Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2014 (Japanese Standards)

This document is an English translation of the Japanese-language original. All financial information has been prepared in accordance with accounting principles generally accepted in Japan.

Company Name:	GUNZE LIMITED
Company Code:	3002
Stock Market Listings:	Tokyo
URL	http://www.gunze.co.jp
Representative Director:	Nodoka Kodama, President & COO
Contact:	Osamu Tomioka, General Manager, Public & Investor Relations
Tel:	+81 (6) 6348-1314

Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): August 8, 2013

Start of Distribution of Dividends (Scheduled)：−

Preparation of Supplementary Materials for the Quarterly Financial Results: No

Holding of Presentation of Quarterly Financial Results: No

1. Consolidated results for the first quarter of FY2013 (April 1, 2013 to June 30, 2013)

(1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

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

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended June 2013	34,104	7.2	1,060	16.1	1,500	65.9
Three months ended June 2012	31,804	(2.5)	913	29.7	904	7.1

	Net income		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Three months ended June 2013	812	72.8	4.24	4.22
Three months ended June 2012	470	(52.0)	2.45	2.44

Note: Comprehensive income
Three months ended June 2013: ¥2,030 million [−%]
Three months ended June 2012: (¥607 million) [−%]

(2) Consolidated financial position

	Total assets	Net assets	Net worth ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of June 30, 2013	166,764	109,337	64.8	563.89
As of March 31, 2013	163,328	108,745	65.9	561.35

Reference: Net worth
June 30, 2013: ¥108,085 million March 31, 2013: ¥107,600 million

2. Dividends

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

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2013 (April 1, 2013 to March 31, 2014)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2013 full year	139,000	5.0	3,000	75.4	2,900	24.6

	Net income		E.P.S.
	¥ millions	%	¥
FY2013 full year	1,500	–	7.83

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

Notes

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

(2) Application of specific accounting practices for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement after error corrections

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: No

(b) Changes in accounting policies due to other reasons: Yes

(c) Changes in accounting estimates: No

(d) Restatement after error corrections: No

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

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

1st quarter of FY2013: 209,935,165 shares

End of FY2012: 209,935,165 shares

(b) Treasury stock at the end of period:

1st quarter of FY2013: 18,256,930 shares

End of FY2012: 18,251,563 shares

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

1st quarter of FY2013: 191,680,716 shares

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

Notes regarding quarterly review

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

Notes regarding the use of projections of results and other matters

Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and notes regarding the use of projections, see (3) “Description of Consolidated Financial Forecast” ” on page 4 of attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

During the first quarter of the current fiscal year (April 1, 2013 to June 30, 2013), the Japanese economy began to see signs of recovery in performance mainly in export-oriented companies, reflecting the correction of the yen's appreciation. This correction was achieved primarily through the Japanese government's extensive monetary easing measures. Despite these positive signs, there were also negative factors that dragged down the Japanese economy. These factors included the slowdown in economic growth in China, rising prices of imported products due to rapid depreciation of the yen, increasing energy costs, and concerns about consumption tax hikes. These factors caused a continuation of a profound sense of economic uncertainty, along with continuously challenging overall business conditions.

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 is now in its final year.

Consequently, the GUNZE Group's consolidated net sales for the first-quarter period under review amounted to ¥34,104 million (a year-over-year increase of 7.2%). Consolidated operating income totaled ¥1,060 million (a year-over-year increase of 16.1%), while consolidated ordinary income was ¥1,500 million (a year-over-year increase of 65.9%). Consolidated net income was ¥812 million (a year-over-year increase of 72.8%).

Results by Business Segment

<Functional Solutions>

In plastic film, in the midst of soaring raw material prices, shrink films for household product applications, such as anti-fogging film for vegetable packaging and film for toiletry applications, enjoyed sales increases. However, films for beverage applications moved slowly. As for engineering plastics, in the area of general industrial applications, steady sales were posted for semiconductor applications, although office equipment components experienced sales declines, reflecting slow demand for expendable supplies due mainly to an increasing avoidance of printing. In electronic components, GUNZE has been working on expanding sales for touch screens for Windows 8-based personal computers since the previous fiscal year. These efforts contributed to the improvement of this category’s performance. Medical materials enjoyed sales recovery in China and sales growth in Europe, but sales in Japan remained sluggish. Consequently, the functional solutions business recorded net sales of ¥13,915 million (a year-over-year increase of 19.2%) and operating income of ¥937 million (a year-over-year increase of 7.7%).

<Apparel>

In innerwear, GUNZE’s mainstay basic products continued to experience sluggish sales. Although GUNZE worked to reduce cost of sales and fixed costs through structural reform for the production sector, soaring prices of imported products due to the weaker yen caused earnings to remain at a marginal level of improvement. In leg wear, while sales of fashionable products were sluggish, plain pantyhose products, foot covers with enhanced functionality, and legging pants, which set a new trend in fashion, performed strongly. Still, this was not enough to offset the increase in cost of sales due to the yen’s depreciation. Consequently, the apparel business recorded net sales of ¥16,708 million (a year-over-year decrease of 0.9%), while operating income was ¥560 million (a year-over-year decrease of 18.4%).

