

Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2009

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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 Filing of Quarterly Securities Report
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1. Consolidated results for the second quarter of FY2008 (April 1, 2008 to September 30, 2008)

(1) Consolidated operating results

(Amounts less than one million yen are omitted.)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended Sept. 30, 2008	76,882	-	2,502	-	2,644	-
Six months ended Sept. 30, 2007	80,704	(0.7)	3,422	(16.3)	3,757	(12.0)

	Net income		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Six months ended Sept. 30, 2008	1,145	-	5.56	5.55
Six months ended Sept. 30, 2007	2,973	6.8	13.98	13.98

(2) Consolidated financial position

	Total assets	Net assets	Net worth ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of September 30, 2008	192,654	127,112	65.5	621.06
As of March 31, 2008	195,517	133,058	67.4	631.62

Reference: Net worth

Sept. 30, 2008: ¥126,231 million Mar. 31, 2008: ¥131,730 million

2. Dividends

	Dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
Year ended March 31, 2008	-	-	-	10.00	10.00
Year ending March 31, 2009	-	-	-	-	-
Year ending March 31, 2009 (projected)	-	-	-	10.00	10.00

Note: Revisions to projected dividends during the three months ended Sept. 30, 2008: No

3. Projected results for FY2008 (April 1, 2008 to March 31, 2009)

(Percentages represent changes compared to the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Year ending March 31, 2009	162,000	(2.2)	7,400	(5.0)	7,400	(8.3)

	Net income		E.P.S.*
	¥ millions	%	¥
Year ending March 31, 2009	3,900	(41.7)	19.04

Note: Revisions to projected results during the three months ended Sept. 30, 2008: No.

* Earnings per share reflect the decrease in average number of shares resulting from treasury stock purchase during the second quarter.

4. Other

(1) Changes in important subsidiaries during the period (Changes in specified subsidiaries involving changes in the scope of consolidation): No

(2) Use of simplified accounting methods and accounting practices specific to preparation of quarterly consolidated financial statements: Yes

(For details refer to 4. "Other Information" (2) in "Qualitative Information, Financial Statements and Other Information" on page 7.)

- (3) Changes in accounting policies, procedures and presentation methods for the preparation of quarterly consolidated financial statements (to be reported as change of important matters for the basis of quarterly consolidated financial statements):
- (a) Changes in consolidated accounting methods: Yes
 - (b) Changes other than (a) above: Yes
- (For details refer to 4. “Other Information” (3) in “Qualitative Information, Financial Statements and Other Information” on page 8 and 9.)
- (4) Number of shares issued and outstanding (common stock)
- (a) Number of shares at the end of period (including treasury stock):
 - 2nd quarter of FY2008: 227,935,165 shares
 - FY2007: 227,935,165 shares
 - (b) Treasury stock at the end of period:
 - 2nd quarter of FY2008: 24,683,291 shares
 - FY2007: 19,375,979 shares
 - (c) Average number of shares during the period:
 - Six months ended September 30, 2008: 206,188,032 shares
 - Six months ended September 30, 2007: 212,673,289 shares

Note Regarding the Use of Projections of Results and Other Matters

1. Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results, see 3. “Qualitative Information on Projected Consolidated Results” in “Qualitative Information, Financial Statements and Other Information” on page 6.
2. Gunze began adopting the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan [ASBJ] Statement No. 12) and the Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14) from the fiscal year ending March 31, 2009. Gunze also prepares the quarterly consolidated financial statements according to the Regulations for Quarterly Consolidated Financial Statements.

Qualitative Information, Financial Statements and Other Information

1. Qualitative Information on Consolidated Financial Results

Reviewing the economic conditions during the first half of the current fiscal year (April 1, 2008 to September 30, 2008), the global economy was heavily impacted by the financial crisis stemming from the U.S. subprime loan issue, which quickly spread around the world. In Japan, export-oriented companies, which had served as the main driving force for economic growth, began to show signs of decline along with a slowdown in capital investment. Moreover, the worsening employment situation, stagnation in worker wages and rising prices for daily necessities led to a further drop in consumer confidence. This in turn made the economic slowdown even more apparent.

