

May 13, 2014

**Consolidated Financial Statements – Summary**  
**(Year ended March 31, 2014)**

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:	<a href="http://www.gunze.co.jp">http://www.gunze.co.jp</a>
Stock Market Listing:	Tokyo
Representative Director:	Nodoka Kodama, President & COO
Contact:	Osamu Tomioka, General Manager, Public & Investor Relations
Telephone:	+81 (6) 6348-1314
Ordinary General Meeting of Shareholders (Scheduled):	June 25, 2014
Start of Distribution of Dividends (Scheduled):	June 26, 2014
Filing of Securities Report ( <i>Yuka shoken hokokusho</i> ) (Scheduled):	June 26, 2014
Preparation of Supplementary Materials for the Financial Results:	Yes
Holding of Presentation of Financial Results:	Yes (for institutional investors/analysts)

**1. Consolidated Operating Results for FY2013** (Apr. 1, 2013 to Mar. 31, 2014)

**(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 (%)
FY2013	142,425	7.6	4,375	155.8	5,058	117.3	2,508	–
FY2012	132,373	(3.1)	1,710	67.2	2,328	138.8	(1,161)	–

Note: Comprehensive income

FY2013: ¥5,326 million (- %)

FY2012: (¥145 million) (- %)

	E.P.S. (¥)	Diluted E.P.S. (¥)	Net income to net worth (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY2013	13.09	13.01	2.3	3.1	3.1
FY2012	(6.06)	–	(1.1)	1.4	1.3

Reference: Equity in income of affiliated companies

FY2013: -

FY2012: -

**(2) Consolidated Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
FY2013	166,544	114,183	67.5	586.35
FY2012	163,328	108,745	65.9	561.35

Reference: Net worth FY2013: ¥112,357 million FY2012: ¥107,600 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)
FY2013	13,753	(5,414)	(8,303)	6,757
FY2012	12,343	(7,564)	(5,100)	6,070

**2. Dividends**

	Dividends per share				
	1st quarter (¥)	2nd quarter (¥)	3rd quarter (¥)	Year-end (¥)	Full-year (¥)
FY2012	—	—	—	7.50	7.50
FY2013	—	—	—	7.50	7.50
FY2014 (projected)	—	—	—	7.50	7.50

	Total cash dividends paid (¥ million)	Payout ratio (consolidated) (%)	Dividends to net assets (consolidated) (%)
FY2012	1,437	—	1.3
FY2013	1,437	57.3	1.3
FY2014 (projected)		68.4	

**3. Projected FY2014 Consolidated Operating Results** (Apr. 1, 2014 to Mar. 31, 2015)

(Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
FY2014 Full-year	144,000	1.1	4,500	2.9	4,300	(15.0)

	Net income (¥ million)	Change (%)	E.P.S. (¥)
FY2014 Full-year	2,100	(16.3)	10.96

Note: Forecast for the cumulative second-quarter period 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: Yes
- (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):
- FY2013: 209,935,165 shares
- FY2012: 209,935,165 shares
- (b) Treasury stock at the end of the period:
- FY2013: 18,312,159 shares
- FY2012: 18,251,563 shares
- (c) Average number of shares outstanding during the period:
- FY2013: 191,659,409 shares
- FY2012: 191,598,447 shares

**(Reference) Summary of Non-consolidated Results**

## 1. Non-consolidated Operating Results for FY2013 (Apr. 1, 2013 to Mar. 31, 2014)

## (1) Non-consolidated Operating Results

(Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)	Net income (¥ million)	Change (%)
FY2013	110,139	5.7	1,134	2,365.2	3,247	71.1	1,984	–
FY2012	104,183	(6.6)	46	–	1,898	77.7	(3,125)	–

	E.P.S. (¥)	Diluted E.P.S. (¥)
FY2013	10.35	10.29
FY2012	(16.31)	–

## (2) Non-consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
FY2013	140,961	109,257	77.3	568.54
FY2012	140,639	108,355	76.9	563.88

Reference: Net worth

FY2013: ¥108,945 million      FY2012: ¥108,086 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.

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## **1. Results of Operations**

### **(1) Analysis of Full-Year Operating Results**

#### **Overview of FY2013**

Reviewing economic conditions during the fiscal year ended March 31, 2014, the Japanese economy has been experiencing a mild recovery. Driving this was the correction of the very strong yen and a revival in stock prices, reflecting the effect of the Japanese government's economic policies, or so-called "Abenomics." Personal expenditures also recovered for luxury items, and there were last-minute surges in demand before the planned consumption tax hike. On the other hand, increasing costs of raw materials and energy, as well as rising prices for imported products due to the weaker yen, spurred concerns about inflation, which in turn resulted in consumers becoming increasingly budget-conscious. These negative factors caused continuing uncertainty in the Japanese economy.

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

Although the GUNZE Group's functional solutions business faced increasingly intense competition and soaring raw material prices, electronic components showed a remarkable improvement in performance with an increase in demand for touch screen films. The apparel business continued to experience challenging conditions, with several factors causing cost hikes, such as the weaker yen and escalating labor costs outside Japan.

