

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2008

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.

Company Name: Gunze Limited

Company Code: 3002

Stock Market Listings: Tokyo, Osaka

URL <http://www.gunze.co.jp>

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1. Consolidated results for the first quarter of FY2007 (April 1, 2007 to June 30, 2007)

(1) Consolidated operating results

(Amounts less than one million yen are omitted)

(The percentage figures accompanying net sales, operating income, ordinary income and net income represent year-over-year changes.)

| | Net sales | | Operating income | | Ordinary income | |
|------------------------------|------------|-------|------------------|-------|-----------------|-----|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| Three months ended June 2007 | 39,787 | (0.7) | 2,309 | 7.1 | 2,624 | 7.8 |
| Three months ended June 2006 | 40,086 | (0.1) | 2,156 | (3.1) | 2,435 | 1.0 |
| (Ref.) Year ended Mar. 2007 | 168,787 | - | 9,612 | - | 9,822 | - |

| | Net income | | E.P.S. | Diluted E.P.S. |
|------------------------------|------------|--------|--------|----------------|
| | ¥ millions | % | ¥ | ¥ |
| Three months ended June 2007 | 1,833 | (19.3) | 8.60 | - |
| Three months ended June 2006 | 2,270 | 64.7 | 10.51 | - |
| (Ref.) Year ended Mar. 2007 | 8,386 | - | 39.10 | - |

(2) Consolidated financial position

| | Total assets | Net assets | Net worth ratio | Net assets per share |
|------------------------------|--------------|------------|-----------------|----------------------|
| | ¥ millions | ¥ millions | % | ¥ |
| Three months ended June 2007 | 217,097 | 138,603 | 63.2 | 645.46 |
| Three months ended June 2006 | 219,434 | 133,505 | 60.3 | 615.63 |
| (Ref.) Year ended Mar. 2007 | 214,365 | 138,433 | 64.0 | 641.69 |

2. Dividends

Dividends are not presented as Gunze does not pay a quarterly dividend at the end of the first quarter of each fiscal year.

3. Projected results for FY2007 (April 1, 2007 to March 31, 2008) [Reference]

(Percentages represent changes compared to the previous fiscal year for the full year and compared with previous interim period for the interim period.)

| | Net sales | | Operating income | | Ordinary income | |
|------------------|------------|-----|------------------|------|-----------------|------|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| FY2007 interim | 83,600 | 2.9 | 4,300 | 5.1 | 4,400 | 3.1 |
| FY2007 full-year | 175,000 | 3.7 | 11,100 | 15.5 | 11,000 | 12.0 |

| | Net income | | E.P.S. |
|------------------|------------|------|--------|
| | ¥ millions | % | ¥ |
| FY2007 interim | 3,500 | 25.8 | 16.44 |
| FY2007 full-year | 8,500 | 1.4 | 39.95 |

Note:

As for projected results for FY2007, Gunze has not revised its half-year and full-year forecasts announced previously on May 9, 2007. Projected earnings per share take into account the decrease in average number of shares issued and outstanding during the year resulting from treasury stock purchases.

4. Other

- (1) Changes in consolidated subsidiaries (Changes in scope of consolidation): No
- (2) Use of simplified accounting method: Yes (For details refer to page 7)
- (3) Changes in accounting treatment from the most recent fiscal year: No

Important Remarks on Projections

The above projections are based on business conditions as of the publish date of this report.

Actual results could differ from projections due to changes in business conditions and other factors.

Qualitative Information, Financial Statements and Other Information

1. Qualitative Information on Consolidated Financial Results

During the first quarter of the current fiscal year (April 1, 2007 to June 30, 2007), the Japanese economy generally showed a gradual upturn. However, economic expansion did not lead to a corresponding expansion in consumer spending. Furthermore, the Japanese retail industry, including department stores and general merchandizing stores, continued to suffer sluggish performance, lacking a seasonal surge in storefront sales due primarily to unseasonable weather from April through May. These negative conditions, combined with the depreciation of the Yen along with strong Asian currencies, created a challenging business environment for Gunze's apparel business. By contrast, business conditions for Gunze's financial solutions business were generally favorable, with robust demand both at home and abroad, despite negative factors such as escalating raw material costs. Faced with this situation, the Gunze Group concentrated its efforts on implementing the following three key programs:

- (1) Strengthening the base of technology-oriented management supported by a "quality first" policy.
- (2) Increasing sales capability and profitability by building business models tailored to the characteristics of each product category.
- (3) Reinforcing global production and sales systems.

