

Explanation of the Value Creation Model

The value chain initiatives identified in Gunze's value creation model strengthen the Company's business activities by efficiently utilizing the Group's various capital resources and leveraging its unique strengths.

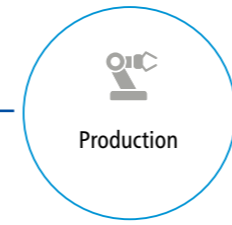
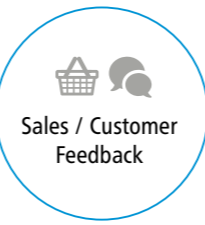
Here we present details of the principal categories of capital for each activity, Gunze's competitive advantage, and the challenges we face in further deepening the Group's efforts to create new value.

● Functional Solutions Business ● Apparel Business ● Lifestyle Creations Business (March 31, 2023)

Sales / Customer Feedback

- Sales comprise all activities that result in the delivery of products that embody the customer's point of view.
- Customer feedback refers to the comments and inquiries received from customers and end-users that are reflected in efforts to develop, improve, and manufacture products.

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
Human Capital Sales and customer service personnel	<ul style="list-style-type: none"> • Problem solving-type sales that embody the customer's point of view ●/●/● 	<ul style="list-style-type: none"> • Marketing strategies based on an analysis of customer preferences ●
Intellectual Capital Post-market launch surveys and follow-up capabilities	<ul style="list-style-type: none"> • Professional human resources that are capable of achieving the highest levels of QCDS ●/● 	<ul style="list-style-type: none"> • Timely response to market needs ●/●
Social and Relationship Capital Trusted relationships with clients and customers	<ul style="list-style-type: none"> • The ability to build trusted relationships with customers through customized products ● • The Company's own comprehensive e-commerce site ● 	<ul style="list-style-type: none"> • The provision of solutions to customers that integrate the sales, development, and manufacturing functions ● • Expansion of sales channels to younger customers ● • Entry into new fields ●/●



Production

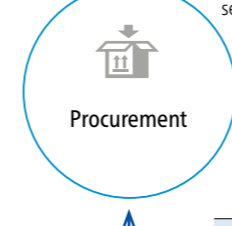
Activities that require collaboration across a wide range of operations, including manufacturing, quality assurance, production technology as well as facility and production control, to ensure strict control over manufacturing, quality, cost, and delivery (QCD) at Gunze Group production plants

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
Human Capital Production engineers familiar with each business site	<ul style="list-style-type: none"> • Pursuit of the highest quality as a technology-oriented company ●/● 	<ul style="list-style-type: none"> • Aging of human resources, technology transfer ●/●
Intellectual Capital Systematized manufacturing technology standards based on the identification of core technologies within the company	<ul style="list-style-type: none"> • In-house complete and seamless production structure ● 	<ul style="list-style-type: none"> • Centralized visualization of information in plants through IoT ●/● • Lack of workers in domestic plants ●/●
Social and Relationship Capital Contributions to the local economy through collaboration with affiliates and global bases	<ul style="list-style-type: none"> • High overall equipment efficiency based on P-value (*) management ●/● 	<ul style="list-style-type: none"> • Aging domestic facilities ●/● • Strengthening productivity and the ability to manufacture a variety of products at overseas plants ● • Ability to customize production to local characteristics and needs ●/●
Natural Capital Ongoing capital investment to create new technologies	<p>* P value: Productivity improvement rate (Gunze's own productivity metric over the previous year)</p>	
Manufactured Capital High quality through in-house manufacturing and a seamless structure		

Brand Management / Solutions

- Putting in place a management strategy to build and maintain the Gunze brand or GUNZE brand products and services
- Taking steps to differentiate Gunze from other companies while instilling in customers' mindsets the value of the Gunze brand over time
- Engaging in general marketing activities