Consequently, the GUNZE Group's consolidated net sales for the fiscal year under review amounted to ¥142,425 million (a year-over-year increase of 7.6%). Consolidated operating income totaled ¥4,375 million (a year-over-year increase of 155.8%), while consolidated ordinary income was ¥5,058 million (a year-over-year increase of 117.3%). Consolidated net income was ¥2,508 million compared with a consolidated net loss of ¥1,161 million posted in the previous fiscal year.

#### **Results by Business Segment**

##### **[Functional Solutions]**

In plastic film, while prices of raw materials hovered at high levels, sales of shrink film for beverage and anti-fogging film for vegetable packaging remained firm. Packaging materials did well in sales, reflecting rush demand ahead of the rise in the consumption tax rate and demand for replacement purchases. In engineering plastics, demand related to office equipment components showed signs of bottoming out, and semiconductor-related components posted a sales increase. In electronic components, projected capacitive touch screens for PCs and semi-finished products and films for smartphones showed stable performance despite increasingly intense price competition. In medical materials, sales increased steadily in Europe, North America and China.

Consequently, the functional solutions business posted net sales of ¥58,235 million (a year-over-year increase of 17.6%), while operating income was ¥4,745 million (a year-over-year increase of 68.7%).

### **[Apparel]**

Innerwear struggled from the negative impact of the yen's depreciation and escalating labor costs outside Japan. However, GUNZE worked hard on business structure reform to cut fixed costs and reduce cost of sales through improvement of productivity, while also promoting withdrawal from unprofitable stores. These efforts resulted in an improvement in profitability. In terms of products, the reborn *YG* brand, a new and improved basic product for men, was put on sale. For women's innerwear as well, the *KIREILABO* line targeting middle-aged customers was reinforced. In leg wear, plain pantyhose products and leggings pants enjoyed robust sales. Still, this was not enough to offset the increase in cost of sales caused by the yen's depreciation. At the end of the fiscal year under review, the apparel business as a whole experienced a last-minute surge in demand before the consumption tax hike.

Consequently, the apparel business posted net sales of ¥70,461 million (a year-over-year increase of 0.7%) and operating income of ¥1,400 million (a year-over-year increase of 0.5%).

### **[Lifestyle Creations]**

The real estate business remained firm thanks to the positive effects of renovation of the *GUNZE Town Center TSUKASHiN* commercial facility, along with rush demand prior to the increase in the consumption tax rate. In the sports club business, the campaign for attracting new members and other promotions contributed to an increase in membership. The strengthened area strategy also helped the landscaping and greening business to perform well.

Consequently, the lifestyle creation business recorded net sales of ¥14,497 million (a year-over-year increase of 4.5%), while operating income was ¥1,367 million (a year-over-year increase of 30.9%).

### **Outlook for FY2014**

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 could worsen corporate performance and consumer confidence. These include a slowdown in personal spending caused by the reverse effect of the last-minute surge in demand in advance of the consumption tax hike. The tax increase will also result in family finances suffering a loss in real income, and the depreciation of the yen will continue to cause sharp rises in raw material prices. These risk factors will cause the future of the business environment surrounding the GUNZE Group to remain unpredictable.

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

As for the functional solutions business, in the category of plastic films GUNZE will work to strengthen its shrink film business in areas outside Japan, such as the U.S., while also enhancing profitability for nylon film. In engineering plastics, efforts will be concentrated on expanding products employing GUNZE textile technology, such as products related to semiconductors. In electronic components, GUNZE will seek to quickly establish and expand a business base for selling films including optical film. In medical materials, efforts will be geared toward promoting entry into the U.S. market and establishing a production base in China for bioabsorbable reinforcement felt.

In the apparel business, GUNZE will continue to focus on business structure reform while also concentrating its resources on strong core brands. At the same time, GUNZE will strive to promote its high-growth channel strategy intended to strengthen channels such as the web (online), drugstores and overseas channels.

In the lifestyle creation business, GUNZE will strive to improve the profitability of its real estate business by making effective use of idle assets. GUNZE will also seek to expand sales for its sports club business through aggressive sports club chain expansion inside and outside Japan.

For fiscal 2014 (April 1, 2014 to March 31, 2015), the GUNZE Group, through the implementation of these measures, is forecasting net sales of ¥144,000 million, with operating income of ¥4,500 million, ordinary income of ¥4,300 million and net income of ¥2,100 million.

Forecast by business segment are as follows:

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

Item \ Segment	Functional solutions	Apparel	Lifestyle creations	Eliminations/ Corporate	Total
Net sales	60,700	69,500	14,600	(800)	144,000
vs. FY2013	Up 4.2%	Down 1.4%	Up 0.7%	—	Up 1.1%

## (2) Analysis of Financial Position

### 1) Assets, Liabilities and Net Assets (Fiscal 2013 Overview)

As of March 31, 2014, total assets were ¥166,544 million, an increase of ¥3,215 million compared to the end of the previous fiscal year. The main components of the increase included a ¥3,458 million increase in property, plants and equipment, and a ¥1,516 million increase in notes and accounts receivable. The main component of a decrease in total assets was a ¥1,428 million decrease in inventories.