<Lifestyle Creations>

In the real estate business, the *GUNZE Town Center TSUKASHiN* did well in terms of sales and the number of visitors, thanks to the re-opening of the renovated *Nishimachi* area. The sports club business also marked stable performance as the campaign for attracting new members contributed to increased membership. Consequently, the lifestyle creation business posted net sales of ¥3,652 million (a year-over-year increase of 4.2%) and operating income of ¥251 million (a year-over-year increase of 53.0%).

(2) Description of Financial Position

As of June 30, 2013, total assets were ¥166,764 million, an increase of ¥3,436 million compared to the end of the previous fiscal year. The main components of the increase were a ¥1,500 million increase in cash and cash equivalents, a ¥1,293 million increase in notes and accounts receivable, and a ¥640 million increase in investments in securities. The main factors contributing to a decrease in total assets were a ¥556 million decrease in investments and other assets (decrease in long-term prepaid expenses, etc.), and a ¥449 million decrease in finished products and goods.

Total liabilities were ¥57,427 million, an increase of ¥2,844 million compared to the end of the previous fiscal year. The key components of the increase were a ¥4,592 million increase in long- and short-term debt including commercial paper and a ¥455 million increase in notes and accounts payable. The main components of a decrease in total liabilities were a ¥1,364 million decrease in other current liabilities (decrease in notes payable on acquisition of equipment) and an ¥803 million decrease in allowance for employees' bonuses.

Net assets were ¥109,337 million, an increase of ¥591 million compared to the end of the previous fiscal year. The main components of the increase included a net income of ¥812 million recorded for the first-quarter period under review, a ¥704 million increase in foreign currency translation adjustments, and a ¥408 million increase in unrealized gains on available-for-sale securities. The main components of a decrease included dividend payments amounting to ¥1,437 million.

(3) Description of Consolidated Financial Forecast

GUNZE has not revised its consolidated full-year forecast for the fiscal year ending March 31, 2014 from the previous forecast announced on May 14, 2013, as performance during the first-quarter period under review remained within the assumed range.

2. Summary Information (Other)

(1) Changes in Significant Subsidiaries during the Period

None applicable

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

(Calculation of taxes)

Taxes are calculated by multiplying income before income taxes for the first-quarter period under review by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the income before income taxes for the current consolidated fiscal year ending March 31, 2014.

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

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

Change in depreciation method for property, plants and equipment

Conventionally, GUNZE and its domestic consolidated subsidiaries principally used the declining-balance method for depreciation of their property, plants and equipment (excluding buildings purchased on or after April 1, 1998). Foreign consolidated subsidiaries depreciated their property, plants and equipment by the straight-line method. Effective from the first-quarter period under review, GUNZE and its domestic consolidated subsidiaries changed their depreciation methods for property, plants and equipment to the straight-line method.

As a result of examination of the GUNZE Group’s usage status for property, plants and equipment, it was discovered that these assets have been in stable operation over their useful life, and equipment/facility maintenance costs including repair costs have been nearly level. These findings enabled GUNZE to verify that physical deterioration of equipment and facilities has been progressing constantly with age. Moreover, GUNZE’s large-scale investments related to the functional solutions business in Japan are almost complete. In view of this situation, GUNZE considered that it would be more suitable to change the depreciation method used by GUNZE and its domestic subsidiaries into the straight-line method in order to unify the accounting methods across the GUNZE Group both in and out of Japan. GUNZE also determined that the straight-line method, which allocates the costs of each asset evenly over its estimated useful life, could reflect the nature of the GUNZE Group’s business more appropriately.

As a result of this change, depreciation for the first-quarter period under review decreased by ¥246 million compared to the conventional depreciation method. Operating income increased by ¥160 million compared to the conventional depreciation method, while ordinary income and income before income taxes increased by ¥170 million.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2012 (As of Mar. 31, 2013)	End of FY2013 1st quarter (As of June 30, 2013)
Assets		
Current assets		
Cash and cash equivalents	6,070	7,570
Notes & accounts receivable, trade	28,736	30,029
Finished products and goods	21,281	20,831
Work in process	6,765	7,057
Raw materials and supplies	5,938	6,205
Other current assets	4,672	5,087
Allowance for doubtful accounts	(9)	(21)
Total current assets	73,454	76,761
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	37,591	37,342
Machinery, equipment and vehicles (Net)	14,524	14,496
Land	11,887	11,890
Other (Net)	1,299	1,643
Total property, plants and equipment	65,304	65,373
Intangible fixed assets	1,674	1,651
Investments and other assets		
Investments in securities	11,831	12,471
Other assets	11,166	10,610
Allowance for doubtful accounts	(102)	(103)
Total investments and other assets	22,894	22,978
Total fixed assets	89,873	90,003
Total assets	163,328	166,764

