Article 18. (Text omitted)</p>	<p data-bbox="809 1025 1278 1059"><u>(Electronic Provision Measure, etc.)</u></p> <p data-bbox="809 1077 1326 1391"><u>Article 16. When convening a General Meeting of Shareholders, the Company shall take measures to provide information included in the reference materials for the General Meeting of Shareholders, etc., in an electronic format.</u></p> <p data-bbox="809 1408 1353 1776"><u>2. Among the matters subject to electronic provision measures, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in a paper-based document to be sent to shareholders who have requested it by the record date of voting rights.</u></p> <p data-bbox="809 1839 1193 1921">Article 17. – Article 18. (Text unchanged)</p>

Current Articles of Incorporation	Proposed Amendments of Articles of Incorporation
(New provision)	<p>(Supplementary Provisions)</p> <p>1. <u>The amendment of Article 16 of the Articles of Incorporation shall come into effect on September 1, 2022, which is the date of enactment for the amended provisions set forth in the proviso to Article 1 of the Supplementary Provisions of the Act for Partial Amendment of the Companies Act (Act No. 70 of 2019) (hereinafter referred to as “the enactment date”).</u></p> <p>2. <u>Notwithstanding the provisions of the preceding paragraph, Article 16 (Disclosure of Reference Materials for the General Meeting of Shareholders on the Internet and Deemed Provision of That Information) of the current Articles of Incorporation shall remain effective with respect to the General Meeting of Shareholders to be held within six (6) months from the enactment date.</u></p> <p>3. <u>These supplementary provisions shall be deleted either on the day on which six (6) months have elapsed from the enactment date or the day on which three (3) months have elapsed after the General Meeting of Shareholders, set forth in the preceding paragraph, whichever is later.</u></p>

Third Proposition:**Election of Eight (8) Directors**

The terms of office of all nine (9) Directors will expire at the close of this General Meeting of Shareholders. It is therefore proposed that eight (8) Directors will be elected. The Company has established a policy regarding qualifications for Directors and nomination procedures in its Corporate Governance Guidelines. (Refer to the Company's website: <https://www.gunze.co.jp/ir/policy/governance/>.) All candidates for Directors in this Proposition are nominated in accordance with the said policy. Please see "Reference 1" on page ___ for the applicable matters, as well as "Reference 2" on page ___ for the skills of each candidate for Director.

The candidates are as follows:

Candidate No.	Name	Current Posts and Responsibilities	Percentage of Attendance in BOD Meetings	Number of Years in Office
1	<input type="checkbox"/> Reelection <input type="checkbox"/> Male	Atsushi Hirochi	100% (13/13)	10 years
2	<input type="checkbox"/> Reelection <input type="checkbox"/> Male	Toshiyasu Saguchi	92% (12/13)	8 years
3	<input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent <input type="checkbox"/> Female	Hiroe Nakai	100% (13/13)	4 years
4	<input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent <input type="checkbox"/> Male	Osamu Kujiraoka	100% (13/13)	3 years
5	<input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent <input type="checkbox"/> Female	Rie Kida	100% (13/13)	2 years
6	<input type="checkbox"/> Reelection <input type="checkbox"/> Male	Makoto Kumada	100% (13/13)	5 years
7	<input type="checkbox"/> Reelection <input type="checkbox"/> Male	Katsuhiko Oikawa	100% (13/13)	6 years
8	<input type="checkbox"/> Reelection <input type="checkbox"/> Male	Ryoji Kawanishi	100% (9/9)	1 year

Note 1: As for Mr. Ryoji Kawanishi, his status after he has assumed office of Director on June 25, 2021 is shown above.

Note 2: The term of office of Directors will expire at the close of the Ordinary General Meeting of Shareholders.

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
1	Atsushi Hirochi (Jan. 11, 1960) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reelection</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Male</div>	Mar. 1983 Jun. 2012 Jan. 2013 Apr. 2014 Jun. 2014 Apr. 2016 Jun. 2016 Apr. 2017 Feb. 2019 Jun. 2021	Joined “GUNZE” Director, Corporate Officer, General Manager of Leg Wear Divisions Group, Apparel Company and CCO, GUNZE Director, Corporate Officer, General Manager of Innerwear Divisions Group, Apparel Company and CCO, GUNZE Director, Corporate Officer, Company President of Apparel Company, General Manager of Innerwear Divisions Group and CCO, GUNZE Managing Director, Managing Corporate Officer, Company President of Apparel Company, General Manager of Innerwear Divisions Group, Apparel Company, CMO and CLO, GUNZE Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Department, CHO, CCSRO and CMO, GUNZE Senior Managing Director, Representative Director, Senior Managing Corporate Officer, General Manager of Management & Strategy Department, CHO, CCSRO and CMO, GUNZE President, Representative Director and President Corporate Officer, GUNZE (to present) Member, Nomination/Remuneration Committee, GUNZE (to present) Chairman and Representative Director, GUNZE (to present) Reasons for supporting the candidate for Director Mr. Atsushi Hirochi assumed the position of the Chairman and Representative Director of the Company in June 2021. Before that, he was appointed as the President and Representative Director of the Company in April 2017. Since then, Mr. Hirochi has led the management of the GUNZE Group through the implementation of each strategy of its medium-term management plan and the reinforcement of its corporate governance. Moreover, as the Chairman of the Board of Directors, Mr. Hirochi has been working to vitalize the Board and enhance its effectiveness. The Company would like Mr. Hirochi to continue serving the Company as a Director as his leadership is deemed essential for continuously reinforcing the oversight and supervisory functions of the GUNZE Group and strengthening sustainable relationships with stakeholders. Accordingly, the Company proposes that he be elected as a Director.	14,855
2	Toshiyasu Saguchi (Nov. 14, 1961) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reelection</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Male</div>	Mar. 1984 Jun. 2014 Apr. 2017 Jun. 2018 Feb. 2019 Jun. 2020 Jun. 2021	Joined “GUNZE” Director, Corporate Officer and Company President of Plastic Film Company, GUNZE Managing Director, Managing Corporate Officer and General Manager of Management & Strategy Department, GUNZE Representative Director, Managing Corporate Officer and General Manager of Management & Strategy Department, GUNZE Member, Nomination/Remuneration Committee, GUNZE (to present) Representative Director, Senior Managing Corporate Officer and General Manager of Management & Strategy Department, GUNZE Representative Director, President and President Corporate Officer, GUNZE (to present)	7,292

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
		<p>Reasons for supporting the candidate for Director Mr. Toshiyasu Saguchi assumed the position of the Representative Director, President and President Corporate Officer in June 2021. Since June 2020, he has appropriately promoted the formulation of the Company's medium-term management plan, M&A projects, etc., as a Representative Director and Senior Managing Officer. The Company would like Mr. Saguchi to continue serving the Company as a Director, as his leadership is deemed essential for continuously making a social contribution through sustainability management and for achieving the sustainable growth of the GUNZE Group in the future. Accordingly, the Company proposes that he be elected as a Director.</p>		
3	<p>Hiroe Nakai (May 20, 1961)</p> <p>Reelection Outside Independent Female</p>	<p>Apr. 1988 Apr. 1995 Sep. 2011 Jun. 2013 Aug. 2016 Jun. 2018 Feb. 2019</p>	<p>Registered as an attorney (at Osaka Bar Association) Established "Inoue and Nakai Law Office" Established "Hinata Law Office" (to present) Outside Auditor, Endo Lighting Corp. Outside Auditor, Kansai Paint Co., Ltd. Outside Auditor, Kansai Paint Co., Ltd. Director, GUNZE (to present) Member (Chair), Nomination/Remuneration Committee, GUNZE (to present)</p> <p>Reasons for supporting the candidate for outside Director and summary of expected roles The Company would like Ms. Hiroe Nakai to continue serving the Company, given her approximately four years of experience as an outside Director of the Company, as well as her ample experience as an attorney and knowledge in the field of corporate legal and general civil affairs. During her time of service, she has reflected an objective viewpoint into the Company's management decisions based on her ample experience and broad knowledge in the wide range of fields, while also exerting her maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as the chair of the Nomination/Remuneration Committee, she has actively provided advice and recommendations, which has made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates her experience and talent, and is expecting her to exercise supervision and give advice based on her objective insight and legal knowledge, once she is elected as an outside Director. For these reasons, the Company proposes that she be elected as an outside Director.</p>	<p>1,000</p> <p>Number of years in office: 4 (at the close of the Meeting)</p>
4	<p>Osamu Kujiraoka (Sept. 25, 1955)</p> <p>Reelection Outside Independent Male</p>	<p>Mar. 1978 Mar. 1988 Mar. 2003 Jan. 2006 Mar. 2009 Feb. 2015 Jun. 2019 Oct. 2019</p>	<p>Joined Nikkei Inc. Seconded to Nikkei McGraw-Hill, Inc. (presently, Nikkei Business Publications, Inc.) Executive Officer and Chief of Operations, Nikkei Inc. Officer and Chief of Medical Affairs, Nikkei Inc. and President and CEO, Nikkei Medical Publishing Inc. Executive Officer, Nikkei Inc., President and CEO, Nikkei Business Publications America, Inc. and Nikkei Business Publications Europe, Ltd. President and CEO, Nikkei Medical Publishing Inc. Director, Member, Nomination/Remuneration Committee, GUNZE (to present) President, Dakuon Co., Ltd. (to present)</p>	<p>700</p> <p>Number of years in office: 3 (at the close of the Meeting)</p>

