

[Translation]

GUNZE LIMITED

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

June 2, 2016

To Our Shareholders:

**NOTICE OF CONVOCATION OF
THE 120TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would first like to express our deepest sympathies to those who suffered damage caused by the series of earthquakes that struck the areas centered on Kumamoto Prefecture.

You are cordially invited to attend the 120th Ordinary General Meeting of Shareholders of GUNZE LIMITED. The meeting will be held as described below.

If you are unable to attend the meeting, you are requested to study the reference materials for the general meeting of shareholders below, and then please either complete and send by mail the enclosed Voting Rights Exercise Form indicating your approval or disapproval for each matter for resolution so that it shall arrive at the Company no later than 5:00 P.M. on Thursday, June 23, 2016, or make an entry for approval or disapproval for each matter for resolution on the site provided for exercising your voting right in the Internet (<http://www.evotep.jp/>) as designated by the Company no later than the aforementioned date and time.

Yours very truly,

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

By: Nodoka Kodama
Representative Director and President

[Translation]

PARTICULARS

- 1. Date and Time of the Meeting:** 1:00 P.M., Friday, June 24, 2016
- 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 120th Business Term (from April 1, 2015 to March 31, 2016).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 120th Business Term (from April 1, 2015 to March 31, 2016).

Matters for Resolution:

- First Proposition: Proposed Disposal of Surplus**
Second Proposition: Election of Twelve (12) Directors

- 4. Matters Determined concerning the Convocation**

Please refer to “Guide to Exercising Voting Rights” on pages 27 and 28.

[Translation]

(Attachment)

Results of Operations (April 1, 2015 to March 31, 2016)

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

(1) Business Progress and Results

Reviewing economic conditions during the fiscal year ended March 31, 2016, the Japanese economy as a whole showed signs of mild recovery, supported by the government's economic policy package and an easy monetary policy. However, the GUNZE Group's management environment continued to face uncertainty due to several factors. These include the rapid changes in exchange rates and the stock market, and the slowdown in emerging economies including the Chinese economy. Moreover, personal consumption remained at a standstill, reflecting price hikes for imported products and materials caused by the depreciation of the yen.

Faced with this situation, the GUNZE Group's medium-term management plan, called "CAN 20 (fiscal 2014 through fiscal 2020)," has entered its second year. With the key concept of "Focus and Concentration," the GUNZE Group implemented the key measures: selection and focus for existing businesses based on the Strategic Business Unit (SBU) strategy; cultivation and creation of new high-growth businesses through the Cross-Functional Approach (CFA) initiatives; and reinforcement of the management foundation to support the company's growth strategy.

The GUNZE Group's functional solutions business enjoyed strong performance in the area of medical materials. However, plastic films and engineering plastics suffered from sluggish economic and market conditions. Apparel sales remained firm, despite the unusually warm winter.

Consequently, the GUNZE Group's consolidated net sales for the fiscal year under review amounted to ¥138,324 million (a year-over-year decrease of 2.0%). Consolidated operating income amounted to ¥3,662 million (a year-over-year increase of 18.7%). Because of the posting of a valuation loss in derivatives transactions* and a foreign exchange loss, consolidated ordinary income remained at ¥791 million (a year-over-year decrease of 84.0%). Moreover, GUNZE posted an impairment loss on fixed assets related to electronic components, which suffered a drop in profitability due to the worsened business environment. As a result, GUNZE posted a consolidated net loss attributable to owners of the parent amounting to ¥1,201 million compared to a consolidated net income attributable to owners of the parent of ¥3,215 million recorded in the previous fiscal year.

* GUNZE enters into forward exchange contracts through the use of currency options in order to hedge against foreign exchange movement risk related to US dollar-denominated import prices of apparel products. Due to the rapid appreciation of the yen at the end of the present fiscal year under review, a valuation loss of ¥2,267 million was incurred for the year-end outstanding balance of currency option transactions. This loss was combined with a loss arising from reversing an entry of ¥601 million valuation gain incurred at the end of the previous fiscal year, resulting in the posting of a ¥2,869 million valuation loss in derivatives as non-operating expenses. This valuation loss has no effect on the cash flows for the fiscal year under review. In the next fiscal year, GUNZE will post ¥2,267 million as non-operating income through the reversal of the valuation loss recorded at

[Translation]

the end of the fiscal year under review, while also revaluating the year-end outstanding balance of currency options at fair value to post a valuation gain or loss.

Results by Business Segment

[Functional Solutions]

In plastic film, sales of mainstay shrink film dipped mainly for beverage applications. Overseas sales were also slow due to a slowdown in exports to Europe. Still, the plastic film business secured profits reflecting the lower prices of raw materials. The engineering plastics business performed poorly, with sales of products for the office equipment market adversely affected by the economic slump in emerging markets. Sales of products for non-office equipment markets were also sluggish due to inventory adjustment in the semiconductor industry. Electronic components experienced difficulties in securing profits, with slow sales of touch screens for PCs and increasingly intense competition. To cope with this situation, GUNZE worked to improve productivity by restructuring and streamlining overseas production facilities. These efforts, however, were not sufficient to improve performance. Medical materials destined for North America continued to perform strongly, while sales were also solid in Japan and China.

Consequently, the functional solutions business posted net sales of ¥56,171 million (a year-over-year decrease of 5.9%), while operating income was ¥3,440 million (a year-over-year increase of 1.4%).

