

## GUNZE LIMITED

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

June 1, 2023

To Our Shareholders:

### **NOTICE OF CONVOCATION OF THE 127TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

This Notice of Convocation is to inform you that the 127<sup>th</sup> Ordinary General Meeting of Shareholders of GUNZE LIMITED will be held as described below.

In conjunction with the convening this Ordinary General Meeting of Shareholders, the Company has adopted measures to provide the information that constitutes the contents of the Reference Documents for the General Meeting of Shareholders and other information (matters subject to electronic provision measures) in an electronic format, and has posted this information on the websites listed below under “NOTICE OF CONVOCATION OF THE 127TH ORDINARY GENERAL MEETING OF SHAREHOLDERS” and “MATTERS OMITTED FROM THE DOCUMENTS TO BE DELIVERED BASED ON THE LAWS, REGULATIONS AND ARTICLES OF INCORPORATION WITH REPECT TO THE NOTICE OF CONVENTION OF THE 127<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS” Please access Company’s website at the following link to review the information.

The Company’s website: <https://www.gunze.co.jp/english/ir/shareholders/meeting/>

Those matters subject to electronic provision measures are also posted on the website of the Tokyo Stock Exchange (TSE). Please access the TSE website (Listed Company Search) at the following link, enter the issue name “GUNZE” or the Company’s securities code “3002” and click on Search. Then, click “Basic information” and select “Documents for public inspection/PR information” to review the posted information.

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

**We request all shareholders attending the General Meeting of Shareholders to carefully check and consider the situation of the spread of COVID-19 and their own health status on the day of the meeting. Please note that you may also exercise your voting rights via the Internet or in writing. Whichever method you choose, please refer to the “Guide to Exercising Voting Rights via the Internet, etc.” described later and exercise your voting rights no later than 5:00 p.m. on Thursday, June 22, 2023 (JST).**

Yours very truly,

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

By: Toshiyasu Saguchi  
Representative Director and President

## PARTICULARS

1. **Date and Time of the Meeting:** 1:00 p.m., Friday, June 23, 2023[Registration starts at Noon]
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 127<sup>th</sup> Business Term (from April 1, 2022 to March 31, 2023).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 127<sup>th</sup> Business Term (from April 1, 2022 to March 31, 2023).

### **Matters for Resolution:**

**First Proposition: Proposed Disposal of Surplus**

**Second Proposition: Election of Nine (9) Directors**

**Third Proposition: Election of Two (2) Corporate Auditors**

- Those shareholders who have not requested delivery of paper-based documents will receive a paper copy containing a portion of the Reference Documents for the General Meeting of Shareholders and a Report on the Results of Operations. In addition, those shareholders who have requested delivery of paper-based documents will receive a paper copy containing the matters subject to electronic provision measures in accordance with the relevant provisions of laws and regulations and the Company's Articles of Incorporation. **A paper copy containing the matters subject to electronic provision measures will not be provided to shareholders who attend the meeting in person. Shareholders attending the meeting in person who require a paper copy containing the matters subject to electronic provision measures are requested to print out a copy from either of the above-listed websites and bring this with them on the day of the meeting.**
- The following information is not presented in the paper copy containing the matters subject to electronic provision measures:  
Report on the Results of Operations: "Matters regarding the Company's Stock Acquisition Rights, etc.," "Systems to Ensure Propriety in Business Operations," "Outline of Implementation of Systems to Ensure Appropriate Business Operations of the Company," "Basic Policy for Corporate Control." Consolidated Financial Statements: "Consolidated Statements of Changes in Shareholders' Equity, etc.," "Notes to Consolidated Financial Statements." Non-consolidated Financial Statements: "Non-consolidated Statements of Changes in Shareholders' Equity, etc.," "Notes to Non-consolidated Financial Statements." These items of information are available on each of the websites listed on page 1 of this document under "Matters Omitted from the Documents to be Delivered." Accordingly, the aforementioned paper copy contains a portion of

the Report on the Result of Operations, Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Corporate Auditors during the preparation of the Report on the Results of Audits and the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Accounting Auditors during the preparation of the Report on the Results of Accounting Audit.

- Any revision made to the contents of the matters subject to electronic provision measures up to the day before the date of the General Meeting of Shareholders will be posted on each of the websites listed on page 1 of this document in order to notify shareholders of such revision.

## **Guide to Exercising Voting Rights via the Internet, etc.**

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

Deadline for accepting votes via the Internet:  
5:00 p.m. on Thursday, June 22, 2023

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

Votes via the Internet will be accepted until 5:00 p.m. on Thursday, June 22, 2023. However, we ask that you vote sooner if possible.

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

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

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

### **Electronic Voting Platform for Institutional Investors**

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

## GENERAL MEETING OF SHAREHOLDERS

### Propositions and Reference Matters:

#### First Proposition: Proposed Disposal of Surplus

It is proposed that surplus be disposed as follows:

1. Matters related to the term-end dividend:

Returning earnings to shareholders is one of the most important management policies of the Company. Accordingly, the Company will maintain a 100% total return ratio until the consolidated ROE exceeds the cost of shareholders' equity. At the same time, the Company strives to continuously provide a stable dividend based on a DOE (Dividend on Equity) ratio of 2.2% or higher.

In line with this basic policy, it is proposed that the 127<sup>th</sup> 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:  
¥147 per share of common stock of the Company  
Total amount: ¥2,505,824,328
- (3) Effective date for distribution of surplus:  
June 26, 2023

**Second Proposition:****Election of Nine (9) Directors**

The terms of office of all eight (8) Directors will expire at the close of this General Meeting of Shareholders. It is therefore proposed that nine (9) Directors will be elected. The Company has established a policy regarding qualifications for Directors and nomination procedures in its Corporate Governance Guidelines. (Refer to the Company's website:

[https://www.gunze.co.jp/ir/policy/governance/.](https://www.gunze.co.jp/ir/policy/governance/)) All candidates for Directors in this Proposition are selected in accordance with the said policy. Please see "Reference 1" on page 15 and 16 for the applicable matters, as well as "Reference 2" on page 17 and 18 for the skills of each candidate for Director.

The candidates are as follows:

Candidate No.	Name	Current Posts and Responsibilities	Percentage of Attendance in BOD Meetings	Number of Years in Office
1	Reelection Male Atsushi Hirochi	Chairman, Representative Director, and Nomination/Remuneration Committee Member	100% (13/13)	11 years
2	Reelection Male Toshiyasu Saguchi	Representative Director, President, President Corporate Officer, and Nomination/Remuneration Committee Member	100% (13/13)	9 years
3	Reelection Outside Independent Female Hiroe Nakai	Director and Nomination/Remuneration Committee Member (Chair)	100% (13/13)	5 years
4	Reelection Outside Independent Male Osamu Kujiraoka	Director and Nomination/Remuneration Committee Member	100% (13/13)	4 years
5	Reelection Outside Independent Female Rie Kida	Director and Nomination/Remuneration Committee Member	100% (13/13)	3 years
6	Reelection Male Makoto Kumada	Director, Managing Corporate Officer, and President and Representative Director of Gunze Development Co., Ltd.	100% (13/13)	6 years
7	Reelection Male Katsuhiko Oikawa	Director, Corporate Officer, and General Manager of Research & Development Department	100% (13/13)	7 years
8	Reelection Male Ryoji Kawanishi	Director, Corporate Officer, and Company President of Apparel Company	100% (13/13)	2 years
9	New Male Hirokazu Sawada	Corporate Officer and General Manager of Finance & Accounting Department	--	--

Note 1: The term of office of Directors will expire at the close of the Ordinary General Meeting of Shareholders.

