

[Translation]

GUNZE LIMITED

[**Disclaimer:** Please note that the following purports to be an excerpt translation from the original 2011 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 3, 2014

To Our Shareholders:

**NOTICE OF CONVOCATION OF
THE 118TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 118th Ordinary General Meeting of Shareholders of GUNZE LIMITED. The meeting will be held as described below.

If you are unable to attend the meeting, you are requested to study the reference materials for the general meeting of shareholders below, and then please either complete and send by mail the enclosed Voting Rights Exercise Form indicating your approval or disapproval for each matter for resolution so that it shall arrive at the Company no later than 5:00 P.M. on Tuesday, June 24, 2014, or make an entry for approval or disapproval for each matter for resolution on the site provided for exercising your voting right in the Internet (<http://www.evotep.jp/>) as designated by the Company no later than the aforementioned date and time.

Yours very truly,

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

By: Nodoka Kodama
Representative Director and President

[Translation]

PARTICULARS

- 1. Date and Time of the Meeting:** 1:00 P.M., Wednesday, June 25, 2014
- 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 118th Business Term (from April 1, 2013 to March 31, 2014).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 118th Business Term (from April 1, 2013 to March 31, 2014).

Matters for Resolution:

- | | |
|----------------------------|---|
| First Proposition: | Proposed Disposal of Surplus |
| Second Proposition: | Election of Ten (10) Directors |
| Third Proposition: | Election of One (1) Corporate Auditor |
| Fourth Proposition: | Election of One (1) Substitute Corporate Auditor |
| Fifth Proposition: | Continuation of the Policy for Measures against Large-scale Acquisition of Shares of the Company (Takeover Defense Policy) |

- 4. Matters Determined concerning the Convocation**

Please refer to “Guide to Exercising Voting Rights” on pages 43 and 44.

[Translation]

(Attachment)

Results of Operations (April 1, 2013 to March 31, 2014)

1. Items Related to the Current Status of the GUNZE Group

(1) Business Progress and Results

Reviewing economic conditions during the fiscal year ended March 31, 2014, the Japanese economy has been experiencing a mild recovery. Driving this was the correction of the very strong yen and a revival in stock prices, reflecting the effect of the Japanese government's economic policies, or so-called "Abenomics." Personal expenditures also recovered for luxury items, and there were last-minute surges in demand before the planned consumption tax hike. On the other hand, increasing costs of raw materials and energy, as well as rising prices for imported products due to the weaker yen, spurred concerns about inflation, which in turn resulted in consumers becoming increasingly budget-conscious. These factors caused continuing uncertainty in the Japanese economy. Faced with this situation, the GUNZE Group worked to enhance its ability to adapt to rapid changes in the market environment by securing growth and fortifying its corporate constitution. These are two key strategies of GUNZE Group's medium-term management plan, called "Innovation 4S" (fiscal 2011 through fiscal 2013)," which was in its final year.

Although the GUNZE Group's functional solutions business faced increasingly intense competition and soaring raw material prices, electronic components showed a remarkable improvement in performance with an increase in demand for touch screen films. The apparel business continued to experience challenging conditions, with several factors causing cost hikes, such as the weaker yen and escalating labor costs outside Japan.

Consequently, the GUNZE Group's consolidated net sales for the fiscal year under review amounted to ¥142,425 million (a year-over-year increase of 7.6%). Consolidated operating income totaled ¥4,375 million (a year-over-year increase of 155.8%), while consolidated ordinary income was ¥5,058 million (a year-over-year increase of 117.3%). Consolidated net income was ¥2,508 million compared with a consolidated net loss of ¥1,161 million posted in the previous fiscal year.

Results by Business Segment

[Functional Solutions]

In plastic film, while prices of raw materials hovered at high levels, sales of shrink film for beverage and anti-fogging film for vegetable packaging remained firm. Packaging materials did well in sales, reflecting rush demand ahead of the rise in the consumption tax rate and demand for replacement purchases. In engineering plastics, demand related to office equipment components showed signs of bottoming out, and semiconductor-related components posted a sales increase. In electronic components, projected capacitive touch screens for PCs and semi-finished products and films for smartphones showed stable performance despite increasingly intense price competition. In medical materials, sales increased steadily in Europe, North America and China.

Consequently, the functional solutions business posted net sales of ¥58,235 million (a year-over-year increase of 17.6%), while operating income was ¥4,745 million (a year-over-year increase of 68.7%).

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[Apparel]

Innerwear struggled from the negative impact of the yen's depreciation and escalating labor costs outside Japan. However, GUNZE worked hard on business structure reform to cut fixed costs and reduce cost of sales through improvement of productivity, while also promoting withdrawal from unprofitable stores. These efforts resulted in an improvement in profitability. In terms of products, the reborn *YG* brand, a new and improved basic product for men, was put on sale. For women's innerwear as well, the *KIREILABO* line targeting middle-aged customers was reinforced. In leg wear, plain pantyhose products and leggings pants enjoyed robust sales. Still, this was not enough to offset the increase in cost of sales caused by the yen's depreciation. At the end of the fiscal year under review, the apparel business as a whole experienced a last-minute surge in demand before the consumption tax hike.

Consequently, the apparel business posted net sales of ¥70,461 million (a year-over-year increase of 0.7%) and operating income of ¥1,400 million (a year-over-year increase of 0.5%).

[Lifestyle Creations]

The real estate business remained firm thanks to the positive effects of renovation of the *GUNZE Town Center TSUKASHiN* commercial facility, along with rush demand prior to the increase in the consumption tax rate. In the sports club business, the campaign for attracting new members and other promotions contributed to an increase in membership. The strengthened area strategy also helped the landscaping and greening business to perform well.

Consequently, the lifestyle creation business recorded net sales of ¥14,497 million (a year-over-year increase of 4.5%), while operating income was ¥1,367 million (a year-over-year increase of 30.9%).

(2) Key Management Issues for the GUNZE Group

As for the outlook for the upcoming fiscal year, promising signs are gradually appearing for the Japanese economy, mainly in export-oriented industries. Economic growth is also anticipated due to the positive impact of the government-issued economic packages and other encouraging factors. Still, there are many risk factors that could worsen corporate performance and consumer confidence. These include a slowdown in personal spending caused by the reverse effect of the last-minute surge in demand in advance of the consumption tax hike. The tax increase will also result in family finances suffering a loss in real income, and the depreciation of the yen will continue to cause sharp rises in raw material prices. These risk factors will cause the future of the business environment surrounding the GUNZE Group to remain unpredictable.

Against this backdrop, the new fiscal year 2014 saw the launch of the new medium-term management plan, called "CAN 20 (fiscal 2014 through fiscal 2020)." With the new medium-term management plan, GUNZE will implement a portfolio strategy intended to promote "Selection and Focus" through classification and rating of Strategic Business Units (SBUs). As the core of its growth strategy, GUNZE will seek to combine its Group-wide resources through the Cross-Functional Approach (CFA) project that transcends organizational boundaries, in order to efficiently create and cultivate new businesses. By so doing, GUNZE will aim to expand business in the health-care and medical fields, which help enhance quality of life (QOL). As a measure for reinforcing the management foundation to support its growth strategy, GUNZE will work to strengthen its intangible assets, including core technological strengths, global responsiveness and

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corporate brand value. Through these initiatives, GUNZE will strive to contribute to society as a global corporate group that is committed to providing customers with a “Feeling of Comfort” by leveraging the GUNZE Group’s unique characteristics.

As for the functional solutions business, in the category of plastic films GUNZE will work to strengthen its shrink film business in areas outside Japan, such as the U.S., while also enhancing profitability for nylon film. In engineering plastics, efforts will be concentrated on expanding products employing GUNZE fiber technology, such as products related to semiconductors. In electronic components, GUNZE will seek to quickly establish a business base and expand sales for optical film and other films. In medical materials, efforts will be geared toward promoting entry into the U.S. market and establishing a production base in China for bioabsorbable reinforcement felt.