[Apparel]

For the apparel business in general, winter season product sales were negatively impacted by the unusually warm winter. In innerwear, the renewal of the mainstay *Kaiteki Kobo* brand and the expansion of high-growth channels put the brakes on decreasing sales trends. In leg wear, sales of the mainstay *SABRINA* brand pantyhose remained strong, with leggings pants also enjoying increased sales.

Consequently, the apparel business posted net sales of ¥68,164 million (a year-over-year increase of 0.8%) and operating income of ¥2,232 million (a year-over-year increase of 49.7%).

[Lifestyle Creations]

In the real estate category, the reorganization of current tenants and the introduction of new tenants drove up business for the *GUNZE Town Center TSUKASHiN* commercial facility. The sports club business posted an increase in sales thanks to the opening of new clubs. However, initial expenses incurred for the new clubs had an adverse impact on the category's performance.

Consequently, the lifestyle creation business recorded net sales of ¥14,635 million (a year-over-year increase of 0.7%), while operating income was ¥1,221 million (a year-over-year decrease of 2.9%).

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

The Japanese economy is experiencing increasing labor shortages in some industries and a stronger positive mindset among businesses, with expanding capital investment in equipment. Still, there are several risk factors that will cause the business environment surrounding the GUNZE

[Translation]

Group to remain unpredictable. These include concerns of a downturn in the economy, reflecting the need for responding to consumption tax hikes and soaring raw material prices, and slowing growth in China and other emerging economies.

Against this backdrop, fiscal 2016 marks the 120th anniversary of GUNZE Group's founding as well as the final year of the first phase (fiscal 2014 through fiscal 2016) of GUNZE's medium-term management plan, called "CAN 20 (fiscal 2014 through fiscal 2020)." As such, GUNZE will move into high gear with initiatives to revive growth. To this end, GUNZE will combine the efforts of all members of the Group to deal with strategic issues related to the maturation of mainstay products and channels. At the same time, GUNZE will clarify strategic goals and specific action plans for the second phase (fiscal 2017 through fiscal 2020) of its medium-term management plan.

As part of its efforts aimed at the revival of growth, GUNZE will promote the "+25 Campaign¹" and the "CFA Initiatives²" that transcend organizational or workplace boundaries. These will support work on new activities, such as the development of new businesses, new products and new channels.

Efforts will be concentrated on expanding new businesses in the healthcare and medical fields. This is in line with GUNZE's promotion of quality of life (QOL) enhancement. As a measure for reinforcing the management foundation to support its growth strategy, GUNZE will work to strengthen its intangible assets, including core technological strengths, global responsiveness and corporate brand value.

Through these initiatives, GUNZE will strive to contribute to society as a global corporate group that offers customers a "Feeling of Comfort." This personalized way of doing business is unique to the GUNZE Group.

Focusing on shareholders, GUNZE will seek to raise return on equity (ROE), which it views as the Group's key performance indicator. As part of this effort, the Group will implement various measures aimed at increasing profitability, using capital more productively and repurchasing treasury stock. Toward this end, the GUNZE Group will also set a return on assets (ROA) target for each business division or affiliated company as a measure to gauge the efficiency of business investments. This is part of the drive to improve both profit margin on sales and total asset turnover.

As for the functional solutions business, in the category of plastic films GUNZE will promote the development of new markets and products as it faces radical changes in its business environment. In engineering plastics, efforts will be concentrated on taking measures against maturation of mainstay products for office equipment applications, while also expanding products employing GUNZE's fiber technology, such as products related to semiconductors. In electronic components, GUNZE will shift sales of touch screens from consumer to business applications, while also accelerating the transition of its business structure to focus on film sales, which is a shift from the previous focus on touch screen sales. In medical materials, GUNZE will proactively invest management resources on construction of new factories and other projects aimed at further growth. By doing so, GUNZE will seek to improve production and sales systems so as to effectively respond to business expansion.

In the apparel business, GUNZE will aim to further expand sales of its mainstay brands in the innerwear category by leveraging its proprietary technologies. As part of this drive, GUNZE will strengthen the high-growth direct sales route and sales outside Japan. In leg wear, GUNZE will strive to develop new markets and products by anticipating and meeting potential consumer needs and market trends.

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In the lifestyle creation business, GUNZE will seek to improve the profitability of its real estate business by revising its commercial facility operation system. In the sports club category, GUNZE will also strive to expand sales through aggressive multi-club chain expansion inside and outside Japan.

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

¹ The “+25 Campaign” is designed to reallocate management resources to new initiatives for securing growth based on the keyword of “25%,” while also generating human power and time necessary for those new initiatives.

² CFA stands for Cross-Functional Approach, and refers to addressing issues by combining knowledge and skills without regard to organizational boundaries.

