May 14, 2013

Consolidated Financial Statements – Summary
(Year ended March 31, 2013)

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
Corporate Website URL:	http://www.gunze.co.jp
Stock Market Listings:	Tokyo, Osaka
Representative Director:	Nodoka Kodama, President & COO
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Ordinary General Meeting of Shareholders (Scheduled):	June 25, 2013
Start of Distribution of Dividends (Scheduled):	June 26, 2013
Filing of Securities Report (*Yuka shoken hokokusho*) (Scheduled):	June 26, 2013
Preparation of Supplementary Materials for the Financial Results:	Yes
Holding of Presentation of Finanical Results:	Yes (for institutional investors/analysts)

1. Consolidated Operating Results for FY2012 (Apr. 1, 2012 to Mar. 31, 2013)

(1) Consolidated Operating Results

(Amounts less than one million yen are omitted)

(Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)	Net income (¥ million)	Change (%)
FY2012	132,373	(3.1)	1,710	67.2	2,328	138.8	(1,161)	–
FY2011	136,621	2.2	1,023	(66.8)	975	(70.3)	571	(68.2)

Note: Comprehensive income
FY2012: (¥145 million) (- %)　　FY2011: (¥1,942 million) (- %)

	E.P.S. (¥)	Diluted E.P.S. (¥)	Net income to net worth (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY2012	(6.06)	–	(1.1)	1.4	1.3
FY2011	2.96	2.95	0.5	0.6	0.7

Reference: Equity in income of affiliated companies
FY2012: -　　FY2011: -

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
FY2012	163,328	108,745	65.9	561.35
FY2011	168,517	110,197	64.7	568.89

Reference: Net worth FY2012: ¥107,600 million FY2011: ¥108,979 million

(3) Consolidated Cash Flows

	From operating activities (¥ million)	From investing activities (¥ million)	From financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
FY2012	12,343	(7,564)	(5,100)	6,070
FY2011	(1,417)	(7,780)	8,373	6,078

2. Dividends

	Dividends per share				
	1st quarter (¥)	2nd quarter (¥)	3rd quarter (¥)	Year-end (¥)	Full-year (¥)
FY2011	–	–	–	7.50	7.50
FY2012	–	–	–	7.50	7.50
FY2013 (projected)	–	–	–	7.50	7.50

	Total cash dividends paid (¥ million)	Payout ratio (consolidated) (%)	Dividends to net assets (consolidated) (%)
FY2011	1,436	253.4	1.3
FY2012	1,437	–	1.3
FY2013 (projected)		95.8	

3. Projected FY2013 Consolidated Operating Results (Apr. 1, 2013 to Mar. 31, 2014)

(Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
FY2013 Full-year	139,000	5.0	3,000	75.4	2,900	24.6

	Net income (¥ million)	Change (%)	E.P.S. (¥)
FY2013 Full-year	1,500	–	7.83

Note: Forecast for the cumulative second-quarter priod is not available.

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by changes in scope of consolidation): No

(2) 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

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

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

FY2012: 209,935,165 shares

FY2011: 209,935,165 shares

(b) Treasury stock at the end of the period:

FY2012: 18,251,563 shares

FY2011: 18,369,686 shares

(c) Average number of shares outstanding during the period:

FY2012: 191,598,447 shares

FY2011: 192,841,963 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Operating Results for FY2012 (Apr. 1, 2012 to Mar. 31, 2013)

(1) Non-consolidated Operating Results (Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (loss) (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)	Net income (¥ million)	Change (%)
FY2012	104,183	(6.6)	46	–	1,898	77.7	(3,125)	–
FY2011	111,576	1.0	(523)	–	1,068	(40.2)	373	(63.6)

	E.P.S. (¥)	Diluted E.P.S. (¥)
FY2012	(16.31)	–
FY2011	1.93	1.93

(2) Non-consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
FY2012	140,639	108,355	76.9	563.88
FY2011	148,350	113,052	76.0	588.83

Reference: Net worth

FY2012: ¥108,086 million FY2011: ¥112,799 million

Items Regarding the Implementation of Review Procedures

This summary of consolidated results is exempt from the review procedures based on the Financial Instruments and Exchange Act. Review procedures for the consolidated financial statements based on the Financial Instruments and Exchange Act had not been completed by the time of disclosure of this summary of consolidated results.

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, see “(1) Analysis of Full-Year Operating Results” in “1. Results of Operations” on page 2 - 4 of attached materials.

(Attachment)

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1. Results of Operations

(1) Analysis of Full-Year Operating Results

<u>Overview of FY2012</u>

Reviewing economic conditions during the fiscal year ended March 31, 2013, the Japanese economy showed signs of mild recovery, due mostly to demand generated from recovery efforts related to the Great East Japan Earthquake. Moreover, expectations have been raised for the Abe administration’s economic policy implemented after the start of the administration in December 2012. Still, a profound sense of uncertainty has remained, with factors such as the continuing debt problems in Europe, and the downturn in emerging economies. Other negative factors included rising energy costs and concerns about consumption tax hikes. 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 key strategies of GUNZE Group’s medium-term management plan, called “Innovation 4S (fiscal 2011 through fiscal 2013),” which was then in its second year.

The GUNZE Group’s functional solutions business continued to experience difficulties as a whole, due to the slowdown in overseas economies and soaring prices of raw materials. Although the apparel business enjoyed some positive effects from a reduction in cost of sales, a delay occurred in responding to changes taking place in the distribution channel structure and consumers’ preference for low-end merchandise. This caused the apparel business to remain sluggish overall, making it impossible to curb sales declines.

Consequently, the GUNZE Group’s consolidated net sales for the period under review amounted to ¥132,373 million (a year-over-year decrease of 3.1%). Consolidated operating income totaled ¥1,710 million (a year-over-year increase of 67.2%), while consolidated ordinary income was ¥2,328 million (a year-over-year increase of 138.8%). During the period under review, GUNZE posted an impairment loss of fixed assets related to electronic components. As a result, GUNZE recorded a consolidated net loss of ¥1,161 million, compared with a consolidated net income of ¥571 million posted in the previous fiscal year.

Results by Business Segment

[Functional Solutions]

In plastic film, mainstay shrink film products suffered from the shrinking market overall. However, anti-fogging film for vegetable packaging and film for semiconductor applications posted steady sales. In engineering plastics, demand related to office equipment components was slow due to an increasing avoidance of printing. By contrast, in the area of industrial applications, newly developed products for semiconductor applications enjoyed brisk sales. In electronic components, GUNZE concentrated its efforts on winning orders for touch screens for Windows 8-related personal computers. Thanks to these efforts, its operation rate improved after entering the fourth quarter, but this was not enough to contribute to improvement in the Group's financial status. The medical material business stayed healthy, with sales growth recorded in Japan, Korea and Latin America. Consequently, the functional solutions business posted net sales of ¥49,538 million (a year-over-year decrease of 3.8%), while operating income was ¥2,813 million (a year-over-year decrease of 21.6%).

[Apparel]

In innerwear, *BODY WILD*, a casual innerwear line, enjoyed increased sales thanks to the release of new products. However, sales of basic products, a core innerwear category, continued to experience difficulties. Still, GUNZE's efforts to cut cost of sales and fixed costs contributed to improvement of profitability. In leg wear, the plain pantyhose line and basic products with enhanced functionality performed strongly, and the leggings pants were successful by setting a new trend in fashion. Consequently, the apparel business recorded net sales of ¥69,991 million (a year-over-year decrease of 4.1%) and operating income of ¥1,393 million (a year-over-year increase of 625.5%).

[Lifestyle Creations]

In the real estate business, renovation of the *Nishimachi* area encouraged visitors to spend a longer 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 during the second half of the fiscal year. The sports club business also marked stable performance by increasing membership through the expansion of new services and schools. Consequently, the lifestyle creation business recorded net sales of ¥13,867 million (a year-over-year increase of 3.3%), while operating income was ¥1,044 million (a year-over-year increase of 13.5%).

<u>Outlook for FY2013</u>

As for the outlook for the upcoming fiscal year, promising signs are gradually appearing for the Japanese economy, mainly in export-oriented industries. Economic growth is also anticipated due to the positive impact of the government-issued economic packages and other encouraging factors. Still, there are many risk factors that will worsen corporate performance and consumer confidence. These include the sharp rise in raw material prices caused by the rapid depreciation of the yen, moves toward increasing consumption taxes, and a rise in electricity costs. These risk factors will cause the future of the business environment surrounding the GUNZE Group to remain unpredictable.

In view of these projected difficulties, the GUNZE Group will strive to achieve sustained enhancement of its corporate value by clarifying key challenges and strategies for each business segment.

In the functional solutions business, GUNZE will promote differentiation of its plastic film line with hybrid film products (composite nylon films and shrink films). Efforts will also be focused on solidifying the management foundation for its business in the U.S. In engineering plastics, GUNZE will seek to encourage more use of its products for new equipment models, and promote cost reduction. One of the top-priority issues on the GUNZE agenda for the upcoming fiscal year is a plan for the electronic component business to significantly expand its production capacity for projected capacitive touch screens, in order to respond to the demand increase.

In the apparel business, GUNZE will work on reform to build a more profitable structure by consolidating the functions of innerwear factories, promoting shift of production facilities to outside of Japan, and improving the operational efficiency of unprofitable sectors. At the same time, GUNZE will strive to strengthen its national brands, such as the mainstay brand *BODY WILD*, while working to expand sales through new channels and abroad.

In the lifestyle creation business, efforts will be concentrated on differentiating *GUNZE Town Center TSUKASHiN* more clearly from competing shopping centers by reinforcing local community-rooted promotions and through other measures. GUNZE will also seek to improve the profitability of its sports club business by enhancing services that can offer customers a "Feeling of Comfort."

For fiscal 2013 (April 1, 2013 to March 31, 2014), the GUNZE Group, through the implementation of these measures, is forecasting net sales of ¥139,000 million, with operating income of ¥3,000 million, ordinary income of ¥2,900 million and net income of ¥1,500 million.

Forecast by business segment are as follows:

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

Segment / Item	Functional solutions	Apparel	Lifestyle creations	Eliminations/ Corporate	Total
Net sales	56,100	69,900	14,000	(1,000)	139,000
vs. FY2012	Up 13.2%	Down 0.1%	Up 1.0%	―	Up 5.0%

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets (Fiscal 2012 Overview)

As of March 31, 2013, total assets were ¥163,328 million, a decrease of ¥5,188 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥3,442 million decrease in property, plants and equipment, and a ¥1,577 million decrease in inventories.

Total liabilities were ¥54,582 million, a decrease of ¥3,736 million compared to the end of the previous fiscal year. The main component of the decrease was a ¥3,115 million decrease in debt (including commercial paper).

