

[**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, 2026

(Start Date of Electronic Provision Measures: June 2, 2026)

To Our Shareholders:

**NOTICE OF CONVOCATION OF
THE 130TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

This Notice of Convocation is to inform you that the 130th 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 130TH ORDINARY GENERAL MEETING OF SHAREHOLDERS” and “MATTERS OMITTED FROM THE DOCUMENTS TO BE DELIVERED BASED ON THE LAWS, REGULATIONS AND ARTICLES OF INCORPORATION WITH RESPECT TO THE NOTICE OF CONVOCATION OF THE 130TH 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 Wednesday, June 24, 2026 (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., Thursday, June 25, 2026
[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 130th Business Term (from April 1, 2025 to March 31, 2026).
2. Report on the Results of Audits for the Consolidated Accounting Documents by Accounting Auditors and the Board of Corporate Auditors for the 130th Business Term (from April 1, 2025 to March 31, 2026).

Matters for Resolution:

First Proposition: Proposed Disposal of Surplus

Second Proposition: Election of Nine (9) Directors

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

- 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 Results 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 Wednesday, June 24, 2026

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 Wednesday, June 24, 2026. 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 from multiple devices such as 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:

The GUNZE Group views returning earnings to shareholders in a steady and continuing manner to be important management policy of the Company. Accordingly, for dividends, the Company will keep DOE (Dividend on Equity) ratio at 4.0% or above as a guide. Additionally, as sustainable improvement of corporate value is aimed at, we will return earnings in an agile manner through provision of special dividends and acquisition of treasury stock to maintain a total return ratio in excess of 100% until consolidated ROE attains 8% or higher.

In line with this basic policy, it is proposed that the 130th 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:
¥216 per share of common stock of the Company
(Ordinary dividend: ¥147; Special dividend: ¥69)
Total amount: ¥6,770,510,496
- (3) Effective date for distribution of surplus:
June 26, 2026

2. Other matters related to disposal of surplus

To enable flexible implementation of the Company's capital policy, a portion of separate reserve fund will be reversed for transfer to the retained earnings carried forward as follows:

- (1) Item and amount of decreasing surplus
Separate reserve fund: ¥10,000,000,000
- (2) Item and amount of increasing surplus
Retained earnings carried forward: ¥10,000,000,000

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/english/sustainability/governance/corporate_governance/.](https://www.gunze.co.jp/english/sustainability/governance/corporate_governance/)) All candidates for Directors in this proposition are selected in accordance with the said policy. Please see "Reference 1" on page 14 for the applicable matters, as well as "Reference 3" on pages 17 and 18 for the skills of each candidate for Director.

The candidates are as follows:

Candidate No.	Name	Current Posts and Responsibilities	Percentage of Attendance in BOD Meetings	Number of Years in Office
1	Reelection Male Toshiyasu Saguchi	Representative Director, President, President Corporate Officer, and Nomination/Remuneration Committee Member	100% (13/13)	12 years
2	Reelection Male Takahiro Oka	Representative Director, Senior Managing Corporate Officer, General Manager of Management & Strategy Department, and Nomination/Remuneration Committee Member	100% (13/13)	2 years
3	Reelection Outside Independent Male Osamu Kujiraoka	Director and Nomination/Remuneration Committee Member	100% (13/13)	7 years
4	Reelection Outside Independent Female Rie Kida	Director and Nomination/Remuneration Committee Member	100% (13/13)	6 years
5	New Outside Independent Female Kimiko Funato	–	–	–
6	Reelection Male Hirokazu Sawada	Director, Managing Corporate Officer, and General Manager of Finance & Accounting Department	100% (13/13)	3 years
7	Reelection Male Tomohisa Okuda	Director, Managing Corporate Officer, and Company President of Plastic Film Company	100% (13/13)	2 years
8	Reelection Male Ryoji Kawanishi	Director, Corporate Officer, and Company President of Apparel Company	100% (13/13)	5 years
9	Reelection Male Shojiro Matsuda	Director, Corporate Officer, Representative Director & President of GUNZE MEDICAL LIMITED, and General Manager of Medical Division	100% (9/9)	1 year

Note 1: As for Mr. Shojiro Matsuda, his status after he has assumed office of Director on June 25, 2025 is shown above.

Note 2: The terms of office of Directors will expire at the close of this 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) Reelection Male	Mar. 1984 Jun. 2014 Apr. 2017 Jun. 2018 Feb. 2019 Jun. 2020 Jun. 2021	Joined "GUNZE" Director, Corporate Officer, and Company President of Plastic Film Company, GUNZE Managing Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Representative Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Member, Nomination/Remuneration Committee, GUNZE (to present) Representative Director, Senior Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Representative Director, President, and President Corporate Officer, GUNZE (to present)	40,377 Number of years in office: 12 (at the close of the Meeting)
		<p>Reasons for supporting the candidate for Director Mr. Toshiyasu Saguchi assumed the position of the Representative Director, President, and President Corporate Officer in June 2021. As top management, he then embarked on the path to achieve social value and economic value in the rapidly changing market environment and implemented growth strategy and structural reforms, delivering successful results. The Company would like Mr. Saguchi to continue serving the Company as a Director, as his leadership is deemed essential for achieving the goals of the Company's ongoing medium-term management plan (VISION 2030) and to drive the further enhancement of the GUNZE Group's corporate value. Accordingly, the Company proposes that he be elected as a Director.</p>		
2	Takahiro Oka (Apr. 14, 1963) Reelection Male	Apr. 1987 Apr. 2017 Apr. 2022 Jun. 2024 Apr. 2025 Jun. 2025	Joined "GUNZE" Corporate Officer and Company President of Plastic Film Company, GUNZE Managing Corporate Officer and General Manager of Management & Strategy Department, GUNZE Director, Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Director, Senior Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE Representative Director, Senior Managing Corporate Officer, and General Manager of Management & Strategy Department, GUNZE (to present) Member, Nomination/Remuneration Committee, GUNZE (to present)	14,715 Number of years in office: 2 (at the close of the Meeting)
		<p>Reasons for supporting the candidate for Director Mr. Takahiro Oka has ample experience and broad knowledge mainly in the plastic film business, and has also experienced global operations as the representative of an overseas subsidiary in the division. As the General Manager of the Management and Strategy Department since April 2022, Mr. Oka's responsibilities have included planning and practicing corporate strategies. He has also been assuming a key role in promoting the Company's business structure reforms. His level of leadership is demonstrated in formulating the ongoing medium-term management plan (VISION 2030) as well as implementing each strategic step in the plan. He was appointed Representative Director of the Company in June 2025 and his expertise is deemed essential for achieving the Company's goals and further enhancing GUNZE Group's corporate value in the future. As such, the Company would like Mr. Oka to continue serving the Company as a Director and thus proposes that he be elected as a Director.</p>		

