

Summary of Consolidated Financial Statements for the Third 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

- Projected annual tax rates 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 ¥36 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 third quarter of FY2005

(April 1, 2005 to December 31, 2005)

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

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended December 2005	126,666	1.1	8,532	7.8	8,463	4.4
Nine months ended December 2004	125,324	1.2	7,914	(7.3)	8,110	(6.4)
(Ref.) Year ended Mar. 2005	160,565		8,696		8,943	

	Net income (loss)		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Nine months ended December 2005	5,876	(26.7)	26.88	-
Nine months ended December 2004	8,013	-	36.34	-
(Ref.) Year ended Mar. 2005	11,603		52.44	-

Note: Indicated percentages for net sales, operating income, etc. show year-over-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	%	¥
Nine months ended December 2005	218,086	135,134	62.0	622.91
Nine months ended December 2004	199,513	119,589	59.9	543.22
(Ref.) Year ended Mar. 2005	192,405	123,021	63.9	558.65

3. Projected results for FY2005 (April 1, 2005 to March 31, 2006)

Since results for the first three quarters of the present fiscal year were close to initially projected results (forecasts announced on November 8, 2005), initial full-year forecasts announced with FY2005 interim results 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 three quarters.

	Net sales	Ordinary income	Net income
	¥ millions	¥ millions	¥ millions
FY2005 full-year	165,000	9,500	6,600

(Ref.) Projected earnings per share (full-year): ¥30.24

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 (for the Nine Months Ended December 31, 2005)

During the first three quarters of the current fiscal year (April 1, 2005 to December 31, 2005), the Japanese economy exhibited a moderate recovery trend in consumer spending, as visible from the robust sales of digital home appliances and winter-season cold-protection products. Companies have almost eliminated excesses in human resources, equipment and debt, which have been three key problem areas. This has enabled companies to shift their focus to the implementation of more proactive management strategies. Increasing capital investment and brisk performance of export-oriented companies have also spurred a continuing rise in corporate earnings, even in the face of sharp increases in crude oil prices. In this business environment, the Gunze Group has made aggressive capital investments in high-growth business fields; while also concentrating efforts in developing highly distinguished products and technologies. At the same time, Gunze has been actively promoting cost reductions while strengthening its comprehensive approaches for clients. Consequently, the Gunze Group's consolidated net sales for the period under review amounted to ¥126,666 million, an increase of 1.1% over the same period of the previous year. Consolidated ordinary income increased 4.4% to ¥8,463 million. Consolidated net income was ¥5,876 million, a decline of 26.7% from the same period of the previous year. This decrease was primarily due to an amortization gain amounting to ¥9,315 million arising from unrecognized net actuarial gains related to retirement benefit obligations as well as a ¥6,139 million special loss on revaluation of land posted during the same period of the previous year.

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 is aimed to empower each business segment with greater authority, to enable faster decision-making. Business areas listed under "Segment Information" have been changed accordingly.

Net sales and operating income by business segment during the period under review are as follows:

[Apparel]

Operating income rose 18.3% year over year to ¥6,085 million despite a decrease of 0.9% in net sales to ¥80,050 million.

Men's and Kids' Wear Company

In men's innerwear, a year-long large-scale campaign designed to stimulate demand for men's innerwear with a catchphrase of "Put on your best undergarments" continued to prove successful. This resulted in a significant sales increase in the *GAIA* category (new innerwear brands centering on *Body Wild*) over the same period of the previous year. Finely tuned storefront follow-ups aimed to promote "Warm Biz" related products helped drive up sales of overall winter-season products, with tights showing especially remarkable growth. "Warm Biz" is a government initiative that encourages people to wear warmer attire to reduce power consumption by setting room temperatures at around 20°C. Overall, the Men's and Kids' Wear Company recorded an increase in both revenues and profits.

Ladies' and Leg Wear Company

In women's innerwear, Gunze's aggressive efforts concentrated on building sales areas designed to enhance customer satisfaction through the *Flaty* campaign. This, combined with the positive effect of the excessively cold weather, resulted in impressive sales increases mainly for "Warm Biz" related items of the *CFA 100* and *Yasashisa Monogatari* lines. Basic product sales, however, were sluggish. In lingerie and foundation garments, *Tuché*, a highly distinguished brand, performed strongly. However, sales for *Yansoffi*, *Iineno Tsuikyū* and *fine? (Finequest)* were slow. In the stockings category, tights sales got a boost from a cold wave along with renewed popularity of the boots and skirt style. The success of the new campaign designed to promote beautiful leg and hip styling contributed to considerable improvements in sales for *Stylish Pants*, a new product, and separate-type stockings. Still, these positive factors were not enough to offset a substantial sales decline in basic pantyhose products. As a result, the Ladies' and Leg Wear Company posted decreased revenues, albeit with increased profits.

