

[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 4, 2012

To Our Shareholders:

**NOTICE OF CONVOCATION OF
THE 116TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 116th 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 Monday, June 25, 2012, 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: Hiroshi Hirata
Representative Director and President

[Translation]

PARTICULARS

- 1. Date and Time of the Meeting:** 1:00 P.M., Tuesday, June 26, 2012
- 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 116th Business Term (from April 1, 2011 to March 31, 2012).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 116th Business Term (from April 1, 2011 to March 31, 2012).

Matters for Resolution:

- First Proposition: Proposed Disposal of Surplus**
Second Proposition: Election of Ten (10) Directors

4. Matters Determined concerning the Convocation

Please refer to “Guide to Exercising Voting Rights” on pages 22 and 23.

Results of Operations (April 1, 2011 to March 31, 2012)

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, 2012, the Japanese economy was in mild recovery from the profound effects of the Great East Japan Earthquake and the damage caused by floods in Thailand. Toward the end of the fiscal year, the historical appreciation of the yen slowed, leading to a recovery in stock prices and fueling expectations of improvement in corporate performance. Despite such positive signs, economic uncertainty about the future remained due to the European sovereign-debt crisis, the slowdown in growth in China and other emerging markets, and other factors.

The GUNZE Group's functional solutions business remained sluggish as a whole, due to a decline in orders caused by the downturn in the U.S. and European economies and the persistently strong yen. In the apparel business, national brand products experienced difficulty as strategic expansion of private brand products released by leading retailers caused the competition to intensify. Faced with such challenging conditions, the decline in sales and profitability continued, showing no signs of a reversal in the trend.

Faced with this situation, the GUNZE Group strived to enhance its ability to adapt to rapid changes in the marketplace by promoting growth and strengthening its corporate structure. These are two key strategies of GUNZE Group's new medium-term management plan, called "Innovation 4S." Launched during the fiscal year under review, this plan covers the period from fiscal 2011 to fiscal 2013. Consequently, the GUNZE Group's consolidated net sales for the period under review amounted to ¥136,621 million (a year-over-year increase of 2.2%). Consolidated operating income totaled ¥1,023 million (a year-over-year decrease of 66.8%), while consolidated ordinary income was ¥975 million (a year-over-year decrease of 70.3%). Consolidated net income was ¥571 million (a year-over-year decrease of 68.2%).

Results by Business Segment

[Functional Solutions]

Plastic film sales were robust during the first half of the period under review, largely due to front-loaded demand to cope with the negative aftermath of the Great East Japan Earthquake. But after entering the second half, sales contracted due to increased trade inventories and the inflow of low-priced foreign products into the Japanese market. The engineering plastic business continually faced challenging conditions resulting from the prolonged appreciation of the yen and stagnation in U.S. and European economies, as well as a declined rate of capacity utilization by client manufacturers caused by Thailand's floods. In electronic components, projected capacitive touch screens for tablet terminals enjoyed sharp sales growth during the first half of the period under review. However, after entering the second half, the sharp decline in market conditions forced GUNZE to cut back production, which in turn adversely impacted electronic components sales. In medical materials, sales were strong in China and other parts of Asia. Consequently, the functional solutions business posted net sales of ¥51,500 million (a year-over-year increase of 9.5%), while operating income was ¥3,587 million (a year-over-year decrease of 12.8%).

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[Apparel]

In innerwear, GUNZE strived to expand sales of national brand products centered on fashion-oriented, casual products and functional, seasonal products. In response to the sharp rise in prices of raw materials such as cotton fibers, price revisions were implemented for some cotton products. Still, the innerwear business remained slow due to resource costs remaining at high levels combined with worsened operational efficiency. However, the women's innerwear segment enjoyed an improvement in profitability thanks largely to the withdrawal from unprofitable stores. In leg wear, although fashionable products suffered disappointing sales, sales of basic products promoting functionality advanced steadily. Plain pantyhose products showed a recovering trend in sales, with the new *Mirica* stocking released in February recording healthy sales. Consequently, the apparel business recorded net sales of ¥72,948 million (a year-over-year decrease of 2.1%) and operating income of ¥192 million (a year-over-year decrease of 80.7%).