Faced with this situation, the Gunze Group concentrated its efforts on: (1) proactive development of new products, new technologies and new markets; (2) aggressive implementation of global management; and (3) enhancement of cost competitiveness and improvement of return on assets (ROA). Consequently, the Gunze Group's consolidated net sales for the period under review amounted to ¥76,882 million (a year-over-year decrease of 4.7%). Operating income declined 26.9% to ¥2,502 million, while ordinary income decreased 29.6% to ¥2,644 million. Consolidated net income was ¥1,145 million, a decrease of 61.5% compared to the same period of the previous fiscal year. Note that the percentage of year-over-year changes is shown for reference.

Results by Business Segment

<Apparel>

Net sales declined 5.3% year over year to ¥43,113 million, while operating income decreased 30.6% to ¥1,083 million.

An increasingly defensive mindset led consumers to hold the line on spending for clothing even more. This, combined with the effect of unseasonable weather, including record heat in the summer and localized heavy rain, caused retail sales to remain slow. In men's innerwear, the *Body Wild* line of Cool Balance products and three-dimensional boxers, as well as the seasonal products in the basic group performed strongly. Even so, overall men's innerwear sales declined compared to the same period of the previous fiscal year. In women's innerwear, the new casual innerwear group products including the *CFA100* brand enjoyed robust sales, but lingerie and foundation garment sales remained sluggish. In leg wear, sales of fashionable trend-setting items in the *Tuché* and *Stylish Leggings* lines were strong, and new fashionable tights for this autumn/winter season also got off to a good start. However, plain-type pantyhose, garter-free stockings and short stockings suffered slow sales. The house casual wear (pajamas) category experienced a tough situation during the first half of the period under review, partly due to abnormal weather conditions. In the second half, summer and early autumn season products centering on nightwear posted solid sales. As a result, the category sales remained nearly on a

par with the same period of the previous fiscal year. The women's outerwear business, which has been promoting management reform, suffered a significant drop in revenues due to further declines in the market. Consequently, the apparel segment recorded a year-over-year decrease in both revenues and profits.

<Functional Solutions>

Net sales decreased 5.0% year over year to ¥27,695 million, while operating income declined 18.4% to ¥2,524 million.

Due to soaring crude oil and raw material prices, along with a slowdown of exports mainly to North America experienced among important clients, the functional solutions business continued to suffer challenging conditions. In the plastic film category, shrink film sales for beverage bottle labels in Japan were slightly impacted by unseasonable weather. In the OPP film category, high-performance products such as the anti-fog film lines were especially strong, and composite nylon film sales were nearly equal to those recorded during the same period of the previous fiscal year. However, increasingly intense market competition in the U.S., Europe and China dragged down overseas sales. Engineering plastics for office equipment applications also experienced difficult conditions due to sluggish sales suffered by equipment manufacturers due to the slump in the North American economy. Continued sluggishness in the semiconductor manufacturing equipment market also negatively impacted on engineering plastics sales for general industrial applications. In electronic components, touch panels for laptop PCs and video equipment continued to post robust sales. However, slow sales resulted from postponed order placement for projected capacitive touch panels, as well as slow-moving monitors equipped with a touch panel for factory automation equipment and semiconductor manufacturing equipment. Consequently, the overall functional solutions business posted a year-over-year decline in both revenues and profits.

<Lifestyle Creations>

Although net sales decreased 0.6% year over year to ¥6,962 million, operating income grew 5.2% to ¥671 million.

In the real estate business, the *Gunze Town Center TSUKASHiN* performed well thanks to its efforts to aggressively solicit new tenants, along with increasing sales of large-scale specialty stores. In the sports club business, a new club opened in April (*Gunze Sports Club Minamikusatsu Lake Blue*), which contributed to revenue growth, but increased energy costs adversely affected profits in the category. Overall, the lifestyle creation business recorded increased profits on slightly lower revenues compared to the same period of the previous fiscal year.

2. Qualitative Information on Consolidated Financial Position

As of September 30, 2008, total assets were ¥192,654 million, a decrease of ¥2,863 million compared to the end of the previous fiscal year. The main components of this decrease were a ¥2,657 million reduction in securities investments due to declining market prices for shares owned, and a ¥2,609 million decrease in trade notes and accounts receivable. This was more than enough to offset the ¥924 million increase in finished products and goods and the ¥788 million increase in work in process.