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) <div style="border: 1px solid black; padding: 2px; text-align: center;"> Reelection Outside Independent Male </div>	<table border="0"> <tr> <td style="vertical-align: top; padding-right: 5px;">Apr. 1978</td> <td>Joined Nikkei Inc.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Mar. 1988</td> <td>Seconded to Nikkei McGraw-Hill, Inc. (presently, Nikkei Business Publications, Inc.)</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Mar. 2003</td> <td>Executive Officer and Chief of Operations, Nikkei McGraw-Hill, Inc.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Jan. 2006</td> <td>Executive Officer and Chief of Medical Affairs, Nikkei McGraw-Hill, Inc. and President and CEO, Nikkei Medical Publishing, Inc.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Mar. 2009</td> <td>Executive Officer, Nikkei McGraw-Hill Inc., President and CEO, Nikkei Business Publications America, Inc. and Nikkei Business Publications Europe, Ltd.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Feb. 2015</td> <td>President and CEO, Nikkei Medical Publishing, Inc.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Jun. 2019</td> <td>Director and Member, Nomination/Remuneration Committee, GUNZE (to present)</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Oct. 2019</td> <td>President, Dakuon Co., Ltd. (to present)</td> </tr> </table> <p>Reasons for supporting the candidate for outside Director and summary of expected roles The Company would like Mr. Osamu Kujiraoka to continue serving the Company, given his approximately seven 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>	Apr. 1978	Joined Nikkei Inc.	Mar. 1988	Seconded to Nikkei McGraw-Hill, Inc. (presently, Nikkei Business Publications, Inc.)	Mar. 2003	Executive Officer and Chief of Operations, Nikkei McGraw-Hill, Inc.	Jan. 2006	Executive Officer and Chief of Medical Affairs, Nikkei McGraw-Hill, Inc. and President and CEO, Nikkei Medical Publishing, Inc.	Mar. 2009	Executive Officer, Nikkei McGraw-Hill Inc., President and CEO, Nikkei Business Publications America, Inc. and Nikkei Business Publications Europe, Ltd.	Feb. 2015	President and CEO, Nikkei Medical Publishing, Inc.	Jun. 2019	Director and Member, Nomination/Remuneration Committee, GUNZE (to present)	Oct. 2019	President, Dakuon Co., Ltd. (to present)	3,800 Number of years in office: 7 (at the close of the Meeting)		
Apr. 1978	Joined Nikkei Inc.																				
Mar. 1988	Seconded to Nikkei McGraw-Hill, Inc. (presently, Nikkei Business Publications, Inc.)																				
Mar. 2003	Executive Officer and Chief of Operations, Nikkei McGraw-Hill, Inc.																				
Jan. 2006	Executive Officer and Chief of Medical Affairs, Nikkei McGraw-Hill, Inc. and President and CEO, Nikkei Medical Publishing, Inc.																				
Mar. 2009	Executive Officer, Nikkei McGraw-Hill Inc., President and CEO, Nikkei Business Publications America, Inc. and Nikkei Business Publications Europe, Ltd.																				
Feb. 2015	President and CEO, Nikkei Medical Publishing, Inc.																				
Jun. 2019	Director and Member, Nomination/Remuneration Committee, GUNZE (to present)																				
Oct. 2019	President, Dakuon Co., Ltd. (to present)																				
4	Rie Kida (May 27, 1969) <div style="border: 1px solid black; padding: 2px; text-align: center;"> Reelection Outside Independent Female </div>	<table border="0"> <tr> <td style="vertical-align: top; padding-right: 5px;">Apr. 1989</td> <td>Joined Luis Jitan Company</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Apr. 1991</td> <td>Joined RESCO FORMATION Inc.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Oct. 2000</td> <td>Joined IDEI CREATIVE AGENCY</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Apr. 2003</td> <td>Joined HERSTORY CO., LTD.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Nov. 2009</td> <td>Managing Director, RESCO FORMATION Inc.</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Aug. 2010</td> <td>Organized Woman's Feelings Marketing Laboratory within RESCO FORMATION Inc. and appointed Chief</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Apr. 2013</td> <td>Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present)</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">Jun. 2020</td> <td>Director and Member, Nomination/Remuneration Committee, GUNZE (to present)</td> </tr> <tr> <td style="vertical-align: top; padding-right: 5px;">May 2024</td> <td>Outside Director, OKUWA Co., Ltd. (to present)</td> </tr> </table> <p>Reasons for supporting the candidate for outside Director and summary of expected roles 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 six 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>	Apr. 1989	Joined Luis Jitan Company	Apr. 1991	Joined RESCO FORMATION Inc.	Oct. 2000	Joined IDEI CREATIVE AGENCY	Apr. 2003	Joined HERSTORY CO., LTD.	Nov. 2009	Managing Director, RESCO FORMATION Inc.	Aug. 2010	Organized Woman's Feelings Marketing Laboratory within RESCO FORMATION Inc. and appointed Chief	Apr. 2013	Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present)	Jun. 2020	Director and Member, Nomination/Remuneration Committee, GUNZE (to present)	May 2024	Outside Director, OKUWA Co., Ltd. (to present)	2,300 Number of years in office: 6 (at the close of the Meeting)
Apr. 1989	Joined Luis Jitan Company																				
Apr. 1991	Joined RESCO FORMATION Inc.																				
Oct. 2000	Joined IDEI CREATIVE AGENCY																				
Apr. 2003	Joined HERSTORY CO., LTD.																				
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Apr. 2013	Established Woman's Feelings Marketing Laboratory Inc. Representative Director, Woman's Feelings Marketing Laboratory Inc. (to present)																				
Jun. 2020	Director and Member, Nomination/Remuneration Committee, GUNZE (to present)																				
May 2024	Outside Director, OKUWA Co., Ltd. (to present)																				

