

## 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 3, 2024

Start Date of Electronic Provision Measures: May 31, 2024

To Our Shareholders:

### **NOTICE OF CONVOCATION OF THE 128<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

This Notice of Convocation is to inform you that the 128<sup>th</sup> Ordinary General Meeting of Shareholders of GUNZE LIMITED will be held as described below.

In conjunction with the convening of 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 128<sup>TH</sup> 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 128<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/JJK010010Action.do?Show=Show>

**You have a choice in exercising your voting rights by either attending the General Meeting of Shareholders in person, 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 Monday, June 24, 2024 (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., Tuesday, June 25, 2024  
[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 128<sup>th</sup> Business Term (from April 1, 2023 to March 31, 2024).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 128<sup>th</sup> Business Term (from April 1, 2023 to March 31, 2024).

### **Matters for Resolution:**

**First Proposition: Proposed Disposal of Surplus**

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

- 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 or the actual paper copy at hand with them on the day of the meeting.**
- The following information is not presented in the paper copy stating 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 Monday, June 24, 2024

Voting via the Internet is possible 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. You can also access the Voting Site via the QR code on the right side of 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 2:30 a.m. and 4:30 a.m.)

Votes via the Internet will be accepted until 5:00 p.m. on Monday, June 24, 2024. 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 128<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:  
¥153 per share of common stock of the Company  
Total amount: ¥2,552,084,370
- (3) Effective date for distribution of surplus:  
June 26, 2024

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

The terms of office of all nine (9) Directors will expire at the close of this General Meeting of Shareholders. It is therefore proposed that 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 13 and 14 for the applicable matters, as well as "Reference 2" on page 14 and 15 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 Toshiyasu Saguchi	Representative Director, President, President Corporate Officer, and Nomination/Remuneration Committee Member	100% (13/13)	10 years
2	Reelection Outside Independent Female Hiroe Nakai	Director and Nomination/Remuneration Committee Member (Chair)	100% (13/13)	6 years
3	Reelection Outside Independent Male Osamu Kujiraoka	Director and Nomination/Remuneration Committee Member	100% (13/13)	5 years
4	Reelection Outside Independent Female Rie Kida	Director and Nomination/Remuneration Committee Member	100% (13/13)	4 years
5	Reelection Male Makoto Kumada	Director, Managing Corporate Officer, and President and Representative Director of Gunze Development Co., Ltd.	100% (13/13)	7 years
6	Reelection Male Ryoji Kawanishi	Director, Corporate Officer, and Company President of Apparel Company	100% (13/13)	3 years
7	Reelection Male Hirokazu Sawada	Director, Corporate Officer, and General Manager of Finance & Accounting Department	100% (9/9)	1 year
8	New Male Takahiro Oka	Managing Corporate Officer and General Manager of Management & Strategy Department	--	--
9	New Male Tomohisa Okuda	Corporate Officer and General Manager of Technology Development Department	--	--

Note 1: As for Mr. Hirokazu Sawada, his status after he has assumed office of Director on June 25, 2023 is shown above.

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

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
1	Toshiyasu Saguchi (Nov. 14, 1961)  <b>Reelection</b> <b>Male</b>	Mar. 1984	Joined "GUNZE"	14,736  Number of years in office: 10 (at the close of the Meeting)
		Jun. 2014	Director, Corporate Officer, and Company President of Plastic Film Company, GUNZE	
		Apr. 2017	Managing Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE	
		Jun. 2018	Representative Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE	
		Feb. 2019	Member, Nomination/Remuneration Committee, GUNZE (to present)	
		Jun. 2020	Representative Director, Senior Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE	
		Jun. 2021	Representative Director, President, and President Corporate Officer, GUNZE (to present)	
		<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 had appropriately promoted the formulation of the Company's medium-term management plan, M&A projects, etc., as a Representative Director and Senior Managing Officer. The Company would like Mr. Saguchi to continue serving the Company as a Director, as his leadership is deemed essential for continuously making a social contribution through sustainability management and for achieving the sustainable growth of the GUNZE Group in the future. Accordingly, the Company proposes that he be elected as a Director.		
2	Hiroe Nakai (May 20, 1961)  <b>Reelection</b> <b>Outside</b> <b>Independent</b> <b>Female</b>	Apr. 1988	Registered as an attorney (at Osaka Bar Association)	1,500  Number of years in office: 6 (at the close of the Meeting)
		Apr. 1995	Established "Inoue and Nakai Law Office"	
		Sep. 2011	Established "Hinata Law Office"	
		Jun. 2013	Outside Auditor, Endo Lighting Corp.	
		Aug. 2016	Outside Auditor, Kansai Paint Co., Ltd.	
		Jun. 2018	Director, GUNZE (to present)	
		Feb. 2019	Member (Chair), Nomination/Remuneration Committee, GUNZE (to present)	
		Jun. 2023	Outside Auditor, Kansai Paint Co., Ltd. (to present)	
		<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 six 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 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.		