Net assets were ¥108,745 million, a decrease of ¥1,451 million compared to the end of the previous fiscal year. The main components of the decrease included a net loss of ¥1,161 million, and dividend payments of ¥1,436 million. The main component of an increase was a ¥1,320 million increase in foreign currency translation adjustments.

2) Cash Flows

As of March 31, 2013, consolidated cash and cash equivalents were ¥6,070 million, or ¥8 million less than at the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the period under review.

Net cash provided by operating activities totaled ¥12,343 million, compared with ¥1,417 million used during the previous fiscal year. The major components of incoming cash flows included depreciation and amortization of ¥7,587 million, and a ¥2,601 million decrease in inventories.

Net cash used in investing activities totaled ¥7,564 million, ¥216 million less than one year earlier. The main component of outgoing cash flows was payment for purchase of property, plants and equipment amounting to ¥6,013 million, including capital investment related to the functional solutions business.

Net cash used in financing activities was ¥5,100 million, compared with ¥8,373 million provided during the previous fiscal year. The main components of outgoing cash flows were a repayment of short-term debt and commercial paper amounting to ¥8,317 million, ¥1,430 million spent for dividend payments, and a repayment of long-term debt amounting to ¥1,351 million. The main component of incoming cash flows was proceeds from long-term debt amounting to ¥6,004 million.

3) Cash Flow Indicator Trends

	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Net worth ratio (%)	64.7	69.2	68.6	64.7	65.9
Net worth ratio on market value basis (%)	30.3	40.3	35.6	27.5	28.6
Debt coverage ratio (years)	3.0	1.3	4.7	−	2.5
Interest coverage ratio (times)	25.3	66.4	25.3	−	64.6

Notes:

The net worth ratio is equal to net worth divided by total assets.

The net worth ratio on market value basis is equal to market capitalization divided by total assets.

The debt coverage ratio is equal to interest-bearing liabilities divided by operating cash flow.

The interest coverage ratio is equal to operating cash flow divided by interest payments.

- All of the above indicators are calculated based on consolidated financial figures.
- Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares issued and outstanding at the end of the period (excluding treasury stock).
- Operating cash flow equals to the total net cash flows from operating activities as stated in the Consolidated Statements of Cash Flows. Interest-bearing liabilities include all liabilities on which interest is paid, as stated in the Consolidated Balance Sheets. Interest payments are equal to interest paid as stated in the Consolidated Statements of Cash Flows.

- Debt coverage ratio and interest coverage ratio are not stated for the period when negative operating cash flow was recorded.

(3) Basic Policy on Distribution of Profits and Dividends for FY2012 and FY2013

Returning earnings to shareholders is one of the most important management policies at the GUNZE Group. Accordingly, the GUNZE Group strives to maintain steady dividends. In line with this basic policy, the GUNZE Group plans to pay a dividend of ¥7.5 per share for fiscal 2012.

The GUNZE Group also plans to pay a dividend of ¥7.5 per share for fiscal 2013.

(4) Business and Other Risks

The following risks have the potential to impact the GUNZE Group’s operating results and financial conditions. Note that items referring to the future are based on the GUNZE Group’s judgment and assumptions as of the end of the consolidated fiscal year (March 31, 2013).

1) Quality control

As the policy of “quality first” and commitment to “supply of quality products” remains central to its business operations, a strict check system is in place at the GUNZE Group to confirm safety and quality. GUNZE strives to offer products and services that are safer, more comfortable and more appealing. However, should any quality problem with materiality that is beyond its expectations occur, it may heavily and adversely impact not only the consumer’s evaluation of the product in question but also the reputation of the entire product offerings of the GUNZE Group. The resultant sales drop could have a negative impact on the GUNZE Group’s operating results and financial conditions.

2) Changing consumer tastes and preferences

In the apparel business, the GUNZE Group is working on the establishment of a solid SCM system and reform of the product portfolio in order to correctly respond to changing preferences and demands from consumers. As consumer preferences and demands change very rapidly, incorrect judgments on market trends are likely to lead to declining sales and increasing inventory levels. This, in turn, could have a significant negative impact on the GUNZE Group’s operating results and financial conditions.

3) Unseasonable weather conditions

As the GUNZE Group’s business is dominated by the sale of seasonal products, unseasonable weather conditions such as the unusually cool summer and warm winter could have a significant negative impact on the GUNZE Group’s operating results and financial conditions.

4) Raw material price fluctuations

The GUNZE Group’s products are manufactured mainly from raw fibers, cotton fibers and plastic resins, and the prices of these raw materials can vary according to market conditions. Accordingly, soaring raw material prices lead to higher manufacturing costs. Therefore, in circumstances in which it is impossible to pass on the rising costs in the pricing of final products, the raw material price increases could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

5) Information management
The GUNZE Group handles and thus must manage a large amount of important information including information on individuals in the course of business operations. The GUNZE Group is taking thorough and strict measures for information management. These measures include carefully maintaining and strengthening the security of information systems; employee education regarding information management; and concluding nondisclosure agreements with outsourcing contractors/suppliers. However, should leakage or illegal use of important information occur due to unexpected circumstances, the problem might adversely affect the social reputation of the GUNZE Group and even make the Group liable for damage. Such circumstances could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

6) Natural disasters and infection
The GUNZE Group has various production facilities and other business sites in Japan and abroad. A large-scale earthquake, typhoon, flood or other natural disaster, or the onset of infectious diseases such as a new strain of influenza, may interfere with production, sales and other operations. Accordingly, the occurrence of such natural phenomena or diseases could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

7) International business activities
The GUNZE Group's international business activities have various intrinsic risks, including political turmoil, uncertainty in social and economic trends, terrorism, wars, intellectual property lawsuits, and disease in foreign countries/regions. Such problems could subject the GUNZE Group to potential difficulties in continuing business operations, and thus could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

8) Foreign currency fluctuations
The GUNZE Group's business involves exports and imports denominated in foreign currencies. The GUNZE Group therefore seeks to hedge against exposure to foreign currency fluctuations in ways such as entering into forward exchange contracts. However, it is impossible to avoid all risks associated with foreign currency fluctuations, and thus these could have a negative impact, in no small degree, on the GUNZE Group's operating results and financial conditions.

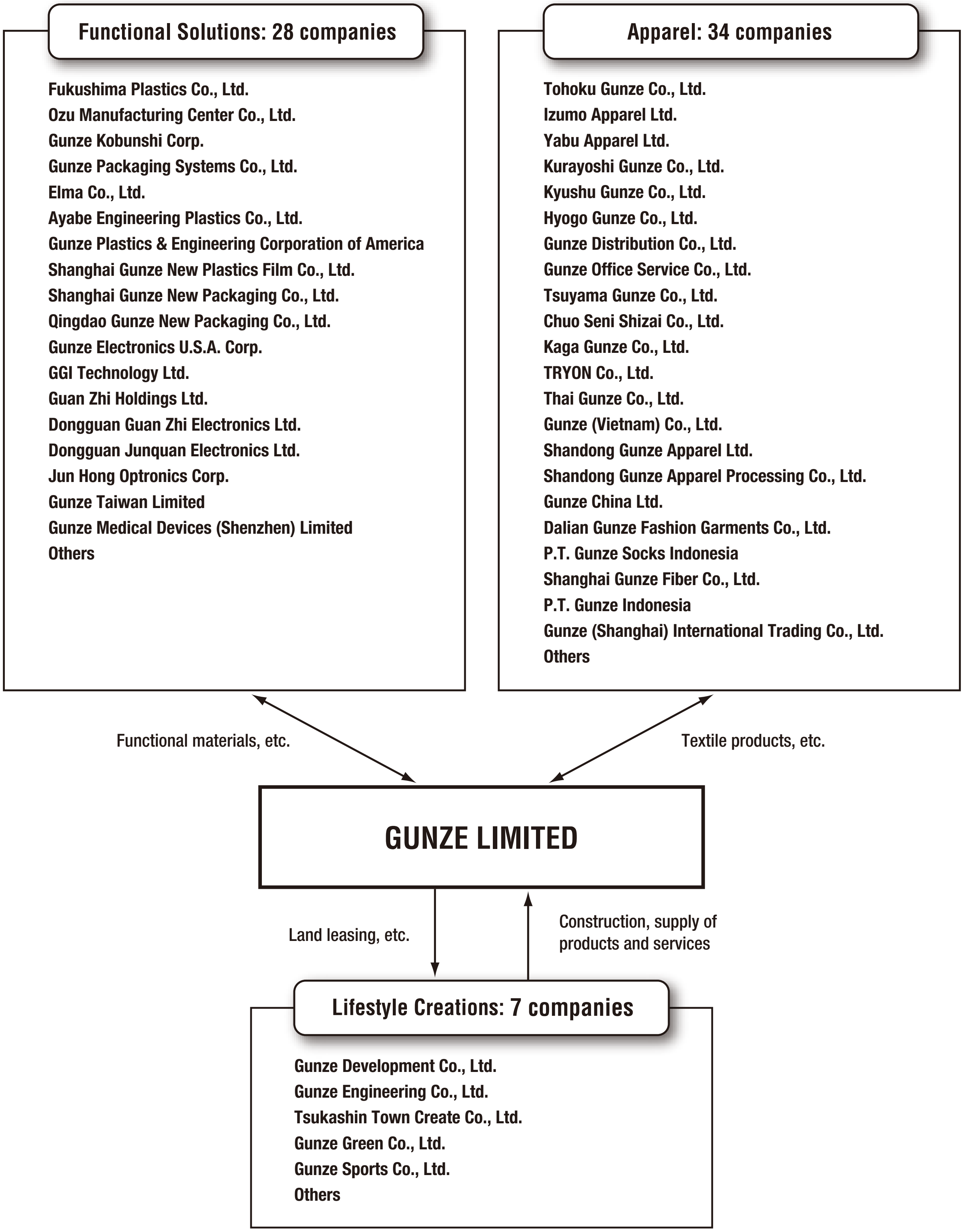
9) Market price fluctuations of stocks, etc.
As part of implementing business activities or business alliances, the GUNZE Group holds stocks of some business associates. A majority of such stocks are listed on public stock exchanges, thus conditions of the stock market could have an impact, in no small degree, on the GUNZE Group's operating results and financial conditions.

10) Projected benefit obligations
Most companies comprising the GUNZE Group employ a defined benefit system for their

retirement plans. Projected benefit obligations are calculated with a discount rate based on the yield of long-term government bonds, meaning that fluctuations in interest rates may impact projected benefit obligations. A part of plan assets for the defined benefit system is managed through shares and other risk-bearing investments. Declines in stock markets therefore could possibly result in a drop in the return on investment. As a result, long-term interest rate fluctuations and the worsening of the asset management environment such as sliding share prices could have a significant negative impact on the GUNZE Group’s operating results and financial conditions.

