

## Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2006

This document is an English translation of the Japanese-language original. All financial information has been prepared in accordance with accounting principles generally accepted in Japan.

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### 1. Preparations for summary of quarterly report

(1) Use of simplified accounting method: Yes

- Annual tax rates projected based on the statutory tax rates are applied for accounting for corporate income taxes.

(2) Changes in accounting treatment from the most recent fiscal year: Yes

- Change in business segmentation in the “Segment Information by Business” (see page 12).  
 - New accounting standard is applied for retirement benefits along with the partial revision to the Accounting Standards for Retirement Benefits. This resulted in an increase of ¥12 million in income before income taxes for the period under review.

(3) Changes in scope of consolidation and application of equity method: Yes

Consolidation: (New) one company      (Eliminated) one company

Equity method: (New) no company      (Eliminated) no company

### 2. Consolidated results for the first quarter of FY 2005 (April 1, 2005 to June 30, 2005)

(1) Consolidated operating results (Amounts less than one million yen are omitted)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended June 2005	40,146	5.0	2,225	0.4	2,411	(3.9)
Three months ended June 2004	38,244	(2.5)	2,216	16.0	2,510	22.0
(Ref.) Year ended Mar. 2005	160,565		8,696		8,943	

	Net income (loss)		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Three months ended June 2005	1,378	(58.8)	6.28	-
Three months ended June 2004	3,342	-	15.15	-
(Ref.) Year ended Mar. 2005	11,603		52.44	-

Note: Indicated percentages for net sales, operating income, etc. show year-on-year increase or decrease compared to the same period of the previous year.

## (2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	¥ millions	¥ millions	%	¥
Three months ended June 2005	197,339	122,555	62.1	559.34
Three months ended June 2004	196,756	113,891	57.9	517.17
(Ref.) Year ended Mar. 2005	192,405	123,021	63.9	558.65

## 3. Projected results for FY 2005 (April 1, 2005 to March 31, 2006)

Since first-quarter results were close to initially projected results (forecast announced on May 13, 2005), initial interim and full-year forecasts announced with fiscal 2004 results (for the fiscal year ended March 31, 2005) remain the same. Earnings per share take into consideration the reduced yearly average number of shares accompanying the reacquisition of treasury stock during the first quarter.

	Net sales	Ordinary income	Net income
	¥ millions	¥ millions	¥ millions
FY 2005 interim	81,800	3,500	2,000
FY 2005 full-year	169,400	9,500	6,600

(Ref.) Projected earnings per share (full-year): ¥30.10

The above projections are based on information available to the Company at the present time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ from projections, including but not limited to, economic conditions influencing the Company's business in Japan and overseas, market trends for the Company's products and services, and uncertainty and risk in currency exchange rates and stock markets.

## **Review of Operations**

During the first quarter of the current fiscal year (April 1, 2005 to June 30, 2005), the Japanese economy showed gradual upturn trends along with a general improvement in corporate performance and a recovery in consumer spending. Against this backdrop, the Gunze Group concentrated its efforts on developing and promoting its highly distinguished products, strengthening collaboration between production and sales sectors, and advancing cost reduction. As a result, the Gunze Group's consolidated net sales for the period under review totaled ¥40,146 million, or a year-on-year increase of 5.0%. Operating income rose 0.4% to ¥2,225 million. Ordinary income, however, dropped 3.9% to ¥2,411 million. Consolidated net income was ¥1,378 million, or a year-on-year decrease of 58.8%. This was mainly due to the periodic allocation of an amortization gain amounting to ¥3,105 million arising from unrecognized net actuarial gains related to retirement benefit obligations posted during the same period of the previous fiscal year. Net sales and operating income by business segment during the period under review are listed below.

Beginning in the present fiscal term, the Gunze Group has reorganized strategic business units into three business segments: apparel (consumer products), functional solutions (industrial products), and lifestyle creations (services). This reorganization was aimed to empower each business segment with greater authority, to enable faster decision-making. Accordingly, business segmentation for "Segment Information" has been changed.