Total liabilities were ¥65,541 million, an increase of ¥3,082 million compared to the end of the previous fiscal year. The key component of this increase was a ¥4,000 million increase in commercial paper, while the main components contributing to a decrease in liabilities included a ¥604 million decrease in allowance for retirement benefits, and a ¥502 million decrease in accrued income taxes.

Net assets were ¥127,112 million, a decrease of ¥5,945 million compared to the end of the previous fiscal year. The main components of the decrease included return of earnings to shareholders amounting to ¥4,592 million (dividend payments of ¥2,085 million and treasury stock purchases of ¥2,506 million) and a ¥1,536 million decrease in unrealized gain on available-for-sale securities. A main factor for the increase was a net income of ¥1,145 million recorded for the period under review.

3. Qualitative Information on Projected Consolidated Results

As for the second half of the current fiscal year, the expanding slump in the economy both at home and abroad is projected to cause a further downturn and increasing uncertainty for the economy. It seems reasonable to project rapid increases in manufacturing costs, increasingly severe competition among companies and changing sales strategies of clients. In view of these projected difficulties, Gunze will strive to improve Group performance by implementing various measures. These are: (1) increasing cost competitiveness by taking on new challenges with new approaches; (2) speeding up the development of high-value-added products that satisfy customers better; (3) aggressively developing high-growth markets (including overseas markets) and channels; and (4) strengthening its business models by minimizing inefficiencies and losses in business processes.

As for the full-year forecasts for the fiscal year ending March 31, 2009, Gunze announced revised forecasts on October 24, 2008, with no further revisions thereafter.

4. Other Information

(1) Changes in Important Subsidiaries during the Period (Changes in Specified Subsidiaries Involving Changes in the Scope of Consolidation): No

(2) Use of Simplified Accounting Methods and Accounting Practices Specific to Preparation of Quarterly Consolidated Financial Statements

(Simplified Accounting Methods)

A. Methods for estimating doubtful accounts

Because the actual rate of default on accounts receivable and other factors at the end of the second quarter of the consolidated fiscal year ending March 31, 2009 are deemed to show no major change from those calculated at the end of the previous consolidated fiscal year, the estimate for doubtful accounts is calculated based on the actual default rate at the end of the previous fiscal year.

B. Methods for valuation of inventories

As for the devaluation of the book value of inventories, Gunze estimates the net sales value and devalues the book value only for those inventory items experiencing obvious deterioration in profitability.

C. Methods for calculating depreciation and amortization of fixed assets

As for fixed assets depreciated using the declining-balance method, the pro-rata share of depreciation expenses corresponding to the current consolidated fiscal year is posted.

D. Judgment of recoverability for deferred tax assets

As for the evaluation of recoverability for deferred tax assets, because it is deemed that no major changes have taken place in the Gunze operating environment, and the occurrence of major temporary differences has remained almost unchanged after the previous consolidated year, the projection for future results and tax planning adopted during the previous fiscal year are used.

E. Methods for calculating allowance for retirement benefits

The pro-rata share of the yearly retirement benefit costs calculated at the beginning of the current consolidated fiscal year is charged. As for actuarial gains and losses, the pro-rata share of the yearly expenses is charged.

(Accounting Practices Specific to Preparation of Quarterly Consolidated Financial Statements)

Calculation of taxes

Taxes are calculated by multiplying income before income taxes for the second quarter under review by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the income before income taxes for the full year.

(3) Changes in Accounting Policies, Procedures and Presentation Methods for the Preparation of Quarterly Consolidated Financial Statements

Gunze began adopting the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan [ASBJ] Statement No. 12; March 14, 2007), and the Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14, March 14, 2007), from the first quarter of the fiscal year ending March 31, 2009. Gunze also prepares the quarterly consolidated financial statements according to the Regulations for Quarterly Consolidated Financial Statements.

(Changes in Accounting Policies)

A. Application of the accounting standard for measurement of inventories

Gunze began adopting the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9; July 5, 2006) from the first quarter of the consolidated fiscal year ending March 31, 2009. Accordingly, inventories are now valued at cost. Under this method, the book value of inventories is devalued in accordance with deterioration in profitability. This change had no impact on operating income, ordinary income and income before income taxes for the six-month period ended September 30, 2008.