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
		<p>Reasons for supporting the candidate for outside Director and summary of expected roles The Company would like Mr. Osamu Kujiraoka to continue serving the Company, given his approximately three years of experience as an outside Director of the Company, as well as his career as an executive officer of a publishing company. During his time of service, he has reflected an objective viewpoint into the Company's management decisions based on his ample experience and broad knowledge especially in the medical field, one of the Company's high-growth businesses, while also exerting his maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as a member of the Nomination/Remuneration Committee, he has actively provided advice and recommendations, which has made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates his experience and talent, and is expecting him to exercise supervision and provide advice based on his ample experience and comprehensive knowledge in the medical field, once he is elected as an outside Director. For these reasons, the Company proposes that he be elected as an outside Director.</p>		
5	<p>Rie Kida (May 27, 1969)</p> <p>Reelection Outside Independent Female</p>	<p>Apr. 1989 Apr. 1991 Oct. 2000 Apr. 2003 Apr. 2005 Nov. 2009 Aug. 2010 Apr. 2013 Jun. 2020</p>	<p>Joined Luis Jitan Company Joined RESCO FORMATION Inc. Joined IDEI CREATIVE AGENCY Joined HERSTORY CO., LTD. Chief Producer, HERSTORY CO., LTD. Managing Director, RESCO FORMATION Inc. Organized Woman's Feelings Marketing Laboratory within RESCO FORMATION Inc. and appointed Chief Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present) Director and Member, Nomination/Remuneration Committee, GUNZE (to present)</p>	<p>200</p> <p>Number of years in office: 2 (at the close of the Meeting)</p>
6	<p>Makoto Kumada (Jul. 24, 1961)</p> <p>Reelection Male</p>	<p>Mar. 1984 Apr. 2017 Jun. 2017 Apr. 2022</p>	<p>Joined "GUNZE" Corporate Officer and General Manager of Finance & Accounting Department, GUNZE Director, Corporate Officer and General Manager of Finance & Accounting Department, GUNZE Director, Managing Corporate Officer and General Manager of Finance & Accounting Department, GUNZE (to present)</p>	<p>3,785</p>

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
		<p>Reasons for supporting the candidate for Director Mr. Makoto Kumada assumed the position of the Director and Managing Corporate Officer of the Company in April 2022. Since June 2017, he has taken a lead in promoting capital cost-based management as the Director, Corporate Officer and General Manager of the Finance & Accounting Department. Moreover, he has been committed to consolidating the Company's financial foundation and improving its efficiency through proactive and constructive dialogues with institutional investors. The Company would like Mr. Kumada to continue serving the Company as a Director as his expertise is deemed essential for continuously promoting GUNZE's group management in the future. Accordingly, the Company proposes that he be elected as a Director.</p>		
7	Katsuhiko Oikawa (Apr. 12, 1963) <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;"> Reelection Male </div>	Apr. 1986 Apr. 2014 Jun. 2014 Jun. 2016 Apr. 2017	Joined "GUNZE" Corporate Officer and General Manager of Research & Development Department, GUNZE Corporate Officer, General Manager of Research & Development Department and CRO, GUNZE Director, Corporate Officer, General Manager of Research & Development Department and CRO, GUNZE Director, Corporate Officer and General Manager of Research & Development Department, GUNZE (to present)	3,798
		<p>Reasons for supporting the candidate for Director The Company would like Mr. Katsuhiko Oikawa to continue serving the Company as a Director, given his ample experience and broad knowledge, mainly in the field of production and research & development. As the General Manager of the Research & Development Department, he has been working on the promotion of various research themes as well as the development and cultivation of new businesses. Moreover, Mr. Oikawa has been serving as a driving force in promoting efforts toward the commercialization of functional films including films for next-generation lithium-ion batteries. As Mr. Oikawa's expertise is deemed essential for continuously promoting GUNZE's group management in the future, the Company proposes that he be elected as a Director.</p>		
8	Ryoji Kawanishi (Dec. 7, 1962) <div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;"> Reelection Male </div>	Apr. 1986 Apr. 2017 Apr. 2020 Apr. 2021 Jun. 2021	Joined "GUNZE" General Manager of Management Administrative Department, Apparel Company, GUNZE Corporate Officer and General Manager of Management Administrative Department, Apparel Company, GUNZE Corporate Officer, Company President of Apparel Company and General Manager of Management Administrative Department, Apparel Company, GUNZE Director, Corporate Officer and Company President of Apparel Company (to present)	1,532
		<p>Reason for supporting the candidate for Director Mr. Ryoji Kawanishi assumed the position of the Director and Corporate Officer of the Company in June 2021. The Company would like him to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of accounting and administration. Moreover, as the Company President of Apparel Company, Mr. Kawanishi has been working on business structure reforms, by accelerating the effort to transform the apparel business into direct-to-consumer (DTC) model to meet changes in the external environment. As Mr. Kawanishi's expertise is deemed essential for continuously promoting GUNZE's group management in the future, the Company proposes that he be elected as a Director.</p>		

Note 1: There is no special interest between the Company and each of the candidates for Directors. No advisor contract has ever been concluded between the Company and any of the firms in which candidates for outside Directors concurrently assume an important post, now or in the past, and the amount of the transaction the Company conducts with these firms is less than 1% of the Company's consolidated net sales.

- Note 2: When nominating candidates for outside Directors, the Company nominated those who met the requirements of the Companies Act, as well as the independence criteria stipulated in the Tokyo Stock Exchange regulations, and who will not cause conflict of interest against general shareholders. Once Ms. Hiroe Nakai, Mr. Osamu Kujiraoka and Ms. Rie Kida are elected, as proposed, the Company will inform the Tokyo Stock Exchange of their appointments as independent officers.
- Note 3: The Company signs directors and officers liability insurance policies with an insurance company to cover the insured to protect them from being liable for decisions and actions they make while performing their duties and resultant liability claims. Each of the Candidates for Directors will be named as insured. At the next renewal time, the Company will renew the insurance policies with the same coverage option.
- Note 4: Candidates for outside Directors
- (1) Agreement to limit liability of the candidates for outside Directors
The Company has entered into a limited liability agreement with Ms. Hiroe Nakai, Mr. Osamu Kujiraoka, and Ms. Rie Kida under which each outside Director's liability to compensate the Company under Article 423, Paragraph 1 of the Companies Act shall be limited to ¥6,000,000 or the minimum amount stipulated by laws and ordinances, whichever is higher, under the condition that the outside Director discharges his/her duties in good faith and without gross negligence. Once Ms. Hiroe Nakai, Mr. Osamu Kujiraoka, and Ms. Rie Kida are elected, as proposed, the Company will enter into the same agreement with them to limit their liability.
- (2) Nomination/Remuneration Committee
At GUNZE, all outside Directors carry out their duties as members of the Nomination/Remuneration Committee. As such, once each outside Director is elected, as proposed, he or she will also become a member of the Nomination/Remuneration Committee.
- (3) Name notation
Ms. Hiroe Nakai's legal name on family register is Hiroe Asami.
- Note 5: Abbreviation of titles
CCO: Chief Compliance Officer
CMO: Chief Marketing Officer
CLO: Chief Logistics Officer
CHO: Chief Human Resources Officer
CCSRO: Chief Corporate Social Responsibility Officer
CRO: Chief Research and Development Officer
- The Company discontinued the Chief Officer system on April 1, 2017.

There are no matters other than the above that need to be stated in the proposition relating to the election of Directors pursuant to Article 74 of the Ordinance for Enforcement of the Companies Act.

Fourth Proposition: Election of One (1) Substitute Corporate Auditor

The term of office of the current Substitute Corporate Auditor will expire at the opening of this Ordinary General Meeting of Shareholders. Therefore, to prepare for a case in which the number of incumbent Corporate Auditors becomes less than the number legally required, the Company’s shareholders are requested to elect one (1) Substitute Corporate Auditor. Election of Substitute Corporate Auditor shall be in effect until the opening of the Ordinary General Meeting of Shareholders for the last of the fiscal years ending within the upcoming four years. Furthermore, the election of Substitute Corporate Auditor at this Ordinary General Meeting of Shareholders may be revoked by a resolution of the Board of Directors with the consent of the Board of Corporate Auditors prior to his assuming the office of Corporate Auditor. The Company has established a policy regarding qualifications for Corporate Auditors and nomination procedures in its Corporate Governance Guidelines. (Refer to the Company’s website: <https://www.gunze.co.jp/ir/policy/governance/>.) The candidate for Substitute Corporate Auditor in this proposition is nominated in accordance with the said policy. Please see “Reference 1” on page ___ for the applicable matters.