2. The GUNZE Group

The GUNZE Group consists of GUNZE LIMITED and 69 related companies (63 subsidiaries and six affiliates). The Group's main business activities range from manufacture, processing and marketing of functional materials, machinery, innerwear, leg wear and sewing threads, to real estate, sale of trees and plants, and operation and management of sports facilities. The following chart provides an overview of the structure and businesses of the GUNZE Group.



3. Management Policies

(1) Basic Management Policy

In conformance with its “quality first” policy and its commitment to “technology-oriented management,” the GUNZE Group promotes customer-focused business operations. In doing so, the Group lives up to its founding philosophy that underscores a “people-oriented approach,” a “commitment to quality,” and “harmonious coexistence.” Based on this philosophy, the GUNZE Group strives to fulfill corporate social responsibility (CSR), while working hard to develop and offer appealing products and services that are safer and more comfortable, as well as creating new functions. In this way, GUNZE aims to become a global company that contributes to enriched and creative lifestyles.

(2) Targeted Performance Indicators

To further promote shareholder-focused management practices, the GUNZE Group seeks to raise return on equity (ROE), which it views as a key performance indicator. To this end, the Group implements various measures aimed at increasing profitability, using capital more productively, and repurchasing treasury stock. The GUNZE Group also uses return on assets (ROA) to gauge the productivity of business investments in each business division and group company, in a drive to improve both the asset turnover ratio and profit margin on sales.

(3) Medium- and Long-term Management Strategies

In fiscal 2011, the GUNZE Group launched its new medium-term management plan called “Innovation 4S Plan.” With “4S,” the plan signifies the Group’s focus on the three “Ss,” namely “Solution,” “Strategy” and “Speed,” for each business segment, in each workplace, and with each product or service, in order to achieve its ultimate goal of maximizing the “big S,” i.e., “Satisfaction” of customers, employees and all other stakeholders surrounding the company. By promoting strategic programs specified for this new medium-term plan, the GUNZE Group will work on transformation of its business structure and business model. Through this endeavor, the GUNZE Group will strengthen its ability to adapt to radically changing market conditions to bring about a breakthrough toward dramatic improvement of its corporate value.

(4) Key Management Issues

As for the outlook for the upcoming fiscal year, promising signs are gradually appearing for the Japanese economy, mainly in export-oriented industries. Economic growth is also anticipated due to the positive impact of the government-issued economic packages and other encouraging factors. Still, there are many risk factors that will worsen corporate performance and consumer confidence. These include the sharp rise in raw material prices caused by the rapid depreciation of the yen, moves toward increasing consumption taxes, and a rise in electricity costs. These risk factors will cause the future of the business environment surrounding the GUNZE Group to remain unpredictable.

Against this backdrop, the upcoming fiscal year represents the final year of GUNZE's three-year medium-term plan, "Innovation 4S." Reflecting on its results during the past two years, GUNZE will strive to strengthen its ability to adapt to radically changing market conditions, while also working to transform its business structure and business model. GUNZE will also seek to boost its corporate value, aiming to become a company that can offer customers a "Feeling of Comfort." This will be done by making concerted Group efforts based on the "GUNZE Brand Charter" established last October.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	End of FY2011 (Mar. 31, 2012)	End of FY2012 (Mar. 31, 2013)
Assets		
Current assets		
Cash and cash equivalents	6,078	6,070
Notes & accounts receivable, trade	29,547	28,736
Finished products and goods	22,190	21,281
Work in process	7,177	6,765
Raw materials and supplies	6,195	5,938
Short-term loans	304	552
Deferred income taxes	1,444	1,828
Other current assets	2,475	2,291
Allowance for doubtful accounts	(21)	(9)
Total current assets	75,392	73,454
Fixed assets		
Property, plants and equipment		
Buildings and structures	101,274	103,404
Accumulated depreciation	(62,888)	(65,812)
Buildings and structures (Net)	38,386	37,591
Machinery, equipment and vehicles	96,087	97,818
Accumulated depreciation	(79,984)	(83,293)
Machinery, equipment and vehicles (Net)	16,103	14,524
Tools, furniture and fixtures	6,799	6,890
Accumulated depreciation	(5,809)	(5,884)
Tools, furniture and fixtures (Net)	989	1,006
Land	11,907	11,887
Leasehold assets	28	30
Accumulated depreciation	(16)	(20)
Leasehold assets (Net)	11	10
Construction in progress	1,348	283
Total property, plants and equipment	68,746	65,304
Intangible fixed assets		
Software	1,689	1,469
Other intangible fixed assets	226	204
Total intangible fixed assets	1,916	1,674
Investments and other assets		
Investments in securities	12,538	11,831
Long-term loans	103	798
Deferred income taxes	4,376	4,615
Other assets	5,513	5,752
Allowance for doubtful accounts	(69)	(102)
Total investments and other assets	22,462	22,894
Total fixed assets	93,125	89,873
Total assets	168,517	163,328

(Millions of yen)

	End of FY2011 (Mar. 31, 2012)	End of FY2012 (Mar. 31, 2013)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	7,013	6,990
Short-term debt	4,798	4,680
Commercial paper	19,600	11,800
Current portion of long-term debt	1,077	1,911
Accrued income taxes	387	438
Allowance for employees' bonuses	1,239	1,136
Notes payable on acquisition of property, plants and equipment	1,695	1,671
Other current liabilities	7,533	7,458
Total current liabilities	43,344	36,086
Long-term liabilities		
Long-term debt	7,678	11,647
Allowance for retirement benefits	2,174	1,805
Long-term deposits & guarantee deposits	4,737	4,664
Other long-term liabilities	384	378
Total long-term liabilities	14,975	18,495
Total liabilities	58,319	54,582
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,080	14,064
Retained earnings	79,255	76,700
Treasury stock	(7,655)	(7,603)
Total shareholders' equity	111,752	109,233
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	430	(27)
Deferred gains (losses) on hedge	(220)	57
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	(2,582)	(1,261)
Total accumulated other comprehensive income	(2,773)	(1,632)
Stock acquisition rights	253	268
Minority interests	964	876
Total net assets	110,197	108,745
Total liabilities and net assets	168,517	163,328

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

Consolidated Statements of Income

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Net sales	136,621	132,373
Cost of sales	102,717	99,012
Gross profit	33,904	33,360
Selling, general & administrative expenses	32,880	31,650
Operating income	1,023	1,710
Non-operating income		
Interest income	21	35
Dividend income	299	245
Rental income	607	573
Exchange gain	-	405
Employment adjustment subsidy	-	196
Other	182	251
Total non-operating income	1,111	1,707
Non-operating expenses		
Interest expenses	170	182
Rental expenses	574	533
Exchange loss	172	-
Other	242	372
Total non-operating expenses	1,159	1,089
Ordinary income	975	2,328
Extraordinary income		
Gain on sale of property, plants & equipment	81	86
Gain on establishment of employee retirement benefit trust	4,076	1,941
Other	23	89
Total extraordinary income	4,181	2,117
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	166	278
Amortization of actuarial differences in retirement benefits	2,492	2,601
Impairment loss	-	2,683
Other	182	227
Total extraordinary loss	2,842	5,790
Income (loss) before income taxes and minority interests	2,315	(1,344)
Income, residential and enterprise taxes	534	508
Adjustment for income and other taxes	1,370	(475)
Total income and other taxes	1,905	32
Income (loss) before minority interests	410	(1,377)
Minority interests in income (loss)	(160)	(216)
Net income (loss)	571	(1,161)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Income (loss) before minority interests	410	(1,377)
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(2,162)	(458)
Deferred gains on hedge	195	278
Foreign currency translation adjustments	(386)	1,412
Total other comprehensive income (loss)	(2,352)	1,232
Comprehensive income (loss) attributable to:	(1,942)	(145)
Shareholders of the parent company	(1,668)	(60)
Minority interests	(273)	(84)

(3) Consolidated Statements of Changes in Shareholders' Equity, etc.

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Shareholders' equity		
Common stock		
Balance at the beginning of the period	26,071	26,071
Changes in the period		
Total changes in the period	-	-
Balance at the end of the period	26,071	26,071
Capital surplus		
Balance at the beginning of the period	14,082	14,080
Changes in the period		
Disposal of treasury stock	(2)	(15)
Total changes in the period	(2)	(15)
Balance at the end of the period	14,080	14,064
Retained earnings		
Balance at the beginning of the period	80,033	79,255
Changes in the period		
Dividends from retained earnings	(1,448)	(1,436)
Net income (loss)	571	(1,161)
Change in scope of consolidation	99	42
Total changes in the period	(777)	(2,555)
Balance at the end of the period	79,255	76,700
Treasury stock		
Balance at the beginning of the period	(7,286)	(7,655)
Changes in the period		
Acquisition of treasury stock	(374)	(2)
Disposal of treasury stock	5	54
Total changes in the period	(368)	51
Balance at the end of the period	(7,655)	(7,603)
Total shareholders' equity		
Balance at the beginning of the period	112,900	111,752
Changes in the period		
Dividends from retained earnings	(1,448)	(1,436)
Net income (loss)	571	(1,161)
Change in scope of consolidation	99	42
Acquisition of treasury stock	(374)	(2)
Disposal of treasury stock	3	38
Total changes in the period	(1,147)	(2,519)
Balance at the end of the period	111,752	109,233

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Accumulated other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities		
Balance at the beginning of the period	2,592	430
Changes in the period		
Net changes of items other than shareholders' equity	(2,162)	(458)
Total changes in the period	(2,162)	(458)
Balance at the end of the period	430	(27)
Deferred gains (losses) on hedge		
Balance at the beginning of the period	(416)	(220)
Changes in the period		
Net changes of items other than shareholders' equity	195	278
Total changes in the period	195	278
Balance at the end of the period	(220)	57
Revaluation difference on land		
Balance at the beginning of the period	(400)	(400)
Changes in the period		
Net changes of items other than shareholders' equity	-	-
Total changes in the period	-	-
Balance at the end of the period	(400)	(400)
Foreign currency translation adjustments		
Balance at the beginning of the period	(2,228)	(2,582)
Changes in the period		
Net changes of items other than shareholders' equity	(353)	1,320
Total changes in the period	(353)	1,320
Balance at the end of the period	(2,582)	(1,261)
Total accumulated other comprehensive income (loss)		
Balance at the beginning of the period	(452)	(2,773)
Changes in the period		
Net changes of items other than shareholders' equity	(2,320)	1,140
Total changes in the period	(2,320)	1,140
Balance at the end of the period	(2,773)	(1,632)
Stock acquisition rights		
Balance at the beginning of the period	200	253
Changes in the period		
Net changes of items other than shareholders' equity	52	15
Total changes in the period	52	15
Balance at the end of the period	253	268