In the apparel business, GUNZE will continue to focus on business structure reform while also concentrating its resources on strong core brands. At the same time, GUNZE will strive to promote its high-growth channel strategy intended to strengthen channels such as the web (online), drugstores and overseas channels.

In the lifestyle creation business, GUNZE will strive to improve the profitability of its real estate business by making effective use of idle assets. GUNZE will also seek to expand sales for its sports club business through aggressive sports club chain expansion inside and outside Japan.

The continued support and patronage of our shareholders will be greatly appreciated.

(3) Financial Conditions

A. Consolidated Operating Results and Summary of Assets

(Millions of yen)

	115 th term (FY2010)	116 th term (FY2011)	117 th term (FY2012)	118 th term (FY2013)
Net sales	133,705	136,621	132,373	142,425
Operating income	3,085	1,023	1,710	4,375
Ordinary income	3,285	975	2,328	5,058
Net income (loss)	1,796	571	(1,161)	2,508
Net income (loss) per share (¥)	9.23	2.96	(6.06)	13.09
Total assets	163,917	168,517	163,328	166,544
Net assets	113,345	110,197	108,745	114,183

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B. Net Sales and Operating Income by Segment

(Millions of yen)

	117 th term (FY2012)		118 th term (FY2013)	
	Net sales	Operating income	Net sales	Operating income
Functional solutions	49,538	2,813	58,235	4,745
Apparel	69,991	1,393	70,461	1,400
Lifestyle creations	13,867	1,044	14,497	1,367
Total	133,397	5,251	143,194	7,514
Eliminations/Corporate	(1,024)	(3,540)	(768)	(3,138)
Consolidated	132,373	1,710	142,425	4,375

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, leg wear, textiles, threads and accessories

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

2. 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 sets up a CSR Promotion Section and appoints a Chief CSR Officer (CCSRO) to strengthen the GUNZE Group's CSR practices. A Chief Compliance Officer (CCO) is also appointed to ensure strict legal and regulatory compliance and establish high standards of corporate ethics.
Moreover, in accordance with its Rules concerning CSR, Rules concerning Compliance and other related rules, the Corporate-wide CSR Committee, a cross-divisional team chaired by CCSRO, strives to strengthen the corporate structure intended to ensure strict 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 and Corporate Auditors by holding CSR seminars targeting them on a

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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 the Chief Financial Officer (CFO) 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 Basic Rules concerning Management of Trade Secrets and Trade Secret Management Standards, the Company sets up a cross-divisional supervisory team, Trade Secrets Management Committee (chaired by CCO), 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 Chief Officers and others roughly once a 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.

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- 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 Group 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 through its corporate-wide project activities.
- 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, by which employees can directly report compliance-related information or ask compliance-related questions via the Advice Hotline for Employees, in order to prevent misconduct and accidents. Should material violation of laws or regulations, or other compliance-related problems be discovered, employees should also report directly to the Chief Operating Officer (COO) or the Chief Compliance Officer (CCO).

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

- 1) Under the supervision of the Corporate-wide CSR Committee, a Compliance 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 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,

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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 Law, the Company assigns the Chief Financial Officer (CFO) 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

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 and employees to Corporate Auditors and other systems concerning reporting to Corporate Auditors

- 1) Directors 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 affects on its business operations and financial performance.
- 2) Directors and employees make reports necessary for auditing to Corporate Auditors without delay when so requested by Corporate Auditors.
- 3) The Manager of the Business Audit Section reports to Corporate Auditors without delay issues discovered through auditing by the Business Audit Section.
- 4) Directors and employees report to Corporate Auditors without delay important matters among information as described in item 3) of section (5) above.

(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

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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.

3. 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 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, and thus a mechanism of preventing said acquisition or like action will be necessary.

(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 is currently carrying out its medium-term management plan ("CAN 20 Plan" for the period covering the 119th business term to the 125th business term (FY2020)). With the key concept of "Focus and Concentration," the Group will strive to enhance the GUNZE Group's corporate value by implementing the three basic strategies. These are: selection and focus for existing businesses based on strategic business units (SBUs); cultivation and creation of new high-growth businesses through the Cross-Functional Approach (CFA) initiatives; and reinforcement of the management foundation to support the company's growth strategy.

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. The Company is committed to strengthening corporate governance through these measures, while at the same time inviting outside Directors to join the Board with the aim of maintaining transparency in all management practices.

(3) Efforts to prevent inappropriate control of the Company

For the purpose of retaining and improving the GUNZE Group's corporate value, and to secure enough time and opportunity for the Company's shareholders to gain sufficient information for making appropriate judgments themselves, the Company, at its Board of Directors meeting held on May 12, 2006, resolved the "Policy for Measures against Large-scale Acquisition of Shares of the Company (Takeover Defense Policy)." The Proposition proposing the introduction of the Policy was then submitted to the 110th ordinary General Meeting of Shareholders, held on June 29, 2006, where the Proposition was approved by shareholders.

In light of various trends and subsequent circumstances relevant to the Takeover Defense Policy, the Policy was partially revised and updated after having been approved by shareholders at the 112th ordinary General Meeting of Shareholders held on June 26, 2008 and the 115th ordinary General Meeting of Shareholders held on June 24, 2011. However, because its effective period was specified to be until the close of the ordinary General Meeting of Shareholders scheduled for June 2014, the Company, at a meeting of its Board of Directors held on May 13, 2014, resolved to partially revise and continuously implement the policy on condition that shareholders' approval will be sought at the 118th ordinary General Meeting of Shareholders scheduled for June 25, 2014 (hereinafter referred to as "The General Shareholders' Meeting"). Details of the partially revised policy, under the title, "Continuation of the Policy for Measures against Large-scale Acquisition of

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Shares of the Company (Takeover Defense Policy)” (hereinafter referred to as the “Continued Policy”) were released after the resolution on the same day. The full text of the press release regarding the Continued Policy is available on the Gunze corporate website (<http://www.gunze.co.jp>).

For details regarding this Proposition, please refer to the Fifth Proposition on pages 24 to 38 in “Reference Materials concerning General Meeting of Shareholders” attached to this Notice.

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

It is the belief of the Company’s Board of Directors 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.

The Continued Policy stipulates that the Company’s Board of Directors shall request that the Special Committee be organized in the event of an attempted large-scale acquisition of shares of the Company to carry out evaluation and recommendations regarding the content of takeover and defense measures. As a basic rule, the Company shall follow the evaluation and recommendations made by the Special Committee only after making its own evaluation of the Special Committee’s evaluation and recommendations in a responsible manner. Moreover, the defense measures shall be triggered only after the previously specified reasonable objective conditions are met. Thus, the Continued Policy is intended to avoid arbitrary judgment of the Company’s Board of Directors and to ensure transparency and fairness of judgment regarding compliance to rules for large-scale acquisition and determination of whether the takeover defense measures should be triggered. It is not intended to protect the position of any of the Directors in the Company.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	End of FY2012 (Mar. 31, 2013)	End of FY2013 (Mar. 31, 2014)
Assets		
Current assets		
Cash and cash equivalents	6,070	6,757
Notes & accounts receivable, trade	28,736	30,252
Finished products and goods	21,281	19,439
Work in process	6,765	6,746
Raw materials and supplies	5,938	6,370
Short-term loans	552	411
Deferred income taxes	1,828	1,069
Other current assets	2,291	2,489
Allowance for doubtful accounts	(9)	(33)
Total current assets	73,454	73,503
Fixed assets		
Property, plants and equipment		
Buildings and structures	103,404	106,260
Accumulated depreciation	(65,812)	(68,167)
Buildings and structures (Net)	37,591	38,093
Machinery, equipment and vehicles	97,818	100,287
Accumulated depreciation	(83,293)	(84,202)
Machinery, equipment and vehicles (Net)	14,524	16,084
Tools, furniture and fixtures	6,890	7,047
Accumulated depreciation	(5,884)	(5,868)
Tools, furniture and fixtures (Net)	1,006	1,178
Land	11,887	11,894
Leasehold assets	30	144
Accumulated depreciation	(20)	(38)
Leasehold assets (Net)	10	105
Construction in progress	283	1,406
Total property, plants and equipment	65,304	68,763
Intangible fixed assets		
Software	1,469	1,173
Other intangible fixed assets	204	295
Total intangible fixed assets	1,674	1,468
Investments and other assets		
Investments in securities	11,831	12,684
Long-term loans	798	690
Assets related to retirement benefits	-	1,454
Deferred income taxes	4,615	3,616
Other assets	5,752	4,514
Allowance for doubtful accounts	(102)	(151)
Total investments and other assets	22,894	22,808
Total fixed assets	89,873	93,040
Total assets	163,328	166,544