(3) Financial Conditions

A. Consolidated Operating Results and Summary of Assets

(Millions of yen)

	117 th term (FY2012)	118 th term (FY2013)	119 th term (FY2014)	120 th term (FY2015)
Net sales	132,373	142,425	141,172	138,324
Operating income	1,710	4,375	3,084	3,662
Ordinary income	2,328	5,058	4,933	791
Net income (loss) attributable to owners of the parent	(1,161)	2,508	3,215	(1,201)
Net income (loss) per share (¥)	(6.06)	13.09	16.78	(6.39)
Total assets	163,328	166,544	175,331	169,749
Net assets	108,745	114,183	117,359	106,639

B. Net Sales and Operating Income by Segment

(Millions of yen)

	119 th term (FY2014)		120 th term (FY2015)	
	Net sales	Operating income	Net sales	Operating income
Functional solutions	59,689	3,393	56,171	3,440
Apparel	67,635	1,491	68,164	2,232
Lifestyle creations	14,537	1,257	14,635	1,221
Total	141,864	6,142	138,971	6,894
Eliminations/Corporate	(691)	(3,057)	(647)	(3,231)
Consolidated	141,172	3,084	138,324	3,662

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

Functional solutions business:	Plastic films, engineering plastics, electronic components, machinery, medical materials, etc.
Apparel business:	Innerwear, leg wear, textiles, threads and accessories
Lifestyle creation business:	Leasing, buying and selling of real estate, trees and plants, operation and management of sports facilities, etc.

2. Systems to Ensure Propriety in Business Operations

The Company made the following resolutions at a meeting of its Board of Directors regarding Systems to Ensure Propriety in Business Operations. Considering the revision of the Companies Act and other related laws, the Company resolved to revise these systems at its Board of Directors meeting held on April 28, 2015.

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

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

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Group's corporate information, and discloses appropriate information quickly and fairly as an open-door corporate group.

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

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

(3) Rules and other systems concerning risk management

- 1) In accordance with its Risk Management Rules, the Company builds a solid cross-divisional risk management system that covers the entire Group in order to avoid any kind of risks and to appropriately prepare for unexpected contingencies.

For information-related risks in particular, the Company strives to protect the GUNZE Group's information assets based on its IT (Information Technology) Security Policy and Standard Countermeasures against IT (Information Technology) Security Issues.

- 2) In accordance with its Basic Rules concerning Management of Trade Secrets and Trade Secret Management Standards, the Company sets up a cross-divisional supervisory team, Trade Secrets Management Committee (chaired by CCO), in order to appropriately manage trade secret assets available across the Group and prevent leakage of important trade secrets.

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

- 1) To enhance the Board of Directors' functions and improve management efficiency, the Company, in accordance with its Rules concerning Executive Officer Meetings, holds an Executive Officer meeting attended by Chief Officers and others roughly once a week to deliberate important matters related to the Group's business operations.
- 2) The Company adopts a Corporate Officers System to clearly separate decision-making regarding business practices and management oversight functions from business operations, and augment the Board of Directors' monitoring functions. It is also intended to vitalize the BOD and facilitate quicker decision-making.
- 3) To swiftly and flexibly respond to radical changes taking place in the Company's management environment and clearly define management responsibility, the term of office of Directors at the Company is designated as one (1) year.
- 4) The Company sets forth its internal Rules concerning Division of Duties, Rules concerning the Authority and Responsibility of Internal Company Presidents, and Rules concerning the Authority and Responsibility of Business Group General Managers, to ensure propriety of the GUNZE Group's internal controls, clarify procedures for business practices, and enhance efficiency of management and administration.
- 5) To conduct efficient business operations for the GUNZE Group, the Company promotes business reforms utilizing information technology through its corporate-wide project activities.

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- 6) Corporate Auditors monitor and assess the establishment and operation of the internal control system of the GUNZE Group, which Directors conduct while exercising the due care of a responsible manager.

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

- 1) To ensure strict legal and regulatory compliance, the Company regularly provides all employees of the GUNZE Group with the necessary education and training. The Company responds quickly to the enactment of a new law or amendment to existing law by offering relevant education and training. The Company also offers relevant education and training quickly in the event that material misconduct or an accident arises within the Group or at other companies.
- 2) The Company posts all rules and regulations applicable to the GUNZE Group on intranets so that Group employees can access and view them whenever necessary.
- 3) The Company has a whistleblower system in place, by which employees can directly report compliance-related information or ask compliance-related questions via the Advice Hotline for Employees, in order to prevent misconduct and accidents. Should material violation of laws or regulations, or other compliance-related problems be discovered, employees should also report directly to the Chief Operating Officer (COO) or the Chief Compliance Officer (CCO).

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

- 1) Under the supervision of the Corporate-wide CSR Committee, a Compliance Officer is in place at each business department or Group company to ensure strict legal and regulatory compliance. For information security in particular, a Division Information Officer (DIO) responsible for maintaining IT security is in place at each business division or Group company to ensure strict management of information.
- 2) As for the management of individual companies comprising the GUNZE Group, the Company gives guidance or advice to them based on their periodical business reports, prior discussions regarding important matters or other arrangements, while respecting their individual initiative, in order to ensure propriety of business operations for the Group as a whole.
- 3) The Business Audit Section conducts internal audits to inspect the operating effectiveness of the GUNZE Group's internal controls for overall business practices, in order to maintain the propriety and efficiency of business operations for the Group as a whole.
- 4) When deemed necessary from reported results of audits, as discussed in item 3) above, Corporate Auditors conduct audits of the Group companies to monitor the operating effectiveness of their internal controls, as well as the propriety and efficiency of business operations as a corporate group. Should Corporate Auditors consider it necessary, Corporate Auditors will directly perform audits of the Group companies.

