

February 5, 2015

Summary of Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2015 (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, CEO & COO
 Contact: Osamu Tomioka, General Manager, Public & Investor Relations
 Tel: +81 (6) 6348-1314

Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): February 13, 2015
 Start of Distribution of Dividends (Scheduled): —
 Preparation of Supplementary Materials for the Quarterly Financial Results: No
 Holding of Presentation of Quarterly Financial Results: No

1. Consolidated results for the third quarter of FY2014 (April 1, 2014 to December 31, 2014)

(1) Consolidated operating results (cumulative) (Amounts less than one million yen are omitted)
 (Percentages represent year-over-year changes)

| | Net sales | | Operating income | | Ordinary income | |
|---------------------------------|------------|-------|------------------|--------|-----------------|------|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| Nine months ended December 2014 | 105,058 | (2.3) | 3,305 | (13.3) | 4,929 | 3.5 |
| Nine months ended December 2013 | 107,551 | 7.1 | 3,811 | 43.3 | 4,763 | 74.3 |

| | Net income (loss) | | E.P.S. | Diluted E.P.S. |
|---------------------------------|-------------------|------|--------|----------------|
| | ¥ millions | % | ¥ | ¥ |
| Nine months ended December 2014 | 3,098 | 13.7 | 16.17 | 16.05 |
| Nine months ended December 2013 | 2,725 | — | 14.22 | 14.13 |

Note: Comprehensive income

Nine months ended December 31, 2014: ¥3,928 million [(26.3%)]
 Nine months ended December 31, 2013: ¥5,332 million [—%]

(2) Consolidated financial position

| | Total assets | Net assets | Net worth ratio | Net assets per share |
|-------------------------|--------------|------------|-----------------|----------------------|
| | ¥ millions | ¥ millions | % | (¥) |
| As of December 31, 2014 | 174,772 | 116,517 | 65.7 | 599.39 |
| As of March 31, 2014 | 166,544 | 114,183 | 67.5 | 586.35 |

Reference: Net worth

December 31, 2014: ¥114,844 million

March 31, 2014: ¥112,357 million

2. Dividends

| | Annual dividends per share (¥) | | | | |
|--------------------|--------------------------------|-------------|-------------|----------|-----------|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Full year |
| FY2013 | - | - | - | 7.50 | 7.50 |
| FY2014 | - | - | - | | |
| FY2014 (projected) | | | | 7.50 | 7.50 |

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2014 (April 1, 2014 to March 31, 2015)

(Percentages represent year-over-year changes)

| | Net sales | | Operating income | | Ordinary income | |
|------------------|------------|-------|------------------|--------|-----------------|--------|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| FY2014 full year | 140,000 | (1.7) | 3,000 | (31.4) | 4,300 | (15.0) |

| | Net income | | E.P.S. |
|------------------|------------|--------|--------|
| | ¥ millions | % | ¥ |
| FY2014 full year | 2,100 | (16.3) | 10.96 |

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

Notes

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

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

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

3rd quarter of FY2014: 209,935,165 shares

FY2013: 209,935,165 shares

(b) Treasury stock at the end of period:

3rd quarter of FY2014: 18,331,691 shares

FY2013: 18,312,159 shares

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

3rd quarter of FY2014: 191,613,089 shares

3rd quarter of FY2013: 191,670,874 shares

Notes regarding implementation of quarterly review

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

Notes regarding the use of projections of results and other matters

Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and notes regarding the use of projections, see (3) "Description of Consolidated Financial Forecast" on page 4-5 of attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Reviewing the economic conditions during the first nine months of the current fiscal year (April 1 – December 31, 2014), the Japanese economy showed signs of mild recovery, reflecting the positive effects of the so-called “Abenomics” economic policy package in its second year. However, the consumption tax hike resulted in prolonged sluggishness in personal consumption, while rapid depreciation of the yen caused soaring prices of imported raw materials and a rise in electricity charges. These factors caused continued uncertainty for the GUNZE Group’s management environment.