### **[Apparel]**

Operating income declined 4.9% year on year to ¥1,431 million on a decrease of 0.3% in net sales to ¥24,748 million.

### ***Men's and Kids' Wear Company***

In men's innerwear, a large-scale 2005 campaign designed to stimulate demand for men's innerwear attracted a very popular response with its catchphrase "Put on your best undergarments." The "Cool Biz" campaign initiated by the Japanese government also had a positive impact on the company's business. Thanks to these favorable factors, the *GAIA*-category of new innerwear brands such as *Body Wild* and *YG-X* enjoyed

substantial sales growth over the same period of the previous year. Sales for the “Friendly” category of basic white and seasonal products also advanced smoothly. Although basic product sales were sluggish in children’s underwear, sales rose impressively for new innerwear products centering on *pied clair*. Consequently, the Men’s and Kids’ Wear Company posted an increase in both revenues and profits.

### ***Ladies’ and Leg Wear Company***

In women’s innerwear, the *Flaty* campaign designed to aggressively promote products with differentiated features, and which do not show innerwear lines even under light outerwear, got off to a good start this past May. This helped drive sales up for *XXX (Kiss, Kiss, Kiss)*. The *Natural & Comfort* line of basic innerwear and package-priced value products performed well, but sales were slow for new basic products such as *CFA100* and *Yasashisa Monogatari*, resulting in an overall revenue decline. In lingerie and foundation garments, *Tuché* and *Anna Sui* enjoyed brisk sales. However, mainstay brands *Yansoffi, fine? (Finequest)* and *Yasashisa Monogatari* posted disappointing sales, dragging down the category’s overall revenues. In the stockings category, the *Beauty Shape* and *Tuché* lines of knee-high and separate-type stockings recorded sales growth, but this was not enough to offset a significant sales decline experienced by pantyhose products. Overall, the Ladies’ and Leg Wear Company recorded a decrease in both revenues and profits.

### ***Other Textiles***

In the home casual (pajamas) category, home wear brands such as *FILA* and *BODY WILD* recorded sales expansion, and women’s sleepwear sales were also strong. Consequently, this category posted increased revenues, albeit with reduced profits. Textile materials suffered disappointing sales in Japan due to the increasing shift of production in the sewing industry to areas outside Japan. However, mainstay industrial machine-sewing threads recorded strong sales in China and Indonesia, which helped boost overall profits for this category, although revenues posted a year-on-year decline.

### **[Functional Solutions]**

Net sales increased 14.7% year on year to ¥12,988 million and operating income rose 12.9% to ¥1,432 million.

### ***Plastic Film Company***

In Japan, shrink film, OPP film and composite nylon film sales increased over the same period of the previous year. Difficult situations have continued, however, due to the slowed movement of goods caused by inventory adjustment by film converter companies, combined with increasing pressure from petrified resin manufacturers of price increases. Overseas operations experienced a drop in profitability due to issues faced by Gunze Plastics & Engineering Corporation of Europe N.V. (GPE) and Gunze Plastics & Engineering Corporation of America (GPA) in the initial stage of production, and soaring raw material costs. Overall, the Plastic Film Company posted increased revenues with a decline in profits.

### ***Engineering Plastics***

Sales were generally strong for office equipment applications, although fluorocarbon resin thin-walled tubing for fixation rollers experienced decreased sales due to inventory adjustment by some clients, along with other factors. Particularly for mainstay CA belts (high-performance polyimide resin belts for color photocopiers and printers), a new factory was set up to increase production capacity in order to better accommodate active demand. Sales for fluorocarbon resin products centering on filaments also advanced steadily. Overall, the engineering plastics category recorded year-on-year increases in revenues and profits.

### ***Electronic Components***

Gunze is now concentrating efforts on expanding applications of high value-added products, in particular mid-/large-size and high-performance touch panels, a main source of the company's competitive strengths. In terms of applications, growth in demand of touch panels for factory automation has finally begun to slow in China, resulting in revenues lower than the same period of the previous year. On the other hand, sales were robust for notebook PC, video equipment and handy terminal applications, contributing to overall increases in this category's revenues and profits.