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
1	Atsushi Hirochi (Jan. 11, 1960)  <b>Reelection</b> <b>Male</b>	Mar. 1983 Jun. 2012 Jan. 2013 Apr. 2014 Jun. 2014 Apr. 2016 Jun. 2016 Apr. 2017 Feb. 2019 Jun. 2021	Joined "GUNZE" Director, Corporate Officer, General Manager of Leg Wear Divisions Group, Apparel Company and CCO, GUNZE Director, Corporate Officer, General Manager of Innerwear Divisions Group, Apparel Company and CCO, GUNZE Director, Corporate Officer, Company President of Apparel Company, General Manager of Innerwear Divisions Group and CCO, GUNZE Managing Director, Managing Corporate Officer, Company President of Apparel Company, General Manager of Innerwear Divisions Group, Apparel Company, CMO and CLO, GUNZE Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Department, CHO, CCSRO and CMO, GUNZE Senior Managing Director, Representative Director, Senior Managing Corporate Officer, General Manager of Management & Strategy Department, CHO, CCSRO and CMO, GUNZE President, Representative Director and President Corporate Officer, GUNZE (to present) Member, Nomination/Remuneration Committee, GUNZE (to present) Chairman and Representative Director, GUNZE (to present)	17,989  Number of years in office: 11 (at the close of the Meeting)
<p><b>Reasons for supporting the candidate for Director</b></p> <p>Mr. Atsushi Hirochi assumed the position of the Chairman and Representative Director of the Company in June 2021. Before that, he was appointed as the President and Representative Director of the Company in April 2017. Since then, Mr. Hirochi has led the management of the GUNZE Group through the implementation of each strategy of its medium-term management plan and the reinforcement of its corporate governance. Moreover, as the Chairman of the Board of Directors, Mr. Hirochi has been working to vitalize the Board and enhance its effectiveness. The Company would like Mr. Hirochi to continue serving the Company as a Director as his leadership is deemed essential for continuously reinforcing the oversight and supervisory functions of the GUNZE Group and strengthening sustainable relationships with stakeholders. Accordingly, the Company proposes that he be elected as a Director.</p>				
2	Toshiyasu Saguchi (Nov. 14, 1961)  <b>Reelection</b> <b>Male</b>	Mar. 1984 Jun. 2014 Apr. 2017 Jun. 2018 Feb. 2019 Jun. 2020 Jun. 2021	Joined "GUNZE" Director, Corporate Officer, and Company President of Plastic Film Company, GUNZE Managing Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Representative Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Member, Nomination/Remuneration Committee, GUNZE (to present) Representative Director, Senior Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Representative Director, President, and President Corporate Officer, GUNZE (to present)	10,956  Number of years in office: 9 (at the close of the Meeting)



No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
		<p><b>Reasons for supporting the candidate for Director</b> Mr. Toshiyasu Saguchi assumed the position of the Representative Director, President and President Corporate Officer in June 2021. Since June 2020, he has appropriately promoted the formulation of the Company's medium-term management plan, M&amp;A projects, etc., as a Representative Director and Senior Managing Officer. The Company would like Mr. Saguchi to continue serving the Company as a Director, as his leadership is deemed essential for continuously making a social contribution through sustainability management and for achieving the sustainable growth of the GUNZE Group in the future. Accordingly, the Company proposes that he be elected as a Director.</p>		
3	<p>Hiroe Nakai (May 20, 1961)</p> <p><b>Reelection</b> <b>Outside</b> <b>Independent</b> <b>Female</b></p>	<p>Apr. 1988 Apr. 1995 Sep. 2011 Jun. 2013 Aug. 2016 Jun. 2018 Feb. 2019</p>	<p>Registered as an attorney (at Osaka Bar Association) Established "Inoue and Nakai Law Office" Established "Hinata Law Office" Outside Auditor, Endo Lighting Corp. Outside Auditor, Kansai Paint Co., Ltd. Director, GUNZE (to present) Member (Chair), Nomination/Remuneration Committee, GUNZE (to present)</p>	<p>1,300</p> <p>Number of years in office: 5 (at the close of the Meeting)</p>
		<p><b>Reasons for supporting the candidate for outside Director and summary of expected roles</b> The Company would like Ms. Hiroe Nakai to continue serving the Company, given her approximately five years of experience as an outside Director of the Company, as well as her ample experience as an attorney and knowledge in the field of corporate legal and general civil affairs. During her time of service, she has reflected an objective viewpoint into the Company's management decisions based on her ample experience and broad knowledge, while also exerting her maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as the chair of the Nomination/Remuneration Committee, she has actively provided advice and recommendations, which has made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates her experience and talent, and is expecting her to exercise supervision and give advice based on her objective insight and legal knowledge, once she is elected as an outside Director. For these reasons, the Company proposes that she be elected as an outside Director.</p>		
4	<p>Osamu Kujiraoka (Sept. 25, 1955)</p> <p><b>Reelection</b> <b>Outside</b> <b>Independent</b> <b>Male</b></p>	<p>Mar. 1978 Mar. 1988  Mar. 2003 Jan. 2006  Mar. 2009  Feb. 2015 Jun. 2019 Oct. 2019</p>	<p>Joined Nikkei Inc. Seconded to Nikkei McGraw-Hill, Inc. (presently, Nikkei Business Publications, Inc.) Executive Officer and Chief of Operations, Nikkei Inc. Officer and Chief of Medical Affairs, Nikkei Inc. and President and CEO, Nikkei Medical Publishing Inc. Executive Officer, Nikkei Inc., President and CEO, Nikkei Business Publications America, Inc. and Nikkei Business Publications Europe, Ltd. President and CEO, Nikkei Medical Publishing Inc. Director, Member, Nomination/Remuneration Committee, GUNZE (to present) President, Dakuon Co., Ltd. (to present)</p>	<p>1,000</p> <p>Number of years in office: 4 (at the close of the Meeting)</p>