B. Application of the accounting standard for lease transactions

Conventionally, Gunze uses the accounting method to treat financial leases that do not transfer ownership as operating lease transactions. From the first quarter of the consolidated fiscal year ending March 31, 2009, Gunze began applying the Accounting Standard for Lease Transactions (ASBJ Statement No. 13; June 17, 1993 [Business Accounting Council, the First Committee], revised on March 30, 2007), and the Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16; January 18, 1994 [The Japanese Institute of Certified Public Accountants, Accounting Practice Committee], revised on March 30, 2007), as the application of the said standard and guidance became possible starting from the quarterly consolidated financial statements related to the consolidated fiscal year beginning April 1, 2008. Accordingly, such leases are treated as sales/purchase transactions. Lease assets are depreciated to an eventual residual value of zero, using the straight-line method within their lease service life.

For financial leases that do not transfer ownership, whose transactions began before March 31, 2008, the conventional accounting method that treats such leases as operating leases transactions is applied as before. This change had no impact on operating income, ordinary income and income before income taxes for the six-month period ended September 30, 2008.

C. Changes in treatment of actuarial gains and losses

Conventionally, Gunze expenses actual gains and losses related to retirement benefits in the fiscal year following the year in which such differences were incurred. However, against the backdrop of significant fluctuations in stock market conditions at home and abroad, substantial amount of gains or losses related to pension assets (actuarial differences) have recently been incurred each period. If these gains/losses are expensed in one year that follows the year in

which such differences are incurred, expense related to such differences will account for a major part of fluctuations in net income. This results in a situation in which the change in net income does not accurately reflect the trends or evaluation of corporate performance.

Moreover, management of pension assets should seek mid-/long-term profits. Also reflecting this nature of pension assets management, the conventional accounting treatment under which actuarial gain or loss in each year directly influences the financial results for the next fiscal year is no longer deemed applicable for the recent economic conditions.

In view of these situations, from the first quarter of the consolidated fiscal year ending March 31, 2009, Gunze began adopting the straight-line method to expense actuarial gains and losses over a fixed number of years (5 years) starting from the fiscal year that follows the year in which such differences are incurred, based on the average number of years of employee service remaining at the time incurred.

This change resulted in an increase of ¥2,317 million in income before income taxes compared to the conventional accounting method.

(Additional Information)

Revision to the statutory useful life of property, plants and equipment

According to the revision to the statutory useful life based on the amended Corporate Tax Law of Japan enacted in 2008, Gunze began calculating depreciation expenses based on the revised useful life from the first quarter of the fiscal year ending March 31, 2009. This change resulted in a decrease of ¥77 million in operating income, ordinary income and income before income taxes, respectively for the six-month period ended September 2008.

5. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

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

	End of FY2008 2nd Quarter (As of Sept. 30, 2008)	End of FY2007 (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and cash equivalents	5,137	5,597
Trade notes & accounts receivable	34,071	36,680
Finished products and goods	23,637	22,712
Work in process	7,428	6,639
Raw materials and supplies	5,526	5,292
Other current assets	4,853	4,112
Allowance for doubtful accounts	(47)	(51)
Total current assets	80,606	80,984
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	41,367	41,140
Machinery and equipment (Net)	16,523	16,828
Land	12,146	12,181
Other (Net)	3,413	2,920
Total property, plants and equipment	73,451	73,071
Intangible fixed assets	1,124	1,206
Investments and other assets		
Investments in securities	30,328	32,986
Other assets	7,347	7,474
Allowance for doubtful accounts	(204)	(206)
Total investments and other assets	37,471	40,254
Total fixed assets	112,047	114,532
Total assets	192,654	195,517

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

	End of FY2008 2nd Quarter (As of Sept. 30, 2008)	End of FY2007 (As of Mar. 31, 2008)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	13,253	12,351
Short-term debt	3,943	3,197
Commercial paper	21,000	17,000
Accrued income taxes	1,676	2,179
Allowance for employees' bonuses	1,744	1,785
Other current liabilities	7,117	7,921
Total current liabilities	48,736	44,436
Long-term liabilities		
Long-term debt	800	800
Allowance for retirement benefits	5,411	6,016
Long-term deposits & guarantee deposits	10,215	10,262
Other long-term liabilities	378	945
Total long-term liabilities	16,805	18,023
Total liabilities	65,541	62,459
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	22,712	22,717
Retained earnings	80,485	81,700
Treasury stock	(12,640)	(10,162)
Total shareholders' equity	116,628	120,327
Valuation, translation adjustments and others		
Unrealized gain on available-for-sale	9,865	11,402
Deferred gains on hedge	(125)	(282)
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	263	683
Total valuation, translation adjustments	9,603	11,403
Stock acquisition rights	61	35
Minority interests	818	1,292
Total net assets	127,112	133,058
Total liabilities and net assets	192,654	195,517