Total liabilities were ¥52,360 million, a decrease of ¥2,222 million compared to the end of the previous fiscal year. The main component of the decrease was a ¥5,971 million decrease in debt (including commercial paper). The main component of an increase was a ¥3,393 million increase in notes and accounts payable (including notes payable on acquisition of equipment).



Net assets were ¥114,183 million, an increase of ¥5,437 million compared to the end of the previous fiscal year. The main components of the increase included a net income of ¥2,508 million recorded for the period under review, a ¥2,112 million increase in foreign currency translation adjustments, and accumulated adjustments related to retirement benefits amounting to ¥1,251 million. The main components of a decrease included dividend payments of ¥1,437 million.

## 2) Cash Flows

As of March 31, 2014, consolidated cash and cash equivalents were ¥6,757 million, or ¥687 million more than at the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the fiscal year under review.

Net cash provided by operating activities for the fiscal year under review totaled ¥13,753 million, an increase of ¥1,410 million compared to the previous fiscal year. The major components of cash inflows included depreciation and amortization of ¥6,288 million, an income before income taxes and minority interests of ¥4,653 million, and a ¥2,094 million decrease in inventories.

Net cash used in investing activities totaled ¥5,414 million, a decrease of ¥2,149 million compared to the previous fiscal year. The main component of cash outflows was payment for purchase of property, plants and equipment amounting to ¥6,719 million, including capital expenditures related to the functional solutions and lifestyle creation businesses. The main component of cash inflows was proceeds from sale of fixed assets amounting to ¥1,548 million.

Net cash used in financing activities was ¥8,303 million, an increase of ¥3,202 million compared to the previous fiscal year. The main components of cash outflows were a repayment of short-term debt and commercial paper amounting to ¥8,227 million, ¥1,431 million spent for dividend payments, and a repayment of long-term debt amounting to ¥2,012 million. The main component of cash inflows was proceeds from long-term debt amounting to ¥2,999 million.

## 3) Cash Flow Indicator Trends

	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Net worth ratio (%)	69.2	68.6	64.7	65.9	67.5
Net worth ratio on market value basis (%)	40.3	35.6	27.5	28.6	31.5
Debt coverage ratio (years)	1.3	4.7	—	2.5	1.8
Interest coverage ratio (times)	66.4	25.3	—	64.6	80.4

### 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 FY2013 and FY2014**

Returning earnings to shareholders is one of the most important management policies at the GUNZE Group. Accordingly, the GUNZE Group strives to continue providing a stable dividend based on the medium-term business outlook, with a target payout ratio of approximately 50% on a consolidated basis. In line with this basic policy, the GUNZE Group plans to pay a dividend of ¥7.5 per share for fiscal 2013.

The GUNZE Group also plans to pay a dividend of ¥7.5 per share for fiscal 2014.

## **2. 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). With a strong determination to provide customers with a “Feeling of Comfort” through the products and services offered by each business line, The GUNZE Group also aims to become “a corporate group that fulfills the needs of society” and “a corporate group that grows sustainably alongside society.”

### **(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 Corporate Management Strategies and Future Challenges**

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 could worsen corporate performance and consumer confidence. These include a slowdown in personal spending caused by the reverse effect of the last-minute surge in demand in advance of the consumption tax hike. The tax increase will also result in family finances suffering a loss in real income, and the depreciation of the yen will continue to cause sharp rises in raw material prices. These risk factors will cause the future of the business environment surrounding the GUNZE Group to remain unpredictable.

Against this backdrop, the new fiscal year 2014 sees the launch of the new medium-term management plan, called “CAN 20 (fiscal 2014 through fiscal 2020).” With the new medium-term management plan, GUNZE will implement a portfolio strategy intended to promote “Selection and Focus” through classification and rating of Strategic Business Units (SBUs). As the core of its growth strategy, GUNZE will seek to combine its Group-wide resources through the Cross-Functional Approach (CFA) project that transcends organizational boundaries, in order to efficiently create and cultivate new businesses. By so doing, GUNZE will aim to expand business in the health-care and medical fields, which help enhance quality of life (QOL). As a measure for reinforcing the management foundation to support its growth strategy, GUNZE will work to strengthen its intangible assets, including core technological strengths, global responsiveness and corporate brand value. Through these initiatives, GUNZE will strive to contribute to society as a global corporate group that is committed to providing customers with a “Feeling of Comfort” by leveraging the GUNZE Group’s unique characteristics.

For details regarding the new medium-term management plan, “CAN 20,” please refer to “Formulation of New Medium-term Management Plan, ‘CAN 20’” released today (May 13, 2014).