Other Textiles

In the home casual (pajamas) category, sales continued to advance for home wear products such as *FILA* and *Body Wild*. Strong sales for thick cold-protection products also resulted in greater sleepwear sales over the same period of the previous year, contributing to an overall increase in revenues and profits for the category. Textile materials also recorded increased revenues and profits. This was mainly attributable to continuing strong sales achieved by mainstay industrial machine-sewing threads outside Japan, mainly in China and Indonesia.

[Functional Solutions]

Net sales increased 6.6% year over year to ¥39,470 million and operating income also rose 6.1% to ¥4,407 million.

Plastic Film Company

Gunze's aggressive efforts in developing and promoting new high-performance products contributed to increased revenues from mainstay shrink films, OPP films and composite nylon films. However, the situation surrounding Gunze continues to remain challenging due to negative factors such as soaring raw material prices mainly for OPP films and increasingly intense competition in the nylon film market, caused by the strengthening of manufacturing facilities by its competitors. Gunze Plastics & Engineering Corporation of Europe N.V. (GPE) and Gunze Plastics & Engineering Corporation of America (GPA) have become well prepared for the recovery of productivity through the reinforcement of production technologies. Consequently, the Plastic Film Company posted increased revenues, albeit with decreased profits.

Engineering Plastics

As for office equipment applications such as photocopiers, printers and multifunction products, fluorocarbon resin thin-walled tubing for fixation rollers experienced a slight sales decline from a year earlier due to inventory adjustment by some clients and other factors. In contrast, sales for mainstay CA belts (high-performance polyimide resin belts for color photocopiers and printers) were strong, supported by robust demand in Japan as well as in the U.S. and Europe. Overall, the engineering plastics category posted increased revenues and profits.

Electronic Components

As for touch panels, highly competitive high-performance models incorporating differentiated technology and mid-/large-size models continued to enjoy strong sales. In terms of applications, sales increased tremendously for video equipment from a year ago, with sales also advancing steadily for notebook PCs and factory automation equipment. Consequently, this category posted an overall increase in revenues and profits.

Others

In printing press-related machinery, mainstay stacker-bundlers and a new product sheeter enjoyed robust sales. However, food processing-related machinery sales declined from the same period of the previous year. This dragged down the overall revenues for this category although profits improved.

[Lifestyle Creations]

Net sales decreased 3.3% to ¥8,254 million while operating income declined 76.0% to ¥269 million.

In the real estate business, a refurbishment project is underway and going smoothly at the Tsukashin shopping center (one of the largest commercial complexes in the Osaka-Kobe region) with reopening scheduled for April 2006. Tenant leasing is also advancing as scheduled. *Tsukashin Spa Yunokaro* (a large-scale spa located in Tsukashin) is also working hard to attract and increase regular customers through intensive sales promotion and the introduction of a new relaxation-oriented menu, helping it consistently achieve sound sales. Other leasing projects also advanced smoothly. Despite these favorable conditions, the closure of the megastore Seibu Department Store at Tsukashin resulted in decreased rent income, which in turn dragged down overall revenues and profits in the real estate business.

In the landscaping and gardening sector, gardening revenues grew, while sales for trees and flowering plants and related installations remained slow, thus leading to overall revenues nearly on a par with the same period of the previous year.

In sports facility management, the newly opened sports club at COMS Sky Garden continued to enjoy favorable sales. At existing facilities as well, the ongoing development of proprietary programs designed to maintain or increase new members contributed to overall increases in revenues and profits.

Regarding voluntary recall of “Thermo Control” innerwear products with temperature adjustment function for autumn and winter seasons

To reconfirm and ensure the safety of innerwear products with “Thermo Control” finish, which were manufactured and marketed by Gunze for the 2005 autumn and winter seasons, we have completely terminated sales and announced the recall of these products through notices in newspapers, the company websites, media coverage, and storefront information. Our recall campaign currently in progress is a sincere response to consumer claims and complaints regarding the products in question. We are determined to apply the lessons learned from this experience toward further strengthening our quality control system, so as to ensure that all our products are safe and dependable for our customers. We ask for your kind understanding and continued support.