Overall, the Gunze Group's consolidated net sales for the period under review amounted to ¥39,787 million (a year-over-year decrease of 0.7%). Operating income rose 7.1% to ¥2,309 million, while ordinary income grew 7.8% to ¥2,624 million. Consolidated net income was ¥1,833 million, or a year-over-year decrease of 19.3%. This was mainly due to a substantial drop in amortization gain arising from unrecognized net differences related to retirement benefit obligations. Net sales and operating income by business segment during the period under review are as follows:

[Apparel]

Net sales declined 3.1% year over year to ¥23,034 million while operating income rose 0.9% to ¥1,325 million.

Men's and Kids' Wear Company

In men's innerwear, a large-scale campaign featuring the popular singer/actor Tomoya Nagase as a new celebrity endorser is underway, with the key message "Do you care about underwear? Gunze." Partly as a result of unseasonable weather, storefront sales were generally sluggish. As such, "Cool Biz"-related products and other seasonable products remained slow, with no significant upsurge in sales. As for different product categories, the *GAIA*-category of new innerwear brands such as *Body Wild* showed strong performance mainly due to the positive effects of the company's reorganization, which assigned a dedicated team for this category. By contrast, sales for the "Friendly" category of basic white and seasonal products were slow. Consequently, the Men's and Kids' Wear Company posted a decrease in both revenues and profits.

Ladies' and Leg Wear Company

In women's innerwear, sales for new innerwear brands such as *CFA100* and *Yasashisa Monogatari* were relatively strong. But basic product sales were sluggish. In lingerie and foundation garments, the core brand *Tuché* and *Karubura* enjoyed robust sales, while *Yansoffi* posted disappointing sales. In the stockings category, sales advanced steadily for separate-type stockings, including thigh-high (above knee-high) stockings and leggings. Overall, the Ladies' and Leg Wear Company posted a year-over-year increase in profits although revenues declined.

Other Textiles

In the home casual (pajamas) category, gift product sales related to Mother's Day and Father's Day were disappointing. Efforts to expand sales areas for high-value-added products such as *COMME CI* *COMME CA* proved effective, resulting in a year-over-year increase in profits although category revenues remained on par with the same period of the previous fiscal year. In textile materials, sales for new applications such as automotive materials and sports wear-related materials and accessories

expanded steadily. A proactive global strategy also drove up sales in China and Southeast Asia. The mainstay industrial machine-sewing threads, however, suffered sluggish sales in Japan and China. As a result, this category recorded a decrease in both revenues and profits.

[Functional Solutions]

Net sales increased 2.1% year over year to ¥13,598 million while operating income decreased 3.3% to ¥1,493 million.

Plastic Film Company

Revenues from shrink films grew thanks to the arrival of the demand season for mainstay products for beverage bottle labels in Japan. Shrink film exports for both Europe and Asia were also strong. Despite continued tough challenges facing OPP films, including soaring raw material prices, high-performance products centering on anti-fogging film remained relatively strong. In composite nylon films, a new five-layer nylon barrier film (HF type) proved popular. Generally sluggish market conditions, however, created a slightly challenging situation for composite nylon film sales. Overall, the Plastic Film Company posted increases in revenues and profits.

Engineering Plastics

As for engineering plastics for office equipment applications, sales for mainstay CA belts (high-performance polyimide resin belts for color photocopiers and printers) and fluorocarbon resin thin-walled tubing for fixation rollers continued to grow. Prolonged shift to color-capable units and the incorporation of increasingly advanced functions into monochrome units stimulated demand for these products, which in turn pushed up both revenues and profits for the engineering plastics category.