No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
3	Osamu Kujiraoka (Sept. 25, 1955)  <b>Reelection</b> <b>Outside</b> <b>Independent</b> <b>Male</b>	Apr. 1978 Mar. 1988  Mar. 2003 Jan. 2006 Mar. 2009  Feb. 2015 Jun. 2019 Oct. 2019	Joined Nikkei Inc. Seconded to Nikkei McGraw-Hill, Inc. (presently, Nikkei Business Publications, Inc.) Executive Officer and Chief of Operations, Nikkei McGraw-Hill, Inc. Officer and Chief of Medical Affairs, Nikkei McGraw-Hill, Inc. and President and CEO, Nikkei Medical Publishing, Inc. Executive Officer, Nikkei McGraw-Hill Inc., President and CEO, Nikkei Business Publications America, Inc. and Nikkei Business Publications Europe, Ltd. President and CEO, Nikkei Medical Publishing, Inc. Director and Member, Nomination/Remuneration Committee, GUNZE (to present) President, Dakuon Co., Ltd. (to present)	1,300  Number of years in office: 5 (at the close of the Meeting)
<p><b>Reasons for supporting the candidate for outside Director and summary of expected roles</b></p> <p>The Company would like Mr. Osamu Kujiraoka to continue serving the Company, given his approximately five 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 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>				
4	Rie Kida (May 27, 1969)  <b>Reelection</b> <b>Outside</b> <b>Independent</b> <b>Female</b>	Apr. 1989 Apr. 1991 Oct. 2000 Apr. 2003 Nov. 2009 Aug. 2010 Apr. 2013 Jun. 2020 May 2024	Joined Luis Jitan Company Joined RESCO FORMATION Inc. Joined IDEI CREATIVE AGENCY Joined 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) Outside Director, OKUWA Co., Ltd. (to present)	600  Number of years in office: 4 (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 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. She has assumed responsible positions as an outside Director of the Company for about four 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>											
5	<p>Makoto Kumada (Jul. 24, 1961)</p> <p style="text-align: center;"><b>Reelection</b> <b>Male</b></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; padding: 2px;">Mar. 1984</td> <td style="padding: 2px;">Joined “GUNZE”</td> </tr> <tr> <td style="padding: 2px;">Apr. 2017</td> <td style="padding: 2px;">Corporate Officer and General Manager of Finance &amp; Accounting Department, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Jun. 2017</td> <td style="padding: 2px;">Director, Corporate Officer, and General Manager of Finance &amp; Accounting Department, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Apr. 2022</td> <td style="padding: 2px;">Director, Managing Corporate Officer, and General Manager of Finance &amp; Accounting Department, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Apr. 2023</td> <td style="padding: 2px;">Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. (to present)</td> </tr> </table> <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>	Mar. 1984	Joined “GUNZE”	Apr. 2017	Corporate Officer and General Manager of Finance & Accounting Department, GUNZE	Jun. 2017	Director, Corporate Officer, and General Manager of Finance & Accounting Department, GUNZE	Apr. 2022	Director, Managing Corporate Officer, and General Manager of Finance & Accounting Department, GUNZE	Apr. 2023	Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. (to present)	<p style="text-align: center;">7,075</p> <p>Number of years in office: 7 (at the close of the Meeting)</p>
Mar. 1984	Joined “GUNZE”												
Apr. 2017	Corporate Officer and General Manager of Finance & Accounting Department, GUNZE												
Jun. 2017	Director, Corporate Officer, and General Manager of Finance & Accounting Department, GUNZE												
Apr. 2022	Director, Managing Corporate Officer, and General Manager of Finance & Accounting Department, GUNZE												
Apr. 2023	Director, Managing Corporate Officer, and President and Representative Director, Gunze Development Co., Ltd. (to present)												
6	<p>Ryoji Kawanishi (Dec. 7, 1962)</p> <p style="text-align: center;"><b>Reelection</b> <b>Male</b></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; padding: 2px;">Apr. 1986</td> <td style="padding: 2px;">Joined “GUNZE”</td> </tr> <tr> <td style="padding: 2px;">Apr. 2020</td> <td style="padding: 2px;">Corporate Officer and General Manager of Management Administrative Department, Apparel Company, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Apr. 2021</td> <td style="padding: 2px;">Corporate Officer, Company President of Apparel Company, and General Manager of Management Administrative Department, Apparel Company, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Jun. 2021</td> <td style="padding: 2px;">Director, Corporate Officer, and Company President of Apparel Company, GUNZE (to present)</td> </tr> </table> <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>	Apr. 1986	Joined “GUNZE”	Apr. 2020	Corporate Officer and General Manager of Management Administrative Department, Apparel Company, GUNZE	Apr. 2021	Corporate Officer, Company President of Apparel Company, and General Manager of Management Administrative Department, Apparel Company, GUNZE	Jun. 2021	Director, Corporate Officer, and Company President of Apparel Company, GUNZE (to present)	<p style="text-align: center;">3,609</p> <p>Number of years in office: 3 (at the close of the Meeting)</p>		
Apr. 1986	Joined “GUNZE”												
Apr. 2020	Corporate Officer and General Manager of Management Administrative Department, Apparel Company, GUNZE												
Apr. 2021	Corporate Officer, Company President of Apparel Company, and General Manager of Management Administrative Department, Apparel Company, GUNZE												
Jun. 2021	Director, Corporate Officer, and Company President of Apparel Company, GUNZE (to present)												