The released information is also available at the following websites:

- GUNZE Website

<http://www.gunze.co.jp/>

- Tokyo Stock Exchange Website (Listed Company Information Search Page)

<http://www.tse.or.jp/listing/compsearch/index.html>

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	End of FY2012 (Mar. 31, 2013)	End of FY2013 (Mar. 31, 2014)
Assets		
Current assets		
Cash and cash equivalents	6,070	6,757
Notes & accounts receivable, trade	28,736	30,252
Finished products and goods	21,281	19,439
Work in process	6,765	6,746
Raw materials and supplies	5,938	6,370
Short-term loans	552	411
Deferred income taxes	1,828	1,069
Other current assets	2,291	2,489
Allowance for doubtful accounts	(9)	(33)
Total current assets	73,454	73,503
Fixed assets		
Property, plants and equipment		
Buildings and structures	103,404	106,260
Accumulated depreciation	(65,812)	(68,167)
Buildings and structures (Net)	37,591	38,093
Machinery, equipment and vehicles	97,818	100,287
Accumulated depreciation	(83,293)	(84,202)
Machinery, equipment and vehicles (Net)	14,524	16,084
Tools, furniture and fixtures	6,890	7,047
Accumulated depreciation	(5,884)	(5,868)
Tools, furniture and fixtures (Net)	1,006	1,178
Land	11,887	11,894
Leasehold assets	30	144
Accumulated depreciation	(20)	(38)
Leasehold assets (Net)	10	105
Construction in progress	283	1,406
Total property, plants and equipment	65,304	68,763
Intangible fixed assets		
Software	1,469	1,173
Other intangible fixed assets	204	295
Total intangible fixed assets	1,674	1,468
Investments and other assets		
Investments in securities	11,831	12,684
Long-term loans	798	690
Assets related to retirement benefits	-	1,454
Deferred income taxes	4,615	3,616
Other assets	5,752	4,514
Allowance for doubtful accounts	(102)	(151)
Total investments and other assets	22,894	22,808
Total fixed assets	89,873	93,040
Total assets	163,328	166,544

(Millions of yen)

	<b>End of FY2012</b> (Mar. 31, 2013)	<b>End of FY2013</b> (Mar. 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes & accounts payable, trade	6,990	9,491
Short-term debt	4,680	4,781
Commercial paper	11,800	4,500
Current portion of long-term debt	1,911	1,451
Accrued income taxes	438	622
Allowance for employees' bonuses	1,136	1,109
Notes payable on acquisition of property, plants and equipment	1,671	2,563
Other current liabilities	7,458	7,981
<b>Total current liabilities</b>	<b>36,086</b>	<b>32,502</b>
Long-term liabilities		
Long-term debt	11,647	13,333
Allowance for retirement benefits	1,805	-
Liabilities related to retirement benefits	-	1,672
Long-term deposits & guarantee deposits	4,664	4,401
Other long-term liabilities	378	450
<b>Total long-term liabilities</b>	<b>18,495</b>	<b>19,858</b>
<b>Total liabilities</b>	<b>54,582</b>	<b>52,360</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,064	14,061
Retained earnings	76,700	77,771
Treasury stock	(7,603)	(7,614)
<b>Total shareholders' equity</b>	<b>109,233</b>	<b>110,289</b>
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for- sale securities	(27)	365
Deferred gains (losses) on hedge	57	0
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	(1,261)	850
Accumulated adjustments related to retirement benefits	-	1,251
<b>Total accumulated other comprehensive income</b>	<b>(1,632)</b>	<b>2,067</b>
Stock acquisition rights	268	312
Minority interests	876	1,514
<b>Total net assets</b>	<b>108,745</b>	<b>114,183</b>
<b>Total liabilities and net assets</b>	<b>163,328</b>	<b>166,544</b>

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

(Millions of yen)

	<b>FY2012</b>	<b>FY2013</b>
	(Apr. 1, 2012 to Mar. 31, 2013)	(Apr. 1, 2013 to Mar. 31, 2014)
Net sales	132,373	142,425
Cost of sales	99,012	107,007
Gross profit	33,360	35,418
Selling, general & administrative expenses	31,650	31,043
Operating income	1,710	4,375
Non-operating income		
Interest income	35	30
Dividend income	245	265
Rental income	573	496
Exchange gain	405	647
Employment adjustment subsidy	196	0
Other	251	213
Total non-operating income	1,707	1,654
Non-operating expenses		
Interest expenses	182	167
Rental expenses	533	470
Other	372	333
Total non-operating expenses	1,089	971
Ordinary income	2,328	5,058
Extraordinary income		
Gain on sale of property, plants & equipment	86	1,416
Gain on establishment of employee retirement benefit trust	1,941	-
Other	89	93
Total extraordinary income	2,117	1,510
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	278	221
Amortization of actuarial differences in retirement benefits	2,601	886
Impairment loss	2,683	-
Expenses on business structure improvement	-	697
Other	227	109
Total extraordinary loss	5,790	1,915
Income (loss) before income taxes and minority interests	(1,344)	4,653
Income, residential and enterprise taxes	508	977
Adjustment for income and other taxes	(475)	957
Total income and other taxes	32	1,935
Income (loss) before minority interests	(1,377)	2,718
Minority interests in income (loss)	(216)	209
Net income (loss)	(1,161)	2,508