(7) Systems to ensure reliability of financial reporting

To appropriately assess the validity of the GUNZE Group's internal controls over financial reporting, as stipulated by the Financial Instruments and Exchange Law, the Company assigns the Chief Financial Officer (CFO) and various other responsible personnel based on the Internal Control Standards. By so doing, the Company maintains, implements and assesses internal controls of the Company and its consolidated subsidiaries, which comprise the Group's consolidated financial statements, and announces the results of assessment through internal control reports.

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

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

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

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

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

- 1) Officers and employees of the GUNZE Group report to Corporate Auditors without delay while taking appropriate measures in the event that they discover any fact that could have a negative impact, in a material degree, on the GUNZE Group, such as impairment of its credibility or adverse affects 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 meeting is held regularly, at which Corporate Auditors of the Company's subsidiaries report compliance risks concerning the subsidiaries.
- 4) The Manager of the Business Audit Section reports to Corporate Auditors without delay issues discovered through auditing of the GUNZE Group by the Business Audit Section.
- 5) Officers and employees of the GUNZE Group report to Corporate Auditors without delay important matters among information as described in item 3) of section (5) above.
- 6) In accordance with the Whistleblower Protection Rules, GUNZE prohibits making any detrimental treatment to officers or employees of the GUNZE Group who made reports such as described in item 5) above for the reason of having made such reports.

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

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

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

(1) Legal and regulatory compliance system

Every year, the Company distributes a pamphlet entitled “Gunze-no-Ze” (Policy of GUNZE), which introduces its Founding Philosophy and GUNZE Activity Guidelines across the GUNZE Group. The pamphlet is designed to help all Directors and employees of the GUNZE Group understand the GUNZE Activity Guidelines and put them into practice. The Company offers a course with an introduction to compliance to new employees when they are hired and during all new employee training, using “Gunze-no-Ze” and other educational materials. The Company is also committed to strengthening its efforts to ensure compliance by proactively using such opportunities as meetings at each level. For example, a training program on the theme of corporate scandals is available at Corporate-wide CSR Committee meetings and senior executive training sessions. The responsible personnel of each division, such as presidents of affiliated companies, factory managers, sales managers, etc. are also offered training concerning issues with high compliance risk that exist within the Group.

The Company has the Advice and Report Hotline for Employees at the CSR Promotion Section for compliance-related advice and reporting. In fiscal 2015, 31 hotline contacts were made to seek advice or make reports. Hotline contacts are reported to the responsible personnel of the relevant office upon obtaining consent of the whistleblower, aiming at swift resolution of compliance-related problems and prevention of their recurrence. Hotline contact information is reported to CCSRO, CCO and Corporate Auditors every month, and to the President once every three months.

(2) Risk management system

The Company has a Risk Management Committee in place as a substructure of the

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Corporate-wide CSR Committee. In fiscal 2015, the Risk Management Committee had meetings almost every other month, deliberating on 19 incidents that occurred. The matters deliberated on were shared with each business division through the Corporate-wide CSR Committee, each business division's CSR Officer meeting and CSR Promotion Leader meeting as the Company aims to prevent a recurrence of the same problems.

Although there were no major accidents or disasters in fiscal 2015, the Risk Management Committee deliberated on measures to deal with high risk areas for which sufficient measures have not yet been taken. To prepare for unforeseen circumstances, emergency simulation training is offered to CCSRO and other related personnel.

(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 16 Corporate Officers, eight 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, 2016) 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 is held roughly once a week (held 26 times in the fiscal year ended March 31, 2016). Seven (7) Chief Officers 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. At present, five (5) 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, a department tasked with

[Translation]

managing business in China has been set up in Shanghai. The department is working to enhance response to risks pertaining to China by eliminating duplication of indirect administrative functions dispersed in multiple local Chinese companies and augmenting functions that are insufficient.

(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 (twice) 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 make prior confirmation with the Business Audit Section, a department to conduct internal audits, regarding the outline of internal audit plans and internal audit items. Corporate Auditors also attend onsite audits and audit reviews of the Business Audit Section as necessary, while receiving reports on the results of audits from the Business Audit Section. In fiscal 2015, Corporate Auditors attended 22 audit sessions for GUNZE Group sites inside and outside of Japan, based on the audit plan formulated by the Business Audit Section or independent accounting auditors. 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 meeting was held twice, receiving reports from Corporate Auditors of the Company's subsidiaries regarding audit plans, status of audits, etc.

4. 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.

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The Company therefore considers that, in the event of a takeover offer that accompanies transfer of controlling stakes, the decision to accept or reject the proposal should ultimately be the responsibility of the shareholders.

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

Accordingly, the Company concludes that persons attempting to conduct a large-scale acquisition of the Company's shares or other assets in a way that could possibly impair the GUNZE Group's corporate value, the Company's interests, and the common interests of its shareholders consequently, will be unsuited to executing the decision on the financial and operational policies of the Company, and thus a mechanism of preventing said acquisition or like action will be necessary.

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

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

1) Promotion of medium-term management plan

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

Focusing on shareholders, the GUNZE Group will seek to raise return on equity (ROE), which it views as the Group's key performance indicator. As part of this effort, the Group will implement various measures aimed at increasing profitability, using capital more productively, and repurchasing treasury stock. Toward this end, the GUNZE Group will also set a return on assets (ROA) target for each business division or affiliated company as a measure to gauge the efficiency of business investments. This is part of the drive to improve both profit margin on sales and total asset turnover.