### ***Others***

Sluggishness in capital investment in the food industry, combined with increasingly

intensified price competition, dragged down revenues from food processing machinery. However, printing press-related machinery exhibited strong performance, with mainstay stacker-bundlers and a new product sheeter enjoying increased sales. This can be attributed to the recovery in capital investment resulting from an improvement in business confidence. Accordingly, both revenues and profits increased in machinery.

### **[Lifestyle Creations]**

Net sales rose 12.7% year on year to ¥2,787 million while operating income declined 70.4% to ¥50 million.

In the real estate business, Gunze worked hard to attract new tenants into Tsukashin shopping center after the closure of a megastore. At the same time, concerted efforts were made to increase visitors through proactive sales promotional strategies and reinforcement of store sales. However, the train derailment accident on the JR West Company's Fukuchiyama Line heavily impacted Tsukashin's business, resulting in decreased revenues. Currently, a refurbishment project is in progress at Tsukashin with reopening scheduled for May 2006. Since its opening in Tsukashin, *Tsukashin Spa Yunokaro* has been enjoying popularity and favorable acclaim from consumers. This large-scale spa recently celebrated the first anniversary of its opening. Gunze's environmental business ESCO (Energy Service Company) solution also progressed smoothly. Consequently, real estate revenues grew year on year, albeit with declined profits.

The landscaping and gardening sector recorded increased revenues and profits due to strong sales of trees and flowering plants and related installations. This improvement was stimulated by aggressive efforts to develop new clients and expand sales for existing customers. In sports facility management, the development of Gunze proprietary programs specifically designed for senior members, whose numbers are expected to grow in the future, helped attract an increasing number of members for the existing sports clubs. At the newly opened *COMS Sky Garden* as well, acquisition of new members is progressing steadily. Along with the launch in April 2005 of an entrusted management system that enables local governments to outsource management of public facilities to designated private companies, Gunze was entrusted to manage

three swimming pools from the Osaka municipal government. Overall, sports facility management posted increases in revenues and profits.

**Outlook for FY 2005**

As the consolidated results for the first quarter nearly reached the company's initial targets, Gunze has not revised its half-year and full-year forecasts announced previously on May 13, 2005.

# Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen: amounts less than one million yen are omitted)

	<b>End of FY2005</b>		End of FY2004		Increase	(Ref.) FY2004	
	<b>1st quarter</b>		1st quarter		(Decrease)	(As of Mar. 31, 2005)	
	(As of Jun. 30, 2005)		(As of Jun. 30, 2004)			(As of Mar. 31, 2005)	
	Amount	Proportion	Amount	Proportion	Amount	Amount	Proportion
<b>(Assets)</b>		%		%			%
<b>Current assets</b>							
1 Cash and cash equivalents	5,911		7,684		(1,772)	4,577	
2 Trade notes & accounts receivable	39,740		37,932		1,807	38,074	
3 Inventories	39,044		37,940		1,103	38,038	
4 Real estate inventories	638		18		620	637	
5 Short-term advances	419		300		119	267	
6 Deferred tax assets	1,387		1,058		328	1,378	
7 Other current assets	1,461		2,027		(566)	1,681	
Allowance for doubtful accounts	(168)		(170)		2	(168)	
Total	88,435	44.8	86,793	44.1	1,642	84,486	43.9
<b>Fixed assets</b>							
1 Property, plant and equipment							
(1) Buildings and structures	34,160		31,766		2,393	33,905	
(2) Machinery and equipment	16,039		13,984		2,055	15,286	
(3) Tools, furniture and fixtures	1,078		977		101	1,060	
(4) Land	12,372		19,384		(7,012)	12,361	
(5) Construction in progress	2,145		2,145		0	2,089	
Total	65,796	33.4	68,259	34.7	(2,463)	64,702	33.6
2 Intangible fixed assets							
(1) Other intangible fixed assets	1,045		1,174		(128)	1,104	
Total	1,045	0.5	1,174	0.6	(128)	1,104	0.6
3 Investments and other assets							
(1) Investments in securities	33,084		31,633		1,451	32,679	
(2) Long-term advances	927		611		316	898	
(3) Deferred tax assets	3,437		4,225		(788)	3,577	
(4) Other assets	4,917		4,404		512	5,257	
Allowance for doubtful accounts	(306)		(345)		38	(301)	
Total	42,060	21.3	40,529	20.6	1,531	42,111	21.9
Total	108,903	55.2	109,963	55.9	(1060)	107,918	56.1
<b>Total assets</b>	197,339	100.0	196,756	100.0	582	192,405	100.0