(2) Quarterly Consolidated Statements of Income
(Six months ended Sept. 30, 2008)

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

	FY2008 2nd Quarter (Six months ended Sept. 30, 2008)
Net sales	76,882
Cost of sales	56,757
Gross profit	20,124
Selling, general & administrative expenses	17,621
Operating income	2,502
Non-operating income	
Interest income	30
Dividend income	302
Rental income	223
Exchange gain	10
Other	111
Total non-operating income	677
Non-operating expenses	
Interest expenses	135
Rental costs	191
Other	208
Total non-operating expenses	535
Ordinary income	2,644
Extraordinary income	
Gain on sale of property, plants & equipment	5
Amortization of prior service cost on retirement benefits by transition from an employees' pension fund to a cash-balance plan	781
Total extraordinary income	787
Extraordinary loss	
Loss on sale or disposal of property, plants & equipment	132
Loss on valuation of investments in securities	126
Amortization of actuarial gain on retirement benefits	579
Expenses on business structure improvement	132
Total extraordinary loss	970
Income before income taxes	2,460
Income taxes	1,320
Minority interests	(5)
Net income	1,145

(3) Quarterly Consolidated Statements of Cash Flows (Six months ended Sept. 30, 2008)

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

	FY2008 2nd Quarter (Six months ended Sept. 30, 2008)
Cash flows from operating activities	
Income before income taxes & minority interests	2,460
Depreciation and amortization	3,976
Increase (decrease) in allowance for doubtful accounts	(3)
Increase in allowance for retirement benefits	106
Increase (decrease) in allowance for employees' bonuses	(39)
Interest and dividend income	(332)
Interest expenses	135
Loss on sale and disposal of fixed assets	126
Loss on valuation of investments in securities and other assets	126
Amortization (gain) of prior service cost on retirement benefits by transition from an employees' pension fund to a cash-balance plan	(781)
Amortization of actuarial loss on retirement benefits	579
Other losses	54
Decrease in notes and accounts receivable	2,323
Decrease (increase) in inventories	(1,556)
Decrease (increase) in other current assets	(91)
Increase (decrease) in notes and accounts payable	(866)
Increase in deposits and guarantee deposits	45
Increase (decrease) in other current liabilities	(882)
Increase (decrease) in other long-term liabilities	(397)
Subtotal	4,984
Interest and dividends received	332
Interest paid	(177)
Income tax paid	(1,977)
Net cash provided by operating activities	3,161
Cash flows from investing activities	
Payments for purchase of property, plants & equipment	(3,540)
Proceeds from sale of property, plants & equipment	31
Payments for disposition of property, plants & equipment	(61)
Payments for acquisition of investments in securities	(15)
Net decrease in advances	34
Other, net	(11)
Net cash used in investing activities	(3,563)
Cash flows from financing activities	
Net increase in short-term debt and commercial paper	4,193
Cash dividends paid	(2,081)
Acquisition of treasury stock	(2,506)
Other, net	2
Net cash used in financing activities	(392)
Effect of exchange rate changes on cash & cash equivalents	(98)
Net increase (decrease) in cash and cash equivalents	(893)
Cash and cash equivalents at beginning of period	5,597
Increase in cash and cash equivalents due to change in scope of consolidation	432
Cash and cash equivalents at end of period	5,137

Gunze began adopting the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan [ASBJ] Statement No. 12) and the Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14) from the fiscal year ending March 31, 2009. Gunze also prepares the quarterly consolidated financial statements according to the Regulations for Quarterly Consolidated Financial Statements.