2) Strengthening of corporate governance

To facilitate more agile decision-making and strengthen management oversight functions, the Company launched a Corporate Officers System and reduced the maximum number of members of the Board of Directors in the 110th business term (fiscal year ended March 31, 2006). In the 111th business term (fiscal year ended March 31, 2007), the term of office of Directors was reduced from two (2) years to one (1) year to clarify the management

[Translation]

responsibility of Directors and establish a management system capable of quickly responding to changes in the business environment. The Company is committed to strengthening corporate governance through these measures, while at the same time inviting outside Directors to join the Board with the aim of maintaining transparency in all management practices.

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. The Guidelines are posted on the Gunze corporate website (<http://www.gunze.co.jp/ir/policy/governance/index.html>).

(3) Efforts to prevent inappropriate control of the Company

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

In light of various trends and subsequent circumstances relevant to the Takeover Defense Policy, the Policy was partially revised and updated after having been approved by shareholders at the 112th ordinary General Meeting of Shareholders held on June 26, 2008 and the 115th ordinary General Meeting of Shareholders held on June 24, 2011. Moreover, the Policy was resolved to be updated as the "Continuation of the Policy for Measures against Large-scale Acquisition of Shares of the Company (Takeover Defense Policy)" (hereinafter referred to as the "Continued Policy") at the 118th ordinary General Meeting of Shareholders held on June 25, 2014 and is now being continued with the effective period specified to be until the close of the ordinary General Meeting of Shareholders scheduled for June 2017. The full text of the press release regarding the Continued Policy is available on the Gunze corporate website (<http://www.gunze.co.jp>).

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

It is the belief of the Company's Board of Directors that these efforts conform to the Company's Basic Policy for Corporate Control and are not detrimental to its corporate value and the common interests of its shareholders.

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

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	End of FY2014 (Mar. 31, 2015)	End of FY2015 (Mar. 31, 2016)
Assets		
Current assets		
Cash and cash equivalents	9,159	7,471
Notes & accounts receivable, trade	31,075	28,925
Finished products and goods	18,313	17,754
Work in process	6,541	6,648
Raw materials and supplies	6,696	5,456
Short-term loans	383	558
Deferred income taxes	2,201	2,113
Other current assets	3,270	2,697
Allowance for doubtful accounts	(20)	(19)
Total current assets	77,621	71,605
Fixed assets		
Property, plants and equipment		
Buildings and structures	108,617	112,184
Accumulated depreciation	(70,720)	(73,316)
Buildings and structures (Net)	37,896	38,867
Machinery, equipment and vehicles	102,828	102,957
Accumulated depreciation	(85,826)	(87,138)
Machinery, equipment and vehicles (Net)	17,001	15,819
Tools, furniture and fixtures	7,456	7,461
Accumulated depreciation	(6,221)	(5,869)
Tools, furniture and fixtures (Net)	1,234	1,591
Land	11,950	11,977
Leasehold assets	381	566
Accumulated depreciation	(86)	(159)
Leasehold assets (Net)	295	406
Construction in progress	1,839	1,221
Total property, plants and equipment	70,218	69,884
Intangible fixed assets		
Software	795	944
Other intangible fixed assets	414	377
Total intangible fixed assets	1,210	1,322
Investments and other assets		
Investments in securities	18,463	18,523
Long-term loans	658	626
Assets related to retirement benefits	2,183	-
Deferred income taxes	793	3,453
Other assets	4,277	4,435
Allowance for doubtful accounts	(95)	(101)
Total investments and other assets	26,280	26,936
Total fixed assets	97,709	98,143
Total assets	175,331	169,749

	End of FY2014 (Mar. 31, 2015)	End of FY2015 (Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	9,339	9,112
Short-term debt	9,718	8,898
Commercial paper	2,700	5,200
Current portion of long-term debt	3,340	1,954
Accrued income taxes	448	331
Allowance for employees' bonuses	1,148	1,117
Notes payable on acquisition of property, plants and equipment	315	1,078
Other current liabilities	8,427	10,740
Total current liabilities	35,440	38,433
Long-term liabilities		
Long-term debt	12,889	14,355
Liabilities related to retirement benefits	3,461	4,887
Long-term deposits & guarantee deposits	4,272	4,122
Other long-term liabilities	1,907	1,310
Total long-term liabilities	22,531	24,676
Total liabilities	57,971	63,110
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,056	13,999
Retained earnings	79,313	76,605
Treasury stock	(7,648)	(9,108)
Total shareholders' equity	111,792	107,567
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for- sale securities	1,787	(1,728)
Deferred gains (losses) on hedge	1	-
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	2,298	1,838
Accumulated adjustments related to retirement benefits	164	(2,117)
Total accumulated other comprehensive income	3,850	(2,408)
Stock acquisition rights	342	246
Non-controlling interests	1,374	1,233
Total net assets	117,359	106,639
Total liabilities and net assets	175,331	169,749