Outlook for FY2005

As the consolidated results for the first nine months of the present fiscal year nearly reached the company’s initial targets, Gunze has not revised its full-year forecasts previously announced on November 8, 2005, along with the FY2005 interim financial report. Forecasts by business segment are as follows:

(Millions of yen)

Segment Item	Apparel	Functional solutions	Lifestyle creations	Eliminations/ Corporate	Total
Net sales	101,200	53,400	11,900	(1,500)	165,000
FY2005/FY2004	100.4%	108.6%	99.4%	-	102.8%

Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	End of FY2005		End of FY2004		Increase	(Ref.) FY2004	
	3rd quarter		3rd quarter		(Decrease)	(As of Mar. 31, 2005)	
	(As of Dec. 31, 2005)		(As of Dec. 31, 2004)			(As of Mar. 31, 2005)	
	Amount	Proportion	Amount	Proportion	Amount	Amount	Proportion
(Assets)		%		%			%
Current assets							
1 Cash and cash equivalents	5,716		6,365		(648)	4,577	
2 Trade notes & accounts receivable	47,567		46,367		1,200	38,074	
3 Inventories	37,428		35,946		1,482	38,038	
4 Real estate inventories	636		86		549	637	
5 Short-term advances	253		334		(81)	267	
6 Deferred tax assets	1,573		1,091		481	1,378	
7 Other current assets	2,185		3,926		(1,741)	1,681	
Allowance for doubtful accounts	(172)		(222)		49	(168)	
Total	95,188	43.6	93,896	47.1	1,291	84,486	43.9
Fixed assets							
1 Property, plant and equipment							
(1) Buildings and structures	33,721		33,083		638	33,905	
(2) Machinery and equipment	16,991		13,783		3,208	15,286	
(3) Tools, furniture and fixtures	1,086		1,059		26	1,060	
(4) Land	12,293		12,897		(603)	12,361	
(5) Construction in progress	2,465		4,268		(1,802)	2,089	
Total	66,559		65,092		1,467	64,702	
2 Intangible fixed assets							
(1) Other intangible fixed assets	963		1,122		(159)	1,104	
Total	963		1,122		(159)	1,104	
3 Investments and other assets							
(1) Investments in securities	47,436		32,841		14,594	32,679	
(2) Long-term advances	960		644		315	898	
(3) Deferred tax assets	1,957		1,856		100	3,577	
(4) Other assets	5,314		4,401		913	5,257	
Allowance for doubtful accounts	(294)		(342)		48	(301)	
Total	55,374		39,401		15,972	42,111	
Total	122,897	56.4	105,616	52.9	17,280	107,918	56.1
Total assets	218,086	100.0	199,513	100.0	18,572	192,405	100.0