(Millions of yen: amounts less than one million yen are omitted)

	<b>End of FY2005</b>		End of FY2004		Increase	(Ref.) FY2004	
	<b>1st quarter</b>		1st quarter		(Decrease)	(As of Mar. 31, 2005)	
	(As of Jun. 30, 2005)		(As of Jun. 30, 2004)				
	Amount	Proportion	Amount	Proportion	Amount	Amount	Proportion
<b>(Liabilities)</b>		%		%			%
<b>Current liabilities</b>							
1 Notes & accounts payable, trade	12,464		12,791		(327)	12,987	
2 Short-term debt	4,782		4,810		(27)	4,392	
3 Commercial paper	13,000		9,000		4,000	5,000	
4 Current portion of long-term debt	426		1,193		(766)	400	
5 Accrued income taxes	1,917		350		1,566	3,350	
6 Allowance for employees' bonuses	529		521		8	1,823	
7 Other current liabilities	13,546		12,886		660	12,725	
<b>Total</b>	<b>46,667</b>	<b>23.7</b>	<b>41,553</b>	<b>21.1</b>	<b>5,113</b>	<b>40,680</b>	<b>21.1</b>
<b>Long-term liabilities</b>							
1 Long-term debt	1,712		2,145		(432)	1,712	
2 Deferred tax liabilities	2		6		(3)	4	
3 Allowance for retirement benefits	15,199		27,583		(12,383)	15,565	
4 Allowance for directors' and statutory auditors' retirement benefits	433		661		(227)	748	
5 Long-term deposits & guarantee deposits	9,244		9,613		(368)	9,230	
6 Long-term income in advance	117		152		(34)	127	
7 Other	12		-		12	12	
<b>Total</b>	<b>26,724</b>	<b>13.5</b>	<b>40,163</b>	<b>20.4</b>	<b>(13,439)</b>	<b>27,401</b>	<b>14.3</b>
<b>Total liabilities</b>	<b>73,391</b>	<b>37.2</b>	<b>81,716</b>	<b>41.5</b>	<b>(8,325)</b>	<b>68,081</b>	<b>35.4</b>
<b>(Minority interests)</b>							
Minority interests	1,392	0.7	1,149	0.6	243	1,301	0.7
<b>(Shareholders' equity)</b>							
<b>Common stock</b>	26,071	13.2	26,071	13.3	-	26,071	13.5
<b>Additional paid-in capital</b>	22,718	11.5	22,669	11.5	48	22,669	11.8
<b>Retained earnings</b>	66,568	33.7	58,664	29.8	7,904	66,918	34.7
<b>Revaluation difference on land</b>	(825)	(0.4)	(825)	(0.4)	-	(825)	(0.4)
<b>Net unrealized gains on other securities</b>	12,359	6.3	11,283	5.7	1,075	12,115	6.3
<b>Foreign currency translation adjustments</b>	(357)	(0.2)	(525)	(0.3)	167	(434)	(0.2)
<b>Treasury stock</b>	(3,979)	(2.0)	(3,446)	(1.7)	(532)	(3,492)	(1.8)
<b>Total shareholders' equity</b>	<b>122,555</b>	<b>62.1</b>	<b>113,891</b>	<b>57.9</b>	<b>8,664</b>	<b>123,021</b>	<b>63.9</b>
<b>Total liabilities, minority interests &amp; shareholders' equity</b>	<b>197,339</b>	<b>100.0</b>	<b>196,756</b>	<b>100.0</b>	<b>582</b>	<b>192,405</b>	<b>100.0</b>