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts	Number of Shares of the Company Owned				
		<p><b>Reasons for supporting the candidate for outside Director and summary of expected roles</b> The Company would like Mr. Osamu Kujiraoka to continue serving the Company, given his approximately four years of experience as an outside Director of the Company, as well as his career as an executive officer of a publishing company. During his time of service, he has reflected an objective viewpoint into the Company's management decisions based on his ample experience and broad knowledge especially in the medical field, one of the Company's high-growth businesses, while also exerting his maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as a member of the Nomination/Remuneration Committee, he has actively provided advice and recommendations, which has made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates his experience and talent, and is expecting him to exercise supervision and provide advice based on his ample experience and comprehensive knowledge in the medical field, once he is elected as an outside Director. For these reasons, the Company proposes that he be elected as an outside Director.</p>					
5	<p>Rie Kida (May 27, 1969)</p> <p><b>Reelection Outside Independent Female</b></p>	<table border="0"> <tr> <td data-bbox="432 763 560 1167"> <p>Apr. 1989 Apr. 1991 Oct. 2000 Apr. 2003 Apr. 2005 Nov. 2009 Aug. 2010 Apr. 2013 Jun. 2020</p> </td> <td data-bbox="560 763 1286 1167"> <p>Joined Luis Jitan Company Joined RESCO FORMATION Inc. Joined IDEI CREATIVE AGENCY Joined HERSTORY CO., LTD. Chief Producer, HERSTORY CO., LTD. Managing Director, RESCO FORMATION Inc. Organized Woman's Feelings Marketing Laboratory within RESCO FORMATION Inc. and appointed Chief Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present) Director and Member, Nomination/Remuneration Committee, GUNZE (to present)</p> </td> </tr> <tr> <td colspan="2" data-bbox="432 1167 1286 1653"> <p><b>Reasons for supporting the candidate for outside Director and summary of expected roles</b> The Company would like Ms. Rie Kida to continue serving the Company as an outside Director, given her long-term experience in researching women's values, lifestyle and purchase behaviors at the important position and in providing many clients with marketing support from her own perspective. Sha has assumed responsible positions as an outside Director of the Company for about three years. During her time of service, she has reflected an objective viewpoint into the Company's management decisions based on her ample experience and broad knowledge especially in the field of B to C transactions and women's empowerment, while also exerting her maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as a member of the Nomination/Remuneration Committee, she has actively provided advice and recommendations, which made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates her experience and talent, and is expecting her to exercise supervision and provide advice based on her ample experience and comprehensive knowledge in the field of marketing and women's empowerment, once she is elected as an outside Director. For these reasons, the Company proposes that she be elected as an outside Director.</p> </td> </tr> </table>	<p>Apr. 1989 Apr. 1991 Oct. 2000 Apr. 2003 Apr. 2005 Nov. 2009 Aug. 2010 Apr. 2013 Jun. 2020</p>	<p>Joined Luis Jitan Company Joined RESCO FORMATION Inc. Joined IDEI CREATIVE AGENCY Joined HERSTORY CO., LTD. Chief Producer, HERSTORY CO., LTD. Managing Director, RESCO FORMATION Inc. Organized Woman's Feelings Marketing Laboratory within RESCO FORMATION Inc. and appointed Chief Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present) Director and Member, Nomination/Remuneration Committee, GUNZE (to present)</p>	<p><b>Reasons for supporting the candidate for outside Director and summary of expected roles</b> The Company would like Ms. Rie Kida to continue serving the Company as an outside Director, given her long-term experience in researching women's values, lifestyle and purchase behaviors at the important position and in providing many clients with marketing support from her own perspective. Sha has assumed responsible positions as an outside Director of the Company for about three years. During her time of service, she has reflected an objective viewpoint into the Company's management decisions based on her ample experience and broad knowledge especially in the field of B to C transactions and women's empowerment, while also exerting her maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as a member of the Nomination/Remuneration Committee, she has actively provided advice and recommendations, which made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates her experience and talent, and is expecting her to exercise supervision and provide advice based on her ample experience and comprehensive knowledge in the field of marketing and women's empowerment, once she is elected as an outside Director. For these reasons, the Company proposes that she be elected as an outside Director.</p>		<p>400</p> <p>Number of years in office: 3 (at the close of the Meeting)</p>
<p>Apr. 1989 Apr. 1991 Oct. 2000 Apr. 2003 Apr. 2005 Nov. 2009 Aug. 2010 Apr. 2013 Jun. 2020</p>	<p>Joined Luis Jitan Company Joined RESCO FORMATION Inc. Joined IDEI CREATIVE AGENCY Joined HERSTORY CO., LTD. Chief Producer, HERSTORY CO., LTD. Managing Director, RESCO FORMATION Inc. Organized Woman's Feelings Marketing Laboratory within RESCO FORMATION Inc. and appointed Chief Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present) Director and Member, Nomination/Remuneration Committee, GUNZE (to present)</p>						
<p><b>Reasons for supporting the candidate for outside Director and summary of expected roles</b> The Company would like Ms. Rie Kida to continue serving the Company as an outside Director, given her long-term experience in researching women's values, lifestyle and purchase behaviors at the important position and in providing many clients with marketing support from her own perspective. Sha has assumed responsible positions as an outside Director of the Company for about three years. During her time of service, she has reflected an objective viewpoint into the Company's management decisions based on her ample experience and broad knowledge especially in the field of B to C transactions and women's empowerment, while also exerting her maximum effort to oversee the Company's business operations from a fair and independent perspective. Moreover, as a member of the Nomination/Remuneration Committee, she has actively provided advice and recommendations, which made a significant contribution to enhancing the GUNZE Group's corporate governance. The Company highly evaluates her experience and talent, and is expecting her to exercise supervision and provide advice based on her ample experience and comprehensive knowledge in the field of marketing and women's empowerment, once she is elected as an outside Director. For these reasons, the Company proposes that she be elected as an outside Director.</p>							
6	<p>Makoto Kumada (Jul. 24, 1961)</p> <p><b>Reelection Male</b></p>	<table border="0"> <tr> <td data-bbox="432 1653 560 1968"> <p>Mar. 1984 Apr. 2017 Jun. 2017 Apr. 2022 Apr. 2023</p> </td> <td data-bbox="560 1653 1286 1968"> <p>Joined "GUNZE" Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE Director, Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE Director, Managing Corporate Officer, and General Manager of Finance &amp; Accounting Department, GUNZE Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. (to present)</p> </td> </tr> </table>	<p>Mar. 1984 Apr. 2017 Jun. 2017 Apr. 2022 Apr. 2023</p>	<p>Joined "GUNZE" Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE Director, Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE Director, Managing Corporate Officer, and General Manager of Finance &amp; Accounting Department, GUNZE Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. (to present)</p>	<p>5,465</p> <p>Number of years in office: 6 (at the close of the Meeting)</p>		
<p>Mar. 1984 Apr. 2017 Jun. 2017 Apr. 2022 Apr. 2023</p>	<p>Joined "GUNZE" Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE Director, Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE Director, Managing Corporate Officer, and General Manager of Finance &amp; Accounting Department, GUNZE Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. (to present)</p>						

