

## **Establishment of Joint Venture in Taiwan**

September 10, 2008—Gunze Limited (Head Office: Osaka, Japan; President & COO: Hiroshi Hirata) and Wah Hong Industrial Corp. (Head Office: Kaohsiung, Taiwan; Chairman & CEO: Ray C. Chang) have signed a contract today to form a joint venture company specializing in the manufacture of ITO (Indium Tin Oxide) film.

### **1. Aims of Joint Venture Establishment**

The touch panel market has recently shown remarkable growth, with the launch of the iPhone in 2007 and the announcement of Multi-touch support by the next-generation Windows 7 OS. According to America's Display Research, the international touch panel-related product market, which was worth 133 billion yen in 2007, is estimated to expand to 370 billion yen in 2010. The market for touch panels itself is projected to expand from 66 billion yen in 2007 to 140 billion yen in 2010.

To date, Gunze has expanded its electronic components business with a business model of end-to-end, in-house production of everything from materials to final products. Faced with rapid changes in the electronic components industry, Gunze has realized the need for establishing a system of horizontal specialization through collaboration with external sources, rather than simply relying on the extension of the current in-house vertical integration model. This has led to the logical conclusion to develop a new business model that combines horizontal specialization with vertical integration.

Gunze's new business model involves manufacturing ITO film with the sputtering process at the new joint venture company, while relying on partner collaboration for the downstream touch panel assembly process. Taiwan is the world's leading production center for electronic components, now handling more than 60% of LCD and touch panel production. The country therefore is at the center of the latest industrial information and technological trends related to electronic components worldwide. By forming a partnership with a Taiwanese company and promoting Gunze's new business model in Taiwan, Gunze will have easy access to this up-to-date information, allowing it to speedily respond to changes in the global market.

## **2. Outline of Joint Venture**

- (1) Company Name: Jun Hong Optronics Corp.
- (2) Location: No. 6, Lee Shen Street, Kuang Tien Hsiang, Tainan Hsien, Taiwan ROC
- (3) Chairman: C.P. Yeh
- (4) Capitalization: NT\$ 200 million (700 million yen)
- (5) Ratio of Capital Contributions:  
    Gunze Limited: 51%, Wah Hong Industrial Corp.: 49%
- (6) Scheduled Establishment: October 2008  
    (Scheduled Operation Start: October 2009)
- (7) Capital Investment in Facility: 1.4 billion yen

## **3. Effect on Gunze's Financial Results**

The establishment of this joint venture does not have any effect on Gunze's consolidated financial performance for the current fiscal year.

## <Reference: Outline of the Parent Companies>

### **Gunze Limited**

Established: 1896

Head Office: Osaka Daiichi Seimei Bldg., 1-8-17 Umeda, Kita-ku, Osaka 530-0001, Japan

President & COO: Hiroshi Hirata

Capital: 26,100 million yen

Consolidated Net Sales: 165,600 million yen (Year ended March 31, 2008)

Business Lines:

Manufacture and sales of innerwear, panty hose, socks, pajamas, baby wear, machine threads, etc.

Manufacture and sales of plastic films, electronic components, engineering plastics, medical materials, etc.

Buying, selling and leasing of real estate, commercial facility development, operation and management of sports clubs, landscaping and greening business, etc.

### **Wah Hong Industrial Corp.**

Established: 1973

Head Office: 235, Chung Cheng 4th Road, 10F., Kaohsiung, Taiwan 801-47

Chairman & CEO: Ray C. Chang

Capital: NT\$ 718,859,020 (approx. 2,500 million yen)

Net Sales: NT\$ 5,073 million (17,800 million yen) (2007)

Business Lines:

Manufacture and sales of LCD materials, injection molded products, molding materials, high-performance engineering plastics, mobile phone parts and automation equipment