## (2) Consolidated Statements of Income

(Millions of yen: amounts less than one million yen are omitted)

	FY2005 1st quarter (Apr. 1, 2005 to Jun. 30, 2005)		FY2004 1st quarter (Apr. 1, 2004 to Jun. 30, 2004)		Increase (Decrease)		(Ref.) FY2004 (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount	Ratio	Amount	Ratio	Amount	Pct.	Amount	Ratio
<b>Net Sales</b>	40,146	100.0	38,244	100.0	1,901	5.0	160,565	100.0
<b>Cost of sales</b>	28,629	71.3	26,824	70.1	1,804	6.7	113,799	70.9
<b>Gross profit</b>	11,516	28.7	11,419	29.9	97	0.8	46,766	29.1
<b>Selling, general &amp; administrative expenses</b>	9,291	23.1	9,202	24.1	88	1.0	38,070	23.7
<b>Operating income</b>	2,225	5.6	2,216	5.8	9	0.4	8,696	5.4
<b>Non-operating income</b>	417	1.0	472	1.3	(54)	(11.7)	1,326	0.9
1 Interest income	17		13				62	
2 Dividend income	224		230				345	
3 Rental income	46		47				203	
4 Exchange gain	52		50				86	
5 Other	76		130				629	
<b>Non-operating expenses</b>	232	0.6	178	0.5	53	30.3	1,079	0.7
1 Interest expenses	79		66				274	
2 Rental costs	37		24				107	
3 Loss on valuation of inventories	-		-				313	
4 Loss on disposal of inventories	13		6				68	
5 Other	101		80				315	
<b>Ordinary income</b>	2,411	6.0	2,510	6.6	(98)	(3.9)	8,943	5.6
<b>Extraordinary income</b>	408	1.0	3,507	9.1	(3,099)	(88.4)	15,583	9.7
1 Gain on sale of property, plants & equipment	0		1				1,557	
2 Gain on sale of investments in securities	7		-				3	
3 Amortization of actuarial gain on retirement benefits	-		3,105				12,420	
4 Amortization gain of prior service cost on retirement benefits by transition from an employees' pension fund to a cash-balance	400		400				1,602	
<b>Extraordinary losses</b>	169	0.4	17	0.0	151	894.1	6,868	4.3
1 Loss on sale or disposal property, plants & equipment	30		17				593	
2 Loss on valuation of investments in securities	1		0				22	
3 Loss on valuation of land	-		-				6,139	
4 Amortization of actuarial loss on retirement benefits	136		-				-	
5 Loss on valuation of investments and loans to affiliates	-		-				83	
6 Other	-		-				29	
Income (loss) before income taxes and minority interests	2,649	6.6	5,999	15.7	(3,349)	(55.8)	17,658	11.0
Income taxes - current	1,240	3.1	2,628	6.9	(1,388)	(52.8)	3,828	2.4
Income taxes - deferred	-	-	-	-	-	-	2,086	1.3
Minority interests	31	0.1	28	0.1	2	10.7	140	0.1
<b>Net income (loss)</b>	1,378	3.4	3,342	8.7	(1,963)	(58.8)	11,603	7.2

### (3) Consolidated Statements of Retained Earnings

(Millions of yen: amounts less than one million yen are omitted)