Electronic Components

The Gunze proprietary touch panel with a polarizer, as well as mid-/large-size touch panels continued to enjoy strong demand. Despite the increase in high-value-added product sales, changes in the product portfolio temporarily resulted in a drop in productivity. As a result, the electronic

components category recorded a year-over-year decrease in profits, albeit increased revenues.

Others

Decreased capital investment in the printing industry negatively impacted sales of mainstay printing press-related machinery, dragging down overall revenues and profits in the machinery category. In medical materials, sales expansion for mainstay polyglycolic acid (PGA) suture thread and reinforcement felt materials advanced steadily inside and outside of Japan. However, declined productivity for some products caused a year-over-year decrease in this category's profits, despite increased revenues.

[Lifestyle Creations]

Net sales increased 7.0% year over year to ¥3,613 million, and operating income soared 152.8% to ¥359 million.

The first-year anniversary events and other promotions for the *Gunze Town Center TSUKASHiN* proved effective for attracting more customers and increasing sales per customer. Thanks to these endeavors, real estate revenues and profits increased year over year. The sports club business also posted overall increases in revenues and profits, along with the opening of new clubs at Nishinomiya and other places. Another new club in Nishiakashi was also opened this past July.

2. Qualitative Information on Consolidated Financial Position

As of June 30, 2007, total assets were ¥217 billion, an increase of ¥2.7 billion compared to the end of the previous fiscal year. The main components of this increase were a ¥1.9 billion increase in investments in securities due to rising market prices for shares owned.

Total liabilities increased ¥2.5 billion compared to the end of the previous fiscal year to ¥78.4 billion. The key contributor was a ¥2.5 billion increase in commercial paper.

Net assets increased ¥100 million compared to the end of the previous fiscal year to ¥138.6 billion. This increase was primarily due to net income of ¥1.8 billion and a ¥1.1 billion increase in unrealized gain on available-for-sale securities. This counterbalanced return of earnings to shareholders, with dividend payments amounting to ¥2.1 billion and treasury stock purchases amounting to ¥700 million.

3. Qualitative Information on Projected Consolidated Results

As consolidated results for the first quarter nearly reached the company's initial targets, Gunze has not revised its half-year and full-year forecasts for the fiscal year ending March 31, 2008, announced previously on May 9, 2007.

4. Other Information

(1) Changes in consolidated subsidiaries (changes in scope of consolidation)

No change

(2) Use of simplified accounting method

Projected tax rate for the year based on the statutory tax rate is used for calculating income taxes.