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014 to Mar. 31, 2015)	(Apr. 1, 2015 to Mar. 31, 2016)
Net sales	141,172	138,324
Cost of sales	107,638	103,859
Gross profit	33,533	34,465
Selling, general & administrative expenses	30,448	30,802
Operating income	3,084	3,662
Non-operating income		
Interest income	27	43
Dividend income	312	922
Rental income	425	282
Exchange gain	1,220	-
Gain on valuation of derivatives	504	-
Other	120	139
Total non-operating income	2,610	1,388
Non-operating expenses		
Interest expenses	153	190
Rental expenses	399	270
Exchange loss	-	690
Loss on valuation of derivatives	-	2,869
Other	208	239
Total non-operating expenses	761	4,260
Ordinary income	4,933	791
Extraordinary income		
Gain on sale of fixed assets	120	66
Gain on revision of employee retirement benefit plan	1,229	-
Gain on insurance adjustment	-	403
Other	74	0
Total extraordinary income	1,425	470
Extraordinary loss		
Loss on sale or disposal of fixed assets	431	88
Loss on valuation of shares of affiliated companies	102	152
Amortization of goodwill	120	-
Impairment loss	-	1,326
Business structure improvement expenses	99	495
Other	0	6
Total extraordinary loss	754	2,069
Income (loss) before income and other taxes	5,605	(807)
Income, residential and enterprise taxes	815	523
Adjustment for income and other taxes	1,726	(40)
Total income and other taxes	2,541	483
Net income (loss)	3,063	(1,290)
Net income (loss) attributable to non-controlling interests	(151)	(88)
Net income (loss) attributable to owners of the parent	3,215	(1,201)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014 to Mar. 31, 2015)	(Apr. 1, 2015 to Mar. 31, 2016)
Net income (loss)	3,063	(1,290)
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	1,422	(3,516)
Deferred gains (losses) on hedge	0	(1)
Foreign currency translation adjustments	1,486	(506)
Adjustments related to retirement benefits	(1,087)	(2,281)
Total other comprehensive income (loss)	1,821	(6,306)
Comprehensive income (loss)	4,884	(7,597)
<Breakdown>		
Comprehensive income (loss) attributable to owners of the parent	4,920	(7,461)
Comprehensive income (loss) attributable to non-controlling interests	(36)	(136)

[Translation]

REFERENCE MATERIALS CONCERNING GENERAL MEETING OF SHAREHOLDERS

Propositions and Reference Matters:

First Proposition: Proposed Disposal of Surplus

It is proposed that surplus be disposed as follows:

1. Matters related to the term-end dividend:

Returning earnings to shareholders is one of the most important management policies of the Company. Accordingly, the Company works to continue providing a stable dividend based on the medium-term business outlook, with a target payout ratio of approximately 50% on a consolidated basis.

Although we regret to say that the Company posted a net loss for the 120th Business Term, the Company would like to provide an additional special dividend in commemoration of the 120th anniversary of the Company's founding. As a result, it is proposed that the 120th 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:
¥8.5 per share of common stock of the Company (¥7.5 yen as an ordinary dividend and ¥1 as a commemorative dividend).
Total amount: ¥1,589,233,126
- (3) Effective date for distribution of surplus:
June 27, 2016.

[Translation]

Second Proposition: Election of Twelve (12) Directors

The terms of office of all ten (10) Directors will expire at the close of this general meeting of shareholders. To further augment the functions of the Company’s Board of Directors and its management system, it is proposed that two additional Directors be elected for a total of twelve (12) Directors.

The candidates are as follows:

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
1	Nodoka Kodama (Nov. 23, 1948)	Apr. 1972	Joined “GUNZE”	72,000
		Jun. 2006	Director, Corporate Officer, General Manager of Management & Strategy Corporate Department and Human Resources Development Department, CFO, CMAO and Deputy CHO, GUNZE	
		Jul. 2007	Director, Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO and CMAO, GUNZE	
		Jun. 2008	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO, CMAO and CHO, GUNZE	
		Apr. 2009	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Corporate Department, CFO, CMAO, CHO and General Manager of Corporate Communication Department, GUNZE	
		Apr. 2010	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Corporate Communication Department, CFO and CHO, GUNZE	
		Apr. 2012	Representative Director, Managing Director, Managing Corporate Officer, General Manager of Corporate Communication Department and CFO, GUNZE	
		Jun. 2012	President, Representative Director, President Corporate Officer and COO, GUNZE	
		Jun. 2014	President, Representative Director, President Corporate Officer, COO and CEO, GUNZE (to present)	
<p>Reasons for supporting the candidate for Director The Company would like Mr. Nodoka Kodama to continue to serve the Company as a Director, given his experience in taking a leadership role in the management of the GUNZE Group since he was appointed Representative Director and President of the Company in June 2012. He did this through implementation of each strategy specified by the Group’s medium-term management plan and by enhancing its corporate governance. As Chairman of the Company’s Board of Directors, he also strived to revitalize the Board. In expectation that he will continue to appropriately perform his duties as a Director, the Company proposes that he be elected as a Director.</p>				