	FY2005 1st quarter (Apr. 1, 2005 to Jun. 30, 2005)		FY2004 1st quarter (Apr. 1, 2004 to Jun. 30, 2004)		FY2004 (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount		Amount		Amount	
<b>(Additional Paid-in Capital)</b>						
<b>Balance at beginning of period</b>		22,669		22,716		22,716
<b>Increase in additional paid-in capital</b>						
1 Gain on sale of treasury stock	0		0		-	
2 Increase due to merger of consolidated subsidiaries	49	49	-	0	-	-
<b>Decrease in additional paid-in capital</b>						
1 Loss on sale of treasury stock	-		-		0	
2 Decrease due to elimination of subsidiaries from scope of consolidation	-	-	47	47	47	47
<b>Balance at end of period</b>		22,718		22,669		22,669
<b>(Retained Earnings)</b>						
<b>Balance at beginning of period</b>		66,918		56,914		56,914
<b>Increase in retained earnings</b>						
1 Net income	1,378		3,342		11,603	
2 Increase due to inclusion of subsidiaries within the scope of consolidation	16		20		14	
3 Increase due to elimination of subsidiaries from the scope of consolidation	-	1,395	47	3,410	47	11,665
<b>Decrease in retained earnings</b>						
1 Cash dividends	1,650		1,657		1,657	
2 Bonuses for directors & statutory auditors	45		-		-	
3 Decrease due to merger of consolidated subsidiaries	49		-		-	
4 Decrease due to other appropriations of earnings	-	1,745	3	1,661	4	1,662
<b>Balance at end of period</b>		66,568		58,664		66,918

## Segment Data

### (1) Segment Information by Business

First quarter of FY2005 (April 1, 2005 to June 30, 2005)

(Millions of yen: amounts less than one million yen are omitted)

	Apparel	Functional solutions	Lifestyle creations	Total	Eliminations/Corporate	Consolidated
Net sales						
(1) Sales to customers	24,730	12,953	2,462	40,146	-	40,146
(2) Intersegment sales and transactions	17	35	325	378	(378)	-
Total	24,748	12,988	2,787	40,524	(378)	40,146
Operating expenses	23,317	11,556	2,737	37,610	309	37,920
Operating income (loss)	1,431	1,432	50	2,913	(688)	2,225

First quarter of FY2004 (April 1, 2004 to June 30, 2004)

(Millions of yen: amounts less than one million yen are omitted)

	Apparel	Functional solutions	Lifestyle creations	Total	Eliminations/Corporate	Consolidated
Net sales						
(1) Sales to customers	24,812	11,294	2,137	38,244	-	38,244
(2) Intersegment sales and transactions	6	32	337	375	(375)	-
Total	24,818	11,326	2,474	38,619	(375)	38,244
Operating expenses	23,314	10,058	2,305	35,677	350	36,028
Operating income (loss)	1,504	1,268	169	2,941	(725)	2,216

FY2004 (April 1, 2004 to March 31, 2005)

(Millions of yen: amounts less than one million yen are omitted)

	Apparel	Functional solutions	Lifestyle creations	Total	Eliminations/Corporate	Consolidated
Net sales						
(1) Sales to customers	100,805	49,029	10,729	160,565	-	160,565
(2) Intersegment sales and transactions	4	162	1,237	1,404	(1,404)	-
Total	100,810	49,191	11,967	161,969	(1,404)	160,565
Operating expenses	95,736	43,831	10,645	150,214	1,654	151,869
Operating income (loss)	5,073	5,360	1,322	11,755	(3,058)	8,696

Notes:

- (1) Business segments are classified according to the types and nature of products, and similarities in manufacturing and sales methods.
- (2) The main products handled in each business segment are as follows:
  - Apparel business: Innerwear, hosiery, outerwear, textiles, and threads.
  - Functional solutions business: Plastic films, engineering plastics, and electronic materials, machinery, and medical materials.
  - Lifestyle creations business: Buying, selling and leasing of real estate, trees and plants, and operation and management of sports facilities.
- (3) No-allocated operating expenses included in "Eliminations/Corporate" as part of operating expenses represent expenses related to the Company's head office, including the management & strategy department and the business audit section, which cannot be directly allocated to specific segment, as well as expenses for campaigns to promote the Company's image.