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

	End of FY2005		End of FY2004		Increase	(Ref.) FY2004	
	3rd quarter		3rd quarter		(Decrease)	(As of Mar. 31, 2005)	
	(As of Dec. 31, 2005)		(As of Dec. 31, 2004)				
	Amount	Proportion	Amount	Proportion	Amount	Amount	Proportion
(Liabilities)		%		%			%
Current liabilities							
1 Notes & accounts payable, trade	12,492		13,051		(558)	12,987	
2 Short-term debt	5,049		4,153		895	4,392	
3 Commercial paper	16,500		14,500		2,000	5,000	
4 Current portion of long-term debt	400		447		(47)	400	
5 Accrued income taxes	3,038		831		2,206	3,350	
6 Allowance for employees' bonuses	506		503		3	1,823	
7 Other current liabilities	12,865		13,494		(629)	12,725	
Total	50,853	23.3	46,982	23.6	3,870	40,680	21.1
Long-term liabilities							
1 Long-term debt	1,313		1,700		(386)	1,712	
2 Deferred tax liabilities	4,623		132		4,491	4	
3 Allowance for retirement benefits	14,307		19,841		(5,534)	15,565	
4 Allowance for directors' and statutory auditors' retirement benefits	487		722		(235)	748	
5 Long-term deposits & guarantee deposits	9,927		9,072		854	9,230	
6 Long-term income in advance	26		135		(108)	127	
7 Other long-term liabilities	12		15		(3)	12	
Total	30,697	14.1	31,619	15.8	(922)	27,401	14.3
Total liabilities	81,551	37.4	78,602	39.4	2,948	68,081	35.4
(Minority interests)							
Minority interests	1,400	0.6	1,321	0.7	79	1,301	0.7
(Shareholders' equity)							
Common stock	26,071	12.0	26,071	13.1	-	26,071	13.5
Additional paid-in capital	22,718	10.4	22,669	11.3	49	22,669	11.8
Retained earnings	71,061	32.6	63,328	31.7	7,732	66,918	34.7
Revaluation difference on land	(825)	(0.4)	(825)	(0.4)	-	(825)	(0.4)
Net unrealized gains on other securities	21,395	9.8	12,022	6.0	9,373	12,115	6.3
Foreign currency translation adjustments	(51)	0.0	(194)	(0.1)	142	(434)	(0.2)
Treasury stock	(5,235)	(2.4)	(3,482)	(1.7)	(1,752)	(3,492)	(1.8)
Total shareholders' equity	135,134	62.0	119,589	59.9	15,545	123,021	63.9
Total liabilities, minority interests & shareholders' equity	218,086	100.0	199,513	100.0	18,572	192,405	100.0

(2) Consolidated Statements of Income

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

	FY2005 3rd quarter (Apr. 1, 2005 to Dec. 31, 2005)		FY2004 3rd quarter (Apr. 1, 2004 to Dec. 31, 2004)		Increase (Decrease)		(Ref.) FY2004 (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount	Ratio	Amount	Ratio	Amount	Pct.	Amount	Ratio
Net Sales	126,666	100.0	125,324	100.0	1,341	1.1	160,565	100.0
Cost of sales	89,987	71.1	88,649	70.7	1,337	1.5	113,799	70.9
Gross profit	36,678	28.9	36,674	29.3	3	0.0	46,766	29.1
Selling, general & administrative expenses	28,145	22.2	28,760	22.9	(614)	(2.1)	38,070	23.7
Operating income	8,532	6.7	7,914	6.4	618	7.8	8,696	5.4
Non-operating income	1,114	0.9	910	0.7	203	22.4	1,326	0.9
1 Interest income	64		48				62	
2 Dividend income	366		319				345	
3 Rental income	249		145				203	
4 Exchange gain	93		50				86	
5 Other	340		347				629	
Non-operating expenses	1,183	0.9	714	0.6	468	65.7	1,079	0.7
1 Interest expenses	262		209				274	
2 Rental costs	184		68				107	
3 Loss on valuation of inventories	224		200				313	
4 Loss on disposal of inventories	157		22				68	
5 Other	353		214				315	
Ordinary income	8,463	6.7	8,110	6.5	352	4.4	8,943	5.6
Extraordinary income	2,476	1.9	11,719	9.4	(9,242)	(78.9)	15,583	9.7
1 Gain on sale of property, plant & equipment	300		1,198				1,557	
2 Gain on sale of investments in securities	975		3				3	
3 Amortization of actuarial gain on retirement benefits	-		9,315				12,420	
4 Amortization gain on prior service cost on retirement benefits by transition from an employees' pension fund to a cash-balance plan	1,201		1,201				1,602	
Extraordinary losses	1,046	0.8	6,236	5.0	(5,189)	(83.2)	6,868	4.3
1 Loss on sale or disposal property, plant & equipment	186		92				593	
2 Loss on valuation of investments in securities	16		3				22	
3 Amortization of actuarial loss on retirement benefits	410		-				-	
4 Loss on valuation of investments and loans to affiliates	-		-				83	
5 Loss on compensation for removal of tenants	433		-				-	
6 Loss on valuation of land	-		6,139				6,139	
7 Other	-		-				29	
Income (loss) before income taxes and minority interests	9,893	7.8	13,593	10.9	(3,699)	(27.2)	17,658	11.0
Income taxes - current	3,910	3.1	5,475	4.4	(1,564)	(28.6)	3,828	2.4
Income taxes - deferred	-	-	-	-	-	-	2,086	1.3
Minority interests	106	0.1	104	0.1	1	1.9	140	0.1
Net income (loss)	5,876	4.6	8,013	6.4	(2,136)	(26.7)	11,603	7.2