We have obtained consent from the Board of Corporate Auditors with respect to this Proposition.

The candidate is as follows:

Name (Date of Birth)	Brief Personal Record, Current Posts and Additional Important Posts		Number of Shares of the Company Owned
Naoki Maekawa (Jan. 15, 1975)	Oct. 2001 Jan. 2003 Mar. 2006 Dec. 2017 Mar. 2018	Registered as an attorney (at Osaka Bar Association) Corporate Auditor, Curious, Inc. (to present) Established “Shinmei Law Office” Registered as an attorney at law (at the State Bar of California, U.S.A.) Established “Maekawa Law Firm” (to present)	--
<p>Reasons for supporting the candidate for Substitute Corporate Auditor The Company has judged that Mr. Naoki Maekawa would be able to appropriately perform his duties as an outside Corporate Auditor, considering his professional knowledge as an attorney in addition to his ample and wide-ranging international practical experience. Accordingly, the Company nominated Mr. Maekawa as the candidate for Substitute Corporate Auditor.</p>			

- Note 1: There is no special interest between the Company and Mr. Naoki Maekawa.
- Note 2: When nominating candidates for outside Corporate Auditors, the Company nominating those who met the requirements of the Companies Act, as well as the independence criteria stipulated in the Tokyo Stock Exchange regulations, and who will not cause conflict of interest against general shareholders. Once Mr. Naoki Maeda is elected as an outside Corporate Auditor, the Company will inform the Tokyo Stock Exchange of their appointments as independent officers.
- Note 3: The Company signs directors and officers liability insurance policies with an insurance company to cover the insured to protect them from being liable for decisions and actions they make while performing their duties and resultant liability claims. Once Mr. Naoki Maekawa is elected as an outside Corporate Auditor, he will be named as insured.
- Note 4: Agreement to limit liability of the candidates for substitute outside Corporate Auditor
The Company has entered into a limited liability agreement with outside Corporate Auditors under which each outside Corporate Auditor’s liability to compensate the Company under Article 34 of the current Articles of Incorporation of the Company shall be limited to ¥6,000,000 or the minimum amount stipulated by laws and ordinances, whichever is higher, under the condition that the outside Corporate Auditor discharges his/her duties in good faith and without gross negligence. Once Mr. Naoki Maekawa is elected as an outside Corporate

Auditor, the Company will enter into the same agreement with him to limit his liability.

There are no matters other than the above that need to be stated in the proposition relating to the election of Corporate Auditors pursuant to Article 76 of the Ordinance for Enforcement of the Companies Act.

[Reference 1]

An Excerpt from GUNZE Corporate Governance Guidelines

1. Qualifications for Directors and Nomination Procedures

(1) The Company's Directors must have an excellent personality, good insight, high skill, abundant experience, as well as a strong sense of ethics.

(2) Upon nominating candidates for Directors, the Company's basic policy is to create a well-balanced Board that is constituted in a manner to achieve diversity in order to ensure swift and proper decision-making and effective oversight of the Group's business activities. To do so, while taking into account diversity including gender and internationality, the Company nominates Directors with knowledge, experience, and skill regarding various business fields, human resources management, finance and accounting, as well as R&D of technologies from the Company's human resources. The Company also nominates a number of outside Directors who are capable of actively providing advice and suggestions from a fair and objective standpoint based on their expert knowledge and experience.

(3) All Directors of the Company shall be elected subject to approval at the General Meeting of Shareholders of each year.

(4) Candidates for new Directors (including substitute Directors) shall be determined at a meeting of the Board of Directors based on the provision of this Article. This will be done after having undergone deliberations by the Nomination/Remuneration Committee regarding the balance of the Board composition in terms of knowledge, experience, and skills, as well as diversity and scale. The Nomination/Remuneration Committee is an advisory body composed of Representative Directors and outside Directors, and is chaired by an outside Director.

2. Qualifications for Audit & Supervisory Board Members and Nomination Procedures

(1) The Audit & Supervisory Board members of the Company must have excellent personality, good insight, high skill, abundant experience, as well as a strong sense of ethics. At least one (1) member of the Audit & Supervisory Board must have sufficient knowledge and expertise on finance and accounting.

(2) Candidates for new Audit & Supervisory Board members (including substitute members) shall be determined at a meeting of the Board of Directors based on the provision of this Article, after having undergone deliberations by the Nomination/Remuneration Committee, and after having received the consent of the Audit & Supervisory Board.

3. Term of Office of Outside Directors and Outside Audit & Supervisory Board Members, and Limitations to Concurrent Posts

(1) The Board of Directors stipulates in its independence criteria that outside Directors and outside Audit & Supervisory Board members, who have held their office for a term exceeding eight (8) years since they first assumed their office,

do not satisfy eligibility criteria for outside Directors and outside Audit & Supervisory Board members, respectively. However, the outside Audit & Supervisory Board members in mid-term may continue to hold their office until the end of their respective terms.

(2) The outside Directors and outside Audit & Supervisory Board members of the Company must not concurrently assume posts of Director or Audit & Supervisory Board member at more than three (3) listed companies besides GUNZE LIMITED.

[Reference 2]

Skill Matrix for Directors and Corporate Auditors (provisional) after the Ordinary General Meeting of Shareholders

GUNZE's Board of Directors shall consist of no more than 15 members, of which at least two shall be outside Directors with a high level of independence. GUNZE's Directors are nominated by taking into account the diversity of the Board in terms of gender, internationality, and other factors to ensure that they will be able to swiftly make appropriate decisions and conduct oversight and supervision of execution for the GUNZE Group's business activities in accordance with the Group's management strategies. To this end, the Board as a whole is composed of inside Directors who have knowledge, experience, and skills concerning each respective business field, finance and accounting, technological development and research, sales and marketing, legal affairs, human resources, etc., as well as two or more outside Directors capable of providing proactive advice and recommendations from a fair and objective standpoint based on their experience of business management at other companies or their outside expert knowledge and experience. The composition of the Board and the nomination of candidates for Directors are decided by the Board of Directors reflecting the Nomination/Remuneration Committee's replies to requests for consultation. Moreover, at least one of the Company's Corporate Auditors shall have appropriate knowledge regarding finance and accounting.

Attributes	Name, Posts, etc.	Years of service [Age]	Nomination/ Remuneration Committee member	Inside executives	Outside executives
				Business management experience	Outside management experience
Directors	Male Atsushi Hirochi Chairman & Representative Director	10 years [62]	●	●	
	Male Toshiyasu Saguchi Representative Director & President	8 years [60]	●	●	
	Independent Hiroe Nakai Female Outside Director	4 years [61]	● (Chair)		
	Independent Osamu Kujiraoka Male Outside Director	3 years [66]	●		●
	Independent Rie Kida Female Outside Director	2 years [53]	●		●
	Male Makoto Kumada Director	5 years [60]			
	Male Katsuhiko Oikawa Director	6 years [59]			
	Male Ryoji Kawanishi Director	1 year [59]		●	
Corporate Auditors	Male Tomio Suzuki Standing Corporate Auditor	1 year [59]			
	Independent Keigo Inoue Male Outside Corporate Auditor	8 years 7 months [58]			
	Independent Yoshio Suzuka Male Outside Corporate Auditor	7 years [69]			
	Male Shinichiro Morita Corporate Auditor	1 year [65]		●	

Attributes	Name, Posts, etc.	Main specialty areas				
		Finance/ Accounting	Production technology/ R&D	Sales/ Marketing	Legal	Inter- nationality
Directors	Male Atsushi Hirochi Chairman & Representative Director			●		
	Male Toshiyasu Saguchi Representative Director & President			●		
	Independent Hiroe Nakai Female Outside Director				●	
	Independent Osamu Kujiraoka Male Outside Director			●		
	Independent Rie Kida Female Outside Director			●		
	Male Makoto Kumada Director	●				
	Male Katsuhiko Oikawa Director		●			
	Male Ryoji Kawanishi Director	●				●
Corporate Auditors	Male Tomio Suzuki Standing Corporate Auditor	●				●
	Independent Keigo Inoue Male Outside Corporate Auditor				●	
	Independent Yoshio Suzuka Male Outside Corporate Auditor	●				
	Male Shinichiro Morita Corporate Auditor		●			

Results of Operations (April 1, 2021 to March 31, 2022)

Items Related to the Current Status of the GUNZE Group

1. Business Progress and Results

GUNZE has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the consolidated fiscal year under review. Because the accounting treatment for revenue for the period under review is different from that used for the same period of the previous consolidated fiscal year, year-over-year increases/decreases (%) compared to the same period of the previous fiscal year are not provided in the description of results of operations.