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	<b>FY2012</b>	<b>FY2013</b>
	(Apr. 1, 2012 to Mar. 31, 2013)	(Apr. 1, 2013 to Mar. 31, 2014)
Income (loss) before minority interests	(1,377)	2,718
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(458)	392
Deferred gains (losses) on hedge	278	(56)
Foreign currency translation adjustments	1,412	2,271
Total other comprehensive income (loss)	1,232	2,607
Comprehensive income (loss) attributable to:	(145)	5,326
Shareholders of the parent company	(60)	4,956
Minority interests	(84)	369

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

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

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	26,071	14,080	79,255	(7,655)	111,752
Changes in the period					
Dividends from retained earnings			(1,436)		(1,436)
Net income (loss)			(1,161)		(1,161)
Change in scope of consolidation			42		42
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock		(15)		54	38
Net changes of items other than shareholders' equity					
Total changes in the period	-	(15)	(2,555)	51	(2,519)
Balance at the end of the period	26,071	14,064	76,700	(7,603)	109,233

	Accumulated other comprehensive income (loss)					
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedge	Revaluation difference on land	Foreign currency translation adjustments	Accumulated adjustments related to retirement benefits	Total accumulated other comprehensive income (loss)
Balance at the beginning of the period	430	(220)	(400)	(2,582)	-	(2,773)
Changes in the period						
Dividends from retained earnings						
Net income (loss)						
Change in scope of consolidation						
Acquisition of treasury stock						
Disposal of treasury stock						
Net changes of items other than shareholders' equity	(458)	278	-	1,320	-	1,140
Total changes in the period	(458)	278	-	1,320	-	1,140
Balance at the end of the period	(27)	57	(400)	(1,261)	-	(1,632)

	Stock acquisition rights	Minority interests	Total net assets
Balance at the beginning of the period	253	964	110,197
Changes in the period			
Dividends from retained earnings			(1,436)
Net income (loss)			(1,161)
Change in scope of consolidation			42
Acquisition of treasury stock			(2)
Disposal of treasury stock			38
Net changes of items other than shareholders' equity	15	(88)	1,067
Total changes in the period	15	(88)	(1,451)
Balance at the end of the period	268	876	108,745



## FY2013 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	26,071	14,064	76,700	(7,603)	109,233
Changes in the period					
Dividends from retained earnings			(1,437)		(1,437)
Net income			2,508		2,508
Change in scope of consolidation					-
Acquisition of treasury stock				(22)	(22)
Disposal of treasury stock		(3)		11	8
Net changes of items other than shareholders' equity					
Total changes in the period	-	(3)	1,070	(11)	1,056
Balance at the end of the period	26,071	14,061	77,771	(7,614)	110,289

	Accumulated other comprehensive income (loss)					
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedge	Revaluation difference on land	Foreign currency translation adjustments	Accumulated adjustments related to retirement benefits	Total accumulated other comprehensive income (loss)
Balance at the beginning of the period	(27)	57	(400)	(1,261)	-	(1,632)
Changes in the period						
Dividends from retained earnings						
Net income						
Change in scope of consolidation						
Acquisition of treasury stock						
Disposal of treasury stock						
Net changes of items other than shareholders' equity	392	(56)	-	2,112	1,251	3,700
Total changes in the period	392	(56)	-	2,112	1,251	3,700
Balance at the end of the period	365	0	(400)	850	1,251	2,067

	Stock acquisition rights	Minority interests	Total net assets
Balance at the beginning of the period	268	876	108,745
Changes in the period			
Dividends from retained earnings			(1,437)
Net income			2,508
Change in scope of consolidation			-
Acquisition of treasury stock			(22)
Disposal of treasury stock			8
Net changes of items other than shareholders' equity	43	638	4,381
Total changes in the period	43	638	5,437
Balance at the end of the period	312	1,514	114,183

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	<b>FY2012</b> (Apr. 1, 2012 to Mar. 31, 2013)	<b>FY2013</b> (Apr. 1, 2013 to Mar. 31, 2014)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	(1,344)	4,653
Depreciation and amortization	7,587	6,288
Increase (decrease) in allowance for doubtful accounts	(11)	23
Increase (decrease) in allowance for retirement benefits	(881)	-
Increase (decrease) in liabilities related to retirement	-	640
Increase (decrease) in allowance for employees' bonuses	(75)	(29)
Interest and dividend income	(280)	(296)
Interest expenses	182	167
Loss (gain) on sale or disposal of fixed assets	191	(1,195)
Loss (gain) on establishment of employee retirement benefit trust	(1,941)	-
Amortization of (gain on) actuarial differences in retirement benefits	2,601	886
Expenses on business structure improvement	-	697
Impairment loss	2,683	-
Other losses (gains)	191	(116)
Decrease (increase) in notes and accounts receivable	471	(368)
Decrease (increase) in inventories	2,601	2,094
Decrease (increase) in other current assets	386	112
Increase (decrease) in notes and accounts payable	329	1,607
Increase (decrease) in deposits and guarantee deposits	(167)	(144)
Increase (decrease) in other current liabilities	295	(598)
Increase (decrease) in other long-term liabilities	3	(25)
Subtotal	<u>12,823</u>	<u>14,397</u>
Interest and dividends received	280	297
Interest paid	(191)	(171)
Income tax refund (paid)	(569)	(770)
Net cash provided by (used in) operating activities	<u>12,343</u>	<u>13,753</u>
<b>Cash flows from investing activities</b>		
Payments for purchase of fixed assets	(6,013)	(6,719)
Proceeds from sale of fixed assets	154	1,548
Payments for disposition of fixed assets	(127)	(39)
Payments for acquisition of investment securities	(793)	(445)
Proceeds from sale of investment securities	92	142
Net decrease (increase) in loans	(991)	225
Other	114	(126)
Net cash provided by (used in) investing activities	<u>(7,564)</u>	<u>(5,414)</u>