(4) Notes Regarding Assumptions of Continuing Operations

None applicable

(5) Segment Information

[Segment Information by Business]

FY2008 2nd Quarter (Six months ended Sept. 30, 2008)

(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	43,046	27,616	6,219	76,882	-	76,882
(2) Intersegment sales and transactions	67	78	743	889	(889)	-
Total	43,113	27,695	6,962	77,771	(889)	76,882
Operating expenses	42,030	25,170	6,290	73,491	888	74,379
Operating income (loss)	1,083	2,524	671	4,280	(1,777)	2,502

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 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.

[Segment Information by Geographic Area]

FY2008 2nd Quarter (Six months ended September 30, 2008)

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

[Overseas Sales]

FY2008 2nd Quarter (Six months ended September 30, 2008)

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

Overseas sales	8,474
Consolidated net sales	76,882
Percentage of overseas sales against consolidated net sales (%)	11.0

Notes:

- (1) Overseas sales refer to sales by the Company and its consolidated subsidiaries in countries/regions outside Japan.
- (2) Overseas sales by country/region are not presented because the respective figures for each region accounted for less than 10% of consolidated net sales. The combined total is presented above.

(6) Notes in the Event of Significant Changes in Shareholders' Equity

None applicable

(Ref.) Consolidated Financial Statements for the Second Quarter of FY2007

(1) Consolidated Statements of Income

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

	FY2007 2nd Quarter (Six months ended Sept. 30, 2007)
Net sales	80,704
Cost of sales	59,050
Gross profit	21,654
Selling, general & administrative expenses	18,231
Operating income	3,422
Non-operating income	
Interest income	42
Dividend income	313
Rental income	165
Exchange gain	84
Other	255
Total non-operating income	860
Non-operating expenses	
Interest expenses	165
Loss on disposal of inventories	62
Rental costs	133
Other	164
Total non-operating expenses	525
Ordinary income	3,757
Extraordinary income	
Gain on sale of property, plants & equipment	8
Gain on sale of investments in securities	436
Amortization of actuarial gain on retirement benefits	384
Amortization of prior service cost on retirement benefits by transition from an employees' pension fund to a cash-balance plan	801
Other	90
Total extraordinary income	1,721
Extraordinary loss	
Loss on sale or disposal of property, plants & equipment	71
Loss on valuation of investments in securities	14
Expenses on business structure improvement	29
Total extraordinary loss	115
Income before income taxes	5,363
Income taxes	2,381
Minority interests	8
Net income	2,973

(2) Segment Information

[Segment Information by Business]

FY2007 2nd Quarter (Six months ended Sept. 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	45,498	29,088	6,117	80,704	-	80,704
(2) Intersegment sales and transactions	48	52	887	988	(988)	-
Total	45,547	29,141	7,004	81,692	(988)	80,704
Operating expenses	43,985	26,048	6,365	76,399	882	77,281
Operating income (loss)	1,561	3,093	638	5,293	(1,870)	3,422

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 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.

[Segment Information by Geographic Area]

FY2007 2nd Quarter (Six months ended Sept. 30, 2007)

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

[Overseas Sales]

FY2007 2nd Quarter (Six months ended Sept. 30, 2007)

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

6. Other Information

Production, Orders and Sales

(1) Results of Production

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

Business Segment	FY2008 2nd Quarter	FY2007 2nd Quarter
	(Six months ended Sept. 30, 2008)	(Six months ended Sept. 30, 2007)
Apparel	27,687	27,280
Functional solutions	20,983	21,473
Total	48,670	48,753

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	FY2008 2nd Quarter	FY2007 2nd Quarter
	Apparel	2,781
Functional solutions	497	910
Lifestyle creations	1,146	1,176
Total	4,426	6,056

3. Figures exclude consumption tax.

(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	FY2008 2nd Quarter		FY2007 2nd Quarter	
	(Six months ended Sept. 30, 2008)		(Six months ended Sept. 30, 2007)	
	Orders received	Outstanding orders	Orders received	Outstanding orders
Machinery included in the functional solutions business	2,397	1,352	2,701	1,457

Note: Figures exclude consumption tax.

(3) Sales

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

Business Segment	FY2008 2nd Quarter	FY2007 2nd Quarter
	(Six months ended Sept. 30, 2008)	(Six months ended Sept. 30, 2007)
Apparel	43,113	45,547
Functional solutions	27,695	29,141
Lifestyle creations	6,962	7,004
Subtotal	77,771	81,692
Excl. intersegment sales	(889)	(988)
Total	76,882	80,704

Note: Figures exclude consumption tax.