No.	Name (Date of Birth)	Brief Personal Record, Current Posts, Responsibilities and Additional Important Posts		Number of Shares of the Company Owned
5	Kimiko Funato (Mar. 5, 1969) New Outside Independent Female	Apr. 1991 Apr. 1998 Jun. 2021 Apr. 2025	Joined The Sumitomo Bank, Ltd. (presently, Sumitomo Mitsui Banking Corporation) Registered as an attorney (at Osaka Bar Association) Joined Aimann and Associates Outside Director, Kyoei Steel Ltd. (to present) Outside Director, Kin-Ei Corp. (to present)	– Number of years in office: – (at the close of the Meeting)
Reasons for supporting the candidate for outside Director and summary of expected roles				
The Company would like Ms. Kimiko Funato to serve the Company as an outside Director, drawing on her valuable legal insight and experience as an attorney with extensive knowledge in various fields. It is expected she will provide optimal guidance and advice for decision-making by the Company’s Board of Directors, from an objective perspective of taking the entire corporate community centering on laws and regulations into account. The Company also expects her to provide independent oversight and appropriate advice as an outside Director of the Company utilizing her experience from corporate management through serving as an outside director of other companies. For these reasons, the Company proposes that she be elected as an outside Director.				
6	Hirokazu Sawada (Mar. 11, 1965) Reelection Male	Apr. 1988 Apr. 2022 Apr. 2023 Jun. 2023 Apr. 2026	Joined “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 Director, Managing Corporate Officer, and General Manager of Finance & Accounting Department, GUNZE (to present)	12,042 Number of years in office: 3 (at the close of the Meeting)
Reasons for supporting the candidate for Director				
Mr. Hirokazu Sawada has successively performed in core administrative positions within the Company’s main business segments and has considerable 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. He is also committed to drawing up and executing financial strategies for the ongoing medium-term management plan (VISION 2030). The Company would like Mr. Sawada to continue serving the Company as a Director as his expertise is deemed essential for further promoting GUNZE Group’s capital cost-based management and enhancing its corporate value in the future. Accordingly, the Company proposes that he be elected as a Director.				
7	Tomohisa Okuda (Apr. 26, 1965) Reelection Male	Apr. 1989 Apr. 2020 Jun. 2024 Apr. 2026	Joined “GUNZE” Corporate Officer and General Manager of Technology Development Department, GUNZE Director, Corporate Officer and General Manager of Technology Development Department, GUNZE Director, Managing Corporate Officer, and Company President of Plastic Film Company, GUNZE (to present)	8,480 Number of years in office: 2 (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>Reasons for supporting the candidate for Director Mr. Tomohisa Okuda has ample experience and broad knowledge mainly in the plastic film business' technological area, and has also experienced global operations as the representative of an overseas subsidiary in the division. Since April 2020, Mr. Okuda has been dedicated to promoting technological innovation and improving productivity and quality for the overall GUNZE Group as well as environmental impact reduction of the Group's business activities as the General Manager of the Technology Development Department. At present, he is working to achieve growth for the functional solutions business as the Company President of the Plastic Film Company and his expertise is deemed essential for continuously supporting these activities and enhancing the GUNZE Group's corporate value. As such, the Company would like Mr. Okuda to continue serving the Company as a Director and thus proposes that he be elected as a Director.</p>											
8	Ryoji Kawanishi (Dec. 7, 1962) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reelection</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Male</div>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; 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 and Company President of 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>Reasons for supporting the candidate for Director Mr. Ryoji Kawanishi has ample experience and broad knowledge in management and administration of various business segments within the GUNZE Group, including being representative of overseas subsidiaries in the respective divisions. Since April 2021, he has been tasked with apparel business operation in this difficult business environment as the Company President of Apparel Company, promoting structural reform. The Company would like Mr. Kawanishi to continue serving the Company as a Director as his expertise is deemed essential for enhancing GUNZE Group's corporate value by implementing the apparel sector's decisive structural reform in the ongoing medium-term management plan (VISION 2030) and promoting initiatives to revive its business. 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 and Company President of Apparel Company, GUNZE	Jun. 2021	Director, Corporate Officer, and Company President of Apparel Company, GUNZE (to present)	9,992 Number of years in office: 5 (at the close of the Meeting)		
Apr. 1986	Joined "GUNZE"												
Apr. 2020	Corporate Officer and General Manager of Management Administrative Department, Apparel Company, GUNZE												
Apr. 2021	Corporate Officer and Company President of Apparel Company, GUNZE												
Jun. 2021	Director, Corporate Officer, and Company President of Apparel Company, GUNZE (to present)												
9	Shojiro Matsuda (Jan. 14, 1969) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reelection</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Male</div>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; padding: 2px;">Apr. 1993</td> <td style="padding: 2px;">Joined "GUNZE"</td> </tr> <tr> <td style="padding: 2px;">Jun. 2021</td> <td style="padding: 2px;">General Manager of Medical Division, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Apr. 2022</td> <td style="padding: 2px;">Corporate Officer and General Manager of Medical Division, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Oct. 2022</td> <td style="padding: 2px;">Corporate Officer, Representative Director and President, GUNZE MEDICAL LIMITED, and General Manager of Medical Division, GUNZE</td> </tr> <tr> <td style="padding: 2px;">Jun. 2025</td> <td style="padding: 2px;">Director, Corporate Officer, Representative Director and President, GUNZE MEDICAL LIMITED, and General Manager of Medical Division, GUNZE (to present)</td> </tr> </table> <p>Reasons for supporting the candidate for Director Mr. Shojiro Matsuda's wealth of experience and knowledge in the Medical Division's research and development and as the representative of an overseas subsidiary in the Medical Division is highly valued. He has also been involved in the development, production, and sales of medical devices focused on bioabsorbable materials. Presently, as the Representative Director and President of GUNZE MEDICAL LIMITED and General Manager of the Medical Division, he is expanding the medical business. Such expertise is deemed essential for the GUNZE Group aiming to enhance its corporate value through the growth and expansion of the medical business in the ongoing medium-term management plan (VISION 2030). Accordingly, the Company would like Mr. Matsuda to continue serving the Company as a Director and thus proposes that he be elected as a Director.</p>	Apr. 1993	Joined "GUNZE"	Jun. 2021	General Manager of Medical Division, GUNZE	Apr. 2022	Corporate Officer and General Manager of Medical Division, GUNZE	Oct. 2022	Corporate Officer, Representative Director and President, GUNZE MEDICAL LIMITED, and General Manager of Medical Division, GUNZE	Jun. 2025	Director, Corporate Officer, Representative Director and President, GUNZE MEDICAL LIMITED, and General Manager of Medical Division, GUNZE (to present)	6,449 Number of years in office: 1 (at the close of the Meeting)
Apr. 1993	Joined "GUNZE"												
Jun. 2021	General Manager of Medical Division, GUNZE												
Apr. 2022	Corporate Officer and General Manager of Medical Division, GUNZE												
Oct. 2022	Corporate Officer, Representative Director and President, GUNZE MEDICAL LIMITED, and General Manager of Medical Division, GUNZE												
Jun. 2025	Director, Corporate Officer, Representative Director and President, GUNZE MEDICAL LIMITED, and General Manager of Medical Division, GUNZE (to present)												

Note 1: Ms. Kimiko Funato is a new candidate for Director.

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

- Note 3: When selecting candidates for outside Directors, the Company selected those who met the requirements of the Companies Act, as well as the independence criteria stipulated in the Tokyo Stock Exchange regulations, and who will not cause conflict of interest against general shareholders. Once Mr. Osamu Kujiraoka, Ms. Rie Kida, and Ms. Kimiko Funato 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 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. Kimiko Funato as well as the aforementioned two candidates 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. Kimiko Funato's legal name on family register is Kimiko Ueda.