(Millions of yen)

	<b>FY2012</b>	<b>FY2013</b>
	(Apr. 1, 2012 to Mar. 31, 2013)	(Apr. 1, 2013 to Mar. 31, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term debt and commercial paper	(8,317)	(8,227)
Proceeds from issuance of long-term debt	6,004	2,999
Repayments of long-term debt	(1,351)	(2,012)
Proceeds from investment of minority interest holders	-	410
Cash dividends paid	(1,430)	(1,431)
Acquisition of treasury stock	(2)	(22)
Other	(3)	(20)
Net cash provided by (used in) financing activities	<u>(5,100)</u>	<u>(8,303)</u>
Effect of exchange rate changes on cash & cash equivalents	224	651
Increase (decrease) in cash and cash equivalents	(97)	687
Cash and cash equivalents at the beginning of the period	6,078	6,070
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	89	-
Cash and cash equivalents at the end of the period	<u>6,070</u>	<u>6,757</u>

**(5) Notes to Consolidated Financial Statements****Notes Regarding Assumptions of a Going Concern**

None applicable

**Changes in Accounting Policies****Application of the Accounting Standard for Retirement Benefits, etc.**

Effective from the end of the current consolidated fiscal year, GUNZE adopted the Accounting Standard for Retirements Benefits (ASBJ Statement No. 26, revised on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012) (except for provisions set forth in Clause 35 of the Accounting Standard and Clause 67 of the Guidance).

As a result of the application of this accounting standard, GUNZE has changed its accounting method to post retirement benefit obligations less pension assets as “liabilities related to retirement benefits,” and posted an unrecognized actuarial difference as “assets related to retirement benefits.”

Moreover, GUNZE follows the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits. Thus, the effect of the change in accounting policies is stated as “accumulated adjustments related to retirement benefits” under the category of “accumulated other comprehensive income.”

As a result of this change, GUNZE posted assets related to retirement benefits of ¥1,454 million and liabilities related to retirement benefits of ¥1,672 million as of the end of the current consolidated fiscal year. Accumulated other comprehensive income (accumulated adjustments related to retirement benefits) increased by ¥1,251 million.

The effect of this change in per share information is stated in the relevant section.

## **Changes in Accounting Policies, which are 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 current consolidated fiscal year, 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 current consolidated fiscal year decreased by ¥1,076 million compared to the conventional depreciation method. Operating income increased by ¥903 million compared to the conventional depreciation method, while ordinary income increased by ¥954 million and income before income taxes increased by ¥947 million.

**Segment Information, etc.****I. 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 business segment reporting is the same as the accounting policies used in the preparation of consolidated financial statements.

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

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)	-
<b>Total</b>	<b>49,538</b>	<b>69,991</b>	<b>13,867</b>	<b>133,397</b>	<b>(1,024)</b>	<b>132,373</b>
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	7,578
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&amp;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.

FY2013 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	58,054	70,273	14,097	142,425	-	142,425
Intersegment sales and transfers	180	187	400	768	(768)	-
<b>Total</b>	<b>58,235</b>	<b>70,461</b>	<b>14,497</b>	<b>143,194</b>	<b>(768)</b>	<b>142,425</b>
Segment profit	4,745	1,400	1,367	7,514	(3,138)	4,375
Segment assets	56,379	56,334	30,144	142,858	23,685	166,544
Other items						
Depreciation & amortization	2,862	1,356	1,441	5,660	628	6,288
Increase in tangible and intangible fixed assets	2,370	790	2,229	5,390	1,378	6,768

Notes:

1. Adjustment comprises the following:

(1) The segment profit adjustment of – (minus) ¥3,138 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 ¥23,685 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.

## II. Related Information

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.