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
		<p><b>Reasons for supporting the candidate for Director</b>            Since June 2022, Mr. Makoto Kumada has been involved in the management of the Company as the Director in charge of the Lifestyle Creation segment. Also, since April 2023, he has been striving for effective use of the Group's real estate as the President and Representative Director of Gunze Development Co., Ltd. The Company would like Mr. Kumada to continue serving the Company as a Director as his expertise is deemed essential for continuously promoting GUNZE's group management in the future. Accordingly, the Company proposes that he be elected as a Director.</p>		
7	Katsuhiko Oikawa (Apr. 12, 1963)  <b>Reelection</b> <b>Male</b>	Apr. 1986 Apr. 2014 Jun. 2014 Jun. 2016 Apr. 2017	Joined "GUNZE" Corporate Officer and General Manager of Research & Development Department, GUNZE Corporate Officer, General Manager of Research & Development Department, and CRO, GUNZE Director, Corporate Officer, General Manager of Research & Development Department, and CRO, GUNZE Director, Corporate Officer, and General Manager of Research & Development Department, GUNZE (to present)	4,948  Number of years in office: 7 (at the close of the Meeting)
		<p><b>Reasons for supporting the candidate for Director</b>            The Company would like Mr. Katsuhiko Oikawa to continue serving the Company as a Director, given his ample experience and broad knowledge, mainly in the field of production and research &amp; development. As the General Manager of the Research &amp; Development Department, he has been working on the promotion of various research themes as well as the development and cultivation of new businesses. As Mr. Oikawa's expertise is deemed essential for continuously promoting GUNZE's group management in the future, the Company proposes that he be elected as a Director.</p>		
8	Ryoji Kawanishi (Dec. 7, 1962)  <b>Reelection</b> <b>Male</b>	Apr. 1986 Apr. 2020 Apr. 2021 Jun. 2021	Joined "GUNZE" Corporate Officer and General Manager of Management Administrative Department, Apparel Company, GUNZE Corporate Officer, Company President of Apparel Company, and General Manager of Management Administrative Department, Apparel Company, GUNZE Director, Corporate Officer, and Company President of Apparel Company (to present)	2,539  Number of years in office: 2 (at the close of the Meeting)
		<p><b>Reason for supporting the candidate for Director</b>            Since April 2021, Mr. Ryoji Kawanishi has been working on business structure reforms as the Company President of Apparel Company by accelerating the effort to transform the apparel business into direct-to-consumer (DTC) model to meet changes in the external environment. The Company would like Mr. Kawanishi to continue serving the Company as a Director as his expertise is deemed essential for continuously promoting GUNZE's group management in the future. Accordingly, the Company proposes that he be elected as a Director.</p>		
9	Hirokazu Sawada (Mar. 11, 1965)  <b>New</b> <b>Male</b>	Apr. 1988 Jul. 2018 Apr. 2022 Apr. 2023	Joined "GUNZE" General Manager of Management Administrative Department, Plastic Film Company, GUNZE Corporate Officer, Deputy Company President of Plastic Film Company, and General Manager of Management Administrative Department, Plastic Film Company, GUNZE Corporate Officer and General Manager of Finance & Accounting Division (to present)	1,379  Number of years in office: -- (at the close of the Meeting)

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts	Number of Shares of the Company Owned
		<p><b>Reason for supporting the candidate for Director</b>  The Company would like Mr. Hirokazu Sawada to serve the Company as a Director, as he has successively assumed core administrative positions within the Company's main business segments drawing on his ample experience and broad knowledge mainly in the field of finance and accounting. Since April 2023, Mr. Sawada has been appropriately performing his duties as the General Manager of the Finance &amp; Accounting Department by promoting the overall term-end closing operations and working to improve the Company's capital efficiency. In expectation that he will appropriately perform his duties as a Director, the Company proposes that he be elected as a new Director.</p>	

Note 1: Mr. Hirokazu Sawada is a new candidate for Director.

Note 2: There is no special interest between the Company and each of the candidates for Directors. No advisor contract has ever been concluded between the Company and any of the firms in which candidates for outside Directors concurrently assume an important post, now or in the past, and the amount of the transaction the Company conducts with these firms is less than 1% of the Company's consolidated net sales.

Note 3: When selecting candidates for outside Directors, the Company selected those who met the requirements of the Companies Act, as well as the independence criteria stipulated in the Tokyo Stock Exchange regulations, and who will not cause conflict of interest against general shareholders. Once Ms. Hiroe Nakai, Mr. Osamu Kujiraoka and Ms. Rie Kida are elected, as proposed, the Company will inform the Tokyo Stock Exchange of their appointments as independent officers.

Note 4: The Company signs directors and officers liability insurance policies stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover the insured including the Directors of the Company to protect them from being liable for decisions and actions they make while performing their duties and resultant liability claims. Once each candidate for Director is elected, as proposed, he or she will be named as insured. At the next renewal time, the Company will renew the insurance policies with the same coverage option.

Note 5: Candidates for outside Directors

(1) Agreement to limit liability of the candidates for outside Directors

The Company has entered into a limited liability agreement with Ms. Hiroe Nakai, Mr. Osamu Kujiraoka, and Ms. Rie Kida under which each outside Director's liability to compensate the Company under Article 423, Paragraph 1 of the Companies Act shall be limited to ¥6,000,000 or the minimum amount stipulated by laws and ordinances, whichever is higher. Once Ms. Hiroe Nakai, Mr. Osamu Kujiraoka, and Ms. Rie Kida are elected, as proposed, the Company will enter into the same agreement with them to limit their liability.

(2) Nomination/Remuneration Committee

At GUNZE, all outside Directors carry out their duties as members of the Nomination/Remuneration Committee. As such, once each candidate for outside Director is elected, as proposed, he or she will also become a member of the Nomination/Remuneration Committee.

(3) Name notation

Ms. Hiroe Nakai's legal name on family register is Hiroe Asami.

Note 6: Abbreviation of titles

CCO: Chief Compliance Officer

CMO: Chief Marketing Officer

CLO: Chief Logistics Officer

CHO: Chief Human Resources Officer

CCSRO: Chief Corporate Social Responsibility Officer

CRO: Chief Research and Development Officer

The Company discontinued the Chief Officer system on April 1, 2017.

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

### Third Proposition: Election of Two (2) Corporate Auditor

The term of office of Corporate Auditors Mr. Keigo Inoue and Mr. Yoshio Suzuka will expire at the close of this Ordinary General Meeting of Shareholders. It is therefore proposed that two (2) Corporate Auditors be elected. The Company has established a policy regarding qualifications for Corporate Auditors and nomination procedures in its Corporate Governance Guidelines. (Refer to the Company's website: <https://www.gunze.co.jp/ir/policy/governance/>.) All candidates for Corporate Auditors in this proposition are selected in accordance with the said policy. Please see "Reference 1" on page 15 and 16 for the applicable matters, as well as "Reference 2" on page 17 and 18 for the skills of each candidate for Corporate Auditor.