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

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

The term of office of the current Substitute Corporate Auditor will expire at the close of this Ordinary General Meeting of Shareholders. Therefore, to prepare for a case in which the number of incumbent Corporate Auditors becomes less than the number legally required, the Company's shareholders are requested to elect one (1) Substitute Corporate Auditor. Election of Substitute Corporate Auditors shall be in effect until the opening of the Ordinary General Meeting of Shareholders for the last of the fiscal years ending within the upcoming four years. Furthermore, the election of Substitute Corporate Auditor at this Ordinary General Meeting of Shareholders may be revoked by a resolution of the Board of Directors with the consent of the Board of Corporate Auditors before he assumes the office of Corporate Auditor. The Company has established a policy regarding qualifications for Corporate Auditors and nomination procedures in its Corporate Governance Guidelines. (Refer to the Company's website: https://www.gunze.co.jp/english/sustainability/governance/corporate_governance/.) The candidate for Substitute Corporate Auditor in this proposition is nominated in accordance with the said policy. Please see "Reference 1" on page 14 for the applicable matters.

We have obtained consent from the Board of Corporate Auditors with respect to this Proposition. The candidate is as follows:

Name (Date of Birth)	Brief Personal Record, Current Posts and Additional Important Posts		Number of Shares of the Company Owned
Naoki Maekawa (Jan. 15, 1975)	Oct. 2001 Jan. 2003 Mar. 2006 Dec. 2017 Mar. 2018	Registered as an attorney (at Osaka Bar Association) Corporate Auditor, Curious, Inc. (to present) Established "Shinmei Law Office" Registered as an attorney at law (at the State Bar of California, U.S.A.) Established "Maekawa Law Firm" (to present)	–
<p>Reasons for supporting the candidate for Substitute Corporate Auditor</p> <p>The Company has judged that Mr. Naoki Maekawa would be able to appropriately perform his duties as an outside Corporate Auditor, considering his professional knowledge as an attorney in addition to his ample and wide-ranging global practical experience. Accordingly, the Company selected Mr. Maekawa as the candidate for Substitute Corporate Auditor.</p>			

Note 1: There is no special interest between the Company and Mr. Naoki Maekawa.

Note 2: When selecting candidates for outside Corporate Auditors, the Company selected those who met the requirements of the Companies Act, as well as the independence criteria stipulated in the Tokyo Stock Exchange regulations, and who will not cause conflict of interest against general shareholders. Once Mr. Naoki Maekawa is elected as an outside Corporate Auditor, the Company will inform the Tokyo Stock Exchange of his appointment as an independent officer.

Note 3: The Company signs directors and officers liability insurance policies with an insurance company to cover the insured to protect them from being liable for decisions and actions they make while performing their duties and resultant liability claims. Once Mr. Naoki Maekawa is elected as an outside Corporate Auditor, he will be named as insured.

Note 4: Agreement to limit liability of the candidates for substitute outside Corporate Auditor
The Company has entered into a limited liability agreement with outside Corporate Auditors under which each outside Corporate Auditor's liability to compensate the Company under Article 34 of the current Articles of Incorporation of the Company 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 Corporate Auditor discharges his/her duties in good faith and without gross negligence. Once Mr. Naoki Maekawa is elected as an outside Corporate Auditor, the Company will enter into the same agreement with him to limit his liability.

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

[Reference 1]

An Excerpt from GUNZE Corporate Governance Guidelines

1. Qualifications for Directors and Nomination Procedures

- 1) The Company's Directors must have an excellent personality, good insight, high skill, abundant experience, as well as a strong sense of ethics.
- 2) Upon selecting candidates for Directors, the Company's basic policy is to create a well-balanced Board that is constituted in a manner to achieve diversity in order to ensure swift and proper decision-making and effective oversight of the Group's business activities. To do so, while taking into account diversity including gender and internationality, the Company selects Directors with knowledge, experience, and skill regarding various business fields, human resources management, finance and accounting, as well as R&D of technologies from the Company's human resources. The Company also selects a number of outside Directors who are capable of actively providing advice and suggestions from a fair and objective standpoint based on their expert knowledge and experience.
- 3) All Directors of the Company shall be elected subject to approval at the General Meeting of Shareholders of each year.
- 4) Candidates for new Directors (including substitute Directors) shall be determined at a meeting of the Board of Directors based on the provision of this Article. This will be done after having undergone deliberations by the Nomination/Remuneration Committee regarding the balance of the Board composition in terms of knowledge, experience, and skills, as well as diversity and scale. The Nomination/Remuneration Committee is an advisory body composed of Representative Directors and outside Directors, and is chaired by an outside Director.

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

- 1) The Audit & Supervisory Board members of the Company must have excellent personality, good insight, high skill, abundant experience, as well as a strong sense of ethics. At least one (1) member of the Audit & Supervisory Board must have sufficient knowledge and expertise on finance and accounting.
- 2) Candidates for new Audit & Supervisory Board members (including substitute members) shall be determined at a meeting of the Board of Directors based on the provision of this Article, after having undergone deliberations by the Nomination/Remuneration Committee, and after having received the consent of the Audit & Supervisory Board.

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

- 1) The Board of Directors stipulates in its independence criteria that outside Directors and outside Audit & Supervisory Board members, who have held their office for a term exceeding eight (8) years since they first assumed their office, do not satisfy eligibility criteria for outside Directors and outside Audit & Supervisory Board members, respectively. However, the outside Audit & Supervisory Board members in mid-term may continue to hold their office until the end of their respective terms.
- 2) The outside Directors and outside Audit & Supervisory Board members of the Company must not concurrently assume posts of Director or Audit & Supervisory Board member at more than three (3) listed companies besides GUNZE LIMITED.

[Reference 2]

Corporate Governance

Basic policy for corporate governance

The GUNZE Group recognizes that legal and regulatory compliance is essential for meeting our basic management policy of sustainably boosting corporate value. Accordingly, we strive for swift decision-making and timely and appropriate disclosure of corporate information so that we can respond appropriately to the social and economic environment. We therefore consider improving shareholder value by enhancing the transparency of our management, to be one of our most important management objectives. To achieve this, the GUNZE Group seeks to build sound relationship with each shareholder and strengthen and upgrade our internal control functions as a way to enhance our corporate governance.

Corporate governance structure

The GUNZE Group is a company with a Board of Corporate Auditors, where the Board of Corporate Auditors comprises four (4) Corporate Auditors, two (2) of whom are outside Corporate Auditors (as of March 31, 2026). The Corporate Auditors attend the Board of Directors and other important meetings, conduct onsite audits of business and administrative divisions, inspect domestic and overseas subsidiaries, and perform other duties, in order to fulfill their management oversight function.