FY2013 (April 1, 2013 to March 31, 2014)

### 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
117,250	25,175	142,425

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

#### (b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
58,206	10,557	68,763

### 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.



**Per Share Information**

	FY2012 (April 1, 2012 to March 31, 2013)	FY2013 (April 1, 2013 to March 31, 2014)
Net assets per share (¥)	561.35	586.35
Earnings (loss) per share (¥)	(6.06)	13.09
Diluted earnings per share (¥)	-	13.01

Notes:

1. Diluted earnings per share are not stated for fiscal 2012, as the Company recorded net loss during the period.
2. As stated in "Changes in Accounting Policies," GUNZE adopted the Accounting Standard for Retirement Benefits, and made adjustments in accordance with the transitional accounting treatments set forth in Clause 37 of the Accounting Standard. As a result, net assets per share increased by ¥6.53.
3. Earnings, loss and diluted earnings per share were calculated on the following basis:

	FY2012 (April 1, 2012 to March 31, 2013)	FY2013 (April 1, 2013 to March 31, 2014)
Earnings (loss) per share		
Net income (loss) recorded on statements of income (¥ millions)	(1,161)	2,508
Amounts not allocated to common stockholders (¥ millions)	-	-
Net income (loss) allocated to common stock (¥ millions)	(1,161)	2,508
Average number of common shares outstanding during each term (thousand shares)	191,598	191,659
Diluted earnings per share		
Adjustment to net income (¥ millions)	-	-
Increase in common shares (thousand shares)	-	1,215
(Stock acquisition rights) (thousand shares)	-	(1,215)

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

	FY2012 (Mar. 31, 2013)	FY2013 (Mar. 31, 2014)
Total net assets (¥ millions)	108,745	114,183
Deduction from net assets (¥ millions)	1,144	1,826
(Minority interests) (¥ millions)	(876)	(1,514)
(Stock acquisition rights) (¥ millions)	(268)	(312)
Term-end amounts allocated to common stockholders (¥ millions)	107,600	112,357
Term-end number of common shares used for calculation of net assets per share (thousand shares)	191,683	191,623

**Significant Subsequent Events**

None applicable.

#### 4. Others

##### (1) Supplementary Information

### Overview of Consolidated Results

#### <Overview of Results>

- The functional solutions business posted increases in sales and profits resulting from an increase in demand for touch screen film in the electronic components category.
- The apparel business suffered from the weaker yen and soaring labor costs outside Japan. But due to business structure reform and a last-minute surge in demand ahead of the consumption tax hike, sales and profits remained almost the same as the previous fiscal year.
- The lifestyle creation business enjoyed increases in sales and profits due to the effects of the renovated *TSUKASHiN* commercial facility and increased sports club membership.
- Exchange gain (non-operating income): ¥600 million

#### <Special Treatments>

- Gain on sale of fixed assets: ¥1.4 billion
- Loss on amortization of actuarial differences in retirement benefits: ¥900 million
- Expenses on business structure improvement: ¥700 million

#### <Dividends>

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

#### <FY2014 Forecast>

- Expanding demand for touch screen film is expected to drive up sales, while innerwear business structure reform, etc. is projected to help increase operating income. Ordinary income and net income are expected to decline due to an anticipated decrease in exchange gains.
- Scheduled dividend payment for next fiscal year: ¥7.5 per share

#### (1) FY2013 Operating Results (Apr. 1, 2013 to Mar. 31, 2014)

(Millions of yen)

	FY2013	Forecasts (May 14)	FY2012	Change	
				<Upper figures in brackets %>	
				vs. forecasts	vs. FY2012
Net Sales	142,425	139,000	132,373	<2.5> 3,425	<7.6> 10,052
Operating Income	4,375	3,000	1,710	<45.8> 1,375	<155.8> 2,665
Ordinary Income	5,058	2,900	2,328	<74.4> 2,158	<117.3> 2,730
Net Income	2,508	1,500	(1,161)	<67.2> 1,008	<-> 3,669
Total Assets	166,544		163,328		<2.0> 3,215
Inventories	32,556		33,985		<(4.2)> (1,428)
Fixed Assets	93,040		89,873		<3.5> 3,167
Net Assets	114,183		108,745		<5.0> 5,437
Financing Income/Expenses	129		98		31
Interest/Dividends Received	296		280		15
Interest Expenses	(167)		(182)		15
Capital Expenditures	6,768		6,930		(162)
Depreciation and Amortization	6,288		7,587		(1,299)

Note: Acquisition of treasury stock

	(Thousands of shares)	(Amount)
• Treasury stock acquired (including acquisition of odd-lot shares)	88	¥22 million
• Treasury stock disposed	27	¥11 million
• Treasury stock held at the end of the previous fiscal year	18,251	¥7,603 million
• Treasury stock held at the end of the period	18,312	¥7,614 million

**(2) Results by Business Segment**

(Millions of yen)

Segment		FY2013		FY2012		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	58,235	40.7	49,538	37.1	8,697	17.6
	Apparel	70,461	49.2	69,991	52.5	470	0.7
	Lifestyle Creations	14,497	10.1	13,867	10.4	630	4.5
	Subtotal	143,194	100.0	133,397	100.0	9,797	7.3
	Eliminations	(768)		(1,024)		256	-
	Consolidated	142,425		132,373		10,052	7.6
Operating Income	Functional Solutions	4,745	63.1	2,813	53.6	1,932	68.7
	Apparel	1,400	18.6	1,393	26.5	7	0.5
	Lifestyle Creations	1,367	18.3	1,044	19.9	323	30.9
	Subtotal	7,514	100.0	5,251	100.0	2,263	43.1
	Eliminations/Corporate	(3,138)		(3,540)		402	-
	Consolidated	4,375		1,710		2,665	155.8