(Millions of yen)

	End of FY2012 (As of Mar. 31, 2013)	End of FY2013 1st quarter (As of June 30, 2013)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	6,990	7,445
Short-term debt	4,680	5,049
Commercial paper	11,800	16,100
Current portion of long-term debt	1,911	1,927
Accrued income taxes	438	513
Allowance for employees' bonuses	1,136	332
Other current liabilities	9,130	7,765
Total current liabilities	36,086	39,134
Long-term liabilities		
Long-term debt	11,647	11,553
Allowance for retirement benefits	1,805	1,835
Long-term deposits & guarantee deposits	4,664	4,516
Other long-term liabilities	378	387
Total long-term liabilities	18,495	18,292
Total liabilities	54,582	57,427
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,064	14,064
Retained earnings	76,700	76,075
Treasury stock	(7,603)	(7,604)
Total shareholders' equity	109,233	108,606
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(27)	381
Deferred gains on hedge	57	55
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	(1,261)	(557)
Total accumulated other comprehensive income	(1,632)	(521)
Stock acquisition rights	268	268
Minority interests	876	983
Total net assets	108,745	109,337
Total liabilities and net assets	163,328	166,764

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

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

(Millions of yen)

	1st quarter of FY2012 (Apr. 1, 2012 to June 30, 2012)	1st quarter of FY2013 (Apr. 1, 2013 to June 30, 2013)
Net sales	31,804	34,104
Cost of sales	23,198	25,624
Gross profit	8,605	8,479
Selling, general & administrative expenses	7,692	7,418
Operating income	913	1,060
Non-operating income		
Interest income	3	9
Dividend income	124	160
Rental income	150	131
Exchange gain	-	287
Other	58	55
Total non-operating income	337	644
Non-operating expenses		
Interest expenses	46	41
Rental expenses	140	118
Exchange loss	39	-
Other	120	45
Total non-operating expenses	346	204
Ordinary income	904	1,500
Extraordinary income		
Gain on sale of property, plants & equipment	-	61
Gain on sale of investment securities	2	-
Gain on establishment of employee retirement benefit trust	1,170	-
Total extraordinary income	1,172	61
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	22	6
Loss on sale of investment securities	158	-
Loss on valuation of investments in securities	321	-
Amortization of actuarial differences in retirement benefits	650	221
Other	7	-
Total extraordinary loss	1,159	228
Income before income taxes and minority interests	917	1,333
Income taxes	501	482
Income before minority interests	415	851
Minority interests in income (loss)	(54)	38
Net income	470	812

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

(Millions of yen)

	1st quarter of FY2012 (Apr. 1, 2012 to June 30, 2012)	1st quarter of FY2013 (Apr. 1, 2013 to June 30, 2013)
Income before minority interests	415	851
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(1,759)	408
Deferred gains (losses) on hedge	29	(2)
Foreign currency translation adjustments	707	772
Total other comprehensive income (loss)	(1,022)	1,179
Comprehensive income (loss) attributable to:	(607)	2,030
Shareholders of the parent company	(633)	1,923
Minority interests	26	107

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions of Continuing Operations)

None applicable

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

None applicable

(Segment Information, etc.)

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

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

(Millions of yen)

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

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

II. First quarter of FY2013 (Three months ended June 30, 2013)

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

(Millions of yen)

	Reportable segments				Adjustment (note)	Consolidated
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	13,882	16,663	3,557	34,104	-	34,104
Intersegment sales and transfers	33	44	94	172	(172)	-
Total	13,915	16,708	3,652	34,276	(172)	34,104
Segment profit	937	560	251	1,749	(688)	1,060

Note:
The - (minus) ￥688 million segment profit adjustment consists of overall costs not allocated to reportable segments.
Overall costs refer to SG&A expenses not allocated to reportable segments.

2. Matters Regarding Changes in Reportable Segments

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

Change in depreciation method for property, plants and equipment

Conventionally, GUNZE and its domestic consolidated subsidiaries principally used the declining-balance method for depreciation of their property, plants and equipment (excluding buildings purchased on or after April 1, 1998). Foreign consolidated subsidiaries depreciated their property, plants and equipment by the straight-line method. Effective from the first-quarter period under review, GUNZE and its domestic subsidiaries changed their depreciation methods for property, plants and equipment to the straight-line method.

As a result of this change, profits of the functional solutions segment, apparel segment, and lifestyle creation segment for the first-quarter period under review increased by ￥108 million, ￥23 million and ￥7 million, respectively, compared to the conventional depreciation method. The amount of adjustment increased by ￥20 million.