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Minority interests		
Balance at the beginning of the period	697	964
Changes in the period		
Net changes of items other than shareholders' equity	267	(88)
Total changes in the period	267	(88)
Balance at the end of the period	964	876
Total net assets		
Balance at the beginning of the period	113,345	110,197
Changes in the period		
Dividends from retained earnings	(1,448)	(1,436)
Net income (loss)	571	(1,161)
Change in scope of consolidation	99	42
Acquisition of treasury stock	(374)	(2)
Disposal of treasury stock	3	38
Net changes of items other than shareholders' equity	(2,000)	1,067
Total changes in the period	(3,148)	(1,451)
Balance at the end of the period	110,197	108,745

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	2,315	(1,344)
Depreciation and amortization	8,171	7,587
Increase (decrease) in allowance for doubtful accounts	(7)	(11)
Increase (decrease) in allowance for retirement benefits	12	(881)
Increase (decrease) in allowance for employees' bonuses	(78)	(75)
Interest and dividend income	(321)	(280)
Interest expenses	170	182
Loss (gain) on sale or disposal of fixed assets	85	191
Loss (gain) on establishment of employee retirement benefit trust	(4,076)	(1,941)
Amortization of (gain on) actuarial differences in retirement	2,492	2,601
Impairment loss	-	2,683
Other losses (gains)	(70)	191
Decrease (increase) in notes and accounts receivable	(2,496)	471
Decrease (increase) in inventories	(6,091)	2,601
Decrease (increase) in other current assets	(340)	386
Increase (decrease) in notes and accounts payable	(1,140)	329
Increase (decrease) in deposits and guarantee deposits	(149)	(167)
Increase (decrease) in other current liabilities	482	295
Increase (decrease) in other long-term liabilities	142	3
Subtotal	(900)	12,823
Interest and dividends received	321	280
Interest paid	(191)	(191)
Income tax refund (paid)	(646)	(569)
Net cash provided by (used in) operating activities	(1,417)	(12,343)
Cash flows from investing activities		
Payments for purchase of property, plants & equipment	(7,387)	(6,013)
Proceeds from sale of property, plants & equipment	214	154
Payments for disposition of property, plants & equipment	(80)	(127)
Payments for acquisition of investment securities	(460)	(793)
Proceeds from sale of investment securities	-	92
Net decrease (increase) in loans	195	(991)
Other	(263)	114
Net cash provided by (used in) investing activities	(7,780)	(7,564)

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	FY2012 (Apr. 1, 2012 to Mar. 31, 2013)
Cash flows from financing activities		
Net increase (decrease) in short-term debt and commercial paper	7,294	(8,317)
Proceeds from issuance of long-term debt	3,595	6,004
Repayments of long-term debt	(1,077)	(1,351)
Cash dividends paid	(1,440)	(1,430)
Acquisition of treasury stock	(374)	(2)
Other	376	(3)
Net cash provided by (used in) financing activities	8,373	(5,100)
Effect of exchange rate changes on cash & cash equivalents	(111)	224
Increase (decrease) in cash and cash equivalents	(936)	(97)
Cash and cash equivalents at the beginning of the period	6,905	6,078
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	109	89
Cash and cash equivalents at the end of the period	6,078	6,070

(5) Notes to Consolidated Financial Statements

Notes Regarding Assumptions of a Going Concern

None applicable

Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

A. Scope of Consolidation

The GUNZE Group consists of GUNZE LIMITED and 45 consolidated subsidiaries. Major companies are listed in the section of this report titled “2. The GUNZE Group.” During the period under review, three companies, namely TRYON Co., Ltd.; Dongguan Junquan Electronics Ltd. and Shandong Gunze Apparel Processing Co., Ltd. were included in the scope of consolidation due to increased importance, while Gunze Plastics & Engineering Corporation of Europe N.V. was excluded from consolidation as GUNZE sold its stake in the company. Because the day regarded as the share sale date is treated as the end of the fiscal year for Gunze Plastics & Engineering Corporation of Europe N.V., only its statements of income are included in GUNZE’s consolidated results.

All 18 non-consolidated subsidiaries, which include Fukushima Gravure Co., Ltd. and other companies, conduct operations that are relatively small in scale and consequently have a minimal effect on the GUNZE Group’s financial performance for the fiscal year. GUNZE deems these subsidiaries to be of minor importance in terms of total assets, net sales, net income (loss) or retained earnings (in proportion to GUNZE’s equity holdings in these companies). They are therefore excluded from the scope of consolidation.

B. Application of Equity-Method Accounting

The equity method of accounting has not been applied for investments in the 18 non-consolidated subsidiaries and six affiliates, including Chongbang Gunze Co., Ltd., because the effect on consolidated performance would not be material from the standpoint of net income (loss) or retained earnings (in proportion to GUNZE’s equity holdings in these companies), and these affiliates are of minor importance as a whole.

C. Business Years of Consolidated Subsidiaries

The 22 foreign consolidated subsidiaries’ fiscal year balance date is December 31. In the preparation of the consolidated financial statements, the financial statements of these companies as of December 31 are employed and adjustments have been made on a consolidated basis as necessary regarding any significant transactions occurring between the end of the fiscal year of these companies and the end of the consolidated fiscal year.

D. Accounting Standards and Treatment

(a) Standards and Methods for Valuation of Inventories

Finished products, goods, work in process, raw materials and supplies are stated principally at cost determined by the moving-average method; and machinery in process is stated at cost determined by the identified-cost method. Amounts reported on the balance sheet are calculated using the write-down method reflecting decline in profitability.

(b) Standards and Methods for Valuation of Other Marketable Securities
Other securities with fair market value are stated at fair market value, determined by the market price as of the fiscal year balance sheet date and other factors. Unrealized gains and losses on these securities are fully capitalized and reported as a separate component of net assets and the cost of securities sold is determined by the moving-average method. Other securities with no fair market value are stated at cost determined by the moving-average method.

(c) Standards and Methods for Valuation of Derivatives
Derivatives are stated at fair market value.

(d) Methods for Depreciating and Amortizing Important Assets
1) Property, plants and equipment
- Property, plants and equipment other than lease assets
GUNZE and its domestic consolidated subsidiaries principally use the declining-balance method. Buildings purchased on or after April 1, 1998 (excluding those facilities attached to buildings) are depreciated using the straight-line method. Foreign consolidated subsidiaries depreciate their property, plants and equipment by the straight-line method.

- Lease assets
Finance lease assets that do not transfer ownership are depreciated to an eventual residual value of zero, using the straight-line method within their lease service life. For finance leases that do not transfer ownership, and which began before the initial year in which the revised Accounting Standard for Lease Transactions was applied, the conventional accounting method for lease transactions is applied as before.

2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method. Software used in-house is amortized using the straight-line method over a useful life of five years.

(e) Accounting for Allowances
1) Allowance for doubtful accounts
GUNZE and its domestic consolidated subsidiaries provide an allowance for doubtful accounts for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated uncollectible amounts for specific claims where there is an acknowledged credit risk based on an assessment of the likely recoverable monies on an individual assessment of each account, and a general reserve calculated based on historical default rates. Possible losses at foreign consolidated subsidiaries are accounted for based on customers' asset portfolios and other factors.

2) Allowance for employees' bonuses

GUNZE and its domestic consolidated subsidiaries provide an allowance for employees' bonuses to adequately cover estimated payments of such bonuses for the applicable period.

3) Allowance for retirement benefits

GUNZE and its domestic consolidated subsidiaries provide an allowance for retirement benefits to adequately cover the retirement costs of employees. The allowance is determined as of the end of the consolidated fiscal year on the basis of projected benefit obligations and plan assets at the fiscal year balance sheet date. In the first fiscal year of application, GUNZE recognized the temporary amortization of transitional obligations arising from the adoption of new accounting standards for retirement benefits through the contribution of securities to an employee retirement benefit trust. The transitional obligation was recognized as a lump-sum amortization by the consolidated subsidiaries. Prior service costs are accounted for by the straight-line method over a fixed number of years (5 to 10 years), based on the average number of years of employee service remaining at the time incurred. Actuarial gains and losses are also expensed using the straight-line method over a fixed number of years (5 years) starting from the fiscal year following the year in which such differences are incurred, based on the average number of years of employee service remaining at the time incurred.

(f) Translation of Foreign Currencies

Monetary receivables and payables denominated in foreign currencies were translated into Japanese yen at the spot exchange rates at the consolidated fiscal year balance sheet date and the resulting exchange gain and loss were charged to income. Assets and liabilities, and revenues and expenses of subsidiaries outside Japan (except for Dalian Gunze Fashion Garments Co., Ltd.) were translated into Japanese yen at the spot exchange rates at the fiscal year balance sheet date, with translation differences listed under minority interests and reported in net assets as foreign currency translation adjustments.

(g) Hedge Accounting

1) Method of hedge accounting

Deferred hedge accounting is used in principle. Forward exchange contracts and currency swaps are allocated to specific foreign currency-denominated receivables and payables when conditions for using the allocation method are met.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward exchange contracts	Foreign currency-denominated receivables and payables, foreign currency-denominated forecasted transactions
Currency swaps	Debt

3) Hedging policy

GUNZE undertakes hedging against exposure to foreign currency fluctuations for transactions denominated in foreign currencies in accordance with regulations on the scope of authority to execute such transactions and set transaction limits.

(h) Accounting Treatment of Consumption Tax

Financial statements are prepared exclusive of consumption tax.

(i) Amortization of Goodwill and Amortization Period

Goodwill is amortized in equal amounts over a five-year period.

(j) Scope of Cash and Cash Equivalents in the Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of less than three months that can be readily converted into cash and carry little risk of fluctuation in value.

Change in Accounting Policies, which is Difficult to Distinguish from Changes in Accounting Estimates

Effective from the consolidated fiscal year 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.

As a result of this change, operating income and ordinary income for the period under review were stated at ¥66 million more compared to the conventional accounting method, while income before income taxes was stated at ¥66 million less.

Notes to Consolidated Balance Sheets

(Millions of yen)

A. Collateral and obligations collateralized:

[Assets pledged as collateral]

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Buildings (Note)	21	–
Land (Note)	8	–
Investment securities with market value	748	1,051
Total	778	1,051

Note: Buildings and land pledged as collateral comprise joint collateral for ¥2,327 million borrowed by the Urban Redevelopment Union (liquidation process has been completed in March 2013) for the Konosu Station East Exit A-District, for which GUNZE served as a member of the executive board.