**(3) Significant Financial Indicators**

Item		FY2013	FY2012	Change
Operating Income to Total Assets Ratio	%	2.7	1.0	1.7
Ordinary Income to Total Assets Ratio	%	3.1	1.4	1.7
Operating Income to Net Sales Ratio	%	3.1	1.3	1.8
Ordinary Income to Net Sales Ratio	%	3.6	1.8	1.8
Turnover of Total Assets	times	0.86	0.80	0.06
Net Worth Ratio	%	67.5	65.9	1.6
ROE	%	2.3	(1.1)	3.4
Earnings per Share	¥	13.09	(6.06)	19.15
Diluted Earnings per Share	¥	13.01	-	-
Net Assets per Share	¥	586.35	561.35	25.00

**(4) Cash Flows**

(Millions of yen)

Cash Flow Activity	FY2013	FY2012	Change	Breakdown of Major Components
Operating Activities	13,753	12,343	1,410	Depreciation and amortization: 6,288 Income before income taxes and minority interests: 4,653 Decrease in inventories: 2,094
Investing Activities	(5,414)	(7,564)	2,149	Purchase of fixed assets: (6,719) Sale of fixed assets: 1,548
Financing Activities	(8,303)	(5,100)	(3,202)	Decrease in long-term and short-term debt including commercial paper: (7,240); Dividend payments: (1,431)
Foreign Currency Translation	651	224	427	
Increase (Decrease) in Cash and Cash Equivalents	687	(97)	784	
Increase (Decrease) due to Change in Scope of Consolidation	-	89	(89)	
Cash and Cash Equivalents - End of Period	6,757	6,070	687	

**(5) Capital Expenditures and Depreciation and Amortization by Segment**

(Millions of yen)

Item		FY2013		FY2012		Y-over-Y Change	FY2014 Plan		Y-over-Y Change
		Amount	Weight	Amount	Weight		Amount	Weight	
Capital Expenditures	<International> Functional Solutions	<603> 2,370		<527> 3,735		(1,365)	<2,800> 6,300		3,930
	<International> Apparel	<463> 790		<362> 916		(126)	<300> 900		110
	Lifestyle Creations	2,229	32.9	1,932	27.9	297	1,300	14.0	(929)
	Corporate	1,378	20.4	346	5.0	1,032	800	8.6	(578)
	<International> Total	<1,067> 6,768		<889> 6,930		(162)	<3,100> 9,300		2,532
			100.0	100.0				100.0	
Depreciation and Amortization	Functional Solutions	2,862	45.5	3,783	49.9	(921)	3,400	47.9	538
	Apparel	1,356	21.6	1,635	21.6	(279)	1,300	18.3	(56)
	Lifestyle Creations	1,441	22.9	1,408	18.6	33	1,500	21.1	59
	Corporate	628	10.0	759	9.9	(131)	900	12.7	272
	Total	6,288	100.0	7,587	100.0	(1,299)	7,100	100.0	812

Note: Capital expenditures include investments in intangible fixed assets.

**Main Investment Plans for FY2014**

- Electronic components production equipment: ¥3,500 million
- Plastic film production equipment: ¥1,400 million
- Overseas medical materials production facility and production equipment: ¥500 million

**(6) FY2014 Forecast**

(Millions of yen)

Item	FY2014 Forecast	FY2013	Change <Upper figures %>
Net Sales	144,000	142,425	<1.1> 1,575
Operating Income	4,500	4,375	<2.9> 125
Ordinary Income	4,300	5,058	<(15.0)> (758)
Net Income	2,100	2,508	<(16.3)> (408)

**(7) Forecast of Results by Segment**

(Millions of yen)

Item		FY2014 Forecast		FY2013 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional solutions	60,700	41.9	58,235	40.7	2,465	4.2
	Apparel	69,500	48.0	70,461	49.2	(961)	(1.4)
	Lifestyle creations	14,600	10.1	14,497	10.1	103	0.7
	Subtotal	144,800	100.0	143,194	100.0	1,606	1.1
	Eliminations/Corporate	(800)		(768)		(32)	-
	Consolidated	144,000		142,425		1,575	1.1
Operating Income	Functional solutions	4,600	58.9	4,745	63.1	(145)	(3.1)
	Apparel	1,900	24.4	1,400	18.6	500	35.7
	Lifestyle creations	1,300	16.7	1,367	18.3	(67)	(4.9)
	Subtotal	7,800	100.0	7,514	100.0	286	3.8
	Eliminations/Corporate	(3,300)		(3,138)		(162)	-
	Consolidated	4,500		4,375		125	2.9