

February 5, 2013

## Summary of Consolidated Financial Statements for the Third 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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Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): February 13, 2013  
 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 third quarter of FY2012 (April 1, 2012 to December 31, 2012)

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

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended December 2012	100,419	(4.9)	2,660	32.9	2,732	31.7
Nine months ended December 2011	105,614	1.3	2,001	(46.5)	2,074	(46.6)

	Net income (loss)		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Nine months ended December 2012	(890)	–	(4.65)	–
Nine months ended December 2011	(1,306)	–	(6.77)	–

Note: Comprehensive income

Nine months ended December 31, 2012: (¥2,790 million) [–%]

Nine months ended December 31, 2011: (¥2,227 million) [–%]

## (2) Consolidated financial position

	Total assets	Net assets	Net worth ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of December 31, 2012	168,228	106,101	62.4	548.14
As of March 31, 2012	168,517	110,197	64.7	568.89

Reference: Net worth

December 31, 2012: ¥105,040 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	133,500	(2.3)	1,600	56.4	1,900	94.9

	Net income (loss)		E.P.S.
	¥ millions	%	¥
FY2012 full year	(1,900)	-	(9.92)

Note: Revisions to projections of consolidated financial results most recently announced: Yes

## 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):

3rd quarter of FY2012: 209,935,165 shares

FY2011: 209,935,165 shares

(b) Treasury stock at the end of period:

3rd quarter of FY2012: 18,303,989 shares

FY2011: 18,369,686 shares

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

3rd quarter of FY2012: 191,572,734 shares

3rd quarter of FY2011: 193,074,298 shares

Notes regarding implementation of 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**

Reviewing the economic conditions during the first nine months of the current fiscal year (April 1 – December 31, 2012), the Japanese economy showed some signs of recovery in certain sectors, mostly due to demand generated from recovery efforts related to the Great East Japan Earthquake, as well as the effect of the Japanese government's stimulus package to spur consumption of automobiles. However, the slowdown in overseas economies, Europe in particular, and worsened relations between Japan and China stemming from the Senkaku Islands dispute, led to increasing concern for an adverse impact on corporate earnings, along with a continued feeling of stagnation in various sectors including personal expenditures. These factors made overall business conditions remain challenging.

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

The GUNZE Group's functional solutions business continued to experience difficulties, including a decline in orders caused by the downturn in overseas economies and the strong yen. The apparel business also remained sluggish as a whole, with a persistent trend toward lower pricing, stemming from the expansion of private brand products from leading retailers. Still, the Group's efforts to reduce cost of sales showed some positive effects.

Consequently, the GUNZE Group posted net sales of ¥100,419 million for the nine months ended December 31, 2012 (a year-over-year decrease of 4.9%).

Consolidated operating income amounted to ¥2,660 million (a year-over-year increase of 32.9%), while consolidated ordinary income was ¥2,732 million (a year-over-year increase of 31.7%). During the period under review, GUNZE posted an impairment loss on fixed assets related to electronic components. As a result, GUNZE recorded a consolidated net loss of ¥890 million, compared with a consolidated net loss of ¥1,306 million posted in the same period of the previous fiscal year.

## Results by Business Segment

### <Functional Solutions>

In plastic film, mainstay shrink film products enjoyed robust sales for hot beverages due to a decrease in temperature. Plastic film sales for food packaging and industrial applications also performed strongly. In engineering plastics, demand related to office equipment components continued to remain slow due to reduced quantity of prints. By contrast, in the field of industrial applications, newly developed products for semiconductor applications enjoyed brisk sales. In electronic components, although GUNZE became ready for mass production of touch screens for Windows 8-related PCs, its contribution to performance was still limited. In medical products, sales of products destined for the Chinese market were slow due to a souring of relations between Japan and China. However, sales rose in Japanese and Latin American markets. Overall, the functional solutions business posted net sales of ¥35,994 million (a year-over-year decrease of 9.1%) and operating income of ¥2,083 million (a year-over-year decrease of 28.5%).

### <Apparel>

In innerwear, a steep decline in temperature beginning in November spurred sales of heavy-material seasonal products. However, sales of basic products continued to be sluggish. Casual product sales were robust thanks to the presale of new products. GUNZE's efforts to improve profitability were also ongoing by cutting cost of sales and fixed costs. In leg wear, sales of fashionable products were disappointing. However, thermal items centered on functional tights performed impressively as did *Uchi Eco* products designed to encourage an eco-conscious lifestyle at home, such as room socks and shoes. Overall, the apparel business posted net sales of ¥55,229 million (a year-over-year decrease of 4.1%), while operating income was ¥2,504 million (a year-over-year increase of 85.3%).