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
7	Hirokazu Sawada (Mar. 11, 1965)  <b>Reelection</b> <b>Male</b>	Apr. 1988 Jul. 2018  Apr. 2022  Apr. 2023 Jun. 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 Department, GUNZE Director, Corporate Officer, and General Manager of Finance & Accounting Department, GUNZE (to present)	4,628  Number of years in office: 1 (at the close of the Meeting)
<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 & Accounting Department by promoting the overall term-end closing operations and working to improve the Company's capital efficiency. As Mr. Sawada's expertise is deemed essential for further promoting GUNZE's group management in the future, the Company proposes that he be elected as a Director.				
8	Takahiro Oka (Apr. 14, 1963)  <b>New</b> <b>Male</b>	Apr. 1987 May 2012  Apr. 2017  Apr. 2022	Joined "GUNZE" General Manager of Sales Administrative Department, Plastic Film Company, GUNZE Corporate Officer and Company President of Plastic Film Company, GUNZE Managing Corporate Officer and General Manager of Management & Strategy Department, GUNZE (to present)	4,118  Number of years in office: -- (at the close of the Meeting)
<b>Reason for supporting the candidate for Director</b> The Company would like Mr. Takahiro Oka to serve the Company as a Director, as he has promoted overseas business expansion and Circular Factory (resource-circulating factory) planning, drawing on his ample experience and broad knowledge mainly in the field of plastic film business. Since he was appointed General Manager of the Management & Strategy Department in April 2022, Mr. Oka has been working to improve the Company's business structure through corporate strategy planning and reorganization. In expectation that he will appropriately perform his duties as a Director, the Company proposes he be elected as a Director.				
9	Tomohisa Okuda (Apr. 26, 1965)  <b>New</b> <b>Male</b>	Apr. 1989 Oct. 2015  Apr. 2019  Apr. 2020	Joined "GUNZE" General Manager of Technical Department, Plastic Film Company, GUNZE General Manager of Technology Development Department, GUNZE Corporate Officer and General Manager of Technology Development Department, GUNZE (to present)	2,827  Number of years in office: -- (at the close of the Meeting)
<b>Reason for supporting the candidate for Director</b> The Company would like Mr. Tomohisa Okuda to serve the Company as a Director as he has ample experience and broad knowledge mainly in the technological field. Since he was appointed General Manager of the Technology Development Department in April 2019, Mr. Okuda has been working to promote technological innovation and improve productivity and quality for the production sites in Japan and abroad. He has also been committed to lessening negative environmental impact by reducing CO <sub>2</sub> emissions from business activities. In expectation that he will appropriately perform his duties as a Director, the Company proposes he be elected as a Director.				

- Note 1: Mr. Takahiro Oka and Mr. Tomohisa Okuda are new candidates for Directors.
- 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.

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.

## [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.

	Name, Posts, etc.	Years of service [Age]	Nomination/ Remuneration Committee member	Inside executives	Outside executives
				Business management experience	Outside management experience
Attributes	<span style="border: 1px solid black; padding: 1px;">Male</span> Toshiyasu Saguchi Representative Director & President	10 years [62]	●	●	
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Female</span> Hiroe Nakai Outside Director	6 years [63]	● (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	5 years [68]	●		●
	<span style="border: 1px solid black; padding: 1px;">Independent</span> <span style="border: 1px solid black; padding: 1px;">Female</span> Rie Kida Outside Director	4 years [55]	●		●
	<span style="border: 1px solid black; padding: 1px;">Male</span> Makoto Kumada Director	7 years [62]		●	
	<span style="border: 1px solid black; padding: 1px;">Male</span> Ryoji Kawanishi Director	3 years [61]		●	
	<span style="border: 1px solid black; padding: 1px;">Male</span> Hirokazu Sawada Director	1 year [59]			
	<span style="border: 1px solid black; padding: 1px;">Male</span> Takahiro Oka Director	— [61]		●	
	<span style="border: 1px solid black; padding: 1px;">Male</span> Tomohisa Okuda Director	— [59]			
Corporate Auditors	<span style="border: 1px solid black; padding: 1px;">Male</span> Tomio Suzuki Standing Corporate Auditor	3 years [60]			
	<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	1 year [63]			
	<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	1 year [62]			
	<span style="border: 1px solid black; padding: 1px;">Male</span> Shinichiro Morita Corporate Auditor	3 years [67]		●	