(3) Consolidated Statements of Retained Earnings

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

	FY2005 3rd quarter (Apr. 1, 2005 to Dec. 31, 2005)		FY2004 3rd quarter (Apr. 1, 2004 to Dec. 31, 2004)		FY2004 (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount		Amount		Amount	
(Additional Paid-in Capital)						
Balance at beginning of period		22,669		22,716		22,716
Increase in additional paid-in capital						
1 Gain on sale of treasury stock	0		-		-	
2 Increase due to merger of consolidated subsidiaries	49	49	-	-	-	-
Decrease in additional paid-in capital						
1 Loss on sale of treasury stock	-		0		0	
2 Decrease due to elimination of subsidiaries from the scope of consolidation	-	-	47	47	47	47
Balance at end of period		22,718		22,669		22,669
(Retained Earnings)						
Balance at beginning of period		66,918		56,914		56,914
Increase in retained earnings						
1 Net income	5,876		8,013		11,603	
2 Increase due to inclusion of subsidiaries within the scope of consolidation	16		14		14	
3 Increase due to elimination of subsidiaries from the scope of consolidation	-	5,893	47	8,075	47	11,665
Decrease in retained earnings						
1 Cash dividends	1,650		1,657		1,657	
2 Bonuses for directors & statutory auditors	46		-		-	
3 Decrease due to merger of consolidated subsidiaries	49		-		-	
4 Decrease due to other appropriations of earnings	3	1,750	3	1,661	4	1,662
Balance at end of period		71,061		63,328		66,918

Segment Information

(1) Segment Information by Business

Third quarter of FY2005 (April 1, 2005 to December 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	79,980	39,364	7,321	126,666	-	126,666
(2) Intersegment sales and transactions	69	106	932	1,108	(1,108)	-
Total	80,050	39,470	8,254	127,775	(1,108)	126,666
Operating expenses	73,964	35,062	7,984	117,012	1,121	118,133
Operating income (loss)	6,085	4,407	269	10,762	(2,229)	8,532

Third quarter of FY2004 (April 1, 2004 to December 31, 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	80,702	36,904	7,717	125,324	-	125,324
(2) Intersegment sales and transactions	40	108	820	968	(968)	-
Total	80,743	37,012	8,537	126,292	(968)	125,324
Operating expenses	75,601	32,856	7,414	115,872	1,537	117,410
Operating income (loss)	5,142	4,155	1,123	10,420	(2,506)	7,914

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, 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) Non-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.

3rd quarter of FY2005:	2,229 million yen
3rd quarter of FY2004:	2,506 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 present fiscal year. Data for the third quarter of the previous fiscal year and for the entire previous fiscal year were also reclassified and presented based on the new segmentation.

(2) Segment 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 3rd quarter	FY2004 3rd quarter
	(Apr. 1, 2005 to Dec. 31, 2005)	(Apr. 1, 2004 to Dec. 31, 2004)
Apparel	42,235	42,860
Functional solutions	28,941	26,326
Total	71,176	69,186

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 3rd quarter	FY2004 3rd quarter
	Apparel	8,447
Functional solutions	1,958	1,729
Lifestyle creations	1,700	1,851
Total	12,106	12,512

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 present fiscal year. Data for the third 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 (included in the functional solutions segment), 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 3rd quarter		FY2004 3rd quarter	
	(Apr. 1, 2005 to Dec. 31, 2005)		(Apr. 1, 2004 to Dec. 31, 2004)	
	Orders received	Outstanding orders	Orders received	Outstanding orders
Machinery included in the functional solutions business	5,047	2,614	5,408	2,341

Note: Figures exclude consumption tax.

(3) Sales

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

Business Segment	FY2005 3rd quarter	FY2004 3rd quarter	Increase (Decrease)
	(Apr.1, 2005 to Dec. 31, 2005)	(Apr. 1, 2004 to Dec. 31, 2004)	
Apparel	80,050	80,743	%
Functional solutions	39,470	37,012	(0.9)
Lifestyle creations	8,254	8,537	6.6
Subtotal	127,775	126,292	(3.3)
Excl. intersegment sales	(1,108)	(968)	1.2
Total	126,666	125,324	-
			1.1

Note: Figures exclude consumption tax.