	End of FY2012 (Mar. 31, 2013)	End of FY2013 (Mar. 31, 2014)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	6,990	9,491
Short-term debt	4,680	4,781
Commercial paper	11,800	4,500
Current portion of long-term debt	1,911	1,451
Accrued income taxes	438	622
Allowance for employees' bonuses	1,136	1,109
Notes payable on acquisition of property, plants and equipment	1,671	2,563
Other current liabilities	7,458	7,981
Total current liabilities	36,086	32,502
Long-term liabilities		
Long-term debt	11,647	13,333
Allowance for retirement benefits	1,805	-
Liabilities related to retirement benefits	-	1,672
Long-term deposits & guarantee deposits	4,664	4,401
Other long-term liabilities	378	450
Total long-term liabilities	18,495	19,858
Total liabilities	54,582	52,360
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,064	14,061
Retained earnings	76,700	77,771
Treasury stock	(7,603)	(7,614)
Total shareholders' equity	109,233	110,289
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for- sale securities	(27)	365
Deferred gains (losses) on hedge	57	0
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	(1,261)	850
Accumulated adjustments related to retirement benefits	-	1,251
Total accumulated other comprehensive income	(1,632)	2,067
Stock acquisition rights	268	312
Minority interests	876	1,514
Total net assets	108,745	114,183
Total liabilities and net assets	163,328	166,544

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY2012	FY2013
	(Apr. 1, 2012 to Mar. 31, 2013)	(Apr. 1, 2013 to Mar. 31, 2014)
Net sales	132,373	142,425
Cost of sales	99,012	107,007
Gross profit	33,360	35,418
Selling, general & administrative expenses	31,650	31,043
Operating income	1,710	4,375
Non-operating income		
Interest income	35	30
Dividend income	245	265
Rental income	573	496
Exchange gain	405	647
Employment adjustment subsidy	196	0
Other	251	213
Total non-operating income	1,707	1,654
Non-operating expenses		
Interest expenses	182	167
Rental expenses	533	470
Other	372	333
Total non-operating expenses	1,089	971
Ordinary income	2,328	5,058
Extraordinary income		
Gain on sale of property, plants & equipment	86	1,416
Gain on establishment of employee retirement benefit trust	1,941	-
Other	89	93
Total extraordinary income	2,117	1,510
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	278	221
Amortization of actuarial differences in retirement benefits	2,601	886
Impairment loss	2,683	-
Expenses on business structure improvement	-	697
Other	227	109
Total extraordinary loss	5,790	1,915
Income (loss) before income taxes and minority interests	(1,344)	4,653
Income, residential and enterprise taxes	508	977
Adjustment for income and other taxes	(475)	957
Total income and other taxes	32	1,935
Income (loss) before minority interests	(1,377)	2,718
Minority interests in income (loss)	(216)	209
Net income (loss)	(1,161)	2,508

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2012	FY2013
	(Apr. 1, 2012 to Mar. 31, 2013)	(Apr. 1, 2013 to Mar. 31, 2014)
Income (loss) before minority interests	(1,377)	2,718
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(458)	392
Deferred gains (losses) on hedge	278	(56)
Foreign currency translation adjustments	1,412	2,271
Total other comprehensive income (loss)	1,232	2,607
Comprehensive income (loss) attributable to:	(145)	5,326
Shareholders of the parent company	(60)	4,956
Minority interests	(84)	369

[Translation]

REFERENCE MATERIALS CONCERNING 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 118th 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:
¥7.5 per share of common stock of the Company.
Total amount: ¥1,437,172,545.
- (3) Effective date for distribution of surplus:
June 26, 2014.

[Translation]

Second Proposition: Election of Ten (10) Directors

The terms of office of all ten (10) Directors will expire at the close of this general meeting of shareholders. It is therefore proposed that ten (10) Directors will be selected.

The candidates are as follows:

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
1	Nodoka Kodama (Nov. 23, 1948)	Apr. 1972	Joined "GUNZE"	48,000
		Jun. 2006	Director, Corporate Officer, General Manager of Management & Strategy Corporate Department and Human Resources Development Department, CFO, CMAO and Deputy CHO, GUNZE	
		Jul. 2007	Director, Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO and CMAO, GUNZE	
		Jun. 2008	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO, CMAO and CHO, GUNZE	
		Apr. 2009	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO, CMAO, CHO and General Manager of Corporate Communication Department, GUNZE	
		Apr. 2010	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Corporate Communication Department, CFO and CHO, GUNZE	
		Apr. 2012	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Corporate Communication Department and CFO, GUNZE	
		Jun. 2012	President, Representative Director, President Corporate Officer and COO, GUNZE (to present)	
2	Kazunori Hattori (Oct. 20, 1956)	Apr. 1980	Joined "GUNZE"	5,000
		Jun. 2008	Director, Corporate Officer and Company President of Plastic Film Company, GUNZE	
		Apr. 2011	Director, Corporate Officer, Company President of Plastic Film Company and CCO, GUNZE	
		Apr. 2012	Director, Corporate Officer, General Manager of Management & Strategy Department and CMAO, GUNZE	
		Jun. 2012	Director, Corporate Officer, General Manager of Management & Strategy Department, CMAO and CFO, GUNZE	
		Jun. 2013	Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Department, CHO, CCSRO and CRO, GUNZE (to present)	

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
3	Katsusuke Amano (Feb. 27, 1952)	Oct. 1975 Apr. 1978 Apr. 1983 Jan. 1985 Feb. 2003 Jun. 2010 Jun. 2012	Passed Japanese Bar Exam. Registered as an attorney (at Osaka Bar Association), Associate with “Tamura Tokuo Law Office” Moved to “Kitahama Law Office” (presently, Kitahama Law Offices) Partner, Kitahama Partners (to present) Outside Corporate Auditor, AOYAMA CAPITAL CO., LTD. (to present) Director, GUNZE (to present) Outside Corporate Auditor, ROHTO Pharmaceutical Co., Ltd. (to present)	17,000
4	Aya Shirai (May 23, 1960)	Jun. 1993 Dec. 2002 Jun. 2011	Elected as Amagasaki city council member Elected as the Mayor of Amagasaki city (to Dec. 2010) Director, GUNZE (to present)	9,000
5	Masakazu Suzuki (Oct. 29, 1954)	Apr. 1985 Jun. 2006 Jun. 2008 Apr. 2010 Apr. 2014	Joined “GUNZE” Corporate Officer and General Manager of Research & Development Center, GUNZE Director, Corporate Officer and General Manager of Research & Development Center, GUNZE Director, Corporate Officer and General Manager of Research & Development Department, GUNZE Director, Corporate Officer and General Manager of QOL Research Laboratory, GUNZE (to present)	19,000
6	Atsushi Hirochi (Jan. 11, 1960)	Mar. 1983 Apr. 2010 Apr. 2012 Jun. 2012 Jan. 2013 Apr. 2014	Joined “GUNZE” Corporate Officer and General Manager of Leg Wear Divisions Group, Apparel Company, GUNZE Corporate Officer, General Manager of Leg Wear Divisions Group, Apparel Company and CCO, 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, Apparel Company and CCO, GUNZE (to present)	23,000
7	Tomomi Furukawa (Dec. 30, 1953)	Mar. 1978 Apr. 2012 Jun. 2013	Joined “GUNZE” Corporate Officer, Deputy General Manager of Management & Strategy Department, Manager of Finance & Accounting Section and CIO, GUNZE Director, Corporate Officer, Deputy General Manager of Management & Strategy Department, Manager of Finance & Accounting Section, CFO, CMAO and CIO, GUNZE (to present)	9,000