The current management structure comprises nine (9) Directors (of whom two (2) are women), including three (3) outside Directors. Moreover, the GUNZE Group has introduced a corporate officer system to facilitate accelerated business decisions and to strengthen the business execution system, and has adopted 16 corporate officers, including six (6) who also serve as Directors (as of March 31, 2026). To clarify management responsibilities and establish a management framework that can respond more quickly to changes in the business environment, the term of office for Directors and corporate officers is set at one (1) year.

Board of Directors

As entrusted by the Company's shareholders, the Board of Directors assumes the responsibility for realizing efficient and effective corporate governance for the sake of all shareholders, achieving sustained growth for the GUNZE Group as a result of realizing the level of corporate governance, and striving to maximize corporate value in the long term. To fulfill its responsibilities, the Board of Directors executes oversight functions over overall management practices in order to ensure fairness and transparency. The Board also nominates, evaluates, and determines remuneration for the President and other executives, while assessing important risks facing the GUNZE Group and drawing up countermeasures. The Board also makes important operational decisions to ensure the best possible decision-making for the Company. As a general rule, the Board of Directors meets once per month during which it makes decisions on important matters related to business execution and matters stipulated by laws, regulations, and the Article of Incorporation. It also supervises the status of the execution of duties by Directors.

Executive Committee

Along with the Board of Directors, the Company also convenes the Executive Committee, which comprises the Representative Directors, the Managing Directors, Directors/Corporate Officers in charge of specific functions (Executive Committee meeting was held 15 times in fiscal 2025). The Committee deliberates on important matters related to business execution and seeks to accelerate decision-making.

Nomination/Remuneration Committee

The Company established the Nomination/Remuneration Committee as an advisory body to the Board of Directors. Comprising two (2) Representative Directors and three (3) outside Directors (as of March 31, 2026), and chaired by an outside Director, this Committee serves to strengthen fairness and objectivity in the nomination of candidates for Director and Corporate Auditor, appointing senior management, and determining compensation for Directors. In addition to deliberating remuneration details, amounts, and composition ratio by type as well as related regulations and proposing them to the Board of Directors, the Nomination/Remuneration Committee discusses the detailed handling of payments.

Analysis and evaluation of Board of Directors' effectiveness

At the GUNZE Group, all Directors and Corporate Auditors conduct an annual assessment on the effectiveness of the Board of Directors as well as their own performance as Company officers and submit their results to the Board of Directors. Based on the aggregate results, the Board of Directors annually analyzes and evaluates its overall effectiveness. Since fiscal 2019, the Board of Directors has been conducting self-evaluation and analyses with advice from an external organization.

For the outline of the most recent assessment of the Board of Directors' effectiveness, refer to the GUNZE Corporate Governance Report [Supplementary Principles 4-11 (3) Analysis and Evaluation of Board of Directors' Effectiveness].

https://www.gunze.co.jp/english/sustainability/governance/corporate_governance/

[Reference 3]

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

GUNZE's Board of Directors shall consist of no more than 15 members, of which at least two shall be outside Directors with a high level of independence.

GUNZE's Directors are selected by taking into account the diversity of the Board in terms of gender, internationality, and other factors to ensure that they will be able to swiftly make appropriate decisions and conduct oversight and supervision for the GUNZE Group's business activities in accordance with the Group's management strategies. To this end, the Board as a whole is composed of inside Directors who have knowledge, experience, and skills concerning each respective business field, finance and accounting, technological development and research, sales and marketing, legal affairs, human resources, etc., as well as two or more outside Directors capable of providing proactive advice and recommendations from a fair and objective standpoint based on their experience of business management at other companies or their outside expert knowledge and experience. The composition of the Board and the nomination of candidates for Directors are decided by the Board of Directors reflecting the Nomination/Remuneration Committee's replies to requests for consultation. Moreover, at least one of the Company's Corporate Auditors shall have appropriate knowledge regarding finance and accounting.

Attributes	Name, Posts, etc.	Years of service [Age]	Nomination/ Remuneration Committee member	Inside executives	Outside executives
				Business management experience	Outside management experience
Directors	Male Toshiyasu Saguchi Representative Director & Chairman	12 years [64]	●	●	
	Male Takahiro Oka Representative Director & President	2 years [63]	●	●	
	Independent Male Osamu Kujiraoka Outside Director	7 years [70]	● (Chair)		●
	Independent Female Rie Kida Outside Director	6 years [57]	●		●
	Independent Female Kimiko Funato Outside Director	-- [57]	●		
	Male Hirokazu Sawada Director	3 years [61]			
	Male Tomohisa Okuda Director	2 years [61]		●	
	Male Ryoji Kawanishi Director	5 years [63]		●	
	Male Shojiro Matsuda Director	1 year [57]		●	
Corporate Auditors	Male Tomio Suzuki Standing Corporate Auditor	5 years [62]			
	Independent Male Koji Funatomi Outside Corporate Auditor	3 years [65]			
	Independent Male Norihito Naka Outside Corporate Auditor	3 years [64]			
	Female Hiroko Yoshika Corporate Auditor	1 year [61]			

Attributes	Name, Posts, etc.	Years of service [Age]	Main specialty areas				
			Finance/ Accounting	Production technology/ R&D	Sales/ Marketing	Legal	Inter- nationality
Directors	Male Toshiyasu Saguchi Representative Director & Chairman	12 years [64]			●		
	Male Takahiro Oka Representative Director & President	2 years [63]			●		●
	Independent Male Osamu Kujiraoka Outside Director	7 years [70]			●		
	Independent Female Rie Kida Outside Director	6 years [57]			●		
	Independent Female Kimiko Funato Outside Director	-- [57]				●	
	Male Hirokazu Sawada Director	3 years [61]	●				
	Male Tomohisa Okuda Director	2 years [61]		●			●
	Male Ryoji Kawanishi Director	5 years [63]	●				●
	Male Shojiro Matsuda Director	1 year [57]		●			●
Corporate Auditors	Male Tomio Suzuki Standing Corporate Auditor	5 years [62]	●				●
	Independent Male Koji Funatomi Outside Corporate Auditor	3 years [65]	●				
	Independent Male Norihito Naka Outside Corporate Auditor	3 years [64]				●	
	Female Hiroko Yoshika Corporate Auditor	1 year [61]				●	●

1. Results of Operations

(1) Analysis of Full-Year Results

(Overview of the Fiscal Year Ended March 31, 2026)

During the fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026), the Japanese economy faced situations where consumers' tendency to save money and restraint on purchase prices continued, driven by sluggish export growth due to rising geopolitical risks, including the worsening of Japan-China relations, as well rising prices caused by soaring resource prices and the yen's depreciation, despite the improving trend in real wages. In addition, the outlook for the business environment surrounding the Company remained unclear, reflecting the further increase in the risk of material price fluctuations caused by tensions in the Middle East and the prolonged situation in Ukraine.