[Lifestyle Creations]

In the real estate business, the *GUNZE Town Center TSUKASHiN* commercial facility concentrated its efforts on soliciting new tenants and implementing community-rooted sales promotion strategies. Still, the facility was adversely affected by sluggish consumption and the new opening or expanded sales area of commercial facilities in the neighborhood. The ongoing renovation work for the facility's *Nishimachi* area, which is set to reopen this October, also had a negative impact on both the number of visitors and sales. The *Maebashi LIRICA* commercial facility, for which GUNZE had worked to invite new tenants, reopened last December after renovation. In the sports club business, concentrated efforts on attracting new customers led to membership growth and steady results. Consequently, the lifestyle creation business posted net sales of ¥13,424 million (a year-over-year increase of 0.2%), while operating income was ¥920 million (a year-over-year decrease of 38.5%).

(2) Key Management Issues for the GUNZE Group

As for the outlook for the upcoming fiscal year, although demand related to rebuilding and recovery from the Great East Japan Earthquake holds promise, there are many risk factors that will worsen corporate performance and consumer confidence. These include the European sovereign-debt problem, power supply shortages caused by suspended operations at nuclear power plants, rising crude oil prices due to political instability in the Middle East, and soaring prices of raw materials. These risk factors indicate that the business environment surrounding the GUNZE Group will remain challenging.

In light of this situation, the upcoming fiscal year represents the second year of its medium-term plan, "Innovation 4S," for the period up to fiscal 2013. Reflecting on its results during the plan's initial year, GUNZE will address new strategic issues, as it strives to strengthen its ability to adapt to radically changing market conditions. GUNZE will also work on transforming its business structure and business model to bring about a breakthrough in improving corporate value.

In the functional solutions business, GUNZE will strive to expand sales of highly differentiated hybrid films (composite nylon films and shrink films) in the plastic film category. Efforts will also be focused on solidifying the management foundation for companies outside of

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Japan. In the engineering plastics category, GUNZE will seek to encourage the use of its products for new equipment models, and promote cost reduction. To expand the electronic components business, GUNZE will focus on promoting sales of projected capacitive touch screens, along with conductive films and optical films.

In the apparel business, proactive measures will be taken for seasonal and functional products enjoying market expansion. At the same time, GUNZE will strive to strengthen its national brands, such as the mainstay brand *BODYWILD*, while working to develop new channels and expanding its market share. By enhancing the efficiency of on-demand production and global production and logistics systems, improvements in cost-competitiveness are anticipated. GUNZE will also seek to expand direct sales in Japan, as well as local sales abroad, including sales through joint ventures in China.

As for the lifestyle creation business, shopping centers are facing increasingly intense competition. In this area, GUNZE will work to differentiate its shopping centers more clearly from the competitors through the redevelopment of *TSUKASHiN's Nishimachi* area. GUNZE will also work on soliciting tenants that excel in attracting customers and reinforcing community-rooted sales promotions. In the sports club business, GUNZE will continue to implement proactive strategies aimed at enhancing customer satisfaction, such as improving customer service and introducing a more appealing menu of fitness options. At the same time, GUNZE will seek to improve the profitability of its sports club business by expanding urban-style fitness clubs using the club in Kyoto, which opened on April 1, as a model facility.

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: amounts less than one million yen are omitted)

	113 th term (FY2008)	114 th term (FY2009)	115 th term (FY2010)	116 th term (FY2011)
Net sales	151,470	138,116	133,705	136,621
Operating income	4,207	1,963	3,085	1,023
Ordinary income	4,198	2,534	3,285	975
Net income	1,551	841	1,796	571
Net income per share (¥)	7.66	4.27	9.23	2.96
Total assets	183,597	168,768	163,917	168,517
Net assets	119,501	117,556	113,345	110,197

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B. Net Sales and Operating Income by Segment

(Millions of yen: amounts less than one million yen are omitted)

	115 th term (FY2010)		116 th term (FY2011)	
	Net sales	Operating income	Net sales	Operating income
Functional solutions	47,013	4,114	51,500	3,587
Apparel	74,524	993	72,948	192
Lifestyle creations	13,396	1,497	13,424	920
Total	134,934	6,604	137,873	4,700
Eliminations/Corporate	(1,229)	(3,519)	(1,252)	(3,677)
Consolidated	133,705	3,085	136,621	1,023

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, outerwear, 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 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 corporate social responsibility (CSR), while aiming to become a global corporate group that contributes to the enrichment of people’s lifestyles through the supply of safer and more comfortable products and services that have greater appeal in each business segment.

