

## Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2013 (Japanese Standards)

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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 Company Code: 3002  
 Stock Market Listings: Tokyo, Osaka  
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 Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): August 10, 2012  
 Start of Distribution of Dividends (Scheduled) : –  
 Preparation of Supplementary Materials for the Quarterly Financial Results: No  
 Holding of Presentation of Quarterly Financial Results: No

### 1. Consolidated results for the first quarter of FY2012 (April 1, 2012 to June 30, 2012)

#### (1) Consolidated operating results (cumulative)

(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 2012	31,804	(2.5)	913	29.7	904	7.1
Three months ended June 2011	32,624	(1.4)	704	(40.2)	844	(42.8)

	Net income		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Three months ended June 2012	470	(52.0)	2.45	2.44
Three months ended June 2011	979	(5.3)	5.07	5.06

Note: Comprehensive income

Three months ended June 2012: (¥607 million) [–%]

Three months ended June 2011: ¥225 million [–%]

## (2) Consolidated financial position

	Total assets	Net assets	Net worth ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of June 30, 2012	172,104	108,244	62.2	558.47
As of March 31, 2012	168,517	110,197	64.7	568.89

Reference: Net worth

June 30, 2012: ¥106,985 million

March 31, 2012: ¥108,979 million

## 2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2011	-	-	-	7.50	7.50
FY2012	-	-	-	-	-
FY2012 (projected)	-	-	-	7.50	7.50

Note: Revisions to dividend projections most recently announced: No

## 3. Projected results for FY2012 (April 1, 2012 to March 31, 2013)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2012 full year	141,500	3.6	3,600	251.9	3,400	248.7

	Net income		E.P.S.
	¥ millions	%	¥
FY2012 full year	1,600	180.2	8.35

Note: Revisions to projections of consolidated financial results most recently announced: No

## Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by changes in the scope of consolidation): No
- (2) Application of specific accounting practices for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement after error corrections
  - (a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - (b) Changes in accounting policies due to other reasons: No
  - (c) Changes in accounting estimates: No
  - (d) Restatement after error corrections: No

(4) Number of shares issued and outstanding (common stock)

(a) Number of shares at the end of period (including treasury stock):

1st quarter of FY2012: 209,935,165 shares

End of FY2011: 209,935,165 shares

(b) Treasury stock at the end of period:

1st quarter of FY2012: 18,366,296 shares

End of FY2011: 18,369,686 shares

(c) Average number of shares during the period (cumulative quarterly period):

1st quarter of FY2012: 191,567,475 shares

1st quarter of FY2011: 193,077,812 shares

Notes regarding quarterly review

This summary of consolidated financial statements is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Law of Japan, and that review had not been completed on the day of disclosure.

Notes regarding the use of projections of results and other matters

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 and notes regarding the use of projections, see (3) “Qualitative Information on Projected Consolidated Results” on page 4 of attached materials.

## Attached Materials

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## **1. Qualitative Information on Quarterly Financial Results**

### **(1) Qualitative Information on Consolidated Results of Operations**

During the first quarter of the current fiscal year (April 1, 2012 to June 30, 2012), the Japanese economy revealed underlying strength in some areas, such as demand related to the recovery from the Great East Japan Earthquake and personal expenditures. Despite these positive signs, economic uncertainty remained overall, reflecting the sluggish economies in the U.S. and Europe, the slowdown in growth in China, and the continuously strong yen and falling stock prices. Other negative factors included worsening income and employment conditions due to prolonged deflation, and electricity supply issues in summer.

The GUNZE Group's functional solutions business experienced challenges as a whole, such as a decline in orders caused by the downturn in the U.S. and European economies and the persistently strong yen. The apparel business also remained sluggish due to a continued frugal mindset and preference for low-priced products among consumers, the expansion of private brand products released by leading retailers, and unseasonal weather.

Faced with this situation, the GUNZE Group strived to enhance its ability to adapt to rapid changes in the marketplace by securing growth and strengthening its corporate structure. These are two key strategies of the GUNZE Group's medium-term management plan, called "Innovation 4S (fiscal 2011 through fiscal 2013)," which is now in its second year.

Consequently, the GUNZE Group's consolidated net sales for the period under review amounted to ¥31,804 million (a year-over-year decrease of 2.5%). Consolidated operating income totaled ¥913 million (a year-over-year increase of 29.7%), while consolidated ordinary income was ¥904 million (a year-over-year increase of 7.1%). Consolidated net income was ¥470 million (a year-over-year decrease of 52.0%).