### <Lifestyle Creation>

In the real estate business, the reopening of the renovated *Nishimachi* area encouraged visitors to spend more time enjoying shopping, dining and other activities in the *GUNZE Town Center TSUKASHiN*. As a result, this commercial facility did well in terms of sales and the number of visitors. The sports club business also performed stably with the two sports clubs opened during the year contributing to sales along with the existing clubs' successful attraction of customers. Overall, the lifestyle creation

business recorded net sales of ¥9,920 million (a year-over-year increase of 6.6%) and operating income of ¥556 million (a year-over-year increase of 20.6%).

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

As of December 31, 2012, total assets were ¥168,228 million, a decrease of ¥288 million compared to the end of the previous fiscal year. The main components of the decrease were a ¥2,925 million decrease in machinery, equipment and vehicles, and a ¥2,232 million decrease in investments in securities. The main factors contributing to an increase in total assets were a ¥3,411 million increase in notes and accounts receivable, and a ¥2,153 million increase in other assets under investments and other assets (an increase in long-term prepaid expenses, etc.)

Total liabilities were ¥62,127 million, an increase of ¥3,807 million compared to the end of the previous fiscal year. The key component of the increase was a ¥3,429 million increase in long- and short-term debt including commercial paper.

Net assets were ¥106,101 million, a decrease of ¥4,096 million compared to the end of the previous fiscal year. The main components of the decrease were a ¥1,988 million decrease in unrealized gains on available-for-sale securities, dividend payments amounting to ¥1,436 million, and a net loss of ¥890 million recorded during the period under review. The main component of an increase was a ¥224 million increase in deferred gains on hedge.

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

During the nine months ended December 31, 2012, orders received for electronic components were considerably lower than initially expected, because of a delay in the initial rise of sales for mainstay products for PC applications. In innerwear as well, sales of basic products for the autumn and winter seasons were discouraging. The posting of impairment loss on electronic component production equipment also contributed to the projection of consolidated full-year results that fell below the previous forecast. Accordingly, the GUNZE Group has made revisions to its previous full-year forecast for the fiscal year ending March 31, 2013. The projected dividend of ¥7.5 per share will remain unchanged.

Details of revisions to the full-year forecast are as follows:

**Full-Year Forecast for the Fiscal Year Ending March 31, 2013 (FY2012)**

	Net sales	Operating income	Ordinary income	Net income	E.P.S.
	¥ millions	¥ millions	¥ millions	¥ millions	¥
Previous forecast (A)	137,000	3,600	3,400	1,600	8.35
Revised forecast (B)	133,500	1,600	1,900	(1,900)	(9.92)
Difference (B - A)	(3,500)	(2,000)	(1,500)	(3,500)	—
Difference (percentage)	(2.6%)	(55.6%)	(44.1%)	—	—
(Ref.) Previous fiscal year results (ended March 31, 2012)	136,621	1,023	975	571	2.96

**2. Summary Information (Notes)**

**(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 and minority interests for the nine-month 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 consolidated fiscal year ending March 31, 2013. 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 of the fiscal year ending March 31, 2013, 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 nine-month 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 3rd quarter (As of Dec. 31, 2012)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	6,078	7,282
Notes & accounts receivable, trade	29,547	32,958
Finished products and goods	22,190	21,701
Work in process	7,177	7,142
Raw materials and supplies	6,195	6,017
Other current assets	4,224	3,456
Allowance for doubtful accounts	(21)	(11)
<b>Total current assets</b>	<b>75,392</b>	<b>78,547</b>
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	38,386	37,880
Machinery, equipment and vehicles (Net)	16,103	13,178
Land	11,907	11,907
Other (Net)	2,349	2,666
<b>Total property, plants and equipment</b>	<b>68,746</b>	<b>65,632</b>
Intangible fixed assets	1,916	1,732
Investments and other assets		
Investments in securities	12,538	10,306
Other assets	9,993	12,147
Allowance for doubtful accounts	(69)	(137)
<b>Total investments and other assets</b>	<b>22,462</b>	<b>22,316</b>
<b>Total fixed assets</b>	<b>93,125</b>	<b>89,681</b>
<b>Total assets</b>	<b>168,517</b>	<b>168,228</b>

(Millions of yen)