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
8	Yasuhiro Akase (Jul. 6, 1958)	Apr. 1982 Apr. 2010 Jun. 2013	Joined "GUNZE" Corporate Officer, General Manager of Personnel & General Affairs Department and Deputy CHO, GUNZE Director, Corporate Officer, General Manager of Personnel & General Affairs Department and Deputy CHO, GUNZE (to present)	4,000
9	Nobuya Oka* (Aug. 28, 1959)	Apr. 1985 Apr. 2010 Apr. 2012	Joined "GUNZE" General Manager of Threads & Accessories Division, GUNZE Corporate Officer and General Manager of Threads & Accessories Division, GUNZE (to present)	5,000
10	Toshiyasu Saguchi* (Nov. 14, 1961)	Mar. 1984 Jul. 2007 Apr. 2012	Joined "GUNZE" General Manager of Sales Administrative Division, Plastic Film Company, GUNZE Corporate Officer and Company President of Plastic Film Company, GUNZE (to present)	6,000

Note 1: The candidates marked with an asterisk (*) are new candidates for Directors.

Note 2: There is no special interest between the Company and each of the candidates.

Note 3: Mr. Katsusuke Amano and Ms. Aya Shirai are candidates for outside Directors. Once they are elected, as proposed, GUNZE will inform the Tokyo Stock Exchange of their continuous appointments as independent directors.

Note 4: Reasons for supporting the candidates and agreements to limit liability for outside Directors

(1) Reasons for supporting the candidates for outside Directors

- a. The Company would like Mr. Katsusuke Amano to continue to serve the Company, given his approximately four years of experience as an outside Director of the Company. During this time, he provided appropriate guidance and advice from an objective viewpoint regarding decisions made by the Company's Board of Directors, covering the entire corporate environment including laws and ordinances. He did this based on his ample professional knowledge and experience in the field of corporate legal affairs. For these reasons, the Company proposes that he be elected as an outside Director.
- b. The Company would like Ms. Aya Shirai to continue to serve the Company, given her approximately three years of experience as an outside Director of the Company. During this time, she provided appropriate guidance and advice from the position of a citizen and consumer regarding decisions made by the Company's Board of Directors. She did this based on her broad knowledge and experience gained through long years of involvement in municipal administration. For these reasons, the Company proposes that she be elected as an outside Director.

[Translation]

- (2) Term of office of outside Directors
 - a. The term of office of Mr. Katsusuke Amano has been four years at the close of this general meeting of shareholders.
 - b. The term of office of Ms. Aya Shirai has been three years at the close of this general meeting of shareholders.
- (3) Agreement to limit liability of the candidates for outside Directors
The Company has entered into limited liability agreements with Mr. Katsusuke Amano and Ms. Aya Shirai, under which each outside Director's liability to compensate the Company under Article 423, Paragraph 1 of the Corporate Law shall be limited to ¥6,000,000 or the minimum amount stipulated by laws and ordinances, whichever is higher, under the condition that the Director discharges his duties in good faith and without gross negligence. Should re-election of each of these two candidates be approved, GUNZE will continue the said agreements.

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 Ordinances for Enforcement of the Corporate Law.

Third Proposition: Election of One (1) Corporate Auditor

Corporate Auditor Mr. Hideo Tanbara will step down from his post at the close of this general meeting of shareholders. To fill his position, it is proposed that one (1) Corporate Auditor be elected.

As Mr. Makoto Hamamura will be elected as an alternate to fill Mr. Hideo Tanbara's position, his term of office will be until the time when the terms of office of Corporate Auditors who will resign will expire.

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

[Translation]

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
Makoto Hamamura (Nov. 25, 1950)	Apr. 1973	Joined "GUNZE"	25,000
	Jun. 2005	Corporate Officer, GUNZE and President and Representative Director, GUNZE DEVELOPMENT CO., LTD.	
	Aug. 2008	Corporate Officer and General Manager of Personnel & General Affairs Department, GUNZE	
	Apr. 2010	Corporate Officer, General Manager of Management & Strategy Department and CMAO, GUNZE	
	Jun. 2010	Director, Corporate Officer, General Manager of Management & Strategy Department and CMAO, GUNZE	
	Apr. 2012	Director, Corporate Officer, Company President of Apparel Company and CLO, GUNZE	
	Apr. 2014	Director, Corporate Officer, Assistant to Company President of Apparel Company and CLO, GUNZE (to present)	

Note: There is no special interest between the Company and the candidate.

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

Substitute Corporate Auditor Mr. Keigo Inoue was appointed outside Director as of November 5, 2013. 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 hold an election to name Mr. Hideo Miki as Substitute Corporate Auditor. Furthermore, the election of Mr. Hideo Miki as Substitute Corporate Auditor may be cancelled with the consent of the Board of Corporate Auditors by resolution of the Board of Directors as long as he has not yet assumed the office of Corporate Auditor.

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

[Translation]

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
Hideo Miki (Jun. 18, 1955)	Apr. 1984 Sep. 1991 Apr. 2010	Registered as an attorney (at Osaka Bar Association) (to present) Established "Miki Hideo Law Office" (to present) Vice Chairman, Osaka Bar Association Standing Director, Kinki Federation of Bar Associations Member, Japan Federation of Bar Associations	0

Note 1: Mr. Hideo Miki, a candidate for Substitute Corporate Auditor, is a candidate for Outside Corporate Auditor and he meets the requirements for an independent director as stipulated by the Tokyo Stock Exchange.

Note 2: There is no special interest between the Company and the said candidate.

Note 3: Reasons for supporting Mr. Hideo Miki as candidate for Substitute Outside Corporate Auditor and agreements to limit liability

- (1) The Company would like Mr. Hideo Miki to determine the role the Company should fulfill in society from a fair and neutral position, and use his judgment to further strengthen the audit function of the Company. The Company has also judged that he would be able to appropriately perform his duties as an outside Corporate Auditor after taking into consideration that he has professional knowledge as an attorney and a wide range of practical experience.
- (2) Article 34 of the Articles of Incorporation of the Company provides that the Company may enter into an agreement to limit liability with outside Corporate Auditors, under which their liability to compensate for the Company shall be limited to ¥6,000,000 or the minimum amount provided in the laws and ordinances, whichever is higher, under the condition that the Corporate Auditors discharge duties in good faith and without gross negligence. By virtue of this Article, the Company is scheduled to enter into an agreement to limit liability with Mr. Hideo Miki, in the event he assumes the position of outside Corporate Auditor.

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 Ordinances for Enforcement of the Corporate Law.

[Translation]

Fifth Proposition: Continuation of the Policy for Measures against Large-scale Acquisition of Shares of the Company (Takeover Defense Policy)

After approval at the 110th ordinary General Meeting of Shareholders held on June 29, 2006, the Company adopted the “Policy for Measures against Large-scale Acquisition of Shares of the Company (Takeover Defense Policy)” (hereinafter referred to as “The Policy”). The Company then updated and continued the Policy by incorporating partial revisions as approved at the 112th ordinary General Meeting of Shareholders held on June 26, 2008 and the 115th ordinary General Meeting of Shareholders held on June 24, 2011. Because the effective period of the Policy was specified to be until the close of the ordinary General Meeting of Shareholders scheduled for June 25, 2014 (hereinafter referred to as “The General Shareholders’ Meeting”), the Company, at a meeting of the Board of Directors held on May 13, 2014, resolved to update and continue the Policy by incorporating partial revisions (hereinafter referred to as “The Revisions”).

In light of recent trends relevant to the Takeover Defense Policy, the Revisions include the following:

- ① Clarification that the Large Acquirer will be granted no monetary compensation in the event of triggering the stock acquisition rights plan.
- ② Added description that suspension of the stock acquisition rights plan may take place by reacquiring gratis stock acquisition rights, if the Special Committee deems it appropriate to suspend the plan, in events such as the withdrawal of Large-scale Acquisition by the Large-scale Acquirer after gratis allotment of stock acquisition rights has been determined due to the trigger of stock acquisition rights plan.