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

The candidates are as follows:

No.	Name (Date of Birth)	Brief Personal Record, Current Posts and Additional Important Posts		Number of Shares of the Company Owned
1	Koji Funatomi (Mar. 29, 1961)	Apr. 1983 Jul. 2012 Jul. 2020 Aug. 2021 Jan. 2022 Oct. 2022	Joined National Tax Agency District Director, Tanabe Tax Office Manager of Second Taxation Department, Osaka Regional Taxation Bureau Registered as tax accountant and established Koji Funatomi Tax Accountant Office Outside Corporate Auditor, J.S.B. Co., Ltd. (to present) Chief Audit Commissioner, Izumi City (to present)	-- Number of years in office: -- (at the close of the Meeting)
	<b>New</b> <b>Outside</b> <b>Independent</b> <b>Male</b>	<p><b>Reasons for supporting the candidate for outside Corporate Auditor</b> The Company has judged that Mr. Koji Funatomi would be able to appropriately perform his duties as an outside Corporate Auditor independently and from an objective perspective with regard to the soundness of the company's financial and accounting position, given his ample experience as a tax accountant and his professional knowledge regarding finance and accounting. Accordingly, the Company has nominated Mr. Koji Funatomi as a candidate for outside Corporate Auditor.</p>		
2	Norihito Naka (Sep. 11, 1961)	Apr. 1991 Apr. 1998 Sep. 2010 Jan. 2023	Registered as an attorney (at Osaka Bar Association) Established "Kaneko & Naka Law Office" Outside Corporate Auditor, NOAH Company Limited Representative Attorney, Kaneko, Naka & Morimoto Law Firm (to present)	-- Number of years in office: -- (at the close of the Meeting)
	<b>New</b> <b>Outside</b> <b>Independent</b> <b>Male</b>	<p><b>Reasons for supporting the candidate for outside Corporate Auditor</b> The Company has judged that Mr. Norihito Naka would be able to appropriately perform his duties as an outside Corporate Auditor independently and from an objective perspective with regard to compliance, given his professional knowledge and ample practical experience as an attorney. Accordingly, the Company has nominated Mr. Norihito Naka as a candidate for outside Corporate Auditor.</p>		

Note 1: Mr. Koji Funatomi and Mr. Norihito Naka are new candidates for outside Corporate Auditors.

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

Note 3: When selecting outside Corporate Auditors, the Company selected those who met the requirements of the Companies Act, as well as the independence criteria stipulated in the Tokyo Stock Exchange regulations, and who will not cause conflict of interest against general shareholders. Once Mr. Koji Funatomi and Mr. Norihito Naka be elected as outside Corporate Auditors, the Company will inform the Tokyo Stock Exchange of their appointments as independent officers.

Note 4: The Company signs directors and officers liability insurance policies stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover the insured including the Corporate Auditors of the Company to protect them from being liable for decisions and actions they make while performing their duties

and resultant liability claims under. Once Mr. Koji Funatomi and Mr. Norihito Naka are elected as outside Corporate Auditors, they will be named as insured. At the next renewal time, the Company will renew the insurance policies with the same coverage option.

Note 5: Once Mr. Koji Funatomi and Mr. Norihito Naka are elected as outside Corporate Auditors, the Company is scheduled to enter into a limited liability agreement with each of them under which each outside Corporate Auditor's liability to compensate the Company under Article 423, Paragraph 1 of the Companies Act. The liability shall be limited to ¥6,000,000 or the minimum amount stipulated by laws and ordinances, whichever is higher.

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

**[Reference 1]**

**An Excerpt from GUNZE Corporate Governance Guidelines**

**1. Qualifications for Directors and Nomination Procedures**

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

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

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

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

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

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

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

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

(1) The Board of Directors stipulates in its independence criteria that outside Directors and outside Audit & Supervisory Board members, who have held their office for a term exceeding eight (8) years since they first assumed their office, do not satisfy eligibility criteria for outside Directors and outside Audit & Supervisory Board members, respectively. However, the outside Audit & Supervisory Board members in mid-term may continue to hold their office until the end of their respective terms.

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



**[Reference 2]**

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

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

Attributes	Name, Posts, etc.	Years of service [Age]	Nomination/ Remuneration Committee member	Inside executives	Outside executives
				Business management experience	Outside management experience
Directors	<span style="border: 1px solid black; padding: 1px;">Male</span> Atsushi Hirochi Chairman & Representative Director	11 years [63]	●	●	
	<span style="border: 1px solid black; padding: 1px;">Male</span> Toshiyasu Saguchi Representative Director & President	9 years [61]	●	●	
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Female</span> Hiroe Nakai Outside Director	5 years [62]	● (Chair)		
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Male</span> Osamu Kujiraoka Outside Director	4 years [67]	●		●
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Female</span> Rie Kida Outside Director	3 years [54]	●		●
	<span style="border: 1px solid black; padding: 1px;">Male</span> Makoto Kumada Director	6 years [61]		●	
	<span style="border: 1px solid black; padding: 1px;">Male</span> Katsuhiko Oikawa Director	7 years [60]			
	<span style="border: 1px solid black; padding: 1px;">Male</span> Ryoji Kawanishi Director	2 year [60]		●	
	<span style="border: 1px solid black; padding: 1px;">Male</span> Hirokazu Sawada Director	-- [58]			
Corporate Auditors	<span style="border: 1px solid black; padding: 1px;">Male</span> Tomio Suzuki Standing Corporate Auditor	2 years [59]			
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Male</span> Koji Funatomi Outside Corporate Auditor	-- [62]			
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Male</span> Norihito Naka Outside Corporate Auditor	-- [61]			
	<span style="border: 1px solid black; padding: 1px;">Male</span> Shinichiro Morita Corporate Auditor	2 years [66]		●	

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

## Results of Operations (April 1, 2022 to March 31, 2023)

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

#### 1. Business Progress and Results

(Overview of FY2022)

In the fiscal year that ended March 31, 2023, the Japanese economy was largely on a recovery track, as social and economic activities moved toward normal primarily owing to the easing of restrictions on activities due to COVID-19. The economic outlook, however, remains unclear, with rising prices due to soaring raw material and fuel prices as the situation in Ukraine prolongs and unstable exchange rate fluctuation.

Amid this operating environment, the GUNZE Group set about pursuing four basic strategies of “Creation of new value,” “Capital cost-focused management,” “Evolution of corporate constitution,” and “Environmentally responsible management,” to kick off its new medium-term management plan, “VISION 2030 stage 1” The Company also promoted business structure reforms, including the transfer of the film business in electronic components and the reorganization of the production bases in legwear.

By segment, the functional solutions business performed strongly overall, although the soaring raw material and fuel prices had an impact on the business. In the apparel business, exchange rate fluctuations and soaring raw material and fuel prices had an impact on the business, despite the ongoing recovery trend in sales. The lifestyle creations business, on the other hand, performed strongly thanks to the redevelopment of idle land.

Consequently, for the fiscal year under review, net sales recorded ¥136,030 million (increased by 9.4% compared to the previous fiscal year); operating profit recorded ¥5,812 million (increased by 19.1% compared to the previous fiscal year to); ordinary profit recorded ¥6,021 million (increased by 11.5% compared to the previous fiscal year); and profit attributable to owners of parent recorded ¥4,501 million (increased by 53.1% compared to the previous fiscal year) on a consolidated basis.

#### Results by Business Segment

##### [Functional Solutions]

In plastic film, sales of packaging films remained robust, although the soaring costs of utilities had an impact on business. In engineering plastics, products for the semiconductor market performed robustly. Electronic components were affected by the declining market conditions in its touch panel business. Medical materials remained firm partly owing to new product launches.

As a result of the above, the functional solutions business recorded net sales of 60,340 million (increased by 7.5% compared to the previous fiscal year) and an operating profit of 8,918 million (increased by 11.0% compared to the previous fiscal year).

##### [Apparel]

The apparel business saw its sales grow overall as social and economic activities moved toward normal resulting in the recovery of the market, as well as brisk sales in e-commerce and the SPA channel but rising raw material prices and exchange rate fluctuations put downward pressure on profits. As such, the Company has begun revising its prices. In innerwear, molded boxers and the differentiated product line of foundation garments performed briskly. In legwear, while sales increased due to the recovery of the market, the Company began to re-examine its production structure in an effort to improve profitability.