(3) Changes in accounting treatment from the most recent fiscal year

No change

5. Consolidated financial Statements

(1) Consolidated Balance Sheets

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

| | End of FY2007 1st quarter (As of Jun. 30, 2007) | | End of FY2006 1st quarter (As of Jun. 30, 2006) | | Increase (Decrease) | | (Ref.) FY2006 (As of Mar. 31, 2007) | |
|-------------------------------------|---|--------------|---|--------------|------------------------|--------------|--|--------------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| (Assets) | | % | | % | | | | % |
| Current assets | | | | | | | | |
| 1 Cash and cash equivalents | 6,183 | | 6,495 | | (311) | (4.8) | 4,829 | |
| 2 Trade notes & accounts receivable | 39,351 | | 38,781 | | 569 | 1.5 | 39,906 | |
| 3 Inventories | 35,732 | | 38,897 | | (3,164) | (8.1) | 35,057 | |
| 4 Real estate inventories | 68 | | 418 | | (349) | (83.7) | 124 | |
| 5 Short-term advances | 357 | | 314 | | 43 | 13.7 | 266 | |
| 6 Deferred tax assets | 901 | | 1,703 | | (802) | (47.1) | 862 | |
| 7 Other current assets | 4,063 | | 2,689 | | 1,373 | 51.1 | 4,685 | |
| Allowance for doubtful accounts | (56) | | (47) | | (9) | - | (46) | |
| Total | 86,602 | 39.9 | 89,253 | 40.7 | (2,651) | (3.0) | 85,685 | 40.0 |
| Fixed assets | | | | | | | | |
| 1 Property, plants and equipment | | | | | | | | |
| (1) Buildings and structures | 41,854 | | 42,133 | | (278) | (0.7) | 42,326 | |
| (2) Machinery and equipment | 17,620 | | 17,680 | | (59) | (0.3) | 18,402 | |
| (3) Tools, furniture and fixtures | 1,325 | | 1,064 | | 261 | 24.5 | 1,367 | |
| (4) Land | 12,211 | | 12,270 | | (58) | (0.5) | 12,211 | |
| (5) Construction in progress | 1,854 | | 3,563 | | (1,709) | (48.0) | 626 | |
| Total | 74,866 | 34.5 | 76,711 | 35.0 | (1,845) | (2.4) | 74,934 | 34.9 |
| 2 Intangible fixed assets | | | | | | | | |
| (1) Other intangible fixed assets | 1,101 | | 1,177 | | (76) | (6.5) | 1,105 | |
| Total | 1,101 | 0.5 | 1,177 | 0.5 | (76) | (6.5) | 1,105 | 0.5 |
| 3 Investments and other assets | | | | | | | | |
| (1) Investments in securities | 46,352 | | 44,761 | | 1,591 | 3.6 | 44,355 | |
| (2) Long-term advances | 908 | | 988 | | (79) | (8.1) | 866 | |
| (3) Deferred income taxes | 2,197 | | 1,613 | | 584 | 36.2 | 2,335 | |
| (4) Other assets | 5,270 | | 5,186 | | 84 | 1.6 | 5,289 | |
| Allowance for doubtful accounts | (201) | | (258) | | 56 | - | (206) | |
| Total | 54,527 | 25.1 | 52,291 | 23.8 | 2,236 | 4.3 | 52,639 | 24.6 |
| Total | 130,495 | 60.1 | 130,180 | 59.3 | 314 | 0.2 | 128,680 | 60.0 |
| Total assets | 217,097 | 100.0 | 219,434 | 100.0 | (2,336) | (1.1) | 214,365 | 100.0 |