Amid this operating environment, in its medium-term management plan "VISION 2030 Stage 2," launched this fiscal year, the GUNZE Group has defined this period as "three years for transformation" to continue to be the company of choice globally by advancing a sustainable business foundation, and began to strengthen and expand the functional solutions business and medical business, and restructure the apparel business and lifestyle creations business.

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

Net sales:	¥130,918 million	(down by 4.5% compared to the previous fiscal year)
Operating profit:	¥4,882 million	(down by 38.4% compared to the previous fiscal year)
Ordinary profit:	¥4,920 million	(down by 39.9% compared to the previous fiscal year)
Profit attributable to owners of parent:	¥509 million	(down by 91.9% compared to the previous fiscal year)

Net sales decreased by ¥6,199 million attributable to the impact of sales of electronic components, for which operations were wound down at the end of the previous fiscal year, a decline in overseas sales of plastic films, and a decline in apparel sales through the existing channels, including mass retailers.

Operating profit decreased by ¥3,038 million due to the impact of inventory valuation losses for inventory optimization in the apparel business under structural reforms, as well as sluggish sales of products in China and an increase in fixed costs for the medical business, and ordinary profit decreased by ¥3,260 million. Profit attributable to owners of parent decreased by ¥5,769 million mainly due to the recording of business restructuring expenses in the apparel business for the three months ended June 30, 2025.

(Results by Business Segment)

[Functional Solutions]

The functional solutions business recorded net sales of ¥47,543 million (down by 8.9% compared to the previous fiscal year) and an operating profit of ¥7,234 million (up by 0.4% compared to the previous fiscal year).

<Major factors in the changes>

- In plastic films, sales were affected by sluggish consumption and the downward pressure on prices in the overseas market, although operating profit increased mainly due to the rollout of new environmentally responsible products in Japan.
- In engineering plastics, sales were affected by prolonged inventory adjustments in the semiconductor market.
- Net sales decreased by approximately ¥2,900 million due to the wind-down of the electronic components business, but operating profit improved by approximately ¥300 million.

[Medical]

The medical business recorded net sales of ¥13,197 million (up by 1.9% compared to the previous fiscal year) and an operating profit of ¥1,474 million (down by 39.3% compared to the previous fiscal year).

<Major factors in the changes>

- Expansion of sales of absorbable medical materials including adhesion prevention agent progressed in Japan, despite the impact of price competition.
- Sales of products in China were affected by regulations on high-cost medical care and the restrained purchase of

Japanese products amid the deterioration of Japan–China relations.

- Inventory valuation losses on medical lasers were recorded due to business downsizing.
- The business was affected by the increase in fixed costs, including capital expenditures and personnel increases, aimed at the growth of the business.

[Apparel]

The apparel business recorded net sales of ¥58,597 million (down by 3.6% compared to the previous fiscal year) and an operating loss of ¥1,334 million (compared to an operating profit of ¥753 million for the previous fiscal year) due to an increase of approximately ¥1,900 million in inventory valuation losses.

<Major factors in the changes>

- The business structural reforms progressed as planned, including the consolidation of production and logistics bases and the streamlining of indirect operations. At the end of the fiscal year under review, inventory valuation losses on non-continuing products were recorded in line with the strategy to focus on specific areas.
- While expansion of apparel-related sales through direct-to-consumer channels progressed driven primarily by *Asedoron* and differentiated ladies' innerwear, sales through the existing channels, including mass retailers, were affected by the reduction in sales floor space and consumers' reluctance to make purchases.

[Lifestyle Creations]

The lifestyle creations business recorded net sales of ¥12,530 million (up by 4.4% compared to the previous fiscal year) and an operating profit of ¥1,232 million (up by 24.7% compared to the previous fiscal year).

<Major factors in the changes>

- The real estate category performed well, as the number of visitors increased due to the effects of commercial facility renovations.
- The sports club business significantly improved its operating profit due to the recovery of sales at existing stores and the reduction of unprofitable stores.

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 vision for 2030 is: “Create new value and deliver a ‘feeling of comfort’ to customers, contributing to a sustainable society.” Starting from fiscal 2022, the GUNZE Group has been promoting its medium-term management plan, “VISION 2030,” with its key phrase of “Transformation and Challenge.” The vision highlights contributing to society and achieving the sustainable growth of the GUNZE Group through sustainable management capable of generating both economic and social benefits.

In “VISION 2030 Stage 2” that targets three years covering fiscal 2025 to fiscal 2027, we specified the three-year period for rebuilding and transforming the GUNZE Group into an entity able to achieve sustainable growth and therefore, we have been advancing initiatives that reinforce our corporate structure.

Specifically, a decisive structural reform for the apparel business is underway in order to revive profitability. In fiscal 2026, Stage 2’s second year, our focus will be on business process reforms as well as enhancing our global competitiveness and refining technologies. To realize these aims, we will seek to maximize human capital by reforming our personnel management system, improve work efficiency to make our business structures more robust, and enhance our international perspective for talent acquisition and business activities. Additionally, we will take on the challenge of business process re-engineering through digital transformation and by sharpening the technologies that distinguish us from the competition. These are the ways that will guide us to our desired state by 2030.

(Financial Strategy)

For sustainable improvement of its corporate value, the GUNZE Group will promote business structural reforms (core business growth and structural reforms leaving no areas untouched) and work to increase return on capital through the capital policy. Moreover, we will implement the PER (Price Earnings Ratio) improvement policy interlinked with the capital policy as we strive to boost PBR (Price-to-Book Ratio).

<Capital Policy>

Guided by achieving a DE ratio (Debt-to-Equity ratio = Total interest-bearing liabilities / Total shareholders’ equity) of 0.3, shareholders’ equity of 100 billion yen or greater, and an equity ratio of 60%, GUNZE will control balance sheets based on the following cash allocation and shareholder return policies as we seek capital optimization capable of maximizing return on capital and maintaining financial soundness at the same time. At the GUNZE Group, cost of shareholders’ equity based on this capital structure is estimated at 7.2 – 7.8%, and WACC (Weighted Average Cost of Capital) at 6.0 – 6.5%, so meeting our VISION 2030 Stage 2 profit goal should achieve return on capital that exceeds the cost of shareholders’ equity.

(1) Cash allocation policy

As a basic rule, GUNZE's renewal investments and return of earnings to shareholders will be maintained within operating cash flows, and growth investments will utilize cash generated by financial leverage and sale of assets with unsatisfactory profit levels.