As a result of the above, the apparel business recorded net sales of ¥60,986 million (increased by 6.6% compared to the previous fiscal year) and an operating loss of ¥222 million (compared to an operating loss of ¥557 million for the previous fiscal year).

##### [Lifestyle Creations]

The real estate category recorded revenue growth as sales of an idle land redevelopment project

were recorded. Both the shopping center and the sports club businesses are back on the recovery track following the lifting of pandemic restrictions in activity.

As a result of the above, the lifestyle creation business recorded net sales of ¥15,327 million (increased by 32.4% compared to the previous fiscal year) and an operating profit of ¥705 million (increased by 55.5% compared to the previous fiscal year).

### **Net Sales and Operating Income by Segment**

(Millions of yen)

	126 <sup>th</sup> (FY2021)		127 <sup>th</sup> (FY2022)	
	Net sales	Operating income	Net sales	Operating income
Functional solutions	56,138	8,032	60,340	8,918
Apparel	57,197	(557)	60,986	(222)
Lifestyle creations	11,576	453	15,327	705
Total	124,912	7,929	136,655	9,401
Elimination/Corporate	(598)	(3,049)	(625)	(3,588)
Consolidated	124,314	4,880	136,030	5,812

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

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

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

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

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

### **<Basic Management Policy>**

Since its founding, the GUNZE Group has consistently lived up to the founding philosophy of “Striving for a harmonious coexistence with all stakeholders through a people-oriented approach and a commitment to quality.” This philosophy serves as the “warp” threads of our corporate management that must remain unchanged. Our business operations represent “weft” threads, which serve to meet the expectations of our society sincerely and flexibly. The combination of these “warp” and “weft” threads is how we solve social issues of the times through the supply of various products and services as we seek to sustainably improve the GUNZE Group’s corporate value.

### **<Medium-term Management Strategy>**

The GUNZE Group is currently implementing its medium-term management plan, “VISION 2030 Stage 1,” which covers the three-year period from fiscal 2022 through fiscal 2024 and employs four pivotal strategies: (1) creation of new value, (2) capital cost-focused management, (3) evolution of corporate constitution, and (4) environmentally responsible management. “VISION 2030 Stage 1” is positioned as an initial plan based on our stance of first clarifying our vision and goals targeting 2030, and then eliminating the gap between our current and ideal situations by means of backcasting as we aim at achieving our goals. Our vision for 2030 is: “Create new value and deliver a ‘feeling of comfort’ to customers, contributing to a sustainable society.”

With the key phrase of “Transformation and Challenge,” we seek to contribute to society while at the same time working to achieve the sustainable growth of the GUNZE Group through sustainable management capable of generating both economic and social benefits. As we promote “VISION 2030 Stage 1,” we have clarified the role and positioning of each business segment.

(1) Creation of new value

- Creation of new businesses and growing existing businesses (including M&As)
  - Promote development of functional films
  - Promote partnering with startups and M&A, developing platform for new business creation
  - Expand sales for plastic films and medical materials globally
  - Expand semiconductor-related product lineups in the engineering plastics segment
  - Accelerate shift to Direct-to-Consumer (DTC) business model for apparel (EC, directly managed stores), strengthening women’s innerwear and leggings product lineups
  
- Offering new products/services designed with enhanced sustainability in mind
  - Release innovative medical products centering on absorbable products
  - Promote sales of new environmentally friendly plastic film products using biomass and recycled raw materials
  - Reinforce and expand products designed to respond to climate change, wellness & health products, and ethical products in the apparel business segment
  - Renovation of “Gunze Town Center TSUKASHiN” for enhanced people/environment friendliness

(2) Capital cost-focused management

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

(3) Evolution of corporate constitution

- D&I, work style reforms, and initiatives for improving employee engagement
  - Promotion of women’s empowerment, next-generation support, senior empowerment, work environment improvement, office reform, encouraging annual paid leave utilization, reduction in total work hours
  - Promotion of 1-on-1 meetings, providing psychological safety, career rotation/development support, personnel/treatment system reforms, employee health/wellness management
  
- Transforming business processes through the proactive use of digital technology
  - Management information sharing (restructuring company-wide/business division-specific management portals)
  - Product/customer analyses using AI, SCM plan accuracy improvement
  - Build a Smart Factory based on sensing/AI technologies (productivity improvement through automation/labor-saving technologies)

- Use RPA (Robotic Process Automation) and related tools to reduce labor requirements for indirect operations

(4) Environmentally responsible management

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

\*GVA (Gunze Value Added) = Net Operating Income after Tax + Dividends – [Term-end Invested Capital x WACC (Weighted Average Cost of Capital)]

<Target Management Indicators>

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

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

(Non-financial goals)

Category	Target indicators	2024 targets	2030 targets	
Environmental responsiveness	CO <sub>2</sub> emissions reduction rate (vs. 2013)	28% or higher	35% or higher	
	Per-unit energy consumption reduction rate (vs. previous year)	1%/year or higher		
Corporate constitution evolution	Promotion of women’s empowerment	Ratio of women in managerial roles	6% or higher	20% or higher
		Ratio of female employees in workforce	35%	41%
		Ratio of women hired in main career track	50%	50%
	Parenting support	Men’s paternity leave utilization rate	50%	70%
	Corporate culture creation	Engagement score	70 pt. (estimate)	80 pt. (estimate)
	Work style reform	Annual paid leave utilization rate	75%	100%
Others	Productivity improvement rate (vs. previous year)	103%	103%	

(Financial strategy)

While maintaining a solid financial foundation, the GUNZE Group seeks to make capital

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

#### **<Challenges the GUNZE Group should address>**

More than three years have passed since the spread of COVID-19 began. While the spread of the infectious disease is finally being contained and social and economic activities are generally moving back to normal, the soaring prices of raw materials and fuels, as well as difficulties in procuring certain materials, are expected to continue, primarily due to the prolonged impact of Russia's invasion of Ukraine. Furthermore, concerns have been raised for a recession as a result of the interest rate hikes by the US and the uncertainty surrounding the management environment continues to prevail. The GUNZE Group intends to engage in initiatives to increase productivity, such as the promotion of automation at each of its businesses, strengthen cost competitiveness through an optimal global production system, and expand its network for the procurement of raw materials, while at the same time moving forward with activities to create new value that captures various market changes.

(Segment-specific strategic challenges)

As for the functional solutions business, in plastic films, we will work toward the commencement of full-scale operations of the Circular Factory (resource-circulating factory) and promote the establishment of recycling centers, the basis for our transformation into the Circular Manufacturer, along with the proactive market launch of environmentally responsible products. While striving to move forward with production innovation through the rollout of digital technologies, our efforts will also be concentrated on expanding sales in overseas markets, particularly in the United States, China, and the ASEAN region, etc. In engineering plastics, in addition to increasing the share of our products in the mainstay office equipment market, we will aim for sales expansion of products for health/medical-related and industrial equipment applications, through capital investments among other means.