[Obligations collateralized by the above]

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Long-term deposits & guarantee deposits	328	328

B. Loan guarantees (including other similar guarantor obligations)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
	655	1,296

C. Shares of non-consolidated subsidiaries and affiliates

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Investment securities with market value (shares)	2,060	2,540
Others (investments)	1,537	1,381

D. Accumulated depreciation includes accumulated impairment loss.

E. Reevaluation of land

Consolidated subsidiary Gunze Development Co., Ltd. revaluated land held for commercial purposes in accordance with Law No. 34, “Law concerning Land Revaluation” (enacted on March 31, 1998). As a result, GUNZE recorded an item for the revaluation difference of land under net assets.

- Revaluation method:

Gunze Development computes the value of the land based on the method prescribed by the Director General of the National Tax Administration Agency, with rational adjustments. This method is based on calculations of land value for the purpose of land value tax, as stipulated by Article 16 of the Land Value Tax Law (enacted as Law No. 69 in 1991), which is specified by Article 2-4 of the Enforcement Ordinance No. 119, enacted on March 31, 1998 pertaining to the Law.

- Revaluation date: March 31, 2000

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Difference between the book value after revaluation and market price at the end of term of the revalued land	(385)	(179)

Notes to Consolidated Statements of Income

(Millions of yen)

A. Major items of selling, general and administrative expenses

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
Freight and transportation expenses and storage fees	7,939	7,630
Advertising and promotional costs	2,307	2,046
Employees' salaries, bonuses and allowances	7,839	7,754
Transfer to allowance for bonuses	529	513
Transfer to allowance for retirement benefits	545	500
Depreciation and amortization expenses	501	457
Research and development costs	3,247	3,293

B. Research and development costs included in general and administrative expenses and manufacturing costs

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
General and administrative expenses	3,247	3,293

C. Gain on sale of property, plants and equipment by category

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
Buildings and structures	8	–
Machinery and vehicles	14	19
Tools, furniture and fixtures	1	0
Land	57	66
Total	81	86

D. Loss on sale or disposal of property, plants and equipment by category

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
Buildings and structures	124	247
Machinery and vehicles	39	28
Tools, furniture and fixtures	2	1
Total	166	278

E. Impairment loss

During the consolidated fiscal year under review, GUNZE posted an impairment loss on electronic components production facilities, which suffered a decline in profitability due to worsened business conditions, as follows:

(Millions of yen)

Use	Location	Item	Amount
Electronic components production facilities	Kameoka, Kyoto	Machinery and vehicles	679
		Buildings and structures	442
		Total	1,122
	China	Machinery and vehicles	1,129
		Buildings and structures	432
		Total	1,561
	Total		2,683

Note: The GUNZE Group divides its business assets into groups according to internal control segmentation. The recoverable amount of each business asset is based on value in use, which is calculated by discounting the future cash flows from the asset at a rate of 5.0%.

F. Amortization of unrecognized actuarial differences related to retirement benefit obligations

FY2011 (April 1, 2011 to March 31, 2012)

GUNZE posted an amortization loss arising from unrecognized actuarial differences related to retirement benefit obligations, resulting mainly from the declined return on plan assets (including retirement benefit trust assets), as an extraordinary loss during the consolidated fiscal year under review because of a substantial amortization amount.

FY2012 (April 1, 2012 to March 31, 2013)

Same as above

Notes to Consolidated Statements of Comprehensive Income

Reclassification Adjustment and Income Tax Benefit (Expense) Related to Other Comprehensive Income

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
Unrealized gains (losses) on available-for-sale securities		
Unrealized gains (losses) during the period	538	1,180
Reclassification adjustments	(4,076)	(1,943)
Net unrealized gains (losses)	(3,537)	(763)
Income tax benefit (expense)	1,375	305
Total unrealized gains (losses) on available-for-sale securities	(2,162)	(458)
Deferred gains (losses) on hedge		
Deferred gains (losses) during the period	(63)	135
Reclassification adjustments	401	306
Net deferred gains (losses)	338	441

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
Income tax benefit (expense)	(142)	(163)
Total deferred gains (losses) on hedge	195	278
Foreign currency translation adjustments		
Translation adjustments during the period	(386)	1,392
Reclassification adjustments	—	19
Net translation adjustments	(386)	1,412
Income tax benefit	—	—
Total foreign currency translation adjustments	(386)	1,412
Total other comprehensive income (loss)	(2,352)	1,232

Notes to Consolidated Statements of Changes in Shareholders' Equity, etc.

FY2011 (April 1, 2011 to March 31, 2012)

A. Issued Shares

Type of shares	Number of shares held as of Apr. 1, 2011	Increase	Decrease	Number of shares held as of Mar. 31, 2012
Common stock (shares)	209,935,165	—	—	209,935,165

B. Treasury Stock

Types of shares	Number of shares held as of Apr. 1, 2011	Increase	Decrease	Number of shares held as of Mar. 31, 2012
Common stock (shares)	16,853,412	1,529,686	13,412	18,369,686

(Reasons for changes)

Breakdown of increase

Increase from acquisition of treasury stock based on resolution of Board of Directors Meeting: 1,500,000 shares

Increase from acquisition of odd-lot shares: 29,686 shares

Breakdown of decrease

Decrease from release of treasury stock to allow shareholders with less than a full lot to complete their holdings: 13,412 shares

C. Type and Number of Shares to be Issued upon Exercise of Stock Acquisition Rights

Common stock: 933,000 shares

D. Dividends

(a) Dividends paid

Resolution	Type of shares	Total dividends (¥ millions)	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 24, 2011	Common stock	1,448	7.5	Mar. 31, 2011	June 27, 2011

(b) Dividends with record date within the fiscal year under review and effective date in the following fiscal year

Resolution	Type of shares	Total dividends (¥ millions)	Source of dividends	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 26, 2012	Common stock	1,436	Retained earnings	7.5	Mar. 31, 2012	June 27, 2012

FY2012 (April 1, 2012 to March 31, 2013)

A. Issued Shares

Type of shares	Number of shares held as of Apr. 1, 2012	Increase	Decrease	Number of shares held as of Mar. 31, 2013
Common stock (shares)	209,935,165	—	—	209,935,165

B. Treasury Stock

Types of shares	Number of shares held as of Apr. 1, 2012	Increase	Decrease	Number of shares held as of Mar. 31, 2013
Common stock (shares)	18,369,686	12,878	131,001	18,251,563

(Reasons for changes)

Breakdown of increase

Increase from acquisition of odd-lot shares: 12,878 shares

Breakdown of decrease

Decrease from release of treasury stock to allow shareholders with less than a full lot to complete their holdings: 3,001 shares

Decrease from exercise of stock acquisition rights: 128,000 shares

C. Type and Number of Shares to be Issued upon Exercise of Stock Acquisition Rights

Common stock: 1,065,000 shares

D. Dividends

(a) Dividends paid

Resolution	Type of shares	Total dividends (¥ millions)	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 26, 2012	Common stock	1,436	7.5	Mar. 31, 2012	June 27, 2012

(b) Dividends with record date within the fiscal year under review and effective date in the following fiscal year

Resolution	Type of shares	Total dividends (¥ millions)	Source of dividends	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 25, 2013 (scheduled)	Common stock	1,437	Retained earnings	7.5	Mar. 31, 2013	June 26, 2013

Notes to Consolidated Statements of Cash Flows

Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012** (Apr. 1, 2012 to Mar. 31, 2013)
Cash and deposits	6,078	6,070

Notes to Lease Transactions

Non-ownership-transfer financial lease transactions which began before the initial year in which the Accounting Standard for Lease Transactions was applied

(1) Amount equivalent to acquisition cost of leased assets, amount equivalent to accumulated depreciation, and amount equivalent to the balance at the end of the period

FY2011 (March 31, 2012)

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Software	Total
Amount equivalent to acquisition cost	4	130	1,014	158	1,306
Amount equivalent to accumulated depreciation	2	113	938	157	1,212
Amount equivalent to balance at end of period	1	16	75	0	94

Amount equivalent to the acquisition cost of leased assets is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the applicable period accounts for a low percentage of the balance of tangible fixed assets.

FY2012 (As of March 31, 2013)

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Software	Total
Amount equivalent to acquisition cost	4	43	469	6	524
Amount equivalent to accumulated depreciation	3	32	429	6	471
Amount equivalent to balance at end of period	1	11	39	0	52

Amount equivalent to the acquisition cost of leased assets is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the applicable period accounts for a low percentage of the balance of tangible fixed assets.

(2) Amount equivalent to the balance of unexpired lease fees at the end of the period

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Within one year	68	23
Over one year	25	28
Total	94	52

Amount equivalent to the balance of unexpired lease fees at the end of the applicable period is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the period accounts for a low percentage of the balance of tangible fixed assets.

(3) Lease fees paid and amount equivalent to depreciation cost

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Lease fees paid	172	68
Amount equivalent to depreciation cost	172	68

(4) Calculation method for the amount equivalent to depreciation cost

Assuming the lease period as the useful life, the straight-line method with the residual value as zero is used to calculate the amount equivalent to depreciation cost.

1. Financial Lease Transactions

Non-ownership-transfer finance lease transactions

(1) Lease assets

Assets leased during fiscal 2011 and fiscal 2012 were tangible fixed assets mainly including servers (tools, furniture and fixtures).

(2) Depreciation of lease assets

As stated in “(5) Notes to Consolidated Financial Statements (Significant Accounting Policies Used in Preparation of Consolidated Financial Statements).”

2. Operating leases

Unexpired lease fee balance for non-cancellable operating leases

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Within one year	23	15
Over one year	15	24
Total	39	39

Notes to Financial Instruments

A. Status of Financial Instruments

(a) Financial instrument transaction policy

The GUNZE Group restricts its fund management to time deposits and other short-term investments. Also, the GUNZE Group's policy is to raise funds mainly by borrowing from banks and issuing commercial paper. Its policy is to use derivatives strictly as a hedge to avoid the risks discussed below. The GUNZE Group does not conduct any speculative transactions.

(b) Details of financial instruments and risks

GUNZE's operating receivables, including trade notes and accounts receivable, are exposed to the credit risk of customers. GUNZE also provides short- and long-term loans to its non-consolidated subsidiaries, affiliates and others. Investment securities with market quotations mostly consist of listed shares of companies with which GUNZE has business associations, which are exposed to the risk of fluctuations in market prices.