In the consolidated fiscal year under review beginning from April 1, 2021 and ended March 31, 2022, the Japanese economy remained in a severe situation mainly due to the resurgence of COVID-19, which placed substantial restrictions on both personal consumption and corporate activities. This situation arose out of the Japanese government’s reissuance of the declaration of the state of emergency. Daily life and economic activities had been expected to normalize based on the ongoing progress of COVID-19 vaccinations and other factors. However, the outlook remains uncertain due to the spread of Omicron variant from the beginning of the year, the tense situation in Ukraine, disrupted supply chains, as well as the soaring raw materials and fuels prices caused by the drastic depreciation of the yen in the exchange rate, and other factors.

In this final year, the last fiscal year of the GUNZE Group’s medium-term management plan, “CAN 20 Plan Second Phase” (the period of the second phase of “CAN20” was extended by a year, due to the heavy impact of the COVID-19 pandemic on the group’s business), the GUNZE Group promoted three pivotal strategies based on the key concept of “Focus and Concentration.” These are: implementation of segment-specific business strategies, creation of new businesses, and reinforcement of the management foundation.

Even with the considerable adverse impacts of COVID-19, the soaring raw materials and fuels prices, and other factors, in GUNZE’s functional solutions business, all the divisions were on track for recovery by promoting cost-cutting through design improvement, etc. By contrast, the apparel business was affected by sluggish in-store sales and shutdowns of overseas factories caused by lockdown measures. The lifestyle creation business was heavily affected by temporary closures and shortened business hours of shopping centers and sports clubs.

Consequently, the GUNZE Group’s consolidated net sales for the fiscal year under review amounted to ¥124,314 million (compared to ¥123,649 million recorded for the previous fiscal year); consolidated operating profit amounted to ¥4,880 million (compared to ¥4,673 million recorded for the previous fiscal year); consolidated ordinary profit was ¥5,399 million (compared to ¥5,094 million recorded for the previous fiscal year); and consolidated profit attributable to owners of parent amounted to ¥2,939 million (compared to ¥2,147 million recorded for the previous fiscal year).

As a result of the application of the Accounting Standard for Revenue Recognition and other related standards for the fiscal year under review, net sales decrease by ¥3,770 million, while operating profit, ordinary profit, and profit before income taxes each increased by ¥36 million.

Results by Business Segment

[Functional Solutions]

In plastic film, packaging films continued to enjoy strong demand related to people spending more time at home. In addition, plastic films for export and industrial applications performed well. Engineering plastics performed strongly, supported by a recovery in sales of office equipment related products and an increased demand in the semiconductor market. Electronic components were negatively affected by prolonged materials procurement arising from the global semiconductor shortage, but cost-cutting activities provided a positive contribution. Medical materials exhibited a robust performance thanks to the growth of the Chinese market and the sales of medical lasers, despite the lingering negative effects of COVID-19 in some regions.

As a result of the above, the functional solutions business recorded net sales of ¥56,138 million (compared to ¥49,673 million for the previous fiscal year) and an operating profit of ¥8,032 million (compared to ¥4,852 million for the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥675 million, but had no impact on operating profit.

[Apparel]

In the apparel business, overall, in-store sales were impacted by the sluggish market conditions brought on by the spread of COVID-19 infections, but e-commerce and mail-order catalog channels performed strongly. In innerwear, sales of men's innerwear were negatively impacted by a suspension of operations at the Vietnam Factory and sluggish in-store sales, but sales of women's innerwear performed strongly in the foundation garment product lines, which differentiate from other products on the market through adhesive technologies, as well as new products with environmentally friendly materials. For legwear, production was adjusted through the shutdown of a factory due to stagnant sales arising from the decrease in opportunities for wearing stockings. Consequently, as profitability decreased, loss on valuation of inventories was recorded.

As a result of the above, the apparel business recorded net sales of ¥57,197 million (compared to ¥62,640 million for the previous fiscal year) and an operating loss of ¥557 million (compared to an operating profit of ¥2,306 million for the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥2,922 million and operating profit to increase by ¥39 million.

[Lifestyle Creations]

In the real estate category, the rental property business performed well, while the shopping center business experienced a decrease in the number of visitors caused by a continuation of shortened business hours and cancellation of events in response to the state of emergency declarations. The sports club business experienced an adverse impact from temporary closures and shortened business hours arising from the redeclaration of the state of emergency and requests from various prefectural governments.

As a result of the above, the lifestyle creation business recorded net sales of ¥11,576 million (compared to ¥11,976 million for the previous fiscal year) and an operating profit of ¥453 million (compared to ¥482 million for the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥172 million and operating profit to decrease by ¥3 million.

Net Sales and Operating Income by Segment

(Millions of yen)

	125 th (FY2020)		126 th (FY2021)	
	Net sales	Operating Income	Net sales	Operating income
Functional solutions	49,673	4,852	56,138	8,032
Apparel	62,640	2,306	57,197	(557)
Lifestyle creations	11,976	482	11,576	453
Total	124,290	7,641	124,912	7,929
Elimination/Corporate	(641)	(2,968)	(598)	(3,049)
Consolidated	123,649	4,673	124,314	4,880

The main products handled in each business segment are as follows:

Functional solutions business: Plastic films, engineering plastics, electronic components, machinery, medical materials, etc.

Apparel business: Innerwear, legwear, outerwear, threads and accessories

Lifestyle creation business: Leasing, buying and selling of real estate, trees and plants, operation and management of sports facilities, etc.

2. Medium-to-Long Term Management Strategy and Key Management Issues for the GUNZE Group

<Basic Management Policy>

Since its founding, 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 that must remain unchanged. 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 solve social issues of the times through the supply of various products and services as we seek to sustainably improve the GUNZE Group’s corporate value.

<Medium-term Management Strategy>

During the period from fiscal 2014 through fiscal 2021, the GUNZE Group has promoted its medium-term management plan, “CAN 20,” through three pivotal strategies: (1) implementation of segment-specific business strategies, (2) creation of new businesses, and (3) reinforcement of management foundation. Although we extended the period of “CAN 20” for an extra year in consideration of the impact of the spread of the COVID-19 pandemic on the GUNZE Group’s business management during the period, we were unable to achieve the management goals set for the plan partly because the surge of COVID-19 continued intermittently.

Regarding the segment-specific business situation, the functional solutions business including plastic films, engineering plastics, and medical materials performed strongly

thanks to the expansion of international markets, the development of new fields, M&A projects, and other factors. Although electronic commerce (EC) channel sales and women's innerwear sales grew steadily, the apparel business and the lifestyle creation business as a whole remained sluggish largely because the legwear and sports club fields were adversely impacted by downturns in markets and suspensions of production caused by increases in COVID-19 infections.

As for the creation of new businesses, the GUNZE Group exerted efforts to expand sales of medical apparel products and high-performance wire products in the health and medical fields. In the highly functional film field, we introduced concrete measures with respect to film for next-generation lithium-ion batteries jointly with other companies, although this product has not yet reached the commercialization stage. Moreover, GUNZE acquired a medical equipment sales company and an outerwear retail/wholesale company relating to our medical-related field and apparel business, respectively.

As a measure for reinforcing its management foundation, the GUNZE Group strived to improve the entire Group's productivity by promoting the unique NExT (New Excellent Technology) initiative. This initiative was intended to provide control over all factories including those located overseas based on unified performance indicators. At the same time, the GUNZE Group worked to accelerate work style reforms including office reforms to better adapt to the "new normal" as well as making efforts to enhance diversity through women's empowerment and other measures.

Furthermore, the GUNZE Group strengthened its commitment to environmental preservation through its plastic resource circulation strategy and by expressing its support for TCFD recommendations. At the same time, efforts were also directed toward improving capital cost efficiency. Toward this end, the GUNZE Group introduced an evaluation of its business performance based on such metrics as (1) invested capital and (2) weighted average cost of capital (WACC), as well as the GVA (GUNZE Value Added) metric, which is an indicator for EVA (Economic Value Added) based on the former two metrics. Additionally, the GUNZE Group took positive action to reduce cross-shareholdings and sell unused real estate.

Taking the aforementioned achievements and challenges of CAN 20 as well as changes in the external environment into consideration, the GUNZE Group announced its new medium-term management plan, called "VISION 2030 Stage 1," targeting the three years from fiscal 2022 through fiscal 2024 as its promotion period.

The new medium-term management plan, "VISION 2030 Stage 1," was formulated as the first stage of management plan based on the stance of first clarifying our vision and goals targeting 2030, then eliminating the gap between our current and ideal states by way of backcasting as we aim at achieving our goals. Our vision for 2030 is: "Create new value and deliver a 'feeling of comfort' to customers, contributing to a sustainable society." With the key phrase of "Transform and Challenge," we seek to contribute to society while at the same time working to achieve the sustainable growth of the GUNZE Group through sustainable management capable of generating both economic and social value. To promote "VISION 2030 Stage 1," we will also clarify the role and positioning of each business segment.