(2) Shareholder return policy

The GUNZE Group views returning earnings to shareholders in a steady and continuing manner to be important management policy. Accordingly, for dividends, we will keep DOE (Dividend on Equity) ratio at 4.0% or above as a guide. Additionally, as sustainable improvement of corporate value is aimed at, we will put a shareholder return policy including provision of special dividends and acquisition of treasury stock into practice to maintain a total return ratio in excess of 100% until consolidated ROE attains 8% or higher.

[Target Management Indicators]

(Financial goals)

Our management goals for "VISION 2030 Stage 2" are: 140 billion yen in consolidated Group net sales and 12.5 billion yen in operating income with an ROE (Return on Equity) of 8% or higher and an ROIC (Return on Invested Capital) of 6.6% or higher. The GUNZE Group will continue to implement business performance management based on ROIC and GVA* for each business segment on a monthly basis to achieve return on capital exceeding shareholders' equity cost as we strive to enhance corporate value.

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

In addition to the above-mentioned financial goals, the GUNZE Group specified non-financial goals targeting the years up to fiscal 2030 taking a sustainable management perspective, as shown in the table below.

(Non-financial goals)

Category	Target indicators		2027 goals	2030 goals
Environmental responsiveness	CO ₂ emissions reduction rate (vs. 2013)		31% 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	14% or higher	20% or higher
		Ratio of female employees in workforce	38%	41%
		Ratio of women hired in main career track	50%	50%
	Parenting support	Men's paternity leave utilization rate	70%	100%
	Corporate culture creation	Engagement score	66 pt. (estimate)	70 pt. (estimate)
	Work style reform	Annual paid leave utilization rate	80%	80%

【Segment-specific Challenges】

For our functional solutions business, we work to achieve sustainable growth and create social value.

Our vision for plastic films is “Rolling out our resource-circulating model globally while ensuring both social and economic benefits.” For contributing to realizing a sustainable society, we are proactively releasing new environmentally responsible products into the market in our expansion of sales channels. At the same time, we are working to establish a resource-circulating model having the Circular Factory (resource-circulating factory) at its core. It is how we aim to pursue a transformation into a Circular Manufacturer based on reusing resources by breaking away from the conventional production/consumption model and by so doing, we aim to achieve sales and profit increases.

Our engineering plastics vision is “Contributing to a better environment and more comfortable living by combining proprietary technologies.” For realizing this, we have been committed to making mainstay products for the office equipment market steadily profitable. We have also built additional facilities at the Konan Factory in order to respond effectively to expanding demand in the medical and semiconductor sectors. In addition, we are exploring new environment-related markets by drawing on our energy-related products from the newly established strategic business unit (SBU).

The medical business vision is “Shaping a brighter future by supplying innovative ‘biomaterials x devices.’” Our aim is to grow into a globally expanding medical device company while steadily expanding sales mainly through artificial dermis, suture reinforcement materials, and adhesion barriers.

We are accelerating business expansion by implementing region-specific strategies that reflect individual market characteristics. Japan and China will see us expand our share of markets through proactive development and market-launch of new products while expanding sales of current products. Europe and the US will see us continue concentrating on market penetration by reinforcing our sales system through developing and fostering local distributors and sales companies. For the Middle East, South America, and Asia, we are aiming at faster and secure market entry through research into each country’s regulatory trends and market needs.

For the apparel business, we have specified fiscal 2025 to fiscal 2026 as a two-year structural reform period. Our structural reform team called “AX Pro” was organized to revive the apparel business and is achieving steady results. Efforts are focused on finalizing product pricing revisions and reduction of SKUs for reshaping our product portfolio in the optimal way for effectively leveraging our strengths. We are also reinforcing efforts to restructure production logistics, enhance back-office efficiency, and promote local production for local consumption, all part of improving capital efficiency as we revive the apparel business into one sustainably generating profits.

In the real estate sector of the lifestyle creation business, we are reinforcing property management that emphasizes investment efficiency, revitalizing poor profitability assets. For the landscaping and greening business, we will proactively work to gain demand for greenery desired in various development projects while also proactively promoting CO₂ fixation to reduce atmospheric CO₂ emissions. For sports clubs, we will expand the school business, providing unique services tailored to specific regional/store characteristics, and developing new types of businesses, while strengthening efforts in dealing with problem stores.

3. Financial Conditions

Consolidated Operating Results and Summary of Assets

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

	127 th term (FY2022)	128 th term (FY2023)	129 th term (FY2024)	130 th term (FY2025)
Net sales	136,030	132,885	137,117	130,918
Operating income	5,812	6,777	7,921	4,882
Ordinary income	6,021	6,774	8,180	4,920
Net income attributable to owners of the parent	4,501	5,109	6,279	509
Net income per share (¥)	130.69	150.55	189.70	15.83
Total assets	165,927	161,971	159,677	153,612
Net assets	117,691	120,467	120,982	113,746

Note: The Company conducted a two-for-one stock split of the Company’s common stock effective April 1, 2025. As such, net income per share was calculated assuming that the stock split was conducted at the beginning of the 127th term.

4. Main Offices and Factories

(1) GUNZE Limited

Headquarters:

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

Production Bases in Japan:

Moriyama Factory (Moriyama, Shiga); Konan Factory (Konan, Aichi); Ayabe Factory (Ayabe, Kyoto); Miyazu Factory (Miyazu, Kyoto); Tsuyama Factory (Tsuyama, Okayama)

Sales Bases in Japan:

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

(2) Subsidiaries

Production Bases in Japan:

Fukushima Plastics Co., Ltd. (Motomiya, Fukushima); Gunze Packaging Systems Co., Ltd. (Moriyama, Shiga); Gunze Kobunshi Corp. (Isehara, Kanagawa); Tohoku Gunze Co., Ltd. (Sagae, Yamagata); Kyushu Gunze Co., Ltd. (Kobayashi, Miyazaki)

Sales Bases in Japan:

Gunze Medical Limited (Minato Ward, 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); 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)

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 Committee Meetings, holds an Executive Committee 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) 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 on violations of laws or regulations 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 2025, there were 17 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 four (4) hotline reports were received during fiscal 2025.

(2) Loss and risk management system

In fiscal 2025, the Risk Management Committee also promoted human rights due diligence for the Company and its supply chains as it did in fiscal 2024. In addition, the Risk Management Committee

analyzed and assessed potential risks the Company may face, centering around three (3) 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 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 16 Corporate Officers, six (6) 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, 2026) to decide important matters regarding execution of business and matters stipulated in laws or the Articles of Incorporation, while also overseeing the Directors/Corporate Officers' execution of their duties. Along with this, an Executive Committee meeting was held 15 times in the fiscal year ended March 31, 2026. The Representative Directors, Managing Directors, and Directors and Corporate Officers in charge of specific functions attend the Executive Committee meeting to deliberate on important matters regarding business execution, while seeking to facilitate quicker decision-making.