Overview of Consolidated Second Quarter Results

<Overview of Results>

- Net sales: 4.7% decline from the same period of the previous year.
- Apparel business was slow due to decline in consumer confidence, etc. Functional solutions business also declined due to soaring raw material prices and a sluggish economy worldwide. These factors caused double-digit decreases in operating income, ordinary income and net income.

<Special Treatments>

- Amortization gain of unrecognized prior service cost of retirement benefits: ¥0.7 billion.
- Amortization gain of unrecognized actuarial difference on retirement benefits: ¥0.5 billion.

<FY2007 Forecast>

- Net sales are projected to decline 2.2%, while operating income and ordinary income are expected to decrease 5.0% and 8.3%, respectively. Net income is expected to decline 41.7% partly due to the effect of special treatments.

<Dividend Policy>

- Scheduled dividend payment for the current fiscal year: ¥10 per share.

(1) FY2008 2nd Quarter Operating Results (Apr. 1, 2008 to Sept. 30, 2008)

Previous year's results and year-over-year changes are shown for reference.

(Millions of yen)

	FY2008 2nd Quarter (Six months ended Sept. 30, 2008)	FY2007 2nd Quarter (Six months ended Sept. 30, 2007)	Change
			<Upper figures in brackets %>
Net Sales	76,882	80,704	<(4.7)> (3,822)
Operating Income	2,502	3,422	<(26.9)> (920)
Ordinary Income	2,644	3,757	<(29.6)> (1,113)
Income Before Income Taxes	2,460	5,363	<(54.1)> (2,902)
Net Income	1,145	2,973	<(61.5)> (1,828)
Total Assets	192,654	212,407	<(9.3)> (19,753)
Inventories	36,592	37,411	<(2.2)> (819)
Fixed Assets	112,047	126,177	<(11.2)> (14,129)
Net Assets	127,112	136,291	<(6.7)> (9,179)
Financing Income/Expenses	197	190	7
Interest/Dividends Received	332	355	(23)
Interest Expenses	(135)	(165)	30
Capital Expenditures	3,293	2,486	807
Depreciation and Amortization	3,977	3,837	140

Notes: The Company acquired treasury stock during the period.

	(Thousands of shares)	(Amount)
· Treasury stock acquired (including acquisition of odd-lot shares)	5,359	¥2,506 million
· Treasury stock disposed	(51)	¥(28) million
· Treasury stock held at the end of the previous fiscal year	19,375	¥10,162 million
· Treasury stock held at the end of the period	24,683	¥12,640 million

(2) Results by Business Segment

(Millions of yen)

Item		FY2008 2nd Quarter (Six months ended Sept. 30, 2008)		FY2007 2nd Quarter (Six months ended Sept. 30, 2007)		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Apparel	43,113	55.4	45,547	55.8	(2,434)	(5.3)
	Functional Solutions	27,695	35.6	29,141	35.7	(1,446)	(5.0)
	Lifestyle Creations	6,962	9.0	7,004	8.5	(42)	(0.6)
	Subtotal	77,771	100.0	81,692	100.0	(3,921)	(4.8)
	Eliminations	(889)		(988)		99	-
	Consolidated	76,882		80,704		(3,822)	(4.7)
Operating Income	Apparel	1,083	25.3	1,561	29.5	(478)	(30.6)
	Functional Solutions	2,524	59.0	3,093	58.4	(569)	(18.4)
	Lifestyle Creations	671	15.7	638	12.1	33	5.2
	Subtotal	4,280	100.0	5,293	100.0	(1,013)	(19.1)
	Eliminations	(1,777)		(1,870)		93	-
	Consolidated	2,502		3,422		(920)	(26.9)

(3) Significant Financial Indicators

		FY2008 2nd Quarter (Six months ended Sept. 30, 2008)	FY2007 2nd Quarter (Six months ended Sept. 30, 2007)	Change
Operating Income to Total Assets Ratio	%	1.3	1.6	(0.3)
Ordinary Income to Total Assets Ratio	%	1.4	1.8	(0.4)
Operating Income to Net Sales Ratio	%	3.3	4.2	(0.9)
Ordinary Income to Net Sales Ratio	%	3.4	4.7	(1.3)
Net Worth Ratio	%	65.5	63.5	2.0
ROE	%	0.9	2.2	(1.3)
Earnings per Share	¥	5.56	13.98	(8.42)
Diluted Earnings per Share	¥	5.55	13.98	(8.43)
Net Assets per Share	¥	621.06	637.46	(16.40)