(1) Creation of new value

- Creation of new businesses and growing existing businesses (including M&As)
 - Commercialization of functional films such as films for next-generation lithium-ion batteries
 - Promote partnering with startups and M&A, developing arrangement for new business creation
 - Expand sales for plastic films and medical materials globally
 - Expand semiconductor/medical-related product lineups in the engineering plastics segment
 - Accelerate shift to Direct-to-Consumer (DTC) business model in apparel field (EC, directly managed stores), strengthening women's innerwear and leggings product lineups

- Offering new products/services designed with enhanced sustainability in mind
 - Release innovative new medical products centering on absorbable products
 - Promote sales of new environmentally friendly plastic film products using biomass and recycled raw materials
 - Reinforce and expand wellness & health and ethical products in the apparel business segment
 - Renovation of "Gunze Town Center TSUKASHiN" for enhanced people/environment friendliness

(2) Capital cost-focused management

- Strategic allocation of management resources
 - Concentrate investments in high-growth fields and sustainability-focused businesses
- Achieving a positive GVA value by improving capital efficiency
 - Strengthen activities based on the performance indicator tree for GVA improvement

(3) Evolution of corporate constitution

- D&I, work style reforms, and initiatives for improving employee engagement
 - Promotion of women's empowerment, next-generation support, senior empowerment, office reform, increasing annual paid leave utilization rate, reduction in total work hours
 - Promotion of 1-on-1 meetings, providing psychological safety, career rotation/development support, personnel/treatment system reforms, employee health/wellness management

- Transforming business processes through the proactive use of digital technology
 - Management information sharing (renewal of company-wide/business division-specific management portals)
 - Product/customer analyses using AI, SCM plan accuracy improvement

- Build a Smart Factory utilizing sensing/AI technologies (productivity improvement through automation/labor-saving technologies)
- Use RPA (Robotic Process Automation) and related automation tools to reduce labor requirements for indirect operations

(4) Environmentally responsible management

- Reducing negative environmental impact from business activities
 - Promote energy saving, creation and recycling activities (employment of more energy-efficient equipment, solar power generation systems, etc.)
 - Resource circulation effort
 - Sustainable procurement

<Target Management Indicators>

Our management goals for fiscal 2024, the final year of “VISION 2030 Stage 1,” are: 140 billion yen in consolidated Group net sales and 10 billion yen in operating income with a positive company-wide GVA and an ROE (Return on Equity) of 6.32% or higher, which exceeds the cost of shareholders’ equity. In particular, ROE will remain as the GUNZE Group’s key performance indicator and GVA-based management of business performance will be continuously implemented for each business segment on a monthly basis. The GUNZE Group will also adopt ROIC (Return on Invested Capital) for business divisions that achieved a positive GVA in order to increase motivation for more efficient business operations.

In addition to the above-mentioned financial goals, the GUNZE Group specified non-financial goals targeting the years up to fiscal 2030 as shown in the table below. We will powerfully promote various measures based on the pivotal strategies mentioned above.

(Non-financial goals)

Category	Target indicators		2024 targets	2030 targets
Environmental responsiveness	CO ₂ emissions reduction rate		28% or higher	35% or higher
	Per-unit energy consumption reduction rate (vs. previous year)		1%/year or higher	
Corporate constitution evolution	Promotion of women’s empowerment	Ratio of women in managerial roles	6% or higher	20% or higher
		Ratio of female employees in workforce	35%	41%
		Ratio of women hired in main career track	50%	50%
	Parenting support	Men’s paternity leave utilization rate	50%	70%
	Corporate culture creation	Engagement score	70 pt. (estimate)	80 pt. (estimate)
	Work style reform	Annual paid leave utilization rate	75%	100%
Others	Productivity improvement rate (vs. previous year)		103%	103%

(Financial strategy)

While maintaining a solid financial foundation, the GUNZE Group seeks to make capital investments including those relating to the environment while at the same time reducing capital costs, in order to improve GVA and generate increased free cash flows. Regarding Returning profit ROE to shareholders, the GUNZE Group will maintain a 100% total return ratio until ROE exceeds the cost of shareholders' equity. At the same time, the GUNZE Group strives to provide a stable dividend with a DOE (Dividend on Equity) ratio of 2.2% or higher.

<Challenges the GUNZE Group should address>

Two years have passed since the spread of COVID-19 began. As the infectious disease is not expected to be brought under control at this moment, it will be required to continue business management on the premise of coexistence with COVID-19 (the new normal in the COVID-19 situation). With soaring raw materials and fuels prices, the drastic depreciation of the yen, as well as the impacts of Russia's advances in Ukraine, the environment surrounding business has been more uncertain and harsher. In each business, we will enhance cost competitiveness through initiatives for improving productivity and optimal global production systems, and expand the raw materials procurement network as well as reinforcing supply chains. An increase in costs with which self-help efforts are not able to cope will be appropriately passed to product prices.

(Segment-specific strategic challenges)

As for the functional solutions business, in plastic films, the GUNZE Group will continue to promote a project intended to build a Circular Factory (resource-circulating factory), along with the market launch of environmentally responsible products. While striving to move forward with production innovation through the rollout of digital technologies, our efforts will also be concentrated on expanding sales in overseas markets, particularly in the United States, China and the ASEAN region, etc. In engineering plastics, in addition to increasing the share of our main products in the office equipment market, we will aim for sales expansion of products for health/medical-related and industrial equipment applications. In medical materials, we will strengthen sales in the United States and China, release new highly promising products for the next fiscal year, and consider an organizational restructuring to improve our competitiveness.

In the apparel business, the GUNZE Group will strive to expand sales even further on the e-commerce channel, which has been enjoying accelerated growth in line with changing consumer behavior, as well as the Direct to Consumer channel for company-owned stores. At the same time, efforts will be concentrated on promoting collaborations with other companies. In innerwear, the GUNZE Group 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. We will also seek to further expand sales of women's innerwear products such as products using Femtech and the foundation lineup in a way that clearly sets GUNZE apart from other brands. Furthermore, as an environmental effort, the GUNZE Group will proceed with the Net Zero Factory Project consisting of substantial zero CO₂ emission by using renewable energy and (partly) unmanned lines at major domestic factories. In legwear, the GUNZE Group will strive to enhance market responsiveness to accommodate changes in consumer needs. To this end, we will proactively release new

products in the categories of leggings and bottoms including health-related products, while also promoting structure reform by reorganizing production bases.

In the lifestyle creation business, the GUNZE Group will work to boost the profitability of its commercial facilities and promote property-specific management that emphasizes investment efficiency. In the landscaping and greening business, we will proactively work on increasing the amounts of CO₂ fixed by plants to reduce CO₂ emissions. As for the sport clubs, we will implement stricter measures to adapt to the new normal in the COVID-19 situation and a membership expansion strategy that is tailored to specific regional/store characteristics, and strive to expand school business.

[Translation]

3. Financial Conditions

Consolidated Operating Results and Summary of Assets

(Millions of yen, except for “net income per share”)

	122 nd term (FY2017)	123 rd term (FY2018)	124 th term (FY2019)	125 th term (FY2020)	126 th term (FY2021)
Net sales	124,314	140,706	140,311	123,649	124,314
Operating income	6,239	6,690	6,746	4,673	4,880
Ordinary income	6,446	7,152	6,868	5,094	5,399
Net income attributable to owners of the parent	3,486	4,087	4,387	2,147	2,939
Net income per share (¥)	189.30	225.60	245.00	120.94	168.93
Total assets	171,273	169,632	166,633	159,629	158,216
Net assets	112,129	111,068	109,139	115,178	114,790

Note:

1. GUNZE has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the consolidated fiscal year under review. As such, the asset and income figures for the consolidated fiscal year under review, shown above, represent amounts after the application of the said accounting standard and other related standards.

2. The average number of shares of the Company's common stock during the 123th term (fiscal 2018), 124th term (fiscal 2019) and 125th term (fiscal 2020) used for calculating net income per share, excludes the number of GUNZE shares held by the GUNZE Group Employee Shareholding Association Trust.

[Translation]

4. Main Offices and Factories

Headquarters:

Registered Head Office (Ayabe, Kyoto); Osaka Head Office (Osaka); Tokyo Office (Tokyo); Research & Development Department (Moriyama, Shiga, etc.)

Production Bases in Japan:

Miyazu Factory (Miyazu, Kyoto); Ayabe Factory (Ayabe, Kyoto); Yanase Factory (Asago, Hyogo); Moriyama Factory (Moriyama, Shiga); Konan Factory (Konan, Aichi); Tohoku Gunze Co., Ltd. (Sagae, Yamagata); Kyushu Gunze Co., Ltd. (Kobayashi, Miyazaki); Fukushima Plastics Co., Ltd. (Motomiya, Fukushima); Gunze Packaging Systems Co., Ltd. (Moriyama, Shiga); Gunze Kobunshi Corp. (Isehara, Kanagawa)

Sales Bases in Japan:

Sales Departments of Companies/Business Divisions (Minato-ku, Tokyo; Osaka, etc.)