The Revisions and continued implementation of the Policy were resolved unanimously by all ten (10) Directors including two (2) outside Directors, and four (4) Corporate Auditors including two (2) outside Corporate Auditors expressed consent to the Revisions and continued implementation of the Policy on condition that the Policy will duly be implemented.

However, it is the prerequisite that we obtain shareholders’ approval in this General Shareholders’ Meeting, and if the shareholders do not approve, the Policy will automatically be cancelled.

The outline of the Policy is as follows:

[Translation]

1. Basic policy for corporate control

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 also 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 outlook, 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 solid 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 business operations of the Company, as well as the sources of its corporate value, and implement management practices based on thorough 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

[Translation]

decision on the financial and operational policies of the Company, and thus a mechanism of preventing said acquisition or like action will be necessary.

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 the medium-term management plan

The GUNZE Group is currently carrying out its medium-term management plan ("CAN 20 Plan" for the period covering the 119th business term to the 125th business term (FY2020)). With the key concept of "Focus and Concentration," the GUNZE Group will strive to enhance its corporate value by implementing the three basic strategies. These are: selection and focus for existing businesses based on strategic business units (SBUs); cultivation and creation of new high-growth businesses through the Cross-Functional Approach (CFA) initiatives; and reinforcement of the management foundation to support the company's growth strategy.

(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. The Company is committed to strengthening corporate governance through these measures, while at the same time inviting outside Directors to join the Board with the aim of maintaining transparency in all management practices.

[Translation]

3. Purpose of introduction of the Policy

As stated above, the Company will exert its efforts to enhance the GUNZE Group's corporate value and the common interests of its shareholders through the implementation of the medium-term management plan called the "CAN 20 Plan," however, against the backdrop of, among other things, the dissolution of cross holding of shares and the development of a legal system for corporate takeover in recent years, corporate takeovers sometimes take place without following sufficient negotiations by the Board of Directors of the Company of the target company or without following process to obtain consent from the target company. Given that some of such corporate takeovers may benefit the Company's shareholders as well as other stakeholders, the Company does not negate corporate takeover as a whole. Furthermore, the Company also believes that any takeover proposal should be left to the final decision of shareholders themselves. But out of such corporate takeover, the Company believes that there might be corporate takeover wherein the shareholders and the Company will not be given sufficient information and time to examine the substance of the corporate takeover proposal, the shareholders would practicably be coerced to sell their shares, or the corporate takeover will evidently prejudice common interests of shareholders.

Taking into consideration such conditions, and for the purpose of retaining and improving its Group's corporate value, the Company introduces the Policy to secure opportunity for the Company's shareholders to gain sufficient information for making appropriate judgment themselves and to prevent the shareholders from incurring unexpected damages or losses.

Please note that it does not mean that the Company, at present, is subject to any notice of an attempt to conduct large-scale acquisition or takeover offer from any specific third-party.

4. Basic rules for large-scale acquisition

The basic rules for large-scale acquisition that Company's Board of Directors established are that any person attempting to carry out a large-scale acquisition (hereinafter referred to as the "Large Acquirer") should provide the Company's Board of Directors with information necessary and sufficient for the evaluation thereof (including presenting a substitute plan) and commence the large-scale acquisition only after the lapse of a certain period for examination and negotiation.

The Large Acquirer must comply with the basic rules for large-scale acquisition and

[Translation]

may not commence the large-scale acquisition before the period for evaluation by the Board of Directors of the Company has elapsed.

(1) Targeted large-scale acquisition

The Policy applies to contemplated purchase of the Company's share certificates and the like¹ by a specified shareholder group² (i) for the purpose of holding 20% or more of the voting rights³ of the Company, or (ii) resulting in such group holding 20% or more of the voting rights of the Company (except for a case in which the Board of Directors of the Company has given prior consent thereto and regardless of the purchase method, whether it is through transactions in the market or public tender offer or the like; hereinafter referred to as the "Large-scale Acquisition").

¹ Share certificates and the like means share certificates and the like as defined under Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law (hereinafter referred to as the "FIEL").

² A specified shareholder group means (i) a holder (as defined under Article 27-23, Paragraph 1 of the FIEL and includes a person deemed the holder under Paragraph 3 of the same Article thereof, the same applicable hereafter) of share certificates and the like (as defined under Article 27-23, Paragraph 1 thereof) of the Company and a common holder (as defined under Article 27-23, Paragraph 5 thereof and includes a holder deemed a common holder under Paragraph 6 of the same Article thereof, the same applicable hereafter), or (ii) a person conducting purchase, etc. (as defined under Article 27-2, Paragraph 1 thereof and including those made at the exchange in a financial instruments market) of shares and the like (as defined under Article 27-2, Paragraph 1 thereof) of the Company and specially interested person (as defined under Article 27-2, Paragraph 7 thereof).

³ Voting right ratio means (i) in the case of footnote 2 (i) above, holding ratio of share certificates and the like (as defined under Article 27-23, Paragraph 4 of the FIEL, in which case the number of shares held by a common holder (meaning the number of shares and the like as defined under Article 27-23, Paragraph 4 thereof) shall be added, or (ii) in the case of footnote 2 (ii) above, total owning ratio of share certificates and the like of the person conducting purchase and specially interested person (meaning the owning ratio of share certificates and the like as defined under Article 27-2, Paragraph 8 thereof). For calculation of voting right ratio, the total number of voting rights (as defined under Article 27-2, Paragraph 8 thereof) and the total number of shares issued and outstanding (as defined under Article 27-23, Paragraph 4 thereof) refer to those included in the latest of the Securities Report (*Yukashoken hokokusho*), Quarterly Securities Report (*Shihanki hokokusho*) and Treasury Stock Shares Purchase Report (*Jikokabuken kaitisukejokyo hokokusho*) submitted.

(2) Important information to be provided

The Large Acquirer will be required to submit to the Company's Board of Directors a statement of intent describing the items listed below (hereinafter referred to as the

[Translation]

“Statement of Takeover Intent”) prior to the commencement of the Large-scale Acquisition. Since it is expected that important information to be provided may deviate depending upon the structure of the Large-scale Acquisition, however, the Company’s Board of Directors may request the Large Acquirer to include information other than listed below in the Statement of Takeover Intent. After the Statement of Takeover Intent is submitted to the Company’s Board of Directors, the Board of Directors will immediately require the Special Committee to be set up (with respect to the Special Committee, reference is made to “6. Securing transparency and fairness” below), which will examine the contents thereof within ten (10) business days and if the Special Committee deems the information provided to be insufficient, it will, through the Company’s Board of Directors, request the Large Acquirer to provide additional information. Furthermore, we will immediately disclose the fact that a Large-scale Acquisition was proposed. We will also duly disclose, from time to time, all or part of the important information provided by the Large Acquirer to the Company’s Board of Directors as deemed appropriate by the Special Committee at the time recognized necessary by the Committee.

- a. Summary of the Large Acquirer and its group (names, location, governing law for its establishment, addressee to contact in Japan, business, financial conditions, etc.)
- b. Purpose, method and content of takeover proposal
- c. Calculation basis for the purchase price and evidence of finance for takeover
- d. Name and summary of fund provider(s) to the Large Acquirer
- e. Management policy and business plan of the Group after takeover
- f. Policy for treatment of the Company’s stakeholders including employees, labor union, business associates, customers and communities, etc.
- g. Measures taken toward corporate governance
- h. Specific measures for avoiding conflicts of interest with other shareholders of the Company
- i. In addition, such matters as the Special Committee specifically recognizes as necessary with a view to evaluating objectively the Large-scale Acquisition.