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 (“Innovation 4S Plan” for the period covering the 116th business term to the 118th business term). With the slogan “Turn ‘3Ss’ into a big ‘S!’” the Group will strive to enhance the GUNZE Group’s corporate value through continued implementation of business structure reform for the Group as a whole and for each business segment. To this end, the Group will focus on three key strategies, namely, maintenance of growth; solidification of corporate structure; and strengthening of management foundations.

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 submitted to the 112th ordinary General Meeting of Shareholders held on June 26, 2008, where it was approved by shareholders. Also, the revised Policy was again updated at the 115th ordinary General Meeting of Shareholders held on June 24, 2011, under the title, “Continuation of the Policy for Measures against Large-scale Acquisition of Shares of the Company (Takeover Defense Policy)” (hereinafter referred to as the “Continued Policy”). The Company is therefore continually implementing the Continued Policy with its effective period specified to be until the close of the ordinary General Meeting of Shareholders scheduled for June 2014. The full text of the press release regarding the Continued Policy is available on the GUNZE corporate website (<http://www.gunze.co.jp/>).

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(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; amounts less than one million yen are omitted)

	End of FY2010 (As of Mar. 31, 2011)	End of FY2011 (As of Mar. 31, 2012)
Assets		
Current assets		
Cash and cash equivalents	6,905	6,078
Notes & accounts receivable, trade	27,122	29,547
Finished products and goods	17,436	22,190
Work in process	6,423	7,177
Raw materials and supplies	5,673	6,195
Short-term loans	456	304
Deferred income taxes	1,980	1,444
Other current assets	1,752	2,475
Allowance for doubtful accounts	(28)	(21)
Total current assets	67,722	75,392
Fixed assets		
Property, plants and equipment		
Buildings and structures	97,143	101,274
Accumulated depreciation	(60,373)	(62,888)
Buildings and structures (Net)	36,770	38,386
Machinery, equipment and vehicles	90,327	96,087
Accumulated depreciation	(77,516)	(79,984)
Machinery, equipment and vehicles (Net)	12,811	16,103
Tools, furniture and fixtures	6,538	6,799
Accumulated depreciation	(5,518)	(5,809)
Tools, furniture and fixtures (Net)	1,020	989
Land	11,996	11,907
Leasehold assets	28	28
Accumulated depreciation	(12)	(16)
Leasehold assets (Net)	16	11
Construction in progress	4,854	1,348
Total property, plants and equipment	67,468	68,746
Intangible fixed assets		
Software	1,960	1,689
Other intangible fixed assets	230	226
Total intangible fixed assets	2,190	1,916
Investments and other assets		
Investments in securities	16,698	12,538
Long-term loans	525	103
Deferred income taxes	3,966	4,376
Other assets	5,493	5,513
Allowance for doubtful accounts	(147)	(69)
Total investments and other assets	26,536	22,462
Total fixed assets	96,194	93,125
Total assets	163,917	168,517

(Millions of yen; amounts less than one million yen are omitted)

	End of FY2010	End of FY2011
	(As of Mar. 31, 2011)	(As of Mar. 31, 2012)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	7,844	7,013
Short-term debt	3,993	4,798
Commercial paper	12,800	19,600
Current portion of long-term debt	1,081	1,077
Accrued income taxes	509	387
Allowance for employees' bonuses	1,311	1,239
Notes payable on acquisition of property, plants and equipment	635	1,695
Other current liabilities	7,081	7,533
Total current liabilities	35,257	43,344
Long-term liabilities		
Long-term debt	5,175	7,678
Allowance for retirement benefits	4,623	2,174
Long-term deposits & guarantee deposits	4,906	4,737
Other long-term liabilities	608	384
Total long-term liabilities	15,313	14,975
Total liabilities	50,571	58,319
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,082	14,080
Retained earnings	80,033	79,255
Treasury stock	(7,286)	(7,655)
Total shareholders' equity	112,900	111,752
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	2,592	430
Deferred gains (losses) on hedge	(416)	(220)
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	(2,228)	(2,582)
Total accumulated other comprehensive income	(452)	(2,773)
Stock acquisition rights	200	253
Minority interests	697	964
Total net assets	113,345	110,197
Total liabilities and net assets	163,917	168,517