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
2	Atsushi Hirochi (Jan. 11, 1960)	Mar. 1983 Jun. 2012 Jan. 2013 Apr. 2014 Jun. 2014 Apr. 2016	Joined “GUNZE” Director, Corporate Officer, General Manager of Leg Wear Divisions Group, Apparel Company and CCO, GUNZE Director, Corporate Officer, General Manager of Innerwear Divisions Group, Apparel Company and CCO, GUNZE Director, Corporate Officer, Company President of Apparel Company, General Manager of Innerwear Divisions Group, Apparel Company and CCO, GUNZE Managing Director, Managing Corporate Officer, Company President of Apparel Company, General Manager of Innerwear Divisions Group, Apparel Company, CMO and CLO, GUNZE Managing Director, Managing Corporate Officer, General Manager of Management & Strategy Department, CHO, CCSRO and CMO, GUNZE (to present)	33,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Atsushi Hirochi to continue to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the apparel business sector. In recent years, he promoted reform of the apparel business structure, yielding favorable results. Since April, he has been responsible for drawing up company-wide strategies as General Manager of the Management & Strategy Department. In expectation that he will continue to appropriately perform his duties as a Director, the Company proposes that he be elected as a Director.</p>				
3	Katsusuke Amano (Feb. 27, 1952)	Oct. 1975 Apr. 1978 Apr. 1983 Jan. 1985 Feb. 2003 Jun. 2010 Jun. 2012	Passed Japanese Bar Exam. Registered as an attorney (at Osaka Bar Association), Associate with “Tamura Tokuo Law Office” Moved to “Kitahama Law Office” (presently, Kitahama Law Offices) Partner, Kitahama Partners (to present) Outside Corporate Auditor, AOYAMA CAPITAL CO., LTD. (to present) Director, GUNZE (to present) Outside Corporate Auditor, ROHTO Pharmaceutical Co., Ltd. (to present)	25,000
<p>Reasons for supporting the candidate for outside Director The Company would like Mr. Katsusuke Amano to continue to serve the Company, given his approximately six years of experience as an outside Director of the Company. During his time of service, he provided appropriate guidance and advice from an objective viewpoint regarding decisions made by the Company’s Board of Directors, covering the entire corporate environment including laws and ordinances. He did this based on his ample professional knowledge and experience in the field of corporate legal affairs. For these reasons, the Company proposes that he be elected as an outside Director.</p>				

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
4	Aya Shirai (May 23, 1960)	Jun. 1993 Dec. 2002 Jun. 2011 Jun. 2015 Jun. 2015	Elected as Amagasaki city council member Elected as the Mayor of Amagasaki city (to Dec. 2010) Director, GUNZE Outside Director, Pegasus Sewing Machine Mfg. Co., Ltd. (to present) Outside Director, Sumitomo Precision Products Co., Ltd. (to present)	14,000
<p>Reasons for supporting the candidate for outside Director The Company would like Ms. Aya Shirai to continue to serve the Company, given her approximately five years of experience as an outside Director of the Company. During her time of service, she provided appropriate guidance and advice from the position of a citizen and consumer regarding decisions made by the Company's Board of Directors. She did this based on her broad knowledge and experience gained through long years of involvement in municipal administration. For these reasons, the Company proposes that she be elected as an outside Director.</p>				
5	Tomomi Furukawa (Dec. 30, 1953)	Mar. 1978 Apr. 2012 Jun. 2013 Jul. 2014	Joined "GUNZE" Corporate Officer, Deputy General Manager of Management & Strategy Department, Manager of Finance & Accounting Section and CIO, GUNZE Director, Corporate Officer, Deputy General Manager of Management & Strategy Department, Manager of Finance & Accounting Section, CFO, CMAO and CIO, GUNZE Director, Corporate Officer, Manager of Finance & Accounting Section, CFO, CMAO and CIO, GUNZE (to present)	14,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Tomomi Furukawa to continue to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of finance and accounting. He has been fulfilling his tasks as the Chief Financial Officer in an appropriate manner. In expectation that he will continue to appropriately perform his duties as a Director, the Company proposes that he be elected as a Director.</p>				
6	Yasuhiro Akase (Jul. 6, 1958)	Apr. 1982 Apr. 2010 Jun. 2013 Jun. 2014	Joined "GUNZE" Corporate Officer, General Manager of Personnel & General Affairs Department and Deputy CHO, GUNZE Director, Corporate Officer, General Manager of Personnel & General Affairs Department and Deputy CHO, GUNZE Director, Corporate Officer, General Manager of Personnel & General Affairs Department, CCO and Deputy CHO, GUNZE (to present)	10,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Yasuhiro Akase to continue to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of apparel and administration. As the General Manager of the Personnel & General Affairs Department, he has been working to develop human resources and improve labor welfare. In expectation that he will continue to appropriately perform his duties as a Director, the Company proposes that he be elected as a Director.</p>				

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
7	Nobuya Oka (Aug. 28, 1959)	Apr. 1985 Apr. 2012 Jun. 2014	Joined "GUNZE" Corporate Officer and General Manager of Threads & Accessories Division, GUNZE Director, Corporate Officer and General Manager of Threads & Accessories Division, GUNZE (to present)	8,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Nobuya Oka to continue to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of threads and accessories. As the general manager in charge of the threads and accessories business, he has been working to enhance the stability of the Company's business in Japan and strengthen international business development. In expectation that he will continue to appropriately perform his duties as a Director, the Company proposes that he be elected as a Director.</p>				
8	Toshiyasu Saguchi (Nov. 14, 1961)	Mar. 1984 Apr. 2012 Jun. 2014	Joined "GUNZE" Corporate Officer and Company President of Plastic Film Company, GUNZE Director, Corporate Officer and Company President of Plastic Film Company, GUNZE (to present)	9,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Toshiyasu Saguchi to continue to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of plastic film. As the general manager in charge of the plastic film business, he has been working to enhance the stability of the Company's business in Japan and strengthen international business development. In expectation that he will continue to appropriately perform his duties as a Director, the Company proposes that he be elected as a Director.</p>				
9	Katsuhiko Kimura* (Apr. 2, 1963)	Apr. 1986 Apr. 2005 Apr. 2012	Joined "GUNZE" General Section Manager of Sales Administrative Division, Engineering Plastics Division, GUNZE Corporate Officer and General Manager of Engineering Plastics Division, GUNZE (to present)	3,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Katsuhiko Kimura to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of engineering plastics. As the general manager in charge of the engineering plastics business, he has been working to build a profitable business base and promoting the creation of newly developed products. In expectation that he will contribute to improving GUNZE's corporate value as a Director, the Company proposes that he be elected as a new Director.</p>				