<b>1st quarter of FY2005:</b>	688 million yen
1st quarter of FY2004:	741 million yen
FY2004 (Full year):	3,058 million yen

Revision of Business Segmentation

Conventionally, Gunze's business lines were classified into five segments: textiles, functional materials, machinery, real estate and others. In line with the Company's new medium-term management plan, the 3C10 Plan, formulated in February 2005, the Gunze Group reorganized the business lines into three new segments: apparel (consumer products), functional solutions (industrial products) and lifestyle creations (services) as part of the Company's drive to promote business structure reform. To conform to the Gunze Group's new business segmentation, the new business segments of apparel, functional solutions and lifestyle creations were also used for the "Segment Information" from the first quarter of the present fiscal year. Data for the first quarter of the previous fiscal year and for the entire previous fiscal year were also reclassified and presented based on the new segmentation.

### (2) Segmental Information by Geographic Area

Geographic segment information is not presented in the periods above because net sales in regions outside Japan accounted for less than 10% of the combined amount of total net sales in all segments.

### (3) Overseas Sales

Overseas sales are not presented in the periods above because they accounted for less than 10% of consolidated net sales.

# Production, Orders and Sales

## (1) Results of Production

(Millions of yen: amounts less than one million yen are omitted )

Business Segment	FY2005 1st quarter	FY2004 1st quarter
	(Apr. 1, 2005 to Jun. 30, 2005)	(Apr. 1, 2004 to Jun. 30, 2004)
Apparel	14,198	13,713
Functional solutions	9,184	8,110
Total	23,383	21,824

Notes: 1. Figures are calculated on a manufacturing cost basis, and include outsourced production.

2. In addition to production, the Company also made the following purchases.

(Millions of yen: amounts less than one million yen are omitted )

Business Segment	FY2005 1st quarter	FY2004 1st quarter
	Apparel	2,968
Functional solutions	384	468
Lifestyle creations	666	631
Total	4,019	3,739

3. Figures exclude consumption tax.

### Revision of Business Segmentation

Conventionally, Gunze's business lines were classified into five segments: textiles, functional materials, machinery, real estate and others. In line with the Company's new medium-term management plan, the 3C10 Plan, formulated in February 2005, the Gunze Group reorganized the business lines into three new segments: apparel (consumer products), functional solutions (industrial products) and lifestyle creations (services) as part of the Company's drive to promote business structure reform. To conform to the Gunze Group's new business segmentation, the new business segments of apparel, functional solutions and lifestyle creations were also used for "Production, Orders and Sales" from the first quarter of the present fiscal year. Data for the first quarter of the previous fiscal year and for the entire previous fiscal year were also reclassified and presented based on the new segmentation.

## (2) Orders Received

The Company and its consolidated subsidiaries calculate orders received, excluding for machinery, on the basis of projected production rather than production orders. Orders received and outstanding orders for machinery are as follows:

(Millions of yen: amounts less than one million yen are omitted)

Business Segment	FY2005 1st quarter		FY2004 1st quarter	
	(Apr. 1, 2005 to Jun. 30, 2005)		(Apr. 1, 2004 to Jun. 30, 2004)	
	Orders received	Outstanding orders	Orders received	Outstanding orders
Machinery included in the functional solutions business	1,766	2,386	1,850	2,848

Note: Figures exclude consumption tax.

## (3) Sales

(Millions of yen: amounts less than one million yen are omitted)

Business Segment	FY2005 1st quarter	FY2004 1st quarter	Increase
	(Apr.1, 2005 to Jun.30, 2005)	(Apr. 1, 2004 to Jun. 30, 2004)	(Decrease)
Apparel	24,748	24,818	%
Functional solutions	12,988	11,326	14.7
Lifestyle creations	2,787	2,474	12.7
Subtotal	40,524	38,619	4.9
Excl. intersegment sales	(378)	(375)	-
Total	40,146	38,244	5.0

Note: Figures exclude consumption tax.