	Name, Posts, etc.	Main specialty areas				
		Finance/ Accounting	Production technology/ R&D	Sales/ Marketing	Legal	Inter- nationality
Attributes	<input type="checkbox"/> Male Toshiyasu Saguchi Representative Director & President			●		
	<input type="checkbox"/> Independent <input type="checkbox"/> Female Hiroe Nakai Outside Director				●	
	<input type="checkbox"/> Independent <input type="checkbox"/> Male Osamu Kujiraoka Outside Director			●		
	<input type="checkbox"/> Independent <input type="checkbox"/> Female Rie Kida Outside Director			●		
	<input type="checkbox"/> Male Makoto Kumada Director	●				
	<input type="checkbox"/> Male Ryoji Kawanishi Director	●				●
	<input type="checkbox"/> Male Hirokazu Sawada Director	●				
	<input type="checkbox"/> Male Takahiro Oka Director			●		●
	<input type="checkbox"/> Male Tomohisa Okuda Director		●			●
Corporate Auditors	<input type="checkbox"/> Male Tomio Suzuki Standing Corporate Auditor	●				●
	<input type="checkbox"/> Independent <input type="checkbox"/> Male Koji Funatomi Outside Corporate Auditor	●				
	<input type="checkbox"/> Independent <input type="checkbox"/> Male Norihito Naka Outside Corporate Auditor				●	
	<input type="checkbox"/> Male Shinichiro Morita Corporate Auditor		●			

# Results of Operations (April 1, 2023 to March 31, 2024)

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

### 1. Business Progress and Results

(Overview of FY2023)

In the fiscal year that ended March 31, 2024, the Japanese economy was on a moderate recovery path, as social and economic activities progressed toward normal. The economic outlook, however, remains unclear due to factors including the rise in prices associated with soaring raw material prices against a backdrop of the geopolitical tensions and rapid exchange rate fluctuations, as well as concerns of a slowdown in the global economy. Amid this operating environment, the GUNZE Group continued to promote the four basic strategies of “Creation of new value,” “Capital cost-focused management,” “Evolution of corporate constitution,” and “Environmentally responsible management” in the second year of its new medium-term management plan, “VISION 2030 stage 1.”

The GUNZE Group’s operating results for the fiscal year under review are as follows:

Net sales:	¥132,885 million	(down by 2.3% compared to the previous fiscal year)
Operating profit:	¥6,777 million	(up by 16.6% compared to the previous fiscal year)
Ordinary profit:	¥6,774 million	(up by 12.5% compared to the previous fiscal year)
Profit attributable to owners of parent:	¥5,109 million	(up by 13.5% compared to the previous fiscal year)

Net sales declined attributable to such factors as the previous fiscal year’s transfer of the film business in the electronic components field and real estate development project. Operating profit and ordinary profit increased primarily owing to the improved profitability in the apparel business. Profit attributable to owners of parent also increased mainly due to the recording of ¥2,575 million in income taxes - deferred (gain) for deductible temporary difference related to investments in subsidiaries, among others, and the recording of ¥2,009 million in gain on sale of investment securities associated with the sale of cross-shareholdings, despite the recording of ¥2,801 million in business restructuring expenses as a result of the restructuring in the electronic components business, the sports club business, and the apparel business.

(Results by Business Segment)

Categories of the reportable segments have been changed starting from the consolidated fiscal year under review. The following year-on-year comparison has been made using the figures for the previous fiscal year that were reclassified based on the revised reportable segments.

#### [Functional Solutions]

The functional solutions business recorded net sales of ¥48,975 million (down by 1.2% compared to the previous fiscal year) and an operating profit of ¥6,028 million (down by 11.8% compared to the previous fiscal year).

< Major factors in the changes >

- In plastic films, sales of packaging films in the US remained steady, although the business was impacted by stagnant demand in Japan and Asia.
- In engineering plastics, although sales to the office equipment market stagnated, products for semiconductors and general industries performed steadily.
- Electronic components bore the brunt of a slowdown in the Chinese economy and stagnant PC market.

