

## **Gunze to Launch “3C10 Plan” -- New Medium-term Management Plan**

On February 16, 2005, Gunze Limited (President & CEO: Shigeo Kodani; Head Office: Osaka, Japan) announced that it had formulated a new three-year medium-term management plan called the “3C10 Plan.” The new plan will start from fiscal 2005, following the completion this March of the current medium-term plan, the “VS Plan.”

Based on analyses of issues related to the previous “VS Plan,” the “3C10 Plan” will focus on four key strategies listed below, and is intended to ensure that strategy implementations will generate productive results by establishing and strengthening the necessary systems and reforming the corporate mindset. By so doing, the Gunze Group strives to boost its corporate value by promoting growth and efficiency.

### **<Four Key Strategies>**

- (1) Business structure reform
- (2) Business expansion through aggressive management practices
- (3) Corporate brand loyalty enhancement
- (4) Human resource development

By implementing these strategies, the Gunze Group aims to generate net sales of 200 billion yen and an operating income of 16.5 billion yen during the fiscal year ending March 2008.

### **1. Review of the previous medium-term management plan, the “VS Plan”**

The previous “VS Plan” was established with the goal of becoming a highly profitable organization backed by strategically agile management capable of effectively responding to rapid changes in the business environment. The plan consisted of five central components: business structure reform, global management, profit improvement, capital efficiency enhancement, and human resource development. Gunze’s efforts in these areas yielded several favorable results, including improved profitability, enhanced fixed asset efficiency, a strengthened consolidated management system, and the transformation of the functional material segment into a core business. However, several issues remain that require renewed efforts. These include reinvigoration of the textile business; establishment of a supply chain management (SCM) system focusing on the sales frontline; solidification of a global sales system for the non-textile segment; and improvement in cost-competitiveness. Because these issues require further effort, they will be carried over to the new medium-term plan.

**2. New Medium-Term Management Plan, the “3C10 Plan”**

**(1) Main performance indicators**

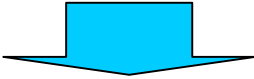
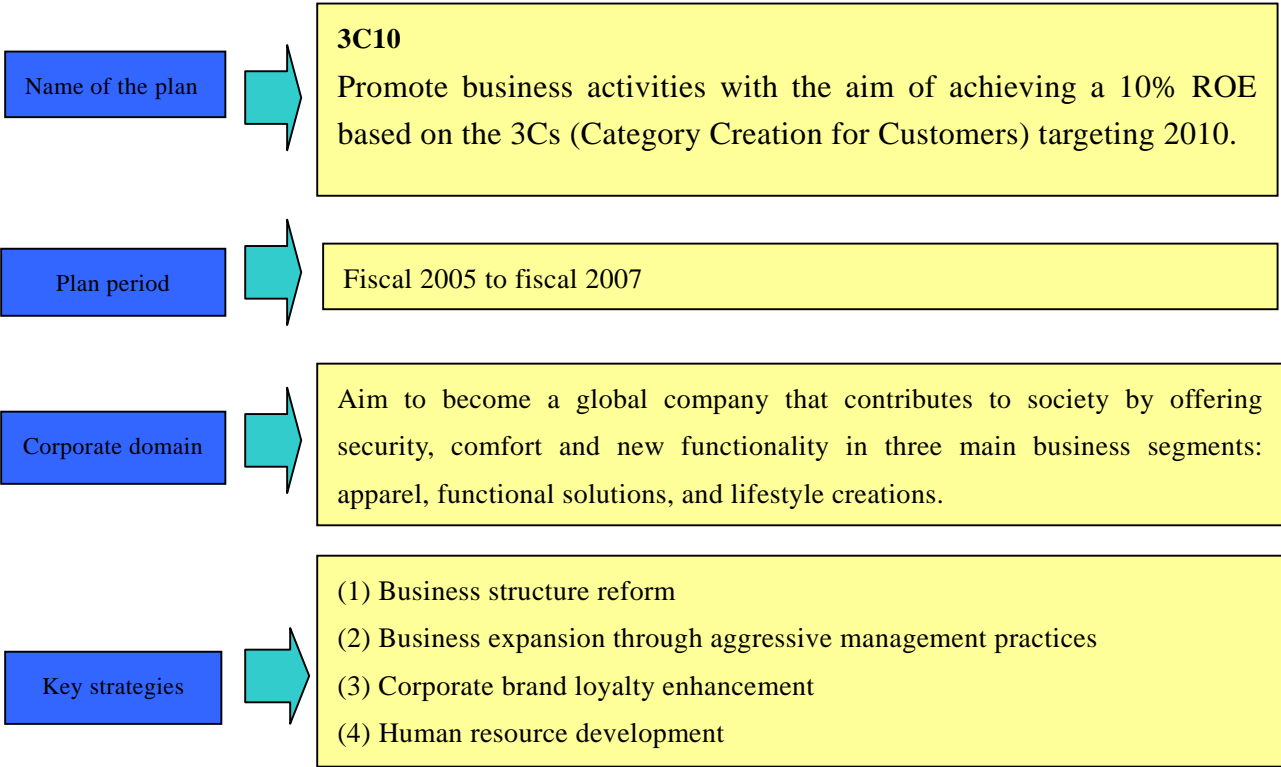
Performance Indicator	Unit	FY04 Projection	FY07 Target	Increase (Decrease) vs. FY04
Net Sales	¥Bil	162.2	200.0	37.8
Operating Income	¥Bil	8.7	16.5	7.8
Net Income (Loss)	¥Bil	11.2	11.5	0.3
Total Assets	¥Bil	194.0	201.7	7.7
Total Asset Turnover	Turns	0.8	1.0	0.2
ROA (Return on Assets)	%	4.5	8.1	3.6P
ROE (Return on Equity)	%	5.8*	8.8	3.0P

\* ROE: An ROE of 5.8% does not include amortization of an unrecognized actuarial difference related to retirement benefit obligations. If included, ROE is 9.6%.

**(2) Outline of the new medium-term plan**

**< Catchphrase >**

**From inspiration: creation. From ambition: fruition. From dreams: tomorrow’s reality.**



**Boost Group value through growth and efficiency.**