[Translation]

(3) Evaluation by the Special Committee

After the Special Committee deems that the important information stated above has been sufficiently provided, the Company's Board of Directors will forward the notice of complete provision of information (hereinafter referred to as the "Notice of Complete Information Provision") to the Large Acquirer and immediately disclose that fact. At the same time, the Company's Board of Directors will request the Special Committee to examine the content of the acquisition proposal by the Large Acquirer, and a plan proposed by the Company's Board of Directors as a countermeasure, and compare the management policies and business plans, etc. of the Large Acquirer and those of the Company. Furthermore, the Company's Board of Directors may discuss and negotiate with the Large Acquirer to improve the takeover proposal from the viewpoint of maintaining and enhancing the Company's corporate value and common interests of its shareholders. The Special Committee will take into consideration the examination as aforesaid and the results of negotiation by the Board of Directors of the Company with the Large Acquirer, and will evaluate the content of takeover proposal and countermeasures thereto and make recommendation together with the reasons, to the Company's Board of Directors as to whether or not the defense policy should be triggered. The Company's Board of Directors shall follow such recommendations, but the Board of Directors will carry out its own good-faith examination of the content of the takeover proposal and the attributes and financial resources, etc. of the Large Acquirer, and will responsibly evaluate the content of the Special Committee's recommendations. On that basis, in the event that the Special Committee's understanding of the facts on which its judgment is based deviates substantially from that of the Company's Board of Directors, or if the basis for the judgment by the Special Committee is in the opinion of the Board of Directors unreasonable, the Board of Directors may request not more than once that the Special Committee reconsider its decision. In such case, the Special Committee shall determine the period required to reconsider their recommendation (that should be within fourteen (14) days) and disclose information separately.

Furthermore, in order to ensure that the Special Committee's recommendation to contribute to the corporate value and common interests of the shareholders of the Company, the Special Committee may obtain at the Company's cost advice from independent advisers (such as financial advisers, certified public accountants, lawyers and men/women of learning and experience).

[Translation]

The period required for the evaluation and recommendation by the Special Committee and discussion and negotiation by the Company's Board of Directors starts from the date on which the Board of Directors sends the Complete Information Provision Notice to the Large Acquirer and discloses that fact, and will depend upon the difficulty of the evaluation of the takeover proposals as follows. The Board of Directors will immediately disclose the specific period after the Complete Information Provision Notice has been sent to the Large Acquirer. In the event that the Board of Directors requests the Special Committee to reconsider, the period is to be extended by no more than fourteen (14) days:

- a. Proposal of acquisition of all shares of the Company, the consideration of which is in Japanese yen in cash only----- 60 days
- b. Other Large-scale Acquisition ----- 90 days

5. Policy for measures to Large-scale Acquisition

(1) In the event that the defense policy is triggered

As a result of the evaluation and recommendation of the Special Committee, if the Special Committee believes that the Large-scale Acquisition falls under any one of the categories a. to c. stated below, and the Special Committee concludes that it is appropriate to trigger the defense policy, the Company, by the resolution of its Board of Directors, may issue stock acquisition rights as stated in (2) "Stock Acquisition Rights Plan" below. Otherwise, the Company will not trigger the defense policy and immediately resolve not to trigger the defense policy at a meeting of its Board of Directors, even if the Company's Board of Directors objects to the takeover proposal. The Company's Board of Directors will discuss and negotiate with the Large Acquirer if necessary, even if it resolved to issue stock acquisition rights to trigger the defense policy. If substantial changes are made to matters on which the judgment was made, such as the fundamental change of Large Acquirer's large-scale acquisition proposal, as far as shareholders' rights resulting from triggering the defense policy have not yet been conclusively decided and withdrawal will not prejudice common interests of the Company's shareholders, the issue of stock acquisition rights may be cancelled by recommendation of the Special Committee or judgment of the Board of Directors.

[Translation]

- a. The Large Acquirer does not comply with the basic rules for the Large-scale Acquisition
- b. The proposed Large-scale Acquisition will apparently prejudice common interests of the Company's shareholders as follows:
 - The Large Acquirer will acquire shares and request the Company to repurchase the shares at high prices.
 - The Large Acquirer will temporarily control the Company so that, among other things, the Large Acquirer will acquire important assets of the Company at low prices and manage the Company in such manner as will benefit the Large Acquirer to the detriment of the Company.
 - The Large Acquirer will use assets of the Company as securing or repayment funds for the liabilities of the Large Acquirer and its group companies, etc.
 - The Large Acquirer will temporarily control the Company, cause the Company to dispose of expensive assets not related to its then current business, pay temporarily high dividend to shareholders with proceeds from such sales or sell out the Company's shares at such high prices due to a temporary rise in the value of the Company's shares due to a temporary high return, etc. to shareholders.
 - In addition to the above, the Large Acquirer will not intend faithfully to participate in the reasonable management of the Company, and the acquisition of the control of the Company by Large Acquirer would harm the Company with unrecoverable damages and losses.
- c. The shareholders might be coerced to sell shares.

(2) Stock Acquisition Rights Plan

The summary of stock acquisition rights to be allotted gratis to shareholders is as follows:

Dependent upon the judgment of the Company's Board of Directors, in certain cases, stock acquisition rights with terms on reacquisition may be allotted.

- a. Shareholders to be allotted stock acquisition rights:

The shareholders whose names have been recorded in the final register of

[Translation]

shareholders on the date specified (hereinafter referred to as the “allotment date”) by the Company’s Board of Directors when it resolved to issue stock acquisition rights (hereinafter, these shareholders refer to those who are deemed to be recorded in the register of shareholders on the allotment date as provided in Article 152, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc.), provided, however, that the common stocks of the Company owned by the Company are excluded.

b. Number of stock acquisition rights:

One stock acquisition right will be allotted to each share held by the shareholder to be allotted stock acquisition rights.

c. Type and number of shares issued upon exercise of stock acquisition rights:

Shares issued upon exercise of stock acquisition rights will be shares of common stock and the number of shares issued upon exercise of stock acquisition rights will be one for each stock acquisition right so long as no adjustment takes place due to stock split, etc.

d. Total number of stock acquisition rights:

No more than the total number of shares in issue (excluding treasury stock) at the end of the allotment date.

e. Issue price of stock acquisition rights:

Due to allotment gratis to shareholders the issue price will be zero.

f. Amount to be paid upon exercise of stock acquisition rights:

The amount to be paid upon exercise of stock acquisition rights shall be ¥1 per each common stock to be issued; provided, however, that allotment of stock acquisition rights with terms on reacquisition, stated in j. below, shall not require any payment at all.

g. Exercise period of stock acquisition rights:

The exercise period of stock acquisition rights shall commence on and from the effective date of stock acquisition rights (unless the Company’s Board of Directors otherwise sets forth a different date in the resolutions to issue stock acquisition rights) and shall lapse after one (1) month or two (2) months as set forth

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by the resolutions of the Board of Directors to issue stock acquisition rights. Furthermore, if the last date of the exercise period falls under a non-working day of the financial institution handling payment, the next business day will be the last date thereof.

h. Conditions on which stock acquisition rights are exercised:

1) Large Acquirer, 2) co-holder of Large Acquirer (including person provided in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Law, and person deemed co-holder under the same Article, Paragraph 6 and person(s) the Company's Board of Directors deems as co-holder), 3) in addition, specially related person of Large Acquirer (as provided in Article 27-2, Paragraph 7 of the FIEL, and including person(s) the Company's Board of Directors deems as specially related person) or 4) person(s) being assigned by, or succeeding from, stock acquisition rights issued under the Policy without obtaining approval of the Company's Board of Directors, the person stated in 1) to 3) above, or 5) related person to the person stated in 1) to 4) above (including person substantially controlling such person, person controlled by such person or person under the common control with such person or person deemed by the Company's Board of Directors as person acting in harmony therewith) shall not in principle be able to exercise stock acquisition rights under the Policy.

i. Transfer of stock acquisition rights:

Any transfer of stock acquisition rights will require approval of the Company's Board of Directors.

j. Reacquisition of stock acquisition rights by the Company

The Company's Board of Directors may set forth terms on reacquisition, under which the Company may reacquire its stock acquisition rights held by persons except for those who are not allowed to exercise stock acquisition rights, according to the provisions stated in h, above, in exchange for allotting shares of the Company. However, terms on reacquisition, under which cash compensation may be granted as consideration for reacquiring the Company's stock acquisition rights held by those who are not allowed to exercise stock acquisition rights, according to the provisions stated in h, may not be given. Details regarding terms on reacquisition will be separately decided upon at a meeting of the Company's Board of Directors.