| | End of FY2007 1st quarter (As of Jun. 30, 2007) | | End of FY2006 1st quarter (As of Jun. 30, 2006) | | Increase (Decrease) | | (Ref.) FY2006 (As of Mar. 31, 2007) | |
|--|---|--------------|---|--------------|------------------------|--------------|--|--------------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | | % | | % | | | | % |
| (Liabilities) | | | | | | | | |
| Current liabilities | | | | | | | | |
| 1 Notes & accounts payable, trade | 12,715 | | 12,000 | | 715 | 6.0 | 12,960 | |
| 2 Short-term debt | 4,177 | | 5,074 | | (897) | (17.7) | 4,138 | |
| 3 Commercial paper | 29,000 | | 22,000 | | 7,000 | 31.8 | 26,500 | |
| 4 Current portion of long-term debt | 400 | | 1,307 | | (907) | (69.4) | 407 | |
| 5 Accrued income taxes | 1,821 | | 2,631 | | (810) | (30.8) | 666 | |
| 6 Allowance for employees' bonuses | 586 | | 579 | | 6 | 1.2 | 1,822 | |
| 7 Notes payable on acquisition of property, plants and equipment | 474 | | 9,007 | | (8,532) | (94.7) | 195 | |
| 8 Other current liabilities | 8,456 | | 8,838 | | (382) | (4.3) | 8,634 | |
| Total | 57,632 | 26.6 | 61,438 | 28.0 | (3,806) | (6.2) | 55,325 | 25.8 |
| Long-term liabilities | | | | | | | | |
| 1 Long-term debt | - | | 400 | | (400) | - | - | |
| 2 Deferred tax liabilities | 3,444 | | 8 | | 3,436 | 42,950.0 | 2,821 | |
| 3 Allowance for retirement benefits | 6,303 | | 12,344 | | (6,040) | (48.9) | 6,608 | |
| 4 Allowance for directors' and statutory auditors' retirement benefits | - | | 464 | | (464) | - | 546 | |
| 5 Long-term deposits & guarantee deposits | 10,567 | | 11,235 | | (668) | (5.9) | 10,595 | |
| 6 Other long-term liabilities | 547 | | 36 | | 510 | 1,419.4 | 34 | |
| Total | 20,862 | 9.6 | 24,489 | 11.2 | (3,627) | (14.8) | 20,606 | 9.6 |
| Total liabilities | 78,494 | 36.2 | 85,928 | 39.2 | (7,433) | (8.7) | 75,931 | 35.4 |
| (Net assets) | | | | | | | | |
| Shareholders' equity | | | | | | | | |
| 1 Common stock | 26,071 | | 26,071 | | - | - | 26,071 | |
| 2 Capital surplus | 22,718 | | 22,718 | | 0 | 0.0 | 22,718 | |
| 3 Retained earnings | 76,856 | | 71,474 | | 5,381 | 7.5 | 77,159 | |
| 4 Treasury stock | (8,156) | | (6,712) | | (1,443) | - | (7,436) | |
| Total | 117,490 | 54.1 | 113,552 | 51.7 | 3,938 | 3.5 | 118,513 | 55.3 |
| Valuation, translation adjustments and others | | | | | | | | |
| 1 Unrealized gain on available-for-sale securities | 19,497 | | 19,162 | | 334 | 1.7 | 18,343 | |
| 2 Deferred gain on hedge | 17 | | 24 | | (6) | (29.2) | 12 | |
| 3 Revaluation difference on land | (400) | | (825) | | 424 | - | (400) | |
| 4 Foreign currency translation adjustments | 637 | | 295 | | 342 | 115.9 | 635 | |
| Total | 19,752 | 9.1 | 18,657 | 8.5 | 1,094 | 5.9 | 18,589 | 8.7 |
| Minority interests | 1,360 | 0.6 | 1,296 | 0.6 | 64 | 4.9 | 1,330 | 0.6 |
| Total net assets | 138,603 | 63.8 | 133,505 | 60.8 | 5,097 | 3.8 | 138,433 | 64.6 |
| Total liabilities and total net assets | 217,097 | 100.0 | 219,434 | 100.0 | (2,336) | (1.1) | 214,365 | 100.0 |