Overseas Production Bases:

Gunze Plastics & Engineering Corporation of America (U.S.A.); Shanghai Gunze New Plastics Film Co., Ltd. (China); GUNZE PLASTICS & ENGINEERING OF VIETNAM CO., LTD. (Vietnam); Dongguan Guan Zhi Electronics Ltd. (China); Shangdong Gunze Apparel Ltd. (China); Gunze (Vietnam) Co., Ltd. (Vietnam); THAI GUNZE CO., LTD. (Thailand); PT. Gunze Indonesia (Indonesia)

Others:

Gunze Development Co., Ltd. (Amagasaki, Hyogo); Gunze Sports Co., Ltd. (Amagasaki, Hyogo), Gunze Green Co., Ltd. (Amagasaki, Hyogo); Gunze Hanoi Co., Ltd. (Vietnam)

5. Systems to Ensure Propriety in Business Operations

(1) Systems to ensure Directors' compliance with laws and regulations and the Articles of Incorporation

- 1) The Company continually promotes and keeps all its employees informed about the GUNZE Activity Guidelines that stipulate guidelines for conduct, which all Directors and employees of the GUNZE Group must follow, in order to ensure implementation of its corporate philosophy.
- 2) The Company appoints a Director or Corporate Officer in charge of sustainability to strengthen the GUNZE Group's sustainability activities. A Director or Corporate Officer in charge of compliance is also appointed with special responsibility to ensure legal and regulatory compliance and establish corporate ethics. Moreover, in accordance with its Rules concerning Sustainability, the Sustainability Committee, a cross-divisional team chaired by the Director or Corporate Officer in charge of sustainability, strives to strengthen the corporate structure intended to ensure compliance with laws and regulations.
- 3) In accordance with its Rules concerning the Board of Directors, the Company's Board of Directors (BOD), as a basic rule, meets once a month. The BOD is responsible for deliberating and resolving important corporate and business matters, while overseeing the Directors' performance of management duties.
- 4) To further strengthen the BOD's management oversight functions, the Company selects highly independent outside Directors to join the Board.
- 5) The Company makes diligent efforts to prevent illegal or unethical acts by Directors, Corporate Officers, Corporate Auditors, etc., by holding sustainability seminars targeting them on a regular basis.
- 6) In accordance with its Auditing Rules for Corporate Auditors, Standing Executive Auditors attend BOD meetings and other important corporate meetings, and conduct audits to monitor the performance of Directors in carrying out their duties.
- 7) The Company implements quick and organized measures to deal with demands from antisocial forces or groups that threaten public order and security, and stands firm in rejecting such demands through cooperation with external specialized agencies.
- 8) In accordance with its Information Disclosure Rules, the Company appoints an officer responsible for handling information to ensure appropriate management and control of the GUNZE Group's corporate information, and discloses appropriate information quickly and fairly as an open-door corporate group.

(2) Systems of retention and management of information concerning Directors' execution of their duties

The Company manages and retains documents, records and information materials, including minutes of the General Meetings of Shareholders, minutes of Board of Directors meetings, circulars for managerial approval, and contracts, in accordance with its Documentation Rules and other regulations.

(3) Rules and other systems concerning risk management

- 1) In accordance with its Risk Management Rules, the Company builds a solid cross-divisional risk management system that covers the entire Group in order to avoid any kind of risks and to appropriately prepare for unexpected contingencies. For information-related risks in particular, the Company strives to protect the GUNZE Group's information assets based on its IT (Information Technology) Security Policy and Standard Countermeasures against IT (Information Technology) Security Issues.
- 2) In accordance with its Rules concerning Management of Trade Secrets, the Trade Secrets

Management Committee (chaired by the Director or Corporate Officer in charge of compliance) holds a meeting, as necessary, in order to appropriately manage trade secret assets available across the Group and prevent leakage of important trade secrets.

(4) Systems to ensure that Directors efficiently perform their duties

- 1) To enhance the Board of Directors' functions and improve management efficiency, the Company, in accordance with its Rules concerning Executive Officer Meetings, holds an Executive Officer meeting attended by Representative Directors, Managing Directors, Directors/Corporate Officers in charge of specific functions, etc. This is held roughly once every other week to deliberate important matters related to the Group's business operations.
- 2) The Company adopts a Corporate Officers System to clearly separate decision-making regarding business practices and management oversight functions from business operations, and augment the Board of Directors' monitoring functions. It is also intended to vitalize the BOD and facilitate quicker decision-making.
- 3) To swiftly and flexibly respond to radical changes taking place in the Company's management environment and clearly define management responsibility, the term of office of Directors at the Company is designated as one (1) year.
- 4) The Company sets forth its internal Rules concerning Division of Duties, Rules concerning the Authority and Responsibility of Internal Company Presidents, and Rules concerning the Authority and Responsibility of Business Division General Managers, to ensure propriety of the GUNZE Group's internal controls, clarify procedures for business practices, and enhance efficiency of management and administration.
- 5) To conduct efficient business operations for the GUNZE Group, the Company promotes business reforms utilizing information technology.
- 6) Corporate Auditors monitor and assess the establishment and operation of the internal control system of the GUNZE Group, which Directors conduct while exercising the due care of a responsible manager.

(5) Systems to ensure that employees' performance of their duties conforms to laws and regulations and the Articles of Incorporation

- 1) To ensure strict legal and regulatory compliance, the Company regularly provides all employees of the GUNZE Group with the necessary education and training. The Company responds quickly to the enactment of a new law or amendment to existing law by offering relevant education and training. The Company also offers relevant education and training quickly in the event that material misconduct or an accident arises within the Group or at other companies.
- 2) The Company posts all rules and regulations applicable to the GUNZE Group on intranets so that Group employees can access and view them whenever necessary.
- 3) The Company has a whistleblower system in place, through which employees can directly report information on violations of laws or regulations, or ask related questions via the Advice and Report Hotline for Employees or the Third-Party Whistleblower Hotline, in order to facilitate early detection of misconduct and accidents and promptly remedy them.

(6) Systems to ensure the propriety of business operations of the GUNZE Group

- 1) Under the supervision of the Sustainability Committee, a Risk Management Officer is in place at each business department or Group company to ensure strict legal and regulatory compliance. For information security in particular, a Division Information Officer (DIO) responsible for maintaining IT security is in place at each business division or Group company to ensure strict management of information.
- 2) As for the management of individual companies comprising the GUNZE Group, the

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Company gives guidance or advice to them based on their periodical business reports, prior discussions regarding important matters or other arrangements, while respecting their individual initiative, in order to ensure propriety of business operations for the Group as a whole.

- 3) The Business Audit Section conducts internal audits to inspect the operating effectiveness of the GUNZE Group's internal controls for overall business practices, in order to maintain the propriety and efficiency of business operations for the Group as a whole.
- 4) When deemed necessary from reported results of audits, as discussed in item 3) above, Corporate Auditors conduct audits of the Group companies to monitor the operating effectiveness of their internal controls, as well as the propriety and efficiency of business operations as a corporate group. Should Corporate Auditors consider it necessary, Corporate Auditors will directly perform audits of the Group companies.

(7) Systems to ensure reliability of financial reporting

To appropriately assess the validity of the GUNZE Group's internal controls over financial reporting, as stipulated by the Financial Instruments and Exchange Act, the Company assigns an officer responsible for assessing the internal control system (Director/Corporate Officer in charge of finance) and various other responsible personnel based on the Internal Control Standards. By so doing, the Company maintains, implements and assesses internal controls of the Company and its consolidated subsidiaries, which comprise the Group's consolidated financial statements, and announces the results of assessment through internal control reports.

(8) Assignment of employees to assist Corporate Auditors when so requested by Corporate Auditors

In accordance with the Auditing Rules for Corporate Auditors, Corporate Auditors may, as necessary, assign staff of the Business Audit Section and other sections to assist Corporate Auditors in performing their duties.

(9) Matters concerning independence of supporting employees from Directors and ensuring effectiveness of Directors' instructions to supporting employees

Supporting employees who have received the necessary commands for auditing practices from a Corporate Auditor(s) will not be subject to any orders or control from higher-ranked employees such as Directors and the Manager of the Business Audit Section regarding the aforementioned command issued by the Corporate Auditor(s).

(10) System for reporting by Directors, employees, and officers and employees of the Company's subsidiaries to Corporate Auditors and other systems concerning reporting to Corporate Auditors

- 1) Officers and employees of the GUNZE Group report to Corporate Auditors without delay while taking appropriate measures in the event that they discover any fact that could have a negative impact, in a material degree, on the GUNZE Group, such as impairment of its credibility or adverse effects on its business operations and financial performance.
- 2) Officers and employees of the GUNZE Group make reports necessary for auditing to Corporate Auditors of the Company without delay when so requested by Corporate Auditors.
- 3) The Group Board of Corporate Auditors liaison meeting is held regularly, at which Corporate Auditors of the Company's subsidiaries report compliance risks concerning the subsidiaries.
- 4) The Manager of the Business Audit Section reports to Corporate Auditors without delay issues discovered through auditing of the GUNZE Group by the Business Audit Section.
- 5) Officers and employees of the GUNZE Group report to Corporate Auditors without delay

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important matters among information as described in item 3) of section (5) above.