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen; amounts less than one million yen are omitted)

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Net sales	133,705	136,621
Cost of sales	97,295	102,717
Gross profit	36,409	33,904
Selling, general & administrative expenses	33,324	32,880
Operating income	3,085	1,023
Non-operating income		
Interest income	28	21
Dividend income	335	299
Rental income	582	607
Gain on allotment of investment securities	145	-
Other	254	182
Total non-operating income	1,346	1,111
Non-operating expenses		
Interest expenses	163	170
Rental expenses	479	574
Exchange loss	239	172
Other	263	242
Total non-operating expenses	1,146	1,159
Ordinary income	3,285	975
Extraordinary income		
Gain on sale of property, plants & equipment	484	81
Reversal of allowance for doubtful accounts	17	-
Penalty received	1,337	-
Gain on establishment of employee retirement benefit trust	969	4,076
Other	33	23
Total extraordinary income	2,842	4,181
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	133	166
Loss on valuation of investments in securities	8	-
Amortization of actuarial differences in retirement benefits	2,247	2,492
Expenses on business structure improvement	287	-
Loss on disaster	223	-
Effect of application of accounting standard for asset retirement obligations	62	-
Other	146	182
Total extraordinary loss	3,110	2,842
Income before taxes and minority interests	3,016	2,315
Income, residential and enterprise taxes	567	534
Adjustment for income and other taxes	645	1,370
Total income and other taxes	1,213	1,905
Income before minority interests (loss)	1,803	410
Minority interests in income	6	(160)
Net income	1,796	571

Consolidated Statements of Comprehensive Income

(Millions of yen: amounts less than one million yen are omitted)

	FY2010	FY2011
	(Apr. 1, 2010 - Mar. 31, 2011)	(Apr. 1, 2011 - Mar. 31, 2012)
Income before minority interests	1,803	410
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(2,195)	(2,162)
Deferred gains (losses) on hedge	(161)	195
Foreign currency translation adjustments	(1,102)	(386)
Total other comprehensive income (loss)	(3,459)	(2,352)
Comprehensive income (loss) attributable to:	(1,656)	(1,942)
Shareholders of the Parent Company	(1,609)	(1,668)
Minority interests	(46)	(273)

[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- to long-term business outlook, with a target payout ratio of approximately 30% on a consolidated basis. In line with this basic policy, it is proposed that the 116th 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: ¥1,436,741,093.
- (3) Effective date for distribution of surplus:
June 27, 2012.

[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	Hiroshi Hirata (Sept. 5, 1947)	Apr. 1970	Joined "GUNZE"	28,310
		Jun. 2000	Director, General Manager of Administration Department and General Manager of General Affairs Department, GUNZE	
		Jun. 2002	Director, General Manager of Information Systems Center and CIO, GUNZE	
		Jun. 2004	Representative Director, Managing Director, General Manager of Group Management & Strategy Department, General Manager of Tokyo Office, CMAO, CHO and CIO, GUNZE	
		Jul. 2004	Representative Director, Managing Director, General Manager of Group Management & Strategy Department, General Manager of Tokyo Office, CMAO, CHO, CIO and CCSRO, GUNZE	
		Jun. 2005	Representative Director, Senior Managing Director, Senior Managing Corporate Officer, General Manager of Group Management & Strategy Department, General Manager of Tokyo Office, CMAO, CHO, CIO and CCSRO, GUNZE	
		Jun. 2006	President, Representative Director, President Corporate Officer and COO, GUNZE	
		Jun. 2008	President, Representative Director, President Corporate Officer, CEO and COO, GUNZE	
		Aug. 2008	President, Representative Director, President Corporate Officer, CEO, COO and Company President of Apparel Company, GUNZE	
		Apr. 2010	President, Representative Director, President Corporate Officer, CEO and COO, 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
2	Nodoka Kodama (Nov. 23, 1948)	Apr. 1972 Jun. 2006 Jul. 2007 Jun. 2008 Apr. 2009 Apr. 2010 Apr. 2012	Joined "GUNZE" Director, Corporate Officer, General Manager of Management & Strategy Corporate Department and Human Resources Development Department, CFO, CMAO and Deputy CHO, GUNZE Director, Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO and CMAO, GUNZE Representative Director, Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO, CMAO and CHO, GUNZE 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 Representative Director, Managing Director, Managing Corporate Officer, General Manager of Corporate Communication Department, CFO and CHO, GUNZE Representative Director, Managing Director, Managing Corporate Officer, General Manager of Corporate Communication Department and CFO, GUNZE (to present)	28,000
3	Hideo Tanbara (Aug. 20, 1948)	Apr. 1970 Jun. 2004 Jun. 2005 Jun. 2008 Apr. 2012	Joined "GUNZE" Director and General Manager of Engineering Plastics Division, GUNZE Director, Corporate Officer and General Manager of Engineering Plastics Division, GUNZE Managing Director, Managing Corporate Officer, General Manager of Engineering Plastics Division and CRO, GUNZE Managing Director, Managing Corporate Officer, CRO and CHO, GUNZE (to present)	21,000
4	Katsusuke Amano (Feb. 27, 1952)	Oct. 1975 Apr. 1978 Apr. 1983 Jan. 1985 Feb. 2003 Jun. 2010	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)	7,000
5	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)	1,000