In the medical business, we will accelerate business expansion by strengthening sales in the United States and China and the ongoing development of new products, while arranging system for boosting production of such products as suture reinforcement materials and artificial dermis, through organizational restructuring to reinforce our business foundations.

In the apparel business, through organizational restructuring to improve our competitiveness based on our comprehensive strengths, the GUNZE Group will strive to expand sales even further on the e-commerce channel, which has been enjoying accelerated growth in line with changing consumer behavior, as well as the Direct to Consumer channel for company-owned stores and also positively promote collaboration with other companies. At the same time, we will concentrate our management resources, capture new customers, expand into the lifestyle domain, and increase sales of women's innerwear products through products that differentiate our products from others. As for production, we will strengthen our cost competitiveness by promoting automation and the establishment of an optimal global production system, while promoting in stages the Net Zero Factory Project consisting of substantial zero CO<sub>2</sub> emission by using renewable energy and (partly) unmanned lines at major domestic factories.

In the lifestyle creation business, the GUNZE Group will work to boost the profitability of its commercial facilities and reinforce property-specific management that emphasizes investment efficiency. In the landscaping and greening business, we will proactively work on capturing the demand for greenery including those involving the World Expo in Osaka, and increasing the amounts of CO<sub>2</sub> fixed by plants to reduce CO<sub>2</sub> emissions. As for the sports clubs, we will strive to expand the school business, provide unique services tailored to specific regional/store characteristics, and develop new types of businesses.

### 3. Financial Conditions

#### Consolidated Operating Results and Summary of Assets

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

	124 <sup>th</sup> term (FY2019)	125 <sup>th</sup> term (FY2020)	126 <sup>th</sup> term (FY2021)	127 <sup>th</sup> term (FY2022)
Net sales	140,311	123,649	124,314	136,030
Operating income	6,746	4,673	4,880	5,812
Ordinary income	6,868	5,094	5,399	6,021
Net income attributable to owners of the parent	4,387	2,147	2,939	4,501
Net income per share (¥)	245.00	120.94	168.93	261.38
Total assets	166,633	159,629	158,216	165,927
Net assets	109,139	115,178	114,790	117,691

Note:

1. GUNZE has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the 126<sup>th</sup> term. As such, the asset and income figures for the 126<sup>th</sup> and 127<sup>th</sup> terms, shown above, represent amounts after the application of the said accounting standard and other related standards.

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



#### **4. Main Offices and Factories**

##### **Headquarters:**

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

##### **Production Bases in Japan:**

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

##### **Sales Bases in Japan:**

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

##### **Overseas Production Bases:**

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

##### **Others:**

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

## **5. Systems to Ensure Propriety in Business Operations**

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

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

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

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

### **(3) Rules and other systems concerning risk management**

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

(Information Technology) Security Policy and Standard Countermeasures against IT (Information Technology) Security Issues.

- 2) In accordance with its Rules concerning Management of Trade Secrets, the Company strives to appropriately manage trade secrets available across the Group and prevent leakage of important trade secrets through seminars and auditing conducted by the Intellectual Property Section's Trade Secrets Management Officer.

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

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

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

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

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

- 1) A Risk Management Officer is in place at each business division and Group company to ensure strict legal and regulatory compliance, and the Company establishes a Risk Management Committee as part of a system to prevent and control risks, respond promptly to risk events when they occur, and prevent their recurrence. For IT security in particular, a Division Information

Officer (DIO) responsible for maintaining IT security is in place at each business division and Group company to ensure strict management of IT security.

- 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, Corporate Auditors conduct audits of the Group companies to monitor the operating effectiveness of their internal controls, as well as the propriety and efficiency of business operations as a corporate group. Should Corporate Auditors consider it necessary, Corporate Auditors will directly perform audits of the Group companies.

**(7) Systems to ensure reliability of financial reporting**

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

**(8) Assignment of employees to assist Corporate Auditors at the latter's request, and matters concerning the independence of assisting employees from Directors and ensuring the effectiveness of Corporate Auditors' instructions to assisting employees**

- 1) 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.
- 2) Assisting employees who have received assignments to carry out auditing practices from Corporate Auditors will not be subject to any orders or control from higher-ranked employees such as Directors or the Manager of the Business Audit Section regarding the aforementioned assignments given by the Corporate Auditors.

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

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

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

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

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

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

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

**(1) Legal and regulatory compliance system**

The Company distributes a pamphlet entitled “Gunze-no-Ze” (Policy of GUNZE) to all Directors, Corporate Auditors and employees of the GUNZE Group. This pamphlet comprehensively covers the Company’s philosophical framework for practicing its Founding Philosophy, as well as guidelines for behavior that serve as the basis of daily activities. The Company offers a course with an introduction to compliance to new employees when they are hired and during all new employee training, using “Gunze-no-Ze” and other educational materials. The Sustainability Committee, working with the responsible personnel of each division, has closely examined the contents of the GUNZE Group Sustainable Procurement Guidelines, which consist of the GUNZE Group Environmental Charter, GUNZE Group Activity Guidelines, GUNZE Group Sustainable Procurement Policy, and GUNZE Group Supplier Code of Conduct, while also working to ensure that all employees and suppliers are fully aware of these guidelines.

Moreover, the Company has established the Advice and Report Hotline for Employees to allow employees to seek everyday advice and report compliance violation issues. In fiscal 2022, there were 18 hotline contacts, seeking advice or reporting issues. Hotline issues are reported to the responsible personnel of the relevant office upon obtaining consent of the employee seeking advice or reporting, aiming at swift resolution and prevention of their recurrence. Hotline issues are also reported to the Director in charge of compliance, Corporate Auditors, and the President to share information. In addition to the existing internal hotline, the Company also established a third-party whistleblower hotline staffed by an expert attorney. This external hotline became operational on April 1, 2020 and received two hotline reports during fiscal 2022.

**(2) Loss and risk management system**

In fiscal 2022, in addition to reporting on the implementation of human rights due diligence, the Risk Management Committee analyzed and assessed risks potentially faced by the Company, including environmental issues, the violation of laws and regulations, corrupt practices including bribery, disasters

including infectious diseases and natural disasters, industrial accidents and other hazards in order to identify the key management risks. Intensive discussions were then held on these extracted key management risks.

Moreover, periodic monitoring systems were set up at the main divisions responsible for managing each risk, with the aim of providing the related divisions with follow-up and offering training, as the Company strengthened its risk management efforts.

As for issues assessed as entailing a particularly high degree of risk, the Company implements countermeasures together with the business divisions facing such risks in order to ensure that safe conditions are maintained.

### **(3) Information retention system**

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

### **(4) Systems to ensure efficiency**

The Company adopts a Corporate Officers System in order to facilitate quicker decision-making and reinforce its business execution system, selecting 15 Corporate Officers, four (4) of whom concurrently assume the position of a Director. To clarify the management responsibilities to be assumed by Directors and Corporate Officers and build a management system capable of swiftly responding to changes in the Company's management environment, the term of office of Directors and Corporate Officers is designated as one (1) year. As a basic rule, the Board of Directors meeting is held once a month (held 13 times in the fiscal year ended March 31, 2023) to decide important matters regarding execution of business and matters stipulated in laws or the Articles of Incorporation, while also overseeing the Directors' execution of their duties. Along with this, an Executive Officer meeting was held 20 times in the fiscal year ended March 31, 2023. Seven (7) persons including the Representative Director, Managing Director, and Directors and Corporate Officers in charge of specific functions attend the Executive Officer meeting to deliberate on important matters regarding business execution, while seeking to facilitate quicker decision-making.