GUNZE's operating payables, including trade notes and accounts payable, as well as notes payable on acquisition of property, plants and equipment are mostly current with due dates within a year. Short-term debt and commercial paper are primarily used for short-term fund raising related to operations. Long-term debt is mainly used for capital investment, and thus is exposed to the risk of interest rate fluctuations. Long-term deposits and guarantee deposits mainly consist of deposits from tenants, etc. related to the real estate business.

GUNZE undertakes derivative transactions as a hedge against exposure to foreign currency fluctuations related to operating receivables and payables as well as debt, denominated in foreign currencies. Regarding hedging methods, refer to "(g) Hedge Accounting" of "D. Accounting Standards and Treatment" in "Significant Accounting Policies Used in Preparation of Consolidated Financial Statements."

(c) Risk management system related to financial instruments

1) Management of credit risk (risks arising from non-performance of contract by counterparties)

At the GUNZE Group, relevant administrative departments manage due dates, balances and other items for each account or debtor, pursuant to internal regulations, regarding operating receivables and short- and long-term loans, in order to minimize default risk.

As for derivative transactions, the GUNZE Group considers the exposure to credit risk arising from non-performance by counterparties to be minimal since the counterparties are mainly highly creditable financial institutions.

2) Management of market risk (risk of loss in value due to fluctuations in exchange and interest rates)
As for foreign currency-denominated operating receivables and payables, GUNZE enters into forward exchange contracts for foreign currency-denominated operating payables which are expected to arise from forecasted import transactions. As for foreign currency-denominated debt, which is included in long-term debt, currency swaps are used. Derivative transactions are undertaken and managed according to the internal regulations specifying details of transactions, organizations in charge, internal check systems and others.

As for marketable investment securities with market quotations, GUNZE assesses fair values on a quarterly basis, and considers its relationship with the counterparties and other factors, regularly reviewing whether or not to hold the applicable investment securities until maturity.

3) Management of liquidity risk arising from funding (risk of becoming unable to make required payment on due date)
GUNZE's financial department makes or updates a financial plan every month based on reports from each department or subsidiary/affiliate. GUNZE also makes sure that on-hand liquidity is kept at an appropriate level that reflects the current financial market situation in order to effectively manage liquidity risk.

B. Fair Values of Financial Instruments, etc.

The following table presents the carrying amounts of financial instruments recorded on consolidated balance sheets and fair values at the end of the consolidated fiscal year under review, and differences thereof. Certain financial instruments having no readily determinable fair value are not included (see Note 2).

FY2011 (March 31, 2012)

(Millions of yen)

	Carrying amount recorded on consolidated balance sheets	Fair value	Difference
(1) Cash and cash equivalents	6,078	6,078	–
(2) Trade notes and accounts receivable	29,547	29,547	–
(3) Short-term loans	304	304	–
(4) Investment securities	10,299	10,299	–
(5) Long-term loans	103	106	3
Total assets	46,332	46,335	3
(6) Trade notes and accounts payable	7,013	7,013	–
(7) Short-term debt	4,798	4,798	–
(8) Commercial paper	19,600	19,600	–

	Carrying amount recorded on consolidated balance sheets	Fair value	Difference
(9) Current portion of long-term debt	1,077	1,077	—
(10) Notes payable on acquisition of property, plants and equipment	1,695	1,695	—
(11) Long-term debt	7,678	7,678	—
(12) Long-term deposits and guarantee deposits	4,737	4,372	(365)
Total liabilities	46,600	46,235	(365)
(13) Derivatives*	(419)	(419)	—

* Receivables and payables arising from forward exchange contracts are recorded in net amounts. In the case that the total becomes payable, it is included within parentheses.

FY2012 (March 31, 2013)

(Millions of yen)

	Carrying amount recorded on consolidated balance sheets	Fair value	Difference
(1) Cash and cash equivalents	6,070	6,070	—
(2) Trade notes and accounts receivable	28,736	28,736	—
(3) Short-term loans	552	552	—
(4) Investment securities	9,104	9,104	—
(5) Long-term loans	798	801	2
Total assets	45,262	45,265	2
(6) Trade notes and accounts payable	6,990	6,990	—
(7) Short-term debt	4,680	4,680	—
(8) Commercial paper	11,800	11,800	—
(9) Current portion of long-term debt	1,911	1,911	—
(10) Notes payable on acquisition of property, plants and equipment	1,671	1,671	—
(11) Long-term debt	11,647	11,650	3
(12) Long-term deposits and guarantee deposits	4,664	4,413	(251)
Total liabilities	43,365	43,117	(247)
(13) Derivatives*	56	56	—

* Receivables and payables arising from forward exchange contracts are recorded in net amounts. In the case that the total becomes payable, it is included within parentheses.

Notes:

1. Fair value calculation methods for financial instruments, and notes related to marketable securities and derivatives

(Assets)

(1) Cash and cash equivalents, (2) Trade notes and accounts receivable, (3) Short-term loans
Since these assets are settled on a short-term basis, the carrying values approximate fair values. The carrying values are therefore indicated as fair values.

(4) Investment securities
The fair values of shares are determined in terms of the prices listed on the Stock Exchange. As for notes regarding marketable securities for each purpose of holding, refer to “Notes to Marketable Securities.”

(5) Long-term loans
The fair values of long-term loans are determined using the present value of discounted collectible principal and interest amounts estimated reflecting their collectability, based on an appropriate rate in which a credit spread is added to a risk-free benchmark rate (such as a government bond yield) corresponding to the remaining term of loan.

(Liabilities)

(6) Trade notes and accounts payable, (7) Short-term debt, (8) Commercial paper, (9) Current portion of long-term debt, (10) Notes payable on acquisition of property, plants and equipment
Since these liabilities are settled on a short-term basis, the carrying values approximate fair values. The carrying values are therefore indicated as fair values.

(11) Long-term debt
The fair value of long-term debt with a fixed interest rate is determined using the present value of discounted total cost of the principal and interest to be incurred during the remaining term of debt, based on the currently estimated interest rate for making similar borrowings. As for foreign currency-denominated debt with a currency swap contract, the fair value is determined using the discounted total cost of the principal and interest treated as part of the said currency swap, based on a reasonably estimated rate for similar borrowings.

(12) Long-term deposits and guarantee deposits
Fair values are determined using the present value of discounted future cash flows, based on an appropriate rate in which a credit spread is added to the risk-free benchmark rate (such as a government bond yield) corresponding to the remaining term of real estate rent.

(Derivatives)

Refer to “ Notes to Derivatives.”

2. Carrying amounts of difficult-to-value financial instruments recorded on consolidated balance sheets

(Millions of yen)

Types	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Unlisted securities	2,328	2,726

Unlisted securities are not included in “(4) Investment securities,” because these securities are without quotations, which makes it extremely difficult to assess fair values.

Notes to Marketable Securities

A. Held-to-maturity bonds with fair market value

FY2011 (March 31, 2012)

None applicable.

FY2012 (March 31, 2013)

None applicable.

B. Other marketable securities with fair market value

FY2011 (March 31, 2012) (Millions of yen)

Category	Carrying amounts	Acquisition cost	Difference
Securities with balance sheet amounts that exceed acquisition cost			
Shares	6,033	2,820	3,212
Bonds	-	-	-
Other	-	-	-
Subtotal	6,033	2,820	3,212
Securities with balance sheet amounts that do not exceed acquisition cost			
Shares	4,266	6,671	(2,404)
Bonds	-	-	-
Other	-	-	-
Subtotal	4,266	6,671	(2,404)
Total	10,299	9,491	807

FY2012 (March 31, 2013) (Millions of yen)

Category	Carrying amounts	Acquisition cost	Difference
Securities with balance sheet amounts that exceed acquisition cost			
Shares	4,284	2,967	1,317
Bonds	-	-	-
Other	-	-	-
Subtotal	4,284	2,967	1,317
Securities with balance sheet amounts that do not exceed acquisition cost			
Shares	4,819	6,121	(1,302)
Bonds	-	-	-
Other	-	-	-
Subtotal	4,819	6,121	(1,302)
Total	9,104	9,088	15

C. Other marketable securities sold during the period

FY2011 (April 1, 2011 to March 31, 2012) (Millions of yen)

Category	Sale price	Total gain on sale	Total loss on sale
Shares	0	0	-
Bonds	-	-	-
Other	-	-	-
Total	0	0	-

FY2012 (April 1, 2012 to March 31, 2013) (Millions of yen)

Category	Sale price	Total gain on sale	Total loss on sale
Shares	19	2	-
Bonds	-	-	-
Other	-	-	-
Total	19	2	-

Notes to Derivatives

FY2011 (March 31, 2012)

A. Derivative transactions for which hedge accounting is not applied

Currency-related transactions (Millions of yen)

Category	Type of transactions	Contract amount	Term of contract exceeding one year	Fair value	Valuation gain (loss)
Non-market transactions	Forward exchange contract of buying USD	5,365	2,799	(69)	(69)
	Total	5,365	2,799	(69)	(69)

Note: Fair values are calculated, based on prices offered by financial institutions.

B. Derivative transactions for which hedge accounting is applied

Currency-related transactions (Millions of yen)

Hedge accounting method	Type of transactions	Hedged items	Contract amount	Term of contract exceeding one year	Fair value
Deferred hedge accounting and allocation for forward exchange contract	Forward exchange contract of buying USD	Trade notes and accounts payable	2,373	0	(349)
	Forward exchange contract of selling USD	Trade notes and accounts receivable	32	0	0
	Total		2,405	0	(349)

Note: Fair values are calculated, based on prices offered by financial institutions.

FY2012 (March 31, 2013)

A. Derivative transactions for which hedge accounting is not applied

Currency-related transactions (Millions of yen)

Category	Type of transactions	Contract amount	Term of contract exceeding one year	Fair value	Valuation gain (loss)
Non-market transactions	Forward exchange contract of buying USD	5,184	3,449	(35)	(35)
	Total	5,184	3,449	(35)	(35)

Note: Fair values are calculated, based on prices offered by financial institutions.

B. Derivative transactions for which hedge accounting is applied

Currency-related transactions (Millions of yen)

Hedge accounting method	Type of transactions	Hedged items	Contract amount	Term of contract exceeding one year	Fair value
Allocation for currency swap	Currency swap	Long-term debt	6,004	6,004	(Note 1)
Deferred hedge accounting and allocation for forward exchange contract	Forward exchange contract of buying USD	Trade notes and accounts payable	465	-	91
	Forward exchange contract of selling USD	Trade notes and accounts receivable	22	-	-
	Total		6,491	6,004	91

Notes:

1. As a currency swap to be allocated is treated as part of the hedged item, namely long-term debt, its fair value is included in that of the said long-term debt.
2. Fair values are calculated, based on prices offered by financial institutions.