(4) Cash Flows

(Millions of yen)

Cash Flow Activity	FY2008 2nd Quarter (Six months ended Sept. 30, 2008)	FY2007 2nd Quarter (Six months ended Sept. 30, 2007)	Change	Breakdown of Major Components
Operating Activities	3,161	8,212	(5,050)	Income before income taxes: 2,460; Depreciation and amortization: 3,976; Decrease in trade notes and accounts receivable: 2,323; Increase in inventories: 1,556; Income taxes paid: 1,977
Investing Activities	(3,563)	(3,809)	246	Purchase of property, plants and equipment: 3,540
Financing Activities	(392)	(4,130)	3,737	Increase in short-term debt and commercial paper: 4,193; Dividend payments: 2,081; Purchase of treasury stock: 2,506
Foreign Currency Translation	(98)	78	(177)	
Increase in Cash and Cash Equivalents - 2nd Quarter	(893)	351	(1,244)	
Increase due to Change in Scope of Consolidation	432	-	432	
Cash and Cash Equivalents - End of Period	5,137	5,181	(43)	

(5) Capital Expenditures (Incl. Investments for Construction in Progress) and Depreciation and Amortization by Segment

(Millions of yen)

Item	FY2008 Plan			FY2007		Y-over-Y Change
	Amount	Weight	2nd Quarter	Amount	Weight	
Capital Expenditures	(Overseas)	770		704	264	
	Apparel	2,570	24.7	1,371	1,753	25.0
	(Overseas)	1,000		370	678	
	Functional Solutions	5,690	54.7	1,648	3,112	44.5
	(Overseas)	0		0	0	
	Lifestyle Creations	360	3.5	140	1,464	20.9
Corporate	1,780	17.1	628	672	9.6	
(Overseas)	1,770		1,074	942		
Total	10,400	100.0	3,787	7,001	100.0	3,399
Depreciation and Amortization	Apparel	2,530	26.9	1,011	2,025	25.3
	Functional Solutions	4,560	48.5	1,849	3,993	49.9
	Lifestyle Creations	1,380	14.7	698	1,313	16.4
	Corporate	930	9.9	417	670	8.4
	Total	9,400	100.0	3,975	8,001	100.0

Note:

Capital expenditures include investments for construction in progress.

Capital expenditures include investments for intangible fixed assets.

(Increase in depreciation due to amended Corporate Tax Law)

Six months ended Sept. 30, 2008: ¥77 million.

FY2008 plan: ¥260 million.

(6) FY2008 Forecast

(Millions of yen)

	FY2008 Forecast	FY2007	Change <Upper figures %>
Net Sales	162,000	165,650	<(2.2)> (3,650)
Operating Income	7,400	7,793	<(5.0)> (393)
Ordinary Income	7,400	8,073	<(8.3)> (673)
Net Income	3,900	6,685	<(41.7)> (2,785)

(7) Forecast of Results by Segment

(Millions of yen)

		FY2008 Forecast		FY2007 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Apparel	92,400	56.5	94,880	56.6	(2,480)	(2.6)
	Functional Solutions	56,400	34.5	58,182	34.8	(1,782)	(3.1)
	Lifestyle Creations	14,800	9.0	14,314	8.6	486	3.4
	Subtotal	163,600	100.0	167,377	100.0	(3,777)	(2.3)
	Eliminations	(1,600)		(1,726)		126	-
	Consolidated	162,000		165,650		(3,650)	(2.2)
Operating Income	Apparel	3,990	36.8	3,794	33.5	196	5.2
	Functional Solutions	5,110	47.1	5,929	52.3	(819)	(13.8)
	Lifestyle Creations	1,740	16.1	1,610	14.2	130	8.1
	Subtotal	10,840	100.0	11,334	100.0	(494)	(4.4)
	Eliminations	(3,440)		(3,540)		100	-
	Consolidated	7,400		7,793		(393)	(5.0)