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
10	Shigeki Takao* (Dec. 30, 1958)	Apr. 1981 Jan. 2013 Apr. 2014 Apr. 2016	Joined “GUNZE” General Manager of Leg Wear Divisions Group, Apparel Company, GUNZE Corporate Officer, Deputy Company President of Apparel Company and General Manager of Leg Wear Divisions Group, Apparel Company, GUNZE Corporate Officer, Company President of Apparel Company and General Manager of Leg Wear Divisions Group, Apparel Company, GUNZE (to present)	1,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Shigeki Takao to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the apparel business sector. As the company president in charge of the apparel business, he has been working to ensure growth in the apparel business by developing new products that anticipate potential changes in the marketplace and creating new markets. In expectation that he will contribute to improving GUNZE’s corporate value as a Director, the Company proposes that he be elected as a new Director.</p>				
11	Katsuya Anno* (Apr. 3, 1955)	Mar. 1979 Aug. 2013 Apr. 2014 Apr. 2015	Joined “GUNZE” Deputy General Manager of Innerwear Divisions Group, Apparel Company and General Manager of Innerwear Production Department, Apparel Company, GUNZE Corporate Officer, Deputy General Manager of Innerwear Divisions Group, Apparel Company and General Manager of Innerwear Production Department, Apparel Company, GUNZE Corporate Officer, General Manager of Technology & Development Department and CTO, GUNZE (to present)	5,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Katsuya Anno to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the technical field. As the General Manager of the Technology & Development Department, he has achieved good results most recently, promoting technological innovation and improving productivity and product quality at the Company’s offices/factories in Japan and abroad. In expectation that he will contribute to improving GUNZE’s corporate value as a Director, the Company proposes that he be elected as a new Director.</p>				

[Translation]

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
12	Katsuhiko Oikawa* (Apr. 12, 1963)	Apr. 1986 Oct. 2008 Apr. 2014 Jun. 2014	Joined “GUNZE” Konan Factory Manager of Engineering Plastics Division, GUNZE Corporate Officer and General Manager of Research & Development Department, GUNZE Corporate Officer, General Manager of Research & Development Department and CRO, GUNZE (to present)	1,000
<p>Reasons for supporting the candidate for Director The Company would like Mr. Katsuhiko Oikawa to serve the Company as a Director, given his ample experience and broad knowledge, mainly in the field of research and development. As the General Manager of the Research & Development Department in recent years, he has achieved good results in the promotion of various research themes as well as the development and cultivation of new businesses. In expectation that he will contribute to improving GUNZE’s corporate value as a Director, the Company proposes that he be elected as a new Director.</p>				

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

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

Note 3: Mr. Katsusuke Amano and Ms. Aya Shirai are candidates for outside Directors.

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 they are elected, as proposed, the Company will inform the Tokyo Stock Exchange of their continuous appointments as independent officers.

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

(1) Reasons for supporting the candidates for outside Directors

As described in the table above.

(2) Term of office of outside Directors

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

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

The Company has entered into limited liability agreements with Mr. Katsusuke Amano and Ms. Aya Shirai, under which each outside Director’s liability to compensate the Company under Article 423, Paragraph 1 of the Companies Act shall be limited to ¥6,000,000 or the minimum amount stipulated by laws and ordinances, whichever is higher, under the condition that the outside Director discharges his duties in good faith and without gross negligence. Should re-election of each of these two candidates be approved, GUNZE will continue the said agreements.

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

Guide to Exercising Voting Rights

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

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

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

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

3. Voting via the Internet

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

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

A. Site for Exercising Voting Rights

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

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

- b. Please note that voting from a computer or smartphone may not be possible depending on your Internet environment, due to factors such as firewalls for Internet security, antivirus software, or the use of a proxy server.
- c. To vote from a mobile phone, please use the i-mode, EZweb or Yahoo! Keitai service. For security reasons, mobile phone models that are incompatible with encryption (SSL) protocols or are incapable of terminal ID information transmission may not be used for voting via the Internet.
- d. Votes via the Internet, etc. (electromagnetic methods) will be accepted until 5:00 p.m. on Thursday, June 23, 2016. However, we ask that you vote sooner if possible. If you have any questions concerning the procedures for voting via the Internet,

[Translation]

please contact the Help Desk.

B. Procedures for Voting via the Internet

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

C. Expenses Incurred in Accessing the Voting Site

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

4. Electronic Voting Platform for Institutional Investors

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

- End -