### **Results by Business Segment**

#### **<Functional Solutions>**

In plastic film, although anxiety about future electricity shortages created front-loaded demand, sales were slow overall. This was mainly caused by the increasing tendency of users to reduce purchases in anticipation of a future decline in prices supported by the

drop in crude oil prices. In engineering plastics, sales for semiconductor applications increased steadily, but demand related to office automation equipment was slow, largely because of the prolonged appreciation of the yen and stagnation in European economies. The electronic component business became sluggish after the second half of the previous year, as the mainstay medium- and large-sized projected capacitive touch screens for PCs failed to enjoy recovery in demand. Medical products achieved robust sales in China and the rest of Asia. Overall, the functional solutions business recorded net sales of ¥11,669 million (a year-over-year decrease of 2.8%) and operating income of ¥870 million (a year-over-year decrease of 24.1%).

#### <Apparel>

In innerwear, basic products and seasonal products experienced disappointing sales due to unseasonal weather and intensifying competition. However, earnings improved thanks to the development of new fashionable and casual products and cost reduction efforts. In leg wear, leggings and trenka suffered slow sales. By contrast, the new *Mirica* brand and other plain pantyhose products performed strongly. Overall, the apparel business recorded net sales of ¥16,857 million (a year-over-year decrease of 4.5%), while operating income was ¥686 million (a year-over-year increase of 222.1%).

#### <Lifestyle Creations>

In the real estate business, the *GUNZE Town Center TSUKASHiN* concentrated its efforts on acquiring new tenants and implementing community-rooted sales promotion strategies. Still the facility was adversely affected by sluggish consumption and the ongoing renovation work for the facility's *Nishimachi* area, which is set to reopen this October. In the sports club business, the Kyoto sports club which opened this April performed steadily as initially planned, pushing up overall sports club membership to the highest level ever in its history. Overall, the lifestyle creation business posted net sales of ¥3,506 million (a year-over-year increase of 8.4%) and operating income of ¥164 million (a year-over-year decrease of 2.4%).

### (2) Qualitative Information on Consolidated Financial Position

As of June 30, 2012, total assets were ¥172,104 million, an increase of ¥3,587 million compared to the end of the previous fiscal year. The main components of the increase were a ¥1,794 million increase in finished products and goods, a ¥1,784 million increase in investments and other assets (increase in long-term prepaid expenses, etc.), a ¥1,185 million increase in cash and cash equivalents, and an ¥808 million increase in

notes and accounts receivable. The main factors contributing to a decrease in total assets were a ¥2,314 million decrease in investments in securities.

Total liabilities were ¥63,860 million, an increase of ¥5,540 million compared to the end of the previous fiscal year. The key component of the increase was a ¥5,960 million increase in long- and short-term debt including commercial paper and a ¥1,060 million increase in notes and accounts payable. The main components of a decrease in total liabilities were an ¥848 million decrease in allowance for employees' bonuses and a ¥283 million decrease in allowance for retirement benefits.

Net assets were ¥108,244 million, a decrease of ¥1,953 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥1,759 million decrease in unrealized gains on available-for-sale securities and dividend payments amounting to ¥1,436 million. The main components of an increase included a net income of ¥470 million recorded for the first-quarter period under review, a ¥658 million increase in foreign currency translation adjustments.

### **(3) Qualitative Information on Projected Consolidated Results**

GUNZE has not revised its full-year forecast for the fiscal year ending March 31, 2013 from the previous forecast announced on May 14, 2012, as performance during the first-quarter period remained within the assumed range.

## **2. Summary Information (Other)**

### **(1) Changes in Significant Subsidiaries during the Period**

None applicable

### **(2) Application of Specific Accounting Practices for Preparing Quarterly Consolidated Financial Statements**

(Calculation of taxes)

Taxes are calculated by multiplying income before income taxes for the first-quarter period 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. Therefore, the amount of income tax adjustment is recorded in income taxes.

**(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement after Error Corrections**

(Change in accounting policies, which is difficult to distinguish from changes in accounting estimates)

Effective from the first-quarter period under review, with the revision of the Corporate Tax Law, GUNZE and its domestic subsidiaries changed their depreciation methods for property, plants and equipment acquired on and after April 1, 2012 into the method based on the newly revised law. The effect of this change on operating income, ordinary income and income before income taxes for the first-quarter period under review is immaterial.



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2011 (As of Mar. 31, 2012)	End of FY2012 1st quarter (As of June 30, 2012)
Assets		
Current assets		
Cash and cash equivalents	6,078	7,264
Notes & accounts receivable, trade	29,547	30,355
Finished products and goods	22,190	23,985
Work in process	7,177	7,613
Raw materials and supplies	6,195	6,482
Other current assets	4,224	3,933
Allowance for doubtful accounts	(21)	(7)
Total current assets	75,392	79,627
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	38,386	38,350
Machinery, equipment and vehicles (Net)	16,103	15,791
Land	11,907	11,931
Other (Net)	2,349	2,567
Total property, plants and equipment	68,746	68,641
Intangible fixed assets	1,916	1,909
Investments and other assets		
Investments in securities	12,538	10,223
Other assets	9,993	11,778
Allowance for doubtful accounts	(69)	(75)
Total investments and other assets	22,462	21,926
Total fixed assets	93,125	92,477
Total assets	168,517	172,104