Faced with this situation, the GUNZE Group launched its new medium-term management plan, called “CAN 20 (fiscal 2014 through fiscal 2020),” in the current fiscal year. With the key concept of “Focus and Concentration,” the GUNZE Group began implementing three key measures. These are: selection and focus for existing businesses based on the Strategic Business Unit (SBU) strategy; cultivation and creation of new high-growth businesses through the Cross-Functional Approach (CFA) initiatives; and reinforcement of the management foundation to support the company’s growth strategy.

The GUNZE Group’s functional solutions business enjoyed stable performance of engineering plastics and medical materials. However, electronic components remained slow due mainly to worsened market conditions and price drops for touch screens. Plastic film sales were also slow due to unseasonable weather and other difficult conditions. As for the apparel business, GUNZE promoted business structure reform while facing challenges such as sluggish personal spending after the consumption tax hike and unseasonable weather.

Consequently, the GUNZE Group’s consolidated net sales for the first nine months of the current fiscal year amounted to ¥105,058 million (a year-over-year decrease of 2.3%). Consolidated operating income amounted to ¥3,305 million (a year-over-year decrease of 13.3%), while consolidated ordinary income was ¥4,929 million (a year-over-year increase of 3.5%). Consolidated net income was ¥3,098 million (a year-over-year increase of 13.7%).

Results by Business Segment

<Functional Solutions>

In plastic film, although sales showed signs of recovery in some fields such as food packaging, mainstay films for beverage applications remained slow. Engineering plastics performed strongly, thanks to the sales recovery in the overseas office equipment market and expanded sales for general industrial applications. In electronic components, the worst situation is likely to be over with touch screen unit prices almost bottoming out. Still, sluggish sales of touch screens for PCs and semi-finished products and films for smartphones resulted in overall difficulties. Medical materials destined for North America and China posted sales increases, and sales were also firm in Japan. Consequently, the functional solutions business posted net sales of ¥43,228 million (a year-over-year increase of 1.0%) and operating income of ¥2,625 million (a year-over-year decrease of 27.4%).

<Apparel>

The apparel business as a whole suffered a sales decline, reflecting sluggish personal spending after the rise in the consumption tax rate and unseasonable weather. Other factors impacting the apparel business were an increase in cost of sales resulting from the yen's depreciation and escalating labor costs outside Japan. Despite this situation, GUNZE, as in the previous year, implemented business structure reform for innerwear. This gave a boost to profitability through the reduction in cost of sales and fixed costs. In leg wear, leggings pants, which are trendy products, enjoyed firm sales, although seasonable product sales were disappointing. Consequently, the apparel business posted net sales of ¥52,139 million (a year-over-year decrease of 5.3%), while operating income was ¥2,129 million (a year-over-year increase of 20.9%).

<Lifestyle Creations>

In the real estate category, The *GUNZE Town Center TSUKASHiN* commercial facility posted a decrease in sales from the same period of the previous fiscal year due to prolonged sluggishness in personal consumption. The solar power generation business that was launched in the second half of the previous fiscal year contributed to overall category profits. In the sports club business, existing clubs performed stably, but sluggishness of the school business and the initial expenses incurred for the opening of new clubs adversely impacted the category's overall performance. Consequently, the lifestyle creation business recorded net sales of ¥10,199 million

(a year-over-year decrease of 1.0%), while operating income was ¥789 million (a year-over-year decrease of 3.1%).

(2) Description of Financial Position

As of December 31, 2014, total assets were ¥174,772 million, an increase of ¥8,227 million compared to the end of the previous fiscal year. The main components of the increase were a ¥5,523 million increase in notes and accounts receivable, a ¥2,004 million increase in raw materials and supplies, and a ¥1,773 million increase in cash and cash equivalents. The main components of a decrease included a ¥1,664 million decrease in finished products and goods.

Total liabilities were ¥58,254 million, an increase of ¥5,