	End of FY2011 (As of Mar. 31, 2012)	End of FY2012 3rd quarter (As of Dec. 31, 2012)
<b>Liabilities</b>		
Current liabilities		
Notes & accounts payable, trade	7,013	7,323
Short-term debt	4,798	4,488
Commercial paper	19,600	22,100
Current portion of long-term debt	1,077	1,077
Accrued income taxes	387	980
Allowance for employees' bonuses	1,239	348
Other current liabilities	9,228	9,977
Total current liabilities	43,344	46,295
Long-term liabilities		
Long-term debt	7,678	8,918
Allowance for retirement benefits	2,174	1,805
Long-term deposits & guarantee deposits	4,737	4,686
Other long-term liabilities	384	421
Total long-term liabilities	14,975	15,832
Total liabilities	58,319	62,127
<b>Net assets</b>		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,080	14,073
Retained earnings	79,255	76,970
Treasury stock	(7,655)	(7,625)
Total shareholders' equity	111,752	109,489
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	430	(1,557)
Deferred gains (losses) on hedge	(220)	4
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	(2,582)	(2,494)
Total accumulated other comprehensive income	(2,773)	(4,448)
Stock acquisition rights	253	283
Minority interests	964	776
Total net assets	110,197	106,101
Total liabilities and net assets	168,517	168,228

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

Consolidated Statements of Income  
(for the nine months from April 1 to December 31)

(Millions of yen)

	3rd quarter of FY2011 (Apr. 1, 2011 to Dec. 31, 2011)	3rd quarter of FY2012 (Apr. 1, 2012 to Dec. 31, 2012)
Net sales	105,614	100,419
Cost of sales	78,905	74,267
Gross profit	26,708	26,152
Selling, general & administrative expenses	24,706	23,492
Operating income	2,001	2,660
Non-operating income		
Interest income	9	17
Dividend income	292	226
Rental income	473	450
Exchange gain	-	52
Other	149	203
Total non-operating income	925	951
Non-operating expenses		
Interest expenses	104	122
Rental costs	447	421
Exchange loss	166	-
Other	134	334
Total non-operating expenses	852	878
Ordinary income	2,074	2,732
Extraordinary income		
Gain on sale of fixed assets	41	19
Gain on sale of investment securities	-	2
Gain on establishment of employee retirement benefit trust	1,492	1,941
Other	37	86
Total extraordinary income	1,571	2,049
Extraordinary loss		
Loss on sale or disposal of fixed assets	149	257
Loss on sale of investment securities	-	158
Loss on valuation of investments in securities	2,357	-
Amortization of actuarial differences in retirement benefits	1,869	1,950
Impairment loss	-	2,521
Other	59	9
Total extraordinary loss	4,435	4,897
Income (loss) before income taxes and minority interests	(789)	(115)
Income taxes	639	984
Income (loss) before minority interests	(1,429)	(1,100)
Minority interests in income (loss)	(122)	(209)
Net income (loss)	(1,306)	(890)

Consolidated Statements of Comprehensive Income  
 (for the nine months from April 1 to December 31)

(Millions of yen)

	3rd quarter of FY2011 (Apr. 1, 2011 to Dec. 31, 2011)	3rd quarter of FY2012 (Apr. 1, 2012 to Dec. 31, 2012)
Income (loss) before minority interests	(1,429)	(1,100)
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(268)	(1,988)
Deferred gains (losses) on hedge	48	224
Foreign currency translation adjustments	(579)	72
Total other comprehensive income (loss)	(798)	(1,690)
Comprehensive income (loss) attributable to:	(2,227)	(2,790)
Shareholders of the parent company	(1,988)	(2,606)
Minority interests	(238)	(184)

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

None applicable

### (4) Segment Information

I. Third quarter of FY2011 (Nine months ended December 31, 2011)

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

(Millions of yen)

	Reportable segments				Adjustment (note)	Consolidated
	Functional solutions	Apparel	Lifestyle creation	Total		
Net sales						
Sales to customers	39,455	57,484	8,674	105,614	-	105,614
Intersegment sales and transfers	135	126	629	891	(891)	-
Total	39,590	57,610	9,304	106,505	(891)	105,614
Segment profit	2,915	1,351	461	4,728	(2,726)	2,001

Note:

The - (minus) ¥2,726 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. Third quarter of FY2012 (Nine months ended December 31, 2012)

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

(Millions of yen)

	Reportable segments				Adjustment (note)	Consolidated
	Functional solutions	Apparel	Lifestyle creation	Total		
Net sales						
Sales to customers	35,878	55,128	9,412	100,419	-	100,419
Intersegment sales and transfers	115	101	507	724	(724)	-
Total	35,994	55,229	9,920	101,144	(724)	100,419
Segment profit	2,083	2,504	556	5,144	(2,484)	2,660

Note:

The - (minus) ¥2,484 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.

2. Information on Impairment Loss on Fixed Assets, Goodwill, etc. by Reportable Segment  
(Significant impairment loss on fixed assets)

As for electronic component production equipment related to the functional solutions business, an impairment loss of ¥2,521 million was recognized because the recoverable amount fell below the carrying amount. This was caused by the decline in profitability resulting from worsening business conditions.

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

None applicable