- 6) In accordance with the Whistleblower Protection Rules, GUNZE prohibits making any detrimental treatment to officers or employees of the GUNZE Group who made reports such as described in item 5) above for the reason of having made such reports.

(11) Systems to ensure that audits by Corporate Auditors are conducted effectively

- 1) Corporate Auditors formulate an auditing policy and assign work in accordance with the Board of Auditors Regulations and Auditing Rules for Corporate Auditors, and periodically exchange views and information with Representative Directors, independent accounting auditors and the staff of the Business Audit Section.
- 2) Corporate Auditors submit issues discovered through their audits to Directors and employees, and give recommendations for improvement or advice to the concerned department as necessary in order to ensure that internal controls function effectively.
- 3) Outside auditors account for half or more of all Corporate Auditors to ensure transparency of audits.
- 4) In the event that Corporate Auditors make requests to the Company to pay or reimburse expenses, etc. in accordance with Article 388 of the Companies Act, the Company shall promptly respond to such requests, except in cases where it proves that the expenses relating to such requests are not necessary for the execution of their duties. The Company also provides an annual budget with a fixed amount for expenses, etc. arising from the execution of their duties.

6. Outline of Implementation of Systems to Ensure Appropriate Business Operations of the Company

(1) Legal and regulatory compliance system

The Company distributes a pamphlet entitled “Gunze-no-Ze” (Policy of GUNZE) to all Directors, Corporate Auditors and employees of the GUNZE Group. This pamphlet comprehensively covers the Company’s philosophical framework for practicing its Founding Philosophy, as well as guidelines for behavior that serve as the basis of daily activities. The Company offers a course with an introduction to compliance to new employees when they are hired and during all new employee training, using “Gunze-no-Ze” and other educational materials. The Company aims to realize “GUNZE’s sustainable management,” which is intended to create a sustainable society and enhance GUNZE’s corporate value by addressing social issues that should be solved through its business activities. To this end, the Sustainability Committee conducted seminars and group discussions targeting Sustainability Committee members, divisional general managers, and sustainability promotion leaders. Moreover, social contribution activities were conducted under the leadership of sustainability promotion leaders in 42 business units, and unity among employees was cultivated.

Moreover, the Company has the Advice and Report Hotline for Employees in place for compliance-related advice and reporting. In fiscal 2021, there were 14 hotline contacts, seeking advice or reporting issues. Hotline issues are reported to the responsible personnel of the relevant office upon obtaining consent of the whistleblower, aiming at swift resolution of compliance-related problems and prevention of their recurrence. Hotline issues are also reported to the Directors in charge of sustainability and compliance, Corporate Auditors, and the President to share information. In addition to the existing internal whistleblower hotline, the Company also established a hotline staffed by an attorney. This external hotline became operational on April 1, 2020 and received one hotline report during fiscal 2021.

(2) Loss and risk management system

In fiscal 2021, the Risk Management Committee reviewed and redefined key management risks. Specifically, the Committee analyzed and assessed risks potentially faced by the Company, including with respect to the infringement of human rights, environmental issues, the violation of laws and regulations, corrupt practices including bribery, disasters including infectious diseases and natural disasters, industrial accidents, and other risks in order to identify the key management risks. Intensive discussions were then held on these extracted key management risks. Following this, periodic monitoring systems were set up at the main divisions responsible for managing each risk, with the aim of providing the related divisions with follow-up and offering training, as the Company strengthened its risk management efforts.

(3) Information retention system

The documents, records and information materials pertaining to the execution of duties by Directors are managed and retained by the secretariat of each meeting or the responsible department in accordance with the Documentation Rules. Management and retention of information pertaining to business divisions and subsidiaries of the Company are inspected and confirmed by the Business Audit Section mainly during auditing.

(4) Systems to ensure efficiency

The Company adopts a Corporate Officers System in order to facilitate quicker decision-making and reinforce its business execution system, appointing 13 Corporate Officers, five (5) of whom concurrently assume the position of a Director. To clarify the management responsibilities to be assumed by Directors and Corporate Officers and build a management system capable of swiftly responding to changes in the Company's management environment, the term of office of Directors and Corporate Officers is designated as one (1) year. As a basic rule, the Board of Directors meeting is held once a month (held 13 times in the fiscal year ended March 31, 2022) to decide important matters regarding execution of business and matters stipulated in laws or the Articles of Incorporation, while also overseeing the Directors' execution of their duties. Along with this, an Executive Management meeting was held 22 times in the fiscal year ended March 31, 2022. Seven (7) persons including the Representative Director, Managing Director, and Directors and Corporate Officers in charge of specific functions attend the meeting to deliberate on important matters regarding business execution, while seeking to facilitate quicker decision-making.

(5) Internal controls for the corporate group

For the purpose of auditing the appropriateness of the business process and management efficiency of the GUNZE Group including the Company's affiliated companies, the Company has a Business Audit Section in place as a department under the direct control of the President to conduct internal audits. Six (6) staff members of the Business Audit Section conduct internal audits with the aim of enhancing the internal control functions of the Group as a whole.

Business operations of the Company's subsidiaries are managed on a monthly basis. At a management meeting held at the time of drawing up the budget, and the Executive Officer meeting pertaining to annual financial reporting, the Company receives direct reports from representatives of overseas subsidiaries.

As for the educational system, the Overseas Subsidiary President meeting is held regularly to provide representatives of subsidiaries with training regarding important compliance risks, etc.

In China, where many of the Company's subsidiaries are gathered, staff members tasked with conducting internal audits are placed in Shanghai. They are conducting audits by circulating among the subsidiaries in China and enhancing the response to taxation issues, etc., in order to strengthen the response to risks pertaining to China.

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(6) Internal controls for financial reporting

In conformance with the Internal Control Standards, the establishment and implementation status of internal controls over financial reporting were assessed. The results of the assessment were put on the agenda of a Board of Directors meeting, etc. after having undergone deliberations by the Internal Control Validity Assessment Committee. Based on the resolution reached at the Board of Directors meeting, the Company disclosed that its internal controls over financial reporting were deemed valid.

(7) Systems to ensure effectiveness of audits conducted by Corporate Auditors

At the beginning of each fiscal year, Corporate Auditors and the Board of Corporate Auditors draw up the Board's auditing plan and make prior confirmation with the independent accounting auditors and the Business Audit Section (a department for conducting internal audits) regarding the outline of plans for auditing by accounting auditors and internal audit plans, as well as their audit items. Corporate Auditors also attend onsite audits and audit reviews of independent accounting auditors and the Business Audit Section as necessary, while receiving reports on the results of audits from the independent accounting auditors and the Business Audit Section. In fiscal 2021, Corporate Auditors attended 24 audit sessions for GUNZE Group sites in Japan, including interviews with representatives of all business divisions, based on the audit plans. Corporate Auditors also held regular meetings with Directors including the Representative Directors, senior executives, independent accounting auditors, and the staff of the Business Audit Section, to exchange views and information. The Group Board of Corporate Auditors liaison meeting was also held, receiving reports from Corporate Auditors of the Company's subsidiaries regarding audit plans, status of audits, etc.

7. Basic Policy for Corporate Control

(1) Basic policy

In conformance with its "quality first" policy and its commitment to "technology-oriented management," the GUNZE Group promotes customer-focused business operations. In doing so, the Group lives up to its founding philosophy that underscores a people-oriented approach, a commitment to quality, and harmonious coexistence. Based on this philosophy, the Group strives to fulfill its corporate social responsibility (CSR). With a strong determination to provide customers with a "Feeling of Comfort" through the products and services offered by each business line, the GUNZE Group aims to become "a corporate group that fulfills the needs of society" and "a corporate group that grows sustainably alongside society."

With the aim of raising its corporate value, and in accordance with its basic stance of promoting shareholder-focused management attitudes, the Company endeavors to increase profitability and enhance capital efficiency. Moreover, returning earnings to shareholders is one of the Group's most important management policies. Accordingly, the Company works to distribute earnings to shareholders in a continual and stable manner, based on the medium- and long-term business perspective, through the payment of dividends and the repurchase of treasury stock.

The Company also believes that decisions regarding which parties are entitled to be shareholders of the Company should be reached through free trading of the Company's shares. The Company therefore considers that, in the event of a takeover offer that accompanies transfer of controlling stakes, the decision to accept or reject the proposal should ultimately be the responsibility of the shareholders.

However, to realize sustained enhancement of the Group's corporate value and common interests of its shareholders through the efforts described above, it is essential that the Company maintain and develop appropriate relations not only with shareholders but also other parties comprising the Company's stakeholders, including customers, business associates, employees and local communities. Consequently, the Company considers that persons who control the decisions on the financial and operational policies of the Company must fully understand the financial position and

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business operations of the Company, as well as the sources of its corporate value, and implement management practices in consideration of stakeholders' interests.

Accordingly, the Company concludes that persons attempting to conduct a large-scale acquisition of the Company's shares or other assets in a way that could possibly impair the GUNZE Group's corporate value, the Company's interests, and the common interests of its shareholders consequently, will be unsuited to executing the decision on the financial and operational policies of the Company. The Company thus believes that the implementation of necessary and suitable defense measures against the said acquisition will be necessary to secure the GUNZE Group's corporate value and the interests of the Company, as well as the common interests of its shareholders.