Notes to Retirement Benefits

A. Description of Retirement Benefit Systems Used

GUNZE and its domestic consolidated subsidiaries have a defined benefit system comprising a defined benefit corporate pension, a lump-sum retirement payment and an employees' pension fund, as well as a defined contribution pension system and an employees' severance prepayment system. When an employee retires, GUNZE sometimes has to provide premium severance pay not included in the projected benefit obligations actually calculated according to GUNZE's retirement plan. GUNZE has also set up a retirement benefit trust. Some foreign consolidated subsidiaries provide defined benefit systems and defined contribution pension systems. The percentage breakdown of retirement systems in use is 36.5% for the defined benefit corporate pension system, 36.5% for the lump-sum retirement payment system, and 27% for the defined contribution pension system (employees' severance prepayment system option is also available).

B. Retirement Benefit Obligation

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
(1) Projected benefit obligation	(36,579)	(35,050)
(2) Plan assets	30,914	35,409
(3) Funded status ((1) + (2))	(5,664)	359
(4) Untreated transitional differences to new accounting standards for retirement benefits	—	—
(5) Unrecognized net actuarial gains (losses)	4,415	(949)
(6) Unrecognized prior service cost (decrease in obligation)	—	—
(7) Net amount stated on consolidated balance sheet ((3) + (4) + (5) + (6))	(1,248)	(590)
(8) Prepaid pension expenses	926	1,215
(9) Allowance for severance and pension benefits ((7) – (8))	(2,174)	(1,805)

Notes:
1. Some subsidiaries use the simplified method in calculating the projected benefit obligation.
2. The comprehensive employees' pension fund used by some consolidated subsidiaries cannot be merely calculated from the contributions of each company to the plan assets. As a result, figures have not been included above.
The amounts of plan assets calculated from the premium contribution ratio at the end of fiscal 2011 and fiscal 2012 are ¥601 million and ¥665 million, respectively.

C. Retirement Benefit Expenses

(Millions of yen)

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
(1) Service cost	985	949
(2) Interest cost	721	706
(3) Expected return on assets	(533)	(619)
(4) Amortization of net transition difference to new accounting standards for retirement benefits	—	—
(5) Amortization of net actuarial gains (losses)	2,492	2,601
(6) Amortization of prior service cost	—	—
(7) Retirement benefit expenses ((1) + (2) + (3) + (4) + (5) + (6))	3,665	3,637
(8) Gains (losses) on transition to new system	(23)	—
(9) Others	303	303
Total ((7) + (8) + (9))	3,944	3,940

Notes:

1. The retirement benefit expenses of consolidated subsidiaries using the simplified method are stated in "(1) Service cost."
2. The ¥29 million and ¥28 million premium contributions (except the amount of employee contributions) of the comprehensive pension fund for fiscal 2011 and fiscal 2012, respectively, are not included.
3. "(8) Gains (losses) on transition to new system" for fiscal 2011 refers to gains or losses related to transition to a new retirement system at GUNZE and its consolidated subsidiaries.

D. Basis for Calculation of Retirement Benefit Obligation, etc.

	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
(1) Periodic allocation method for projected benefits	Straight-line standard	Straight-line standard
(2) Discount rate	2.0%	2.0%
(3) Expected rate of return	0.5 - 2.1%	2.1%
(4) Years over which prior service cost is amortized	5 - 10 years	5 - 10 years
(5) Years over which net actuarial gains and losses are amortized	5 years	5 years
(6) Years over which net transition difference to new accounting standards for retirement benefits is amortized	All amounts were amortized in first year in which retirement benefit accounting was applied	

Notes to Income Taxes

A. Breakdown of major components of deferred tax assets and liabilities

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Deferred tax assets		
Unrealized gains on inventories	126	89
Non-deductible write-off of deferred assets	5	3
Allowance for employees' bonuses	448	418
Allowance for retirement benefits	2,218	3,013
Accrued enterprise taxes	47	71
Impairment loss	—	762
Loss on disposal of inventories	315	289
Deferred loss on hedge	129	—
Net loss carried forward	4,937	4,340
Others	306	217
Gross deferred tax assets	8,535	9,205
Valuation allowance	(2,001)	(2,343)
Total deferred tax assets	6,534	6,862
Deferred tax liabilities		
Unrealized differences on securities	(319)	(5)
Reserve for reduction of fixed assets	(361)	(356)
Reserve for special depreciation	(28)	(22)
Deferred gain on hedge	—	(33)
Others	(3)	0
Total deferred tax liabilities	(712)	(419)
Net deferred tax assets (liabilities)	5,821	6,443

Note: Net deferred tax assets (liabilities) are included in the following items of the consolidated balance sheets:

(Millions of yen)

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Current assets – Deferred tax assets	1,444	1,828
Fixed assets – Deferred tax assets	4,376	4,615

B. Major components of the differences between the statutory tax rate and the actual effective tax rate for income taxes subsequent to the application of tax effect accounting

	FY2011 (Mar. 31, 2012)	**FY2012 (Mar. 31, 2013)**
Normal statutory tax rate	39.5%	37.0%
Adjustment for:		
Entertainment expenses and other permanently non-deductible expenses	5.9%	(12.0%)
Dividend income and other permanently non-taxable income	(3.8%)	6.4%
Per capita inhabitant tax, etc.	3.4%	(5.6%)
Effect of valuation allowance changes	6.1%	(25.4%)
Decrease of year-end deferred tax assets accompanying change in effective income tax rate	23.3%	—
Difference in applicable tax rates of foreign subsidiaries	2.8%	2.5%
Others	5.1%	(5.3%)
Actual effective tax rate subsequent to application of tax effect accounting	82.3%	(2.4%)

Notes to Rental Property

GUNZE and some subsidiaries own commercial facilities, office buildings and housing for earning rental revenue in Hyogo Prefecture and other regions in Japan. The following table presents balance sheet figures, increase/decrease and fair values of rental real estate property.

(Millions of yen)

		FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2012 (Apr. 1, 2012 to Mar. 31, 2013)**
Consolidated balance sheet figure	Balance at beginning of the period	20,540	21,487
	Change during the period	947	410
	Balance at end of the period	21,487	21,897
Fair value at end of the period		31,543	30,314

Notes:

1. Consolidated balance sheet figures are calculated by deducting accumulated depreciation and revaluation difference of land from acquisition cost.

2. The main components of the increase during fiscal 2011 are a ¥1,257 million increase from renovation of commercial facilities and ¥873 million transferred from business assets, while the main contributor to a decrease is a depreciation of ¥1,115 million.
The main components of the increase during fiscal 2012 is a ¥1,762 million increase from renovation of commercial facilities, while the main contributor to a decrease is a depreciation of ¥1,249 million.
3. The fair values for the main pieces of rental property at the end of each period are calculated based on the real estate research report prepared by third-party appraisers. For other rental property, the fair values are determined based on the valuated amounts and indices deemed to appropriately reflect market prices, and by adding reasonable adjustments in-house.

The following table presents income (loss) related to rental property。

(Millions of yen)

		FY2011 (Apr. 1, 2011 to Mar. 31, 2012)	**FY2011 (Apr. 1, 2012 to Mar. 31, 2013)**
Consolidated income statement figure	Operating revenue	2,952	3,236
	Operating cost	2,409	2,513
	Operating income	542	722
	Other income (loss)	(97)	(114)

Note: “Other income (loss)” refers to compensation for transfer of property, loss on disposal of property, etc.

[Segment Information]

A. Summary of Reportable Segments

GUNZE's reportable segments refer to the components of GUNZE that provide separate financial data to the board of directors for decisions on allocation of management resources and evaluation of business results on a regular basis.

GUNZE's corporate structure consists of business organizations (internal companies/business divisions, etc.) classified according to the type of products or services, and each business organization formulates strategies for the products/services it handles and promotes business activities. Therefore, GUNZE consists of segments based on business organizations classified by the type of products/services, and discloses financial information about three reportable segments, namely Functional Solutions, Apparel and Lifestyle Creations.

The Functional Solutions segment produces and sells functional materials made by processing plastics, medical materials and machinery. The Apparel segment is engaged in the production and sales of apparel and threads. The Lifestyle Creations segment is engaged in operation and management of commercial facilities and sports clubs, as well as sales of trees and plants.

B. Net Sales, Profit, Assets and Others of Each Reportable Segment and Calculation Method

Accounting treatment for reported segments is roughly the same as those stated in "Significant Accounting Policies Used in Preparation of Consolidated Financial Statements."

C. Information on Net Sales, Profit, Assets and Others of Each Reportable Segment

FY2011 (April 1, 2011 to March 31, 2012) (Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	51,331	72,782	12,507	136,621	-	136,621
Intersegment sales and transfers	169	165	917	1,252	(1,252)	-
Total	51,500	72,948	13,424	137,873	(1,252)	136,621
Segment profit	3,587	192	920	4,700	(3,677)	1,023
Segment assets	55,016	59,920	28,382	143,319	25,198	168,517
Other items						
Depreciation & amortization	3,993	1,966	1,369	7,329	841	8,171
Increase in tangible and intangible fixed assets	9,097	1,191	1,423	11,713	356	12,069

Notes:

1. Adjustment comprises the following:
   (1) The segment profit adjustment of – (minus) ￥3,677 million refers to the company's overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not attributable to reportable segments.
   (2) The segment asset adjustment of ￥25,198 million refers to company assets not allocated to reportable segments.
2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

FY2012 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	49,377	69,836	13,159	132,373	-	132,373
Intersegment sales and transfers	161	154	707	1,024	(1,024)	-
Total	49,538	69,991	13,867	133,397	(1,024)	132,373
Segment profit	2,813	1,393	1,044	5,251	(3,540)	1,710
Segment assets	51,631	57,839	28,122	137,594	25,733	163,328
Other items						
Depreciation & amortization	3,783	1,635	1,408	6,828	759	7,587
Impairment loss	2,683	-	-	2,683	-	2,683
Increase in tangible and intangible fixed assets	3,735	916	1,932	6,583	346	6,930

Notes:

1. Adjustment comprises the following:

(1) The segment profit adjustment of – (minus) ￥3,540 million refers to the company's overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not attributable to reportable segments.

(2) The segment asset adjustment of ￥25,733 million refers to company assets not allocated to reportable segments.

2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

[Related Information]

FY2011 (April 1, 2011 to March 31, 2012)

A. Information by Product/Service

This information is not presented because similar information is available in "Segment Information."

B. Geographic Information

(a) Net sales

(Millions of yen)

Japan	Others	Total
114,958	21,663	136,621

Note: Net sales are classified by the location of customers.

(b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
58,750	9,995	68,746

C. Major Customer Information

This information is not presented because no single customer represents 10% or more of the company's total net sales reported on the Consolidated Statements of Income.