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
6	Masakazu Suzuki (Oct. 29, 1954)	Apr. 1985 Jun. 2006 Jun. 2008 Apr. 2010	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 (to present)	12,000
7	Kazunori Hattori (Oct. 20, 1956)	Apr. 1980 Apr. 2008 Jun. 2008 Apr. 2011 Apr. 2012	Joined "GUNZE" Corporate Officer and Company President of Plastic Film Company, GUNZE Director, Corporate Officer and Company President of Plastic Film Company, GUNZE Director, Corporate Officer, Company President of Plastic Film Company and CCO, GUNZE Director, Corporate Officer, General Manager of Management & Strategy Department and CMAO, GUNZE (to present)	3,000
8	Makoto Hamamura (Nov. 25, 1950)	Apr. 1973 Feb. 2005 Jun. 2005 Aug. 2008 Apr. 2010 Jun. 2010 Apr. 2012	Joined "GUNZE" President and Representative Director, GUNZE DEVELOPMENT CO., LTD. Corporate Officer, GUNZE and President and Representative Director, GUNZE DEVELOPMENT CO., LTD. Corporate Officer and General Manager of Personnel & General Affairs Department, GUNZE Corporate Officer, General Manager of Management & Strategy Department and CMAO, GUNZE Director, Corporate Officer, General Manager of Management & Strategy Department and CMAO, GUNZE Director, Corporate Officer, Company President of Apparel Company and CLO, GUNZE (to present)	10,000
9	Nanami Ozawa (Jun. 24, 1952)	Apr. 1975 Apr. 2008 Aug. 2008 Apr. 2010 Jun. 2010 Apr. 2012	Joined "GUNZE" Corporate Officer and Company Vice President of Men's & Kids' Wear Company, GUNZE Corporate Officer and Deputy General Manager of Inner Wear Divisions Group, Apparel Company, GUNZE Corporate Officer, General Manager of Inner Wear Divisions Group, Apparel Company and CLO, GUNZE Director, Corporate Officer, General Manager of Inner Wear Divisions Group, Apparel Company and CLO, GUNZE Director, Corporate Officer and General Manager of Inner Wear Divisions Group, Apparel Company, GUNZE (to present)	24,000
10	Atsushi Hirochi* (Jan. 11, 1960)	Mar. 1983 Aug. 2008 Apr. 2010 Apr. 2012	Joined "GUNZE" General Manager of Merchandise Administrative Department, Leg Wear Divisions Group, Apparel Company, 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 (to present)	12,210

[Translation]

Note 1: The candidate marked with an asterisk (*) is a new candidate for Director.

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.

Note 4: Reasons for supporting the candidates, term of office 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 two 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 one year 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.
- c. Neither of the candidates has any experience in corporate management, other than as an outside Director or outside Corporate Auditor. However, for the above-mentioned reasons, the Company considers that they will be able to appropriately discharge their duties as outside Directors.

(2) Term of office of outside Directors

- a. The term of office of Mr. Katsusuke Amano has been two years at the close of this general meeting of shareholders.
- b. The term of office of Ms. Aya Shirai has been one year 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.

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.evote.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 Monday, June 25, 2012. However, we ask that you vote sooner if possible. If you have any questions concerning the procedures for voting via the Internet,

[Translation]

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 -