(5) Internal controls for the corporate group

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

Business operations of the Company's subsidiaries are managed on a monthly basis. At a management meeting held at the time of drawing up the budget, and the Executive Committee 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. Corporate Auditors attended 24 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 vision for 2030 is: "Create new value and deliver a 'feeling of comfort' to customers, contributing to a sustainable society." Starting from fiscal 2022, the GUNZE Group has been promoting its medium-term management plan, "VISION 2030," with its key phrase of "Transformation and Challenge." The vision highlights contributing to society and achieving the sustainable growth of the GUNZE Group through sustainable management capable of generating both economic and social benefits.

From fiscal 2025 onward, we will promote "VISION 2030 Stage 2" targeting the three years leading up fiscal 2027 and this will guide us to the state we wish to be in by 2030. It will be achieved by growing our core businesses and promoting structural reforms leaving no areas untouched.

2) Strengthening of corporate governance

To facilitate more agile decision-making and strengthen management oversight functions, the Company launched a Corporate Officers System and reduced the maximum number of members of the Board of Directors in the 110th business term (fiscal year ended March 31, 2006). In the 111th business term (fiscal year ended March 31, 2007), the term of office of Directors was reduced from two (2) years to one (1) year to clarify the management responsibility of Directors and establish a management system capable of quickly responding to changes in the business environment. For nomination of candidates for Directors, starting in the 124th 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/english/sustainability/governance/corporate_governance/.

(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.

3. Consolidated Financial Statements and Primary Notes

1. Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	10,541	9,936
Notes and accounts receivable - trade, and contract assets	25,015	22,560
Merchandise and finished goods	24,233	19,104
Work in process	7,606	7,527
Raw materials and supplies	6,631	6,479
Short-term loans receivable	107	131
Other	3,862	3,561
Allowance for doubtful accounts	(23)	(35)
Total current assets	77,974	69,266
Non-current assets		
Property, plant and equipment		
Buildings and structures	111,875	118,281
Accumulated depreciation	(75,092)	(77,958)
Buildings and structures, net	36,783	40,323
Machinery, equipment and vehicles	90,287	90,054
Accumulated depreciation	(77,140)	(76,382)
Machinery, equipment and vehicles, net	13,147	13,671
Tools, furniture and fixtures	9,538	10,169
Accumulated depreciation	(7,049)	(7,610)
Tools, furniture and fixtures, net	2,488	2,558
Land	10,205	9,986
Leased assets	1,421	1,417
Accumulated depreciation	(1,258)	(1,286)
Leased assets, net	162	131
Construction in progress	4,977	2,228
Total property, plant and equipment	67,764	68,899
Intangible assets		
Software	1,489	1,264
Other	296	121
Total intangible assets	1,786	1,385
Investments and other assets		
Investment securities	3,924	3,530
Long-term loans receivable	44	129
Retirement benefit asset	2,856	6,145
Deferred tax assets	2,374	1,284
Other	3,065	3,176
Allowance for doubtful accounts	(114)	(205)
Total investments and other assets	12,151	14,060
Total non-current assets	81,702	84,346
Total assets	159,677	153,612

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,138	7,164
Short-term borrowings	577	875
Commercial papers	-	2,000
Current portion of long-term borrowings	2,611	5,710
Income taxes payable	349	605
Provision for bonuses	1,499	1,441
Notes payable - facilities	1,203	555
Provision for business restructuring	96	786
Other	10,074	8,495
Total current liabilities	24,551	27,636
Non-current liabilities		
Long-term borrowings	5,668	5,261
Provision for loss on business of subsidiaries and associates	-	7
Retirement benefit liability	4,133	2,603
Long-term leasehold and guarantee deposits received	3,935	3,913
Other	406	443
Total non-current liabilities	14,143	12,228
Total liabilities	38,694	39,865
Net assets		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,560	6,571
Retained earnings	85,297	69,755
Treasury shares	(5,273)	(761)
Total shareholders' equity	112,656	101,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	883	979
Deferred gains or losses on hedges	88	532
Revaluation reserve for land	(13)	(13)
Foreign currency translation adjustment	5,194	5,407
Remeasurements of defined benefit plans	264	3,214
Total accumulated other comprehensive income	6,418	10,120
Share acquisition rights	110	95
Non-controlling interests	1,796	1,894
Total net assets	120,982	113,746
Total liabilities and net assets	159,677	153,612

2. Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net sales	137,117	130,918
Cost of sales	93,934	91,042
Gross profit	43,182	39,875
Selling, general and administrative expenses	35,260	34,992
Operating profit	7,921	4,882
Non-operating income		
Interest income	66	46
Dividend income	238	158
Rental income from non-current assets	424	516
Foreign exchange gains	-	17
Other	221	209
Total non-operating income	952	947
Non-operating expenses		
Interest expenses	85	78
Share of loss of entities accounted for using equity method	-	23
Rental expenses on non-current assets	408	499
Foreign exchange losses	26	-
Other	172	309
Total non-operating expenses	693	910
Ordinary profit	8,180	4,920
Extraordinary income		
Gain on sale of non-current assets	667	311
Gain on sale of investment securities	1,852	44
Gain on liquidation of subsidiaries and associates	677	-
Subsidy income	200	396
Other	60	-
Total extraordinary income	3,458	753
Extraordinary losses		
Loss on sale and retirement of non-current assets	411	346
Loss on tax purpose reduction entry of non-current assets	181	396
Impairment losses	459	-
Business restructuring expenses	1,351	3,311
Other	143	473
Total extraordinary losses	2,547	4,528
Profit before income taxes	9,091	1,144
Income taxes - current	1,039	925
Income taxes - deferred	1,721	(365)
Total income taxes	2,760	559
Profit	6,330	585
Profit attributable to non-controlling interests	51	75
Profit attributable to owners of parent	6,279	509

3. Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Profit	6,330	585
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,554)	95
Deferred gains or losses on hedges	(67)	443
Foreign currency translation adjustment	1,193	209
Remeasurements of defined benefit plans, net of tax	(438)	2,950
Share of other comprehensive income of entities accounted for using equity method	-	60
Total other comprehensive income	(867)	3,759
Comprehensive income	5,462	4,344
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,294	4,212
Comprehensive income attributable to non-controlling interests	168	132

4. Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from operating activities	11,572	17,271
Cash flows from investing activities	(7,485)	(11,585)
Cash flows from financing activities	(5,184)	(6,320)
Effect of exchange rate changes on cash & cash equivalents	820	29
Increase (decrease) in cash and cash equivalents	(276)	(604)
Cash and cash equivalents at the beginning of the period	10,818	10,541
Cash and cash equivalents at the end of the period	10,541	9,936