(2) Consolidated Statements of Income

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

| | FY2007 1st quarter (Apr. 1, 2007 to Jun. 30, 2007) | | FY2006 1st quarter (Apr. 1, 2006 to Jun. 30, 2006) | | Increase (Decrease) | | (Ref.) FY2006 (Apr. 1, 2006 to Mar. 31, 2007) | |
|---|---|-------|---|-------|------------------------|--------|--|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Pct. | Amount | Ratio |
| Net Sales | 39,787 | 100.0 | 40,086 | 100.0 | (299) | (0.7) | 168,787 | 100.0 |
| Cost of sales | 28,543 | 71.7 | 28,795 | 71.8 | (252) | (0.9) | 121,776 | 72.1 |
| Gross profit | 11,244 | 28.3 | 11,291 | 28.2 | (46) | (0.4) | 47,010 | 27.9 |
| Selling, general & administrative expenses | 8,934 | 22.5 | 9,134 | 22.8 | (199) | (2.2) | 37,397 | 22.2 |
| Operating income | 2,309 | 5.8 | 2,156 | 5.4 | 152 | 7.1 | 9,612 | 5.7 |
| Non-operating income | 558 | 1.4 | 530 | 1.3 | 28 | 5.3 | 1,547 | 0.9 |
| 1 Interest income | 17 | | 15 | | | | 78 | |
| 2 Dividend income | 277 | | 301 | | | | 506 | |
| 3 Rental income | 84 | | 120 | | | | 459 | |
| 4 Exchange gain | 95 | | 15 | | | | 26 | |
| 5 Other | 83 | | 78 | | | | 475 | |
| Non-operating expenses | 243 | 0.6 | 251 | 0.6 | (8) | (3.2) | 1,337 | 0.8 |
| 1 Interest expenses | 87 | | 94 | | | | 387 | |
| 2 Rental costs | 67 | | 94 | | | | 443 | |
| 3 Loss on disposal of inventories | 17 | | 9 | | | | 51 | |
| 4 Other | 70 | | 53 | | | | 455 | |
| Ordinary income | 2,624 | 6.6 | 2,435 | 6.1 | 189 | 7.8 | 9,822 | 5.8 |
| Extraordinary income | 798 | 2.0 | 2,196 | 5.5 | (1,397) | (63.7) | 9,713 | 5.8 |
| 1 Gain on sale of property, plants & equipment | 5 | | 9 | | | | 118 | |
| 2 Gain on sale of investments in securities | 200 | | - | | | | 785 | |
| 3 Gain on reversal of allowance for doubtful accounts | - | | - | | | | 59 | |
| 4 Amortization of actuarial gain on retirement benefits | 192 | | 1,786 | | | | 7,147 | |
| Amortization gain of prior service cost on retirement | | | | | | | | |
| 5 benefits by transition from an employees' pension fund to a cash-balance plan | 400 | | 400 | | | | 1,602 | |
| Extraordinary loss | 40 | 0.1 | 632 | 1.6 | (592) | (93.7) | 5,937 | 3.5 |
| 1 Loss on sale or disposal of property, plants & equipment | 17 | | 418 | | | | 579 | |
| 2 Loss on valuation of investments in securities | - | | 1 | | | | 24 | |
| 3 Loss on business structure improvement | 22 | | 166 | | | | 181 | |
| 4 Loss on compensation for removal of tenants | - | | - | | | | 20 | |
| 5 Loss on disposal of inventories | - | | - | | | | 5,113 | |
| 6 Other | - | | 46 | | | | 17 | |
| Income before income taxes and minority interests | 3,382 | 8.5 | 3,999 | 10.0 | (616) | (15.4) | 13,599 | 8.1 |
| Income taxes - current | 1,543 | 3.9 | 1,726 | 4.3 | (183) | (10.6) | 1,871 | 1.1 |
| Income taxes - deferred | - | - | - | - | - | - | 3,291 | 2.0 |
| Minority interests | 5 | 0.0 | 2 | 0.0 | 2 | 134.5 | 49 | 0.0 |
| Net income | 1,833 | 4.6 | 2,270 | 5.7 | (436) | (19.3) | 8,386 | 5.0 |

(3) Segment Data

(A) Segment Information by Business

First quarter of FY2007 (April 1, 2007 to June 30, 2007)

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

| | Apparel | Functional solutions | Lifestyle creations | Total | Eliminations/Corporate | Consolidated |
|--|---------|----------------------|---------------------|--------|------------------------|--------------|
| I. Net Sales and Operating Income | | | | | | |
| Net sales | | | | | | |
| (1) Sales to customers | 23,009 | 13,562 | 3,216 | 39,787 | - | 39,787 |
| (2) Intersegment sales and transactions | 25 | 36 | 397 | 459 | (459) | - |
| Total | 23,034 | 13,598 | 3,613 | 40,247 | (459) | 39,787 |
| Operating expenses | 21,709 | 12,105 | 3,253 | 37,068 | 409 | 37,478 |
| Operating income (loss) | 1,325 | 1,493 | 359 | 3,178 | (869) | 2,309 |

First quarter of FY2006 (April 1, 2006 to June 30, 2006)