(Millions of yen)

	End of FY2011 (As of Mar. 31, 2012)	End of FY2012 1st quarter (As of June 30, 2012)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	7,013	8,074
Short-term debt	4,798	4,970
Commercial paper	19,600	25,400
Current portion of long-term debt	1,077	1,082
Accrued income taxes	387	559
Allowance for employees' bonuses	1,239	391
Other current liabilities	9,228	8,752
Total current liabilities	43,344	49,230
Long-term liabilities		
Long-term debt	7,678	7,662
Allowance for retirement benefits	2,174	1,891
Long-term deposits & guarantee deposits	4,737	4,689
Other long-term liabilities	384	387
Total long-term liabilities	14,975	14,630
Total liabilities	58,319	63,860
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,080	14,080
Retained earnings	79,255	78,331
Treasury stock	(7,655)	(7,653)
Total shareholders' equity	111,752	110,829
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	430	(1,329)
Deferred gains (losses) on hedge	(220)	(191)
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	(2,582)	(1,923)
Total accumulated other comprehensive income	(2,773)	(3,844)
Stock acquisition rights	253	264
Minority interests	964	994
Total net assets	110,197	108,244
Total liabilities and net assets	168,517	172,104

## (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Consolidated Statements of Income  
(for the three months from April 1 to June 30)

(Millions of yen)

	1st quarter of FY2011 (Apr. 1, 2011 to June 30, 2011)	1st quarter of FY2012 (Apr. 1, 2012 to June 30, 2012)
Net sales	32,624	31,804
Cost of sales	23,938	23,198
Gross profit	8,685	8,605
Selling, general & administrative expenses	7,981	7,692
Operating income	704	913
Non-operating income		
Interest income	3	3
Dividend income	161	124
Rental income	161	150
Other	80	58
Total non-operating income	406	337
Non-operating expenses		
Interest expenses	29	46
Rental costs	156	140
Exchange loss	24	39
Other	56	120
Total non-operating expenses	267	346
Ordinary income	844	904
Extraordinary income		
Gain on sale of property, plants & equipment	1	-
Gain on sale of investment securities	-	2
Gain on establishment of employee retirement benefit trust	1,492	1,170
Other	37	-
Total extraordinary income	1,531	1,172
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	86	22
Loss on sale of investment securities	-	158
Loss on valuation of investments in securities	-	321
Amortization of actuarial differences in retirement benefits	622	650
Other	4	7
Total extraordinary loss	713	1,159
Income before income taxes and minority interests	1,661	917
Income taxes	728	501
Income before minority interests	933	415
Minority interests in income (loss)	(45)	(54)
Net income	979	470

Consolidated Statements of Comprehensive Income  
(for the three months from April 1 to June 30)

(Millions of yen)

	1st quarter of FY2011 (Apr. 1, 2011 to June 30, 2011)	1st quarter of FY2012 (Apr. 1, 2012 to June 30, 2012)
Income before minority interests	933	415
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(923)	(1,759)
Deferred gains (losses) on hedge	(7)	29
Foreign currency translation adjustments	222	707
Total other comprehensive income (loss)	(708)	(1,022)
Comprehensive income (loss) attributable to:	225	(607)
Shareholders of the parent company	252	(633)
Minority interests	(27)	26

### (3) Notes Regarding Assumptions of Continuing Operations

None applicable

### (4) Segment Information

I. First quarter of FY2011 (Three months ended June 30, 2011)

1. Information on Net Sales and Profit (Loss) of Each Reportable Segment

(Millions of yen)

	Functional solutions	Apparel	Lifestyle creations	Total	Adjustment (note)	Consolidated
Net sales						
Sales to customers	11,978	17,618	3,026	32,624	-	32,624
Intersegment sales and transfers	31	36	208	277	(277)	-
Total	12,010	17,655	3,235	32,901	(277)	32,624
Segment profit	1,146	213	168	1,527	(823)	704

Note:

The - (minus) ¥823 million segment profit adjustment consists of overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not allocated to reportable segments.

### II. First quarter of FY2012 (Three months ended June 30, 2012)

1. Information on Net Sales and Profit (Loss) of Each Reportable Segment

(Millions of yen)

	Functional solutions	Apparel	Lifestyle creations	Total	Adjustment (note)	Consolidated
Net sales						
Sales to customers	11,620	16,824	3,360	31,804	-	31,804
Intersegment sales and transfers	48	33	146	228	(228)	-
Total	11,669	16,857	3,506	32,033	(228)	31,804
Segment profit	870	686	164	1,722	(809)	913

Note:

The - (minus) ¥809 million segment profit adjustment consists of overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not allocated to reportable segments.

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

None applicable