#### [Medical]

The medical business recorded net sales of ¥11,697 million (up by 6.8% compared to the previous fiscal year). Operating profit was ¥1,991 million (down by 4.4% compared to the previous fiscal year) due to increases primarily in cost associated with investment in human resources aimed at future growth.

< Major factors in the changes >



- Market penetration of new products including adhesion prevention material progressed with the recovery of the mainstay domestic medical application market.
- Sales of bioabsorbable medical products grew in China as we strengthened our sales effort in cooperation with new distributors.
- Orders for medical lasers decreased primarily due to the decreased number of openings of aesthetic and medical institutions after the COVID-19 pandemic.

#### [Apparel]

The apparel business recorded net sales of ¥60,114 million (down by 1.4% compared to the previous fiscal year) and an operating profit of ¥1,465 million (compared to an operating loss of ¥222 million for the previous fiscal year).

< Major factors in the changes >

- In the apparel business, although sales of seasonal items struggled due to the late-summer heat and mild winter, products sold throughout the year appealing for differentiation from others performed strongly. Price revisions, including adding higher value to products, and business restructuring resulted in increased profitability.
- The e-commerce and the channel for company-owned stores, which are being strengthened, have continued to grow, and the Company will continue to pursue growth strategies through a shift to the Direct to Consumer channel.
- In innerwear, high value-added products that aligned with customer needs performed strongly.
- In legwear, stockings and tights performed strongly due to the positive effect of the renewal of *SABRINA*, the mainstay of this category.

#### [Lifestyle Creations]

The lifestyle creation business recorded net sales of ¥12,826 million (down by 16.3% compared to the previous fiscal year) and an operating profit of ¥833 million (up by 18.1% compared to the previous fiscal year).

< Major factors in the changes >

- The real estate category recorded a decline in revenue due to the impact of sales of idle land redevelopment project in the previous fiscal year.
- Both the shopping center and the sports club businesses are back on the recovery track following the lifting of pandemic restrictions.

### Net Sales and Operating Income by Segment

(Millions of yen)

	127 <sup>th</sup> (FY2022)		128 <sup>th</sup> (FY2023)	
	Net sales	Operating income	Net sales	Operating income
Functional solutions	49,555	6,835	48,975	6,028
Medical	10,957	2,082	11,697	1,991
Apparel	60,986	(222)	60,114	1,465
Lifestyle creations	15,327	705	12,826	833
Total	136,655	9,401	133,614	10,318
Elimination/Corporate	(625)	(3,588)	(728)	(3,541)
Consolidated	136,030	5,812	132,885	6,777

## 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.

#### (Pivotal strategies of “VISION 2030 Stage 1”)

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>
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>
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>
Environmentally responsible management	<ul style="list-style-type: none"> <li>• Reducing negative environmental impact from business activities</li> </ul>

#### (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 “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>

While the Japanese economy was on a moderate recovery path, as social and economic activities progressed toward normal primarily owing to the easing of restrictions on activities resulting from the downgrade of COVID-19 to the Category V, the economic outlook remains unclear due to factors including the rise in prices associated with soaring raw material prices against a backdrop of the geopolitical problems, and the impact of the yen's depreciation due to the differences in monetary policies in Japan and overseas, as well as concerns of a slowdown in the overseas economy. The GUNZE Group intends to engage in initiatives to increase productivity, such as the promotion of automation and digital transformation 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.

Furthermore, starting from fiscal 2023, to clarify its position as a growth driver in the ongoing medium-term management plan, "VISION 2030 stage 1," the medical business, which had been included in the "Functional solutions" segment, has become a separate "Medical" segment.

#### (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 automation of facilities and the utilization of renewable energy, 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 expand the Konan Factory, our main factory, with a target completion date of March 2025, to meet the increase in demand in the medical and semiconductor fields. Furthermore, in order to promote strategic allocation of management resources, in the electronic components field, we will transfer shares of our consolidated subsidiary (85.1%) and commercial rights of the touch panel business in Japan and the United States on October 1, 2024 (tentative). We are also negotiating a business transfer in the mechatronics field.

In the medical business, in order to accelerate the growth of the business, we will build a new factory (the third factory) at the site of the Ayabe Plant in Kyoto Prefecture with a target completion date of February 2025. We will also reinforce research and development facilities to strengthen the development capabilities of the medical business. At the new factory, we will establish a system to boost the production of *TENALEAF*, an adhesion prevention agent, whose demand is growing. In addition, we will accelerate business expansion by strengthening sales in the United States and China and the ongoing development of new products.