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k. Suspension of stock acquisition rights plan

If the Special Committee deems it appropriate to suspend the stock acquisition rights plan, in events such as the withdrawal of the Large-scale Acquisition by the Large-scale Acquirer, the issuance of stock acquisition rights may be suspended no later than four (4) business days prior to the allotment date, even after the Company's Board of Directors has resolved to issue stock acquisition rights as a defense measure. Even after the allotment date or after the stock acquisition rights have become effective, the Company's Board of Directors may set forth terms on reacquisition under which the Company may reacquire its stock acquisition rights gratis, without granting shares of the Company as compensation.

l. Others

Other matters necessary regarding the stock acquisition rights will be determined separately at a meeting of the Company's Board of Directors.

6. Securing transparency and fairness

(1) Special Committee

To exclude arbitrary judgment of the Company's Board of Directors and to arrive at a fair judgment of whether or not rules for a Large-scale Acquisition have been complied with and whether or not the takeover defense measure should be triggered, the Company shall set up the Special Committee consisting of independent persons such as outside Directors, outside Corporate Auditors, men/women of learning and experience. With respect to the summary thereof, please see the Attachment.

The Special Committee, acting as an advisory committee of the Board of Directors, shall evaluate a takeover proposal and countermeasure and recommend, together with the reasons, to the Company's Board of Directors, of whether or not the defense measure should be triggered. The Company's Board of Directors shall comply with the recommendation and the recommendation procedure of the Special Committee shall always be followed to ensure a fair decision. On the other hand, the Board of Directors will examine the content of the takeover proposal and the attributes and financial resources, etc. of the Large Acquirer in good faith, and responsibly evaluate the content of the Special Committee's recommendation. As a result, in the event that the Special Committee's understanding of the facts on which its judgment is based is deemed to deviate substantially from that of the Company's Board of Directors, or the basis for the

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judgment by the Special Committee is in the opinion of the Board of Directors unreasonable, the Board of Directors may request not more than once that the Special Committee reconsider its judgment.

(2) Setting forth reasonable objective conditions to release

The defense measure of the Policy shall be triggered only after the reasonable objective conditions stated in “In the event that the defense policy is triggered” in paragraph 5. (1) above are met, so that the Company’s Board of Directors cannot arbitrarily trigger the measure.

(3) Effective period of the Policy and change or abolishment of the Policy

If the General Shareholders’ Meeting does not approve the Policy, it will be abolished automatically. In the event that the General Shareholders’ Meeting approves the Policy, it will be in effect until the close of the first ordinary general meeting of shareholders to be held (scheduled to be held in June 2017) after the completion of Phase 1 of the medium-term management plan, the “CAN 20 Plan.”

However, that if during the effective period of the Policy, there are amendments or establishments, etc. of applicable laws including the Corporate Law, when changes to the Policy become necessary, the Policy shall be reviewed, from time to time, and the content thereof shall, from time to time, be duly disclosed to, and any amendment shall be approved by, shareholders at the ordinary general meeting of shareholders to be held immediately thereafter.

Furthermore, in the event that the ordinary general meeting of shareholders resolved to abolish the Policy or the Board of Directors approved at such general meeting of shareholders of the Company resolves to abolish the Policy, the Policy shall be abolished. Accordingly, the Large Acquirer will be able to appoint Directors by the general meeting of shareholders of the Company and the Board of Directors composed of by such Directors will be able to abolish the Policy. As a result, the Policy is not a dead hand type takeover defense plan (i.e., it is not a defense plan that cannot be prevented even if a majority of Directors are replaced).

(4) Information disclosure

With respect to the evaluation and recommendations of the Special Committee, evaluation and views of the Company’s Board of Directors regarding the Special Committee’s evaluation and recommendations, triggering stock acquisition rights plan and the Board of Directors’ substitute plan for the acquisition proposal, if any, due

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disclosure will be made at an appropriate time and in an appropriate manner. Furthermore, in the event that amendments to various laws and ordinances and regulations of the stock exchanges and resolutions of the general meeting of shareholders necessitate changes and reviews of the Policy, disclosure of information to the effect and the content thereof shall be duly made from time to time.

7. Effect affecting shareholders and investors

(1) Effect at the time of introduction of the Policy

At the time of introduction of the Policy, since no stock acquisition rights are allotted, no economic effect will affect shareholders and investors.

(2) Effect at the time defense measure is triggered

If upon recommendation of the Special Committee, with a view to protecting common interests of shareholders, the Board of Directors triggers the stock acquisition rights plan as stated in paragraph 5. (2) above, one stock acquisition right will be allotted gratis to one share held by shareholder on the allotment date to be determined separately by the Company's Board of Directors. In order to exercise stock acquisition rights, an amount obtained by multiplying the number of stock acquisition rights granted within the period specified by ¥1 shall be required to be paid and, in addition, the required procedure shall be followed. If certain shareholders do not follow the required procedure within the period specified, shares held by such shareholders will be diluted; provided, however, that if stock acquisition rights with terms on reacquisition are allotted, new shares of the Company will be allotted as consideration for reacquiring its stock acquisition rights, no payment will be required and no dilution will take place; provided, however, that in the event that the Special Committee believes that the Large-scale Acquisition corresponds to the condition stated in paragraph 5.(1) and the stock acquisition rights plan is triggered, the person deemed unable to exercise stock acquisition rights according to the provisions stated in paragraph 5.(2) h, will eventually incur legal and economic disadvantage.

(3) Effect at the time the issuance of stock acquisition rights is suspended

In the event of the suspension of the issuance of stock acquisition rights or gratis reacquisition of its issued stock acquisition rights by the Company's Board of Directors, shareholders or investors may incur reasonable losses due to fluctuations in the stock price if they buy or sell the Company's shares under the assumption that the dilution of

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the Company's shares would occur after shareholders to be allotted stock acquisition rights have been determined.

(4) Procedure to be followed by shareholders in connection with allotment of stock acquisition rights

a. Transfer of share registry

If the Company's Board of Directors resolves to trigger the stock acquisition rights plan, the allotment date will be announced by public notice, and stock acquisition rights will be allotted to shareholders whose names have been recorded in the final register of shareholders on the allotment date so that shareholders will be required to take immediate procedures for the registration of transfer of shares.

b. Exercise of stock acquisition rights

The Company will send an exercise application form for stock acquisition rights and other documents necessary for exercise to shareholders allotted stock acquisition rights.

After the allotment, if a shareholder submits the documents aforesaid together with payment of an amount of ¥1 per stock acquisition right to the payment handling financial institution within the period separately specified by the Board of Directors of the Company, one share of the Company's common stock per stock acquisition right will be issued to him/her. But in the case of allotment of stock acquisition rights with terms on reacquisition, the payment and submission of documents will not be required because new shares of the Company will be allotted as consideration for reacquisition of stock acquisition rights.

- End -

Attachment

Summary of Special Committee

1. Establishment

Special Committee shall be established by resolution of the Company's Board of Directors.

2. Composition

- (1) Members of the Special Committee (hereinafter referred to as the "Special Member") shall be three (3) or more.
- (2) The Special Member shall be selected from among outside Directors, outside Corporate Auditors, outside men/women of learning and experience (company officers, persons having expertise on investment banking business, lawyers, certified public accountants, or scholars, etc. specialized in the Corporate Law) in accordance with the criteria of member selection (reference is made to 6. "Appointment criteria of special member" below), taking into consideration knowledge and understanding on the corporate value and the years of practice and experience.
- (3) In the case of outside men/women of learning and experience, contracts providing for, among other things, duties for acting with good manager's care shall be entered into between such Special Member and the Company.

3. Term

The term shall be one (1) year and may be renewed.