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

| | Apparel | Functional solutions | Lifestyle creations | Total | Eliminations/Corporate | Consolidated |
|--|---------|----------------------|---------------------|--------|------------------------|--------------|
| I. Net Sales and Operating Income | | | | | | |
| Net sales | | | | | | |
| (1) Sales to customers | 23,733 | 13,292 | 3,060 | 40,086 | - | 40,086 |
| (2) Intersegment sales and transactions | 37 | 20 | 316 | 374 | (374) | - |
| Total | 23,771 | 13,313 | 3,376 | 40,461 | (374) | 40,086 |
| Operating expenses | 22,457 | 11,768 | 3,234 | 37,460 | 469 | 37,929 |
| Operating income (loss) | 1,313 | 1,544 | 142 | 3,001 | (844) | 2,156 |

FY2006 (April 1, 2006 to March 31, 2007)

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

| | Apparel | Functional solutions | Lifestyle creations | Total | Eliminations/Corporate | Consolidated |
|--|---------|----------------------|---------------------|---------|------------------------|--------------|
| I. Net Sales and Operating Income | | | | | | |
| Net sales | | | | | | |
| (1) Sales to customers | 97,565 | 58,082 | 13,139 | 168,787 | - | 168,787 |
| (2) Intersegment sales and transactions | 142 | 112 | 1,080 | 1,335 | (1,335) | - |
| Total | 97,707 | 58,195 | 14,219 | 170,122 | (1,335) | 168,787 |
| Operating expenses | 92,866 | 51,756 | 12,635 | 157,259 | 1,914 | 159,174 |
| Operating income (loss) | 4,840 | 6,438 | 1,584 | 12,863 | (3,250) | 9,612 |

Notes:

- Business segments are classified according to the types and nature of products, and similarities in manufacturing and sales methods.
- 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 components, machinery, and medical materials.
 - Lifestyle creation business: Buying, selling and leasing of real estate, trees and plants, and operation and management of sports facilities.
- 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.

| | |
|-------------------------------|-------------------|
| 1st quarter of FY2007: | 869 million yen |
| 1st quarter of FY2006: | 844 million yen |
| FY2006 (Full year): | 3,250 million yen |

(B) 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.

(C) Overseas Sales

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

(4) Production, Orders and Sales

(A) Results of Production

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

| Business Segment | FY2007 1st quarter | FY2006 1st quarter |
|----------------------|---------------------------------|---------------------------------|
| | (Apr. 1, 2007 to Jun. 30, 2007) | (Apr. 1, 2006 to Jun. 30, 2006) |
| Apparel | 13,325 | 13,560 |
| Functional solutions | 9,733 | 9,847 |
| Total | 23,058 | 23,408 |

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 | FY2007 1st quarter | FY2006 1st quarter |
|----------------------|--------------------|--------------------|
| | Apparel | 1,967 |
| Functional solutions | 512 | 424 |
| Lifestyle creations | 755 | 757 |
| Total | 3,235 | 3,884 |

3. Figures exclude consumption tax.

(B) 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 | FY2007 1st quarter | | FY2006 1st quarter | |
|---|---------------------------------|--------------------|---------------------------------|--------------------|
| | (Apr. 1, 2007 to Jun. 30, 2007) | | (Apr. 1, 2006 to Jun. 30, 2006) | |
| | Orders received | Outstanding orders | Orders received | Outstanding orders |
| Machinery included in the functional solutions business | 2,210 | 1,850 | 2,489 | 3,487 |

Note: Figures exclude consumption tax.

(C) Sales

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

| Business Segment | FY2007 1st quarter | FY2006 1st quarter | Increase |
|--------------------------|--------------------------------|---------------------------------|------------|
| | (Apr.1, 2007 to Jun. 30, 2007) | (Apr. 1, 2006 to Jun. 30, 2006) | (Decrease) |
| Apparel | 23,034 | 23,771 | (3.1)% |
| Functional solutions | 13,598 | 13,313 | 2.1 |
| Lifestyle creations | 3,613 | 3,376 | 7.0 |
| Subtotal | 40,247 | 40,461 | (0.5) |
| Excl. intersegment sales | (459) | (374) | - |
| Total | 39,787 | 40,086 | (0.7) |

Note: Figures exclude consumption tax.