### **(5) Internal controls for the corporate group**

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

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

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

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

## **(6) Internal controls for financial reporting**

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

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

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

## **7. Basic Policy for Corporate Control**

### **(1) Basic policy**

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

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

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

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

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

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

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

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

### 1) Promotion of medium-term management plan

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

(Pivotal strategies of "VISION 2030 Stage 1" )

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

### 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 110<sup>th</sup> business term (fiscal year ended March 31, 2006). In the 111<sup>th</sup> business term (fiscal year ended March 31, 2007), the term of office of Directors was reduced from two (2) years to one (1) year to clarify the management responsibility of Directors and establish a management system capable of quickly responding to changes in the business environment. For nomination of candidates for Directors, starting in the 124<sup>th</sup> term (fiscal year ended March 31, 2020) candidates are decided by the Board of Directors after deliberations at the Nomination/Remuneration Committee, in order to enhance corporate governance. The Nomination/Remuneration Committee is composed of the Representative Directors and outside



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

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

**(3) Efforts to prevent inappropriate control of the Company**

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

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

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

# Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	14,469	11,547
Notes and accounts receivable - trade, and contract assets	26,634	27,129
Merchandise and finished goods	21,361	24,114
Work in process	6,702	7,128
Raw materials and supplies	5,630	7,054
Short-term loans receivable	644	781
Other	3,768	5,841
Allowance for doubtful accounts	(11)	(16)
<b>Total current assets</b>	<b>79,199</b>	<b>83,580</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	109,634	109,267
Accumulated depreciation	(75,769)	(72,610)
Buildings and structures, net	33,864	36,657
Machinery, equipment and vehicles	92,985	89,446
Accumulated depreciation	(82,921)	(79,048)
Machinery, equipment and vehicles, net	10,064	10,398
Tools, furniture and fixtures	8,335	8,649
Accumulated depreciation	(6,068)	(6,183)
Tools, furniture and fixtures, net	2,266	2,466
Land	10,526	10,446
Leased assets	2,289	1,313
Accumulated depreciation	(1,839)	(1,205)
Leased assets, net	450	107
Construction in progress	2,318	3,041
<b>Total property, plant and equipment</b>	<b>59,490</b>	<b>63,117</b>
Intangible assets		
Software	777	757
Other	566	689
<b>Total intangible assets</b>	<b>1,343</b>	<b>1,446</b>
Investments and other assets		
Investment securities	11,964	11,698
Long-term loans receivable	0	0
Retirement benefit asset	211	1,327
Deferred tax assets	2,371	1,138
Other	3,686	3,684
Allowance for doubtful accounts	(51)	(67)
<b>Total investments and other assets</b>	<b>18,183</b>	<b>17,782</b>
<b>Total non-current assets</b>	<b>79,016</b>	<b>82,346</b>
<b>Total assets</b>	<b>158,216</b>	<b>165,927</b>

(Million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	8,928	10,010
Short-term borrowings	5,018	6,077
Current portion of long-term borrowings	2,402	438
Income taxes payable	2,139	263
Provision for bonuses	1,361	1,353
Notes payable - facilities	942	936
Provision for loss on transfer of business	218	-
Other	10,211	10,971
Total current liabilities	31,221	30,052
Non-current liabilities		
Long-term borrowings	2,317	8,638
Provision for loss on guarantees	115	220
Retirement benefit liability	3,750	4,494
Long-term leasehold and guarantee deposits received	4,389	4,220
Other	1,631	610
Total non-current liabilities	12,203	18,183
Total liabilities	43,425	48,235
Net assets		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,566	6,566
Retained earnings	81,184	78,972
Treasury shares	(4,399)	(1,044)
Total shareholders' equity	109,423	110,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,393	2,464
Deferred gains or losses on hedges	(35)	(144)
Revaluation reserve for land	(26)	(13)
Foreign currency translation adjustment	1,964	2,941
Remeasurements of defined benefit plans	183	(56)
Total accumulated other comprehensive income	3,480	5,191
Share acquisition rights	131	124
Non-controlling interests	1,755	1,808
Total net assets	114,790	117,691
Total liabilities and net assets	158,216	165,927

## (2) Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	124,314	136,030
Cost of sales	86,700	95,545
Gross profit	37,614	40,484
Selling, general and administrative expenses	32,734	34,671
Operating profit	4,880	5,812
Non-operating income		
Interest income	50	53
Dividend income	384	440
Rental income from non-current assets	276	363
Foreign exchange gains	160	36
Other	502	260
Total non-operating income	1,375	1,153
Non-operating expenses		
Interest expenses	146	244
Rental expenses on non-current assets	279	356
Expenses for suspension of operation	190	123
Other	239	220
Total non-operating expenses	856	944
Ordinary profit	5,399	6,021
Extraordinary income		
Gain on sale of non-current assets	5,447	1,013
Gain on sale of investment securities	923	598
Gain on sales of investments in capital of subsidiaries and associates	–	339
Other	–	7
Total extraordinary income	6,370	1,959
Extraordinary losses		
Loss on sale and retirement of non-current assets	805	746
Loss on sale of investment securities	196	7
Loss on valuation of investment securities	299	–
Loss on sales of investments in capital	–	40
Impairment losses	3,513	–
Expenses of soil pollution measures	–	228
Loss on COVID	410	116
Business restructuring expenses	563	325
Factory transfer expenses	193	–
Other	221	126
Total extraordinary losses	6,203	1,590
Profit before income taxes	5,566	6,389
Income taxes - current	2,625	919
Income taxes - deferred	(72)	941
Total income taxes	2,553	1,860
Profit	3,013	4,529
Profit attributable to non-controlling interests	73	28
Profit attributable to owners of parent	2,939	4,501

### (3) Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	3,013	4,529
Other comprehensive income		
Valuation difference on available-for-sale securities	(927)	1,070
Deferred gains or losses on hedges	(51)	(109)
Foreign currency translation adjustment	1,689	1,069
Remeasurements of defined benefit plans, net of tax	(391)	(240)
Total other comprehensive income	319	1,789
Comprehensive income	3,332	6,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,154	6,198
Comprehensive income attributable to non-controlling interests	177	120

### (4) Consolidated Statements of Cash Flows

(Million yen)

	<b>FY2021</b> (Apr. 1, 2021 to Mar. 31, 2022)	<b>FY2022</b> (Apr. 1, 2022 to Mar. 31, 2023)
Cash flows from operating activities	9,155	1,794
Cash flows from investing activities	6,806	(5,920)
Cash flows from financing activities	(12,358)	1,007
Effect of exchange rate changes on cash & cash equivalents	692	196
Increase (decrease) in cash and cash equivalents	4,296	(2,922)
Cash and cash equivalents at the beginning of the period	9,717	14,469
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	456	—
Cash and cash equivalents at the end of the period	14,469	11,547