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
Human Capital Merchandisers (MDs) that are responsive to customer needs	<ul style="list-style-type: none"> • High-value-added product development capabilities, from R&D to sales ●/● 	<ul style="list-style-type: none"> • Enhancing brand awareness ●/●
Intellectual Capital Core technologies that leverage the strengths of each business division	<ul style="list-style-type: none"> • One-of-a-kind products that combine the Company's core technologies ● 	<ul style="list-style-type: none"> • Training and strengthening development personnel ●/●
Social and Relationship Capital Trusted relationships with customers	<ul style="list-style-type: none"> • Quality assurance system to ensure high quality ●/● 	<ul style="list-style-type: none"> • Passing down the necessary expertise and knowledge to specialists and training ●/●/● • Strengthening global expansion ●



Procurement

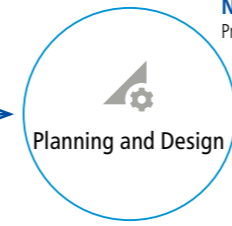
Procurement activities, including those for the raw materials, parts, production equipment, sub-materials used for products based on the manufacturing technology standards determined by the development and design divisions; stable procurement through fair, equitable, transparent as well as socially and environmentally responsible transactions with suppliers

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
Human Capital Human resources that can guarantee the best quality	<ul style="list-style-type: none"> • Collaboration with suppliers through strong, trusting relationships ●/●/● 	<ul style="list-style-type: none"> • Selection of suppliers taking into consideration sustainability issues and concerns ●/●/●
Intellectual Capital Accumulation of procurement know-how that underpins a broad product lineup	<ul style="list-style-type: none"> • Traceability management of raw materials ●/● 	<ul style="list-style-type: none"> • Appropriate transactions to maintain and improve relationships with suppliers ●/●/●
Social and Relationship Capital Trusted relationships with suppliers	<ul style="list-style-type: none"> • Ability to respond to risk through the multiple procurement of raw materials ●/● 	<ul style="list-style-type: none"> • Transactions that take into consideration human rights and biodiversity ●/● • Procurement of materials with an eye that extends to SCOPE 3 ●/●
Natural Capital Procurement of environmentally friendly parts and materials		

Research and Development

Activities to create sustainable product lines that utilize specific technologies based on the core fiber processing, resin processing, and surface processing technologies

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
Human Capital Human resources with expertise in the business field	<ul style="list-style-type: none"> • Increasingly sophisticated core technologies and the ability to create new businesses 	<ul style="list-style-type: none"> • Progress management with stage gates ●/●
Intellectual Capital A wide range of R&D themes	<ul style="list-style-type: none"> • Concentration of elemental technologies and development capabilities that maximize value 	<ul style="list-style-type: none"> • Identifying future-oriented themes ●/●
Social and Relationship Capital The ability to uncover new fields through industry-government-academia collaboration	<ul style="list-style-type: none"> • Promotion of industry-government-academia collaboration 	<ul style="list-style-type: none"> • Building business model proposal capabilities ●/● • Promoting researcher-led technology marketing ●
Financial Capital Financial foundation that underpins R&D		



Planning and Design

Managing specifications, manufacturing costs, and lot sizes while engaging in activities that lead to the commercialization of products based on the realistic viewpoint of what kinds of products we are looking to bring to the market and what kinds of products we are able to release based on plans

Principal categories of capital and resources	Gunze's features and strengths	Challenges to be overcome when deepening the Group's efforts to create value (corresponding to the capital axis)
Human Capital Human resources tailored to development, manufacturing, and customer needs	<ul style="list-style-type: none"> • Product design that generates high quality ●/● 	<ul style="list-style-type: none"> • The launch new products in new areas using core technologies ●/●
Intellectual Capital Product development capabilities that anticipate market needs	<ul style="list-style-type: none"> • Ability to develop differentiated products based on a market-in concept ●/● 	<ul style="list-style-type: none"> • Timely response to market needs ●/●/●
Social and Relationship Capital Trusted relationships with stakeholders	<ul style="list-style-type: none"> • Environmentally friendly product development ●/●/● • Product development capabilities for a recycling society ●/● • Global development capabilities that comply with the regulations of each country ● 	<ul style="list-style-type: none"> • Development geared toward global expansion ●/●