4. Duties

The Special Committee shall evaluate and determine the matters stated below and make recommendation to the Company's Board of Directors together with reasons. The Board of Directors shall comply with the recommendation. Provided, however, that in the event that the Special Committee's understanding of the facts on which basis it made the judgment deviates substantially from that of the Company's Board of Directors or the basis for the judgment by the Special Committee is unreasonable in the opinion of the Board of Directors, the Board of Directors may request no more than once the Special Committee to reconsider the judgment.

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- (1) Examination of the content stated in the Statement of Takeover Intent and determination of additional information to be provided;
- (2) Examination of the content of takeover based on the information provided by the Large Acquirer;
- (3) Examination of the content of the substitute plan provided by the Company's Board of Directors;
- (4) Evaluation of the negotiation and discussion of the Company's Board of Directors with the Large Acquirer;
- (5) Whether or not the stock acquisition rights plan should be triggered
- (6) Determination of the suspension of stock acquisition rights plan;
and
- (7) In addition, out of matters to be judged by the Company's Board of Directors, matters submitted to the Special Committee for its advice.

Furthermore, in order to secure the Special Committee's judgment to contribute to the Company's corporate value and common interests of its shareholders, and to provide materials concerning the Company for the examination by the Special Committee, a secretarial office shall be established in the Company. The Special Committee may obtain at the Company's costs advice from outside independent advisers (professionals, etc. such as financial advisers, certified public accountants, lawyers and men/women of learning and experience).

5. Resolution

The resolution of the Special Committee shall, in principle, be adopted by a majority of all members and a quorum shall be all members (attendance via video, i.e. video conference, etc. being included). Provided, however, that in unavoidable cases, a quorum shall be a majority of members and resolution shall be adopted by a majority of the members present. Furthermore, in the case of a tie vote, the chairman may determine at his/her discretion.

6. Appointment criteria of special member

A Special Member will not fall under any one of (1) to (6) below:

- (1) A large shareholder of the Company (a shareholder who owns more than 5% of the total number of shares in issue) or person representing the interests of such shareholder;
- (2) Director or employee of a group company of the Company at present or in the past;

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- (3) Director, executive officer or employee of another company (the “Business Partner”) that has important business transaction with the Company at present or in the past within three (3) years, (i) to which the Company paid or (ii) which paid to the Company, for the consideration of products or services provided the higher of ¥100 million or 2% of consolidated net sales of the Business Partner per annum;
- (4) An adviser of the Company such as a lawyer contracting with the Company for legal service, management consultant, who receives or received within three (3) years a high amount of remuneration (no less than ¥10 million per year) other than remuneration for acting as Director or Corporate Auditor;
- (5) A close relative of the person falling under any one of (1) to (4) above (no more than the second degree by blood) or any person living in the same house of the person falling under any one of (1) to (4) above; or
- (6) A Special Member who has been in the office of Special Member for more than eight (8) years.

7. Election of chairman

The chairman of the Special Committee shall be elected by the Special Members upon mutual consultation.

8. Résumé of Scheduled Special Committee members

After the approval of this proposition, the following four members will be scheduled to serve as Special Members.

<Outside Directors>

Katsusuke Amano (February 27, 1952)

(Career Summary)

Oct. 1975	Passed Japanese Bar Exam
Apr. 1978	Registered as an attorney (at Osaka Bar Association), Associate with “Tamura Tokuo Law Office”
Apr. 1983	Moved to “Kitahama Law Office” (presently, Kitahama Partners)
Jan. 1985	Partner, Kitahama Partners (to present)
Feb. 2003	Outside Corporate Auditor, AOYAMA CAPITAL CO., LTD. (to present)
Jun. 2010	Director, GUNZE (to present)
Jun. 2012	Outside Corporate Auditor, ROHTO Pharmaceutical Co., Ltd. (to present)

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Aya Shirai (May 23, 1960)

(Career Summary)

Jun. 1993 Elected as Amagasaki city council member
Dec. 2002 Elected as the Mayor of Amagasaki city (to Dec. 2010)
Jun. 2011 Director, GUNZE (to present)

Note: Mr. Katsusuke Amano and Ms. Aya Shirai are candidates for outside Directors.

<Outside Corporate Auditors>

Tadamasa Kitoku (September 15, 1945)

(Career Summary)

Jul. 1969 Joined The Mitsubishi Bank, Ltd. (presently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
Jun. 1997 Director, The Bank of Tokyo-Mitsubishi, Ltd. (presently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
Apr. 1999 Representative Managing Director, RENOWN INCORPORATED
Apr. 2000 Senior Managing Director, RENOWN INCORPORATED
Jun. 2007 Standing Corporate Auditor, MARUI Co., Ltd. (presently, MARUI GROUP Co., Ltd.)
Jun. 2011 Corporate Auditor, GUNZE (to present)
Outside Corporate Auditor, ORC MANUFACTURING CO., LTD. (to present)

Keigo Inoue (April 23, 1955)

(Career Summary)

Oct. 1981 Passed Japanese Bar Exam
Apr. 1984 Registered as an attorney (at Osaka Bar Association)
Associate with "Amimoto Law Office" (presently, AIMANN AND ASSOCIATES) (to present)
Nov. 2013 Corporate Auditor, GUNZE (to present)

- End -

Guide to Exercising Voting Rights

1. If voting rights are exercised both by regular mail and via the Internet

If you vote both by regular mail and the Internet, only your Internet vote will be considered valid.

2. If voting rights are exercised more than once via the Internet

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, smartphone and mobile phone, only your last vote will be considered valid.

3. Voting via the Internet

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

If you attend the general meeting of shareholders, any procedures you may have carried out to exercise voting rights via regular mail (by filling out and returning the voting form) or the Internet on or before the day immediately preceding the date of the general meeting of shareholders will be deemed invalid.

A. Site for Exercising Voting Rights

- a. Voting via the Internet is possible only by accessing the Site for Exercising Voting Rights (the “Voting Site”; <http://www.evotep.jp/>) designated by the Company from a computer, smartphone or mobile phone (i-mode, EZweb or Yahoo! Keitai compatible models)*. (Please note that this site will be closed every day between the hours of 2:00 a.m. and 5:00 a.m.)

*i-mode, EZweb and Yahoo! are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation, and Yahoo! Inc., respectively.

- b. Please note that voting from a computer or smartphone may not be possible depending on your Internet environment, due to factors such as firewalls for Internet security, antivirus software, or the use of a proxy server.
- c. To vote from a mobile phone, please use the i-mode, EZweb or Yahoo! Keitai service. For security reasons, mobile phone models that are incompatible with encryption (SSL) protocols or are incapable of terminal ID information transmission may not be used for voting via the Internet.
- d. Votes via the Internet, etc. (electromagnetic methods) will be accepted until 5:00 p.m. on Tuesday, June 24, 2014. However, we ask that you vote sooner if possible. If you have any questions concerning the procedures for voting via the Internet,

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please contact the Help Desk.

B. Procedures for Voting via the Internet

- a. After accessing the Voting Site (<http://www.evotep.jp/>), 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.
- b. Please note that after you log in, you will be asked to change your temporary password to avoid any illegal access by non-shareholders (masquerading) or unauthorized alteration or tampering of votes.
- c. You will be informed of a new login ID and temporary password each time you are invited to attend a general meeting of shareholders of GUNZE LIMITED.

C. Expenses Incurred in Accessing the Voting Site

Please note you will have to bear expenses incurred in accessing the Voting Site (Internet connection, telecommunications fees, etc.). If you use a mobile phone for voting, packet communication service and related fees will be incurred, which are also the responsibility of the shareholder.

4. Electronic Voting Platform for Institutional Investors

If you are a nominee shareholder such as a trust bank (including a standing proxy) and apply in advance to use the Electronic Voting Platform operated by ICJ, Inc., a joint venture established by Tokyo Stock Exchange (TSE) and others, you are entitled to use the platform for electromagnetically exercising your voting rights as a method other than the aforementioned voting via the Internet described in 3.

- End -