(2) Efforts to contribute to the implementation of the basic policy

To contribute to the implementation of the basic policy, the Company promotes the following strategies as it pursues the enhancement of the GUNZE Group's corporate value and common interests of its shareholders.

1) Promotion of medium-term management plan

The GUNZE Group launched its new medium-term management plan, "VISION 2030 Stage 1" in fiscal 2022, which represents the initial year of this 3-year plan. To promote the new plan, the GUNZE Group specified its vision for 2030 as: "Create new value and deliver a 'feeling of comfort' to customers, contributing to realize a sustainable society." Under the key phrase of "Transform and Challenge," we will actively adopt the perspective of sustainable management while swiftly addressing various.

(Pivotal strategies of "VISION 2030 Stage 1")

Creation of new value	<ul style="list-style-type: none">• Creation of new businesses and growing existing businesses (including M&As)• Offering new products/services designed with enhanced sustainability in mind
Capital cost-focused management	<ul style="list-style-type: none">• Strategic allocation of management resources• Achieving a positive GVA value by improving capital efficiency
Evolution of corporate constitution	<ul style="list-style-type: none">• Establishing a corporate culture that empowers diverse human resources• Promoting mindset/business transformation through work style reforms• Transforming business processes through the proactive use of digital technology (covering all business processes – production, sales, development, logistics, indirect operation, etc.)
Environmentally responsible management	<ul style="list-style-type: none">• Reducing negative environmental impact from business activities

2) Strengthening of corporate governance

To facilitate more agile decision-making and strengthen management oversight functions, the Company launched a Corporate Officers System and reduced the maximum number of members of the Board of Directors in the 110th business term (fiscal year ended March 31, 2006). In the 111th business term (fiscal year ended March 31, 2007), the term of office of Directors was reduced from two (2) years to one (1) year to clarify the management responsibility of Directors and establish a management system capable of quickly responding to changes in the business environment. For nomination of candidates for Directors, starting in the 124th term (fiscal year ended March 31, 2020) candidates are decided by the Board of Directors after deliberations at the Nomination/Remuneration Committee, in order to enhance corporate governance. The Nomination/Remuneration Committee is composed of the Representative Directors and outside

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Directors, and chaired by an outside Director, and serves as an advisory body to the Board of Directors.

At its Board of Directors meeting held on December 18, 2015, the Company established the GUNZE Corporate Governance Guidelines as the basic policy regarding the GUNZE Group's corporate governance. They were revised in June 2021. The Guidelines are posted on the Gunze corporate website (<https://www.gunze.co.jp/ir/policy/governance/index.html>).

(3) Efforts to prevent inappropriate control of the Company

The Company will take appropriate measures as far as are permitted by the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations. These include requesting the party intending to make the large-scale acquisition of the Company's shares to submit to the Company necessary and sufficient information, and to secure a sufficient amount of time for its shareholders to make appropriate judgments on the said proposal of acquisition.

(4) Judgment of the Board of Directors of the Company regarding the above efforts and rationale thereof

The Company's Board of Directors concludes that these efforts conform to the Company's Basic Policy for Corporate Control and are not detrimental to its corporate value and the common interests of its shareholders, nor are they intended to protect the position of any of the Directors in the Company.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	9,717	14,469
Notes and accounts receivable - trade	27,715	26,634
Merchandise and finished goods	21,094	21,361
Work in process	5,714	6,702
Raw materials and supplies	4,302	5,630
Short-term loans receivable	580	644
Other	2,983	3,768
Allowance for doubtful accounts	(17)	(11)
Total current assets	72,090	79,199
Non-current assets		
Property, plant and equipment		
Buildings and structures	122,045	109,634
Accumulated depreciation	(82,355)	(75,769)
Buildings and structures, net	39,689	33,864
Machinery, equipment and vehicles	94,587	92,985
Accumulated depreciation	(83,859)	(82,921)
Machinery, equipment and vehicles, net	10,727	10,064
Tools, furniture and fixtures	7,823	8,335
Accumulated depreciation	(6,430)	(6,068)
Tools, furniture and fixtures, net	1,393	2,266
Land	12,173	10,526
Leased assets	1,199	2,289
Accumulated depreciation	(1,036)	(1,839)
Leased assets, net	162	450
Construction in progress	776	2,318
Total property, plant and equipment	64,923	59,490
Intangible assets		
Software	663	777
Other	948	566
Total intangible assets	1,612	1,343
Investments and other assets		
Investment securities	15,638	11,964
Long-term loans receivable	3	0
Deferred tax assets	1,574	2,371
Other	3,859	3,898
Allowance for doubtful accounts	(71)	(51)
Total investments and other assets	21,004	18,183
Total non-current assets	87,539	79,016
Total assets	159,629	158,216

(Million of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,830	8,928
Short-term borrowings	4,913	5,018
Commercial papers	500	–
Current portion of long-term borrowings	7,301	2,402
Income taxes payable	397	2,139
Provision for bonuses	1,436	1,361
Notes payable - facilities	96	942
Provision for loss on transfer of business	–	218
Other	8,387	10,211
Total current liabilities	30,863	31,221
Non-current liabilities		
Long-term borrowings	4,581	2,317
Provision for loss on guarantees	44	115
Retirement benefit liability	3,645	3,750
Long-term leasehold and guarantee deposits received	4,750	4,389
Other	566	1,631
Total non-current liabilities	13,587	12,203
Total liabilities	44,451	43,425
Net assets		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,674	6,566
Retained earnings	84,456	81,184
Treasury shares	(6,904)	(4,399)
Total shareholders' equity	110,298	109,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,321	1,393
Deferred gains or losses on hedges	16	(35)
Revaluation reserve for land	(45)	(26)
Foreign currency translation adjustment	389	1,964
Remeasurements of defined benefit plans	575	183
Total accumulated other comprehensive income	3,256	3,480
Share acquisition rights	158	131
Non-controlling interests	1,465	1,755
Total net assets	115,178	114,790
Total liabilities and net assets	159,629	158,216

(2) Consolidated Statements of Income

(Million of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	123,649	124,314
Cost of sales	85,666	86,700
Gross profit	37,982	37,614
Selling, general and administrative expenses	33,309	32,734
Operating profit	4,673	4,880
Non-operating income		
Interest income	36	50
Dividend income	439	384
Rental income from non-current assets	271	276
Foreign exchange gains	–	160
Subsidy income	212	409
Other	194	93
Total non-operating income	1,155	1,375
Non-operating expenses		
Interest expenses	125	146
Rental expenses on non-current assets	264	279
Foreign exchange losses	4	–
Expenses for suspension of operation	–	190
Other	338	239
Total non-operating expenses	734	856
Ordinary profit	5,094	5,399
Extraordinary income		
Gain on sale of non-current assets	170	5,447
Gain on sale of investment securities	1,466	923
Other	34	–
Total extraordinary income	1,671	6,370
Extraordinary losses		
Loss on sale and retirement of non-current assets	172	805
Loss on sale of investment securities	1,428	196
Loss on valuation of investment securities	39	299
Impairment losses	402	3,513
Loss on COVID	963	410
Business restructuring expenses	–	563
Factory transfer expenses	139	193
Other	264	221
Total extraordinary losses	3,410	6,203
Profit before income taxes	3,356	5,566
Income taxes - current	703	2,625
Income taxes - deferred	390	(72)
Total income taxes	1,093	2,553
Profit	2,262	3,013
Profit attributable to non-controlling interests	115	73
Profit attributable to owners of parent	2,147	2,939

(3) Consolidated Statements of Comprehensive Income

(Million of yen)

	FY2020	FY2021
	(Apr. 1, 2020 to Mar. 31, 2021)	(Apr. 1, 2021 to Mar. 31, 2022)
Profit	2,262	3,013
Other comprehensive income		
Valuation difference on available-for-sale securities	4,939	(927)
Deferred gains or losses on hedges	(40)	(51)
Foreign currency translation adjustment	(134)	1,689
Remeasurements of defined benefit plans, net of tax	1,306	(391)
Total other comprehensive income	6,071	319
Comprehensive income	8,334	3,332
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,234	3,154
Comprehensive income attributable to non-controlling interests	99	177

(4) Consolidated Statements of Cash Flows

(Million of yen)

	FY2020	FY2021
	(Apr. 1, 2020 to Mar. 31, 2021)	(Apr. 1, 2021 to Mar. 31, 2022)
Cash flows from operating activities	8,595	9,155
Cash flows from investing activities	1,169	6,806
Cash flows from financing activities	(9,335)	(12,358)
Effect of exchange rate changes on cash & cash equivalents	20	692
Increase (decrease) in cash and cash equivalents	449	4,296
Cash and cash equivalents at the beginning of the period	9,267	9,717
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	-	456
Cash and cash equivalents at the end of the period	9,717	14,469