FY2012 (April 1, 2012 to March 31, 2013)

A. Information by Product/Service

This information is not presented because similar information is available in "Segment Information."

B. Geographic Information

(a) Net sales

(Millions of yen)

Japan	Others	Total
113,487	18,885	132,373

Note: Net sales are classified by the location of customers.

(b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
56,550	8,754	65,304

C. Major Customer Information

This information is not presented because no single customer represents 10% or more of the company's total net sales reported on the Consolidated Statements of Income.

<u>Related Party Transaction</u>

None applicable.

Per Share Information

	FY2011 (April 1, 2011 to March 31, 2012)	**FY2012** (April 1, 2012 to March 31, 2013)
Net assets per share (¥)	568.89	561.35
Earnings (loss) per share (¥)	2.96	(6.06)
Diluted earnings per share (¥)	2.95	-

Notes:

1. Diluted earnings per share are not stated for fiscal 2012, as the Company recorded net loss during the period.
2. Earnings, loss and diluted earnings per share were calculated on the following basis:

	FY2011 (April 1, 2011 to March 31, 2012)	**FY2012** (April 1, 2012 to March 31, 2013)
Earnings (loss) per share		
Net income (loss) recorded on statements of income (¥ millions)	571	(1,161)
Amounts not allocated to common stockholders (¥ millions)	-	-
Net income (loss) allocated to common stock (¥ millions)	571	(1,161)
Average number of common shares outstanding during each term (thousand shares)	192,841	191,598
Diluted earnings per share		
Adjustment to net income (¥ millions)	-	-
Increase in common shares (thousand shares)	735	-
(Stock acquisition rights) (thousand shares)	(735)	-

3. Net assets per share were calculated on the following basis:

	FY2011 (Mar. 31, 2012)	**FY2012** (Mar. 31, 2013)
Total net assets (¥ millions)	110,197	108,745
Deduction from net assets (¥ millions)	1,217	1,144
(Minority interests) (¥ millions)	(964)	(876)
(Stock acquisition rights) (¥ millions)	(253)	(268)
Term-end amounts allocated to common stockholders (¥ millions)	108,979	107,600
Term-end number of common shares used for calculation of net assets per share (thousand shares)	191,565	191,683

Significant Subsequent Events

None applicable.

5. Others

(1) Supplementary Information

Overview of Consolidated Results

<Overview of Results>

・The functional solutions segment posted decreases in sales and profits, due largely to a slowdown of overseas economies and soaring raw material prices.

・The apparel segment suffered from a delay in responding to changes in distribution channel structure and consumers' preference for low-end merchandise. However, efforts to reduce the cost of sales contributed to a profit increase, although sales declined.

・The lifestyle creation segment recorded increases in sales and profits thanks to the strong performance of sports clubs and the opening of the renovated *TSUKASHiN* (*Nishimachi*) commercial facility.

<Special Treatments>

・Gain on establishment of employee retirement benefit trust: ¥1.9 billion

・Loss on amortization of actuarial differences in retirement benefits: ¥2.6 billion

・Impairment loss on fixed assets: ¥2.6 billion

<Dividends>

・Scheduled dividend payment for the current fiscal year: ¥7.5 per share

<FY2013 Forecast>

・The apparel business is projected to suffer from declining profitability due to the depreciation of yen. However, the functional solutions business is expected to enjoy increasing demand for projected capacitive touch screens. The lifestyle creation business will also see *TSUKASHiN (Nishimachi* area) operations throughout the year. With these positive factors, overall increases in both sales and profits are expected for fiscal 2013.

・Scheduled dividend payment for next fiscal year: ¥7.5 per share

(1) FY2012 Operating Results (Apr. 1, 2012 to Mar. 31, 2013) (Millions of yen)

	FY2012	Forecasts (Feb. 5)	FY2011	Change <Upper figures in brackets %> vs. forecasts	Change <Upper figures in brackets %> vs. FY2011
Net Sales	132,373	133,500	136,621	<(0.8)> (1,127)	<(3.1)> (4,248)
Operating Income	1,710	1,600	1,023	<6.9> 110	<67.2> 686
Ordinary Income	2,328	1,900	975	<22.5> 428	<138.8> 1,352
Net Income	(1,161)	(1,900)	571	< - > 739	< - > (1,732)
Total Assets	163,328		168,517		<(3.1)> (5,188)
Inventories	33,985		35,563		<(4.4)> (1,577)
Fixed Assets	89,873		93,125		<(3.5)> (3,251)
Net Assets	108,745		110,197		<(1.3)> (1,451)
Financing Income/Expenses	98		150		(52)
Interest/Dividends Received	280		321		(40)
Interest Expenses	(182)		(170)		(12)
Capital Expenditures	6,930		12,069		(5,139)
Depreciation and Amortization	7,587		8,171		(583)

Note: Acquisition of treasury stocl

	(Thousands of shares)	(Amount)
・Treasury stock acquired (including acquisition of odd-lot shares)	12	¥2 million
・Treasury stock disposed	131	¥54 million
・Treasury stock held at the end of the previous fiscal year	18,369	¥7,655 million
・Treasury stock held at the end of the period	18,251	¥7,603 million

(2) Results by Business Segment (Millions of yen)

Segment		FY2012		FY2011		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	49,538	37.1	51,500	37.4	(1,962)	(3.8)
	Apparel	69,991	52.5	72,948	52.9	(2,957)	(4.1)
	Lifestyle Creations	13,867	10.4	13,424	9.7	443	3.3
	Subtotal	133,397	100.0	137,873	100.0	(4,476)	(3.2)
	Eliminations	(1,024)		(1,252)		228	-
	Consolidated	132,373		136,621		(4,248)	(3.1)
Operating Income	Functional Solutions	2,813	53.6	3,587	76.3	(774)	(21.6)
	Apparel	1,393	26.5	192	4.1	1,201	625.5
	Lifestyle Creations	1,044	19.9	920	19.6	124	13.5
	Subtotal	5,251	100.0	4,700	100.0	551	11.7
	Eliminations/Corporate	(3,540)		(3,677)		137	-
	Consolidated	1,710		1,023		686	67.2

(3) Significant Financial Indicators

Item		FY2012	FY2011	Change
Operating Income to Total Assets Ratio	%	1.0	0.6	0.4
Ordinary Income to Total Assets Ratio	%	1.4	0.6	0.8
Operating Income to Net Sales Ratio	%	1.3	0.7	0.6
Ordinary Income to Net Sales Ratio	%	1.8	0.7	1.1
Turnover of Total Assets	times	0.80	0.82	(0.02)
Net Worth Ratio	%	65.9	64.7	1.2
ROE	%	(1.1)	0.5	(1.6)
Earnings per Share	¥	(6.06)	2.96	(9.02)
Diluted Earnings per Share	¥	-	2.95	-
Net Assets per Share	¥	561.35	568.89	(7.54)

(4) Cash Flows (Millions of yen)

Cash Flow Activity	FY2012	FY2011	Change	Breakdown of Major Components
Operating Activities	12,343	(1,417)	13,760	Depreciation and amortization: 7,587 Decrease in inventories: 2,601
Investing Activities	(7,564)	(7,780)	216	Purchase of property, plants and equipment: (6,013)
Financing Activities	(5,100)	8,373	(13,474)	Decrease in long-term and short-term debt including commercial paper: (3,664) Dividend payments: (1,430)
Foreign Currency Translation	224	(111)	335	
Increase (Decrease) in Cash and Cash Equivalents	(97)	(936)	838	
Increase (Decrease) due to Change in Scope of Consolidation	89	109	(19)	
Cash and Cash Equivalents - End of Period	6,070	6,078	(8)	

(5) Capital Expenditures and Depreciation and Amortization by Segment (Millions of yen)

Item		FY2012		FY2011		Y-over-Y	FY2013 Plan		Y-over-Y
		Amount	Weight	Amount	Weight	Change	Amount	Weight	Change
Capital Expenditures	<International>	<527>		<2,967>			<1,500>		
	Functional Solutions	3,735	53.9	9,097	75.4	(5,362)	4,900	51.0	1,165
	<International>	<362>		<534>			<500>		
	Apparel	916	13.2	1,191	9.9	(275)	1,000	10.4	84
	Lifestyle Creations	1,932	27.9	1,423	11.8	509	2,400	25.0	468
	Corporate	346	5.0	356	2.9	(10)	1,300	13.6	954
	<International>	<889>		<3,502>			<2000>		
	Total	6,930	100.0	12,069	100.0	(5,139)	9,600	100.0	2,670
Depreciation and Amortization	Functional Solutions	3,783	49.9	3,993	48.9	(210)	3,000	46.9	(783)
	Apparel	1,635	21.6	1,966	24.1	(331)	1,200	18.8	(435)
	Lifestyle Creations	1,408	18.6	1,369	16.8	39	1,400	21.9	(8)
	Corporate	759	9.9	841	10.2	(82)	800	12.4	41
	Total	7,587	100.0	8,171	100.0	(584)	6,400	100.0	(1,187)

Note:

1. Capital expenditures include investments in intangible fixed assets.

Main Investment Plans for FY2013

・Electronic components production facilities: ¥2,100 million
・Solar power generation facilities: ¥1,700 million
・Plastic film production facilities: ¥1,300 million

(6) FY2013 Forecast (Millions of yen)

Item	Full Year		
	FY2013 Forecast	FY2012	Change <Upper figures %>
Net Sales	139,000	132,373	<5.0> 6,627
Operating Income	3,000	1,710	<75.4> 1,290
Ordinary Income	2,900	2,328	<24.6> 572
Net Income	1,500	(1,161)	< - > 2,661

(7) Forecast of Results by Segment

(Millions of yen)

Item		FY2013 Forecast		FY2012 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional solutions	56,100	40.1	49,538	37.1	6,562	13.2
	Apparel	69,900	49.9	69,991	52.5	(91)	(0.1)
	Lifestyle creations	14,000	10.0	13,867	10.4	133	1.0
	Subtotal	140,000	100.0	133,397	100.0	6,603	4.9
	Eliminations/Corporate	(1,000)		(1,024)		24	-
	Consolidated	139,000		132,373		6,627	5.0
Operating Income	Functional solutions	5,000	79.4	2,813	53.6	2,187	77.7
	Apparel	100	1.6	1,393	26.5	(1,293)	(92.8)
	Lifestyle creations	1,200	19.0	1,044	19.9	156	14.9
	Subtotal	6,300	100.0	5,251	100.0	1,049	20.0
	Eliminations/Corporate	(3,300)		(3,540)		240	-
	Consolidated	3,000		1,710		1,290	75.4