In the apparel business, through cross-sectoral restructuring to improve competitiveness, 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 proactively promote collaboration with other companies. Furthermore, we will expand into the lifestyle domain and increase sales of women's innerwear products through products that differentiate our products from others. We have consolidated production bases and made other restructuring efforts. We will continue to strengthen our cost competitiveness by promoting automation and the establishment of an optimal global production system. In addition, to address the so-called "2024 issues in logistics," we will work to increase efficiency by such measures as consolidation of lots and standardization of transport volumes to minimize the impact on our business.

In the lifestyle creation business, the GUNZE Group will work to boost the profitability of its commercial facilities and promote property-specific management that emphasizes investment efficiency. In the landscaping and greening business, we will proactively work on capturing the demand for greenery including those involving the EXPO 2025 Osaka, Kansai, Japan and fixation of CO<sub>2</sub> to reduce CO<sub>2</sub> emissions. In the sports clubs business, we will implement rigorous measures to address issues with our stores, including closing those that are unprofitable. We will also strive

to expand the school business, provide unique services tailored to specific regional/store characteristics, and develop new types of businesses.

(Strategic challenges in finance)

As of the end of the fiscal year under review, the Price Book-value Ratio (PBR) of the GUNZE Group stood at 0.8, indicating continued impairment of corporate value. We think that the primary factor in the low PBR is Return on Equity (ROE) and believe that keeping an equity spread (ROE – cost of shareholder’s equity) constantly in a positive range will allow us to achieve a PBR exceeding 1.0.

The cost of shareholder’s equity of the GUNZE Group is set at 6.32% in the medium-term management plan, “VISION 2030 stage 1.” Based on our latest estimates, which take into account discussions with investors and changes in the Bank of Japan’s monetary policy, we recognize that achieving a positive equity spread will require even higher levels of ROE.

We also believe that if the Gunze Value Added (GVA = NOPAT + dividends - period-end invested capital x WACC), whose deficit has been narrowing year after year, constantly stays positive, it will contribute to an increase in the PBR. However, as a result of prioritizing the restructuring and the reduction of cross-shareholdings\* as we pursued cost of capital-based management, the debt-to-equity ratio (DE ratio = interest-bearing liabilities / equity) at the end of the fiscal year under review hit the historical lows. With the DE ratio being so low, the WACC will be higher than 5.15%, a figure set in the medium-term management plan, “VISION 2030 stage 1,” and it will take the GVA even longer to turn positive. While the size of the GUNZE Group’s equity supports its financial soundness, it also presents a big hurdle for achieving a positive equity spread and GVA. We thus believe that it is necessary to take into account profit levels, financial soundness, and capital efficiency to establish an optimal capital structure.

We will take into consideration the growth of profit and invested capital of the GUNZE Group in the future and establish an ideal DE ratio that will constantly allow for a positive equity spread and GVA. Under our cost of capital-based management, we will strive to grow profit in existing businesses by making proactive and efficient investment in growth, such as investing in factory expansion aimed at increased production in the medical business and engineering plastics field and establishing a recycling center in the plastic films field, and increase our financial leverage. In addition, depending on the situation, we will consider M&A and other inorganic investments as well as additional shareholder returns, in an effort to achieve an optimal capital structure.

\* Promotion of the reduction of cross-shareholdings

While pursuing cost of capital-based management, the GUNZE Group has proactively promoted the reduction of cross-shareholdings. At the end of the fiscal year under review, we held 32 stocks, including unlisted stocks, with market values totaling of ¥5,226 million. This represents a reduction of 37 stocks and ¥16,998 million compared to the end of FY2017, a benchmark for various metrics for our cost of capital-based management. In the next fiscal year, we will reduce cross-shareholdings further to the following levels: number of cross-shareholdings: 27 or less; total market value: less than ¥3,000 million; and the ratio to net assets at the end of the fiscal year: less than 3%.

	End of FY2017	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
Number of cross-shareholdings	69	67	62	49	41	36	32	27 or less
Total market value at the end of period (¥ millions)	22,224	18,496	15,053	15,113	11,470	10,249	5,226	Less than 3,000
Ratio to net assets	19.82%	16.65%	13.79%	13.12%	9.99%	8.71%	4.34%	Less than 3%

(Handling of the under-reporting of water intake amount at a hot spring facility)

On January 24, 2024, the Company announced a Notice concerning the Under-reporting of Water intake Amount at a Hot Spring Facility (hereinafter referred to as “this matter”). At the end of January 2024, Gunze Development Co Ltd., a consolidated subsidiary of the Company and the operator of the hot spring facility, paid ¥552 million in unpaid sewage fees, etc. for the period from 2004 to 2023 to Itami City and Amagasaki City.

Once again, we sincerely apologize for the inconvenience and concerns this matter has caused to all people

involved.

Following the announcement of this matter, we established an investigation team to conduct a thorough investigation and inquiry into causes. We collected related documents from 2004, in which we started the hot spring business, and conducted interviews with involved people (employees of the Company and related contractors).

<Results of the investigation and causes>

This matter came to light when bypass pipelines were found buried underground during the excavation of the site which was performed to check the pipe conditions for the purpose of maintenance and inspection of the facility. Partly because it had been 20 years since the construction, no clear testimony or evidence was obtained that could identify specific instructions from Gunze Development Co Ltd. and the contractor that installed the bypass pipelines. However, given the fact that the bypass pipelines were installed, we must assume that employees of the Company and contractors at the time may have been involved in this matter in some way.

In any case, as we entered the business without expertise, we completely entrusted the construction to contractors and lacked the ability to check and make decisions about the construction as the principal. Furthermore, despite subsequent media coverage on bypass piping issues at hot spring facilities nationwide, both Gunze Development Co Ltd. and contractors had an insufficient awareness of compliance as responsible parties and failed to perform proper checks and take appropriate action. We think it resulted in the issue being neglected over a long period of time.

In addition, we must reflect on the fact that the management team overseeing the GUNZE Group's operations did not exercise sufficient oversight and that the GUNZE Group's governance structure was inadequate.

<Measures to prevent recurrence>

The Company will implement the following measures to prevent recurrence both by reinforcing its governance structure and raising awareness among its members:

- (i) The Technology & Development Department of the Head Office to rigorously check construction related contracts and plans
- (ii) Educate department heads and train members
- (iii) Self-check annually for risks in each department, and functional departments to monitor it
- (iv) Continue to perform compliance audits
- (v) Send messages from the top to all employees

<Managerial responsibility>

To take managerial and social responsibilities for failing to discover the under-reporting for a long period of time and incurring significant losses, the Company has decided to reduce the monthly remuneration (May and June 2024) of two representative directors (the Chairman and the President) by 20%.

### 3. Financial Conditions

#### Consolidated Operating Results and Summary of Assets

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

	125 <sup>th</sup> term (FY2020)	126 <sup>th</sup> term (FY2021)	127 <sup>th</sup> term (FY2022)	128 <sup>th</sup> term (FY2023)
Net sales	123,649	124,314	136,030	132,885
Operating income	4,673	4,880	5,812	6,777
Ordinary income	5,094	5,399	6,021	6,774
Net income attributable to owners of the parent	2,147	2,939	4,501	5,109
Net income per share (¥)	120.94	168.93	261.38	301.11
Total assets	159,629	158,216	165,927	161,971
Net assets	115,178	114,790	117,691	120,467

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 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 Internal Reporting Regulations, 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.

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 2023, 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 no hotline reports were received during fiscal 2023.

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

The Risk Management Committee also promoted human rights due diligence during fiscal 2023 as it did in fiscal 2022. In addition, the Risk Management Committee analyzed and assessed potential risks the Company may face, centering around three themes—the physical, psychological and life safety of employees, compliance in a broad sense (including, but not limited to, violation of laws and regulations, such as environmental disruption, accounting fraud and product quality fraud) and harassment.

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 14 Corporate Officers, five (5) of whom concurrently assume the position of a Director. To clarify the management responsibilities to be assumed by Directors and Corporate Officers and build a management system capable of swiftly responding to changes in the Company's management environment, the term of office of Directors and Corporate Officers is designated as one (1) year. As a basic rule, the Board of Directors meeting is held once a month (held 13 times in the fiscal year ended March 31, 2024) 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 17 times in the fiscal year ended March 31, 2024. Nine (9) 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. Seven (7) 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 26 audit sessions for GUNZE Group sites in Japan and overseas, 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. 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/sustainability/esg/governance/management/>).

## (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, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	11,547	10,818
Notes and accounts receivable - trade, and contract assets	27,129	27,588
Merchandise and finished goods	24,114	24,706
Work in process	7,128	7,425
Raw materials and supplies	7,054	6,026
Short-term loans receivable	781	50
Other	5,841	4,195
Allowance for doubtful accounts	(16)	(13)
Total current assets	83,580	80,796
Non-current assets		
Property, plant and equipment		
Buildings and structures	109,267	110,545
Accumulated depreciation	(72,610)	(74,354)
Buildings and structures, net	36,657	36,191
Machinery, equipment and vehicles	89,446	93,847
Accumulated depreciation	(79,048)	(80,245)
Machinery, equipment and vehicles, net	10,398	13,601
Tools, furniture and fixtures	8,649	9,093
Accumulated depreciation	(6,183)	(6,631)
Tools, furniture and fixtures, net	2,466	2,461
Land	10,446	10,479
Leased assets	1,313	1,349
Accumulated depreciation	(1,205)	(1,235)
Leased assets, net	107	113
Construction in progress	3,041	749
Total property, plant and equipment	63,117	63,597
Intangible assets		
Software	757	1,271
Other	689	657
Total intangible assets	1,446	1,928
Investments and other assets		
Investment securities	11,698	6,833
Long-term loans receivable	0	-
Retirement benefit asset	1,327	2,416
Deferred tax assets	1,138	3,269
Other	3,684	3,199
Allowance for doubtful accounts	(67)	(69)
Total investments and other assets	17,782	15,648
Total non-current assets	82,346	81,174
Total assets	165,927	161,971

(Million yen)

	As of March 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,010	8,286
Short-term borrowings	6,077	252
Current portion of long-term borrowings	438	462
Income taxes payable	263	1,357
Provision for bonuses	1,353	1,405
Notes payable - facilities	936	263
Provision for business restructuring	–	1,783
Other	10,971	11,079
Total current liabilities	30,052	24,890
Non-current liabilities		
Long-term borrowings	8,638	8,230
Provision for loss on guarantees	220	–
Retirement benefit liability	4,494	3,937
Long-term leasehold and guarantee deposits received	4,220	3,986
Other	610	458
Total non-current liabilities	18,183	16,613
Total liabilities	48,235	41,503
<b>Net assets</b>		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,566	6,565
Retained earnings	78,972	81,576
Treasury shares	(1,044)	(2,974)
Total shareholders' equity	110,566	111,239
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,464	2,438
Deferred gains or losses on hedges	(144)	156
Revaluation reserve for land	(13)	(13)
Foreign currency translation adjustment	2,941	4,118
Remeasurements of defined benefit plans	(56)	702
Total accumulated other comprehensive income	5,191	7,403
Share acquisition rights	124	124
Non-controlling interests	1,808	1,700
Total net assets	117,691	120,467
<b>Total liabilities and net assets</b>	<b>165,927</b>	<b>161,971</b>

## (2) Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	136,030	132,885
Cost of sales	95,545	91,164
Gross profit	40,484	41,720
Selling, general and administrative expenses	34,671	34,943
Operating profit	5,812	6,777
Non-operating income		
Interest income	53	70
Dividend income	440	307
Rental income from non-current assets	363	367
Foreign exchange gains	36	–
Other	260	154
Total non-operating income	1,153	900
Non-operating expenses		
Interest expenses	244	208
Rental expenses on non-current assets	356	355
Foreign exchange losses	–	6
Other	343	332
Total non-operating expenses	944	902
Ordinary profit	6,021	6,774
Extraordinary income		
Gain on sale of non-current assets	1,013	86
Gain on sale of investment securities	598	2,009
Gain on sales of investments in capital of subsidiaries and associates	339	27
Other	7	265
Total extraordinary income	1,959	2,387
Extraordinary losses		
Loss on sale and retirement of non-current assets	746	572
Loss on sale of investment securities	7	–
Loss on valuation of shares of subsidiaries and associates	–	521
Loss on valuation of investments in capital	–	84
Loss on sales of investments in capital	40	–
Expenses of soil pollution measures	228	–
Business restructuring expenses	325	2,801
Settlement money for under-reporting water amount	–	534
Loss on COVID	116	–
Other	126	144
Total extraordinary losses	1,590	4,658
Profit before income taxes	6,389	4,504
Income taxes - current	919	1,924
Income taxes - deferred	941	(2,575)
Total income taxes	1,860	(650)
Profit	4,529	5,154
Profit attributable to non-controlling interests	28	45
Profit attributable to owners of parent	4,501	5,109

### (3) Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	4,529	5,154
Other comprehensive income		
Valuation difference on available-for-sale securities	1,070	(26)
Deferred gains or losses on hedges	(109)	300
Foreign currency translation adjustment	1,069	1,216
Remeasurements of defined benefit plans, net of tax	(240)	759
Total other comprehensive income	1,789	2,250
Comprehensive income	6,319	7,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,198	7,321
Comprehensive income attributable to non-controlling interests	120	83

### (4) Consolidated Statements of Cash Flows

(Million yen)

	<b>FY2022</b> (Apr. 1, 2022 to Mar. 31, 2023)	<b>FY2023</b> (Apr. 1, 2023 to Mar. 31, 2024)
Cash flows from operating activities	1,794	10,409
Cash flows from investing activities	(5,920)	(190)
Cash flows from financing activities	1,007	(11,347)
Effect of exchange rate changes on cash & cash equivalents	196	400
Increase (decrease) in cash and cash equivalents	(2,922)	(728)
Cash and cash equivalents at the beginning of the period	14,469	11,547
Cash and cash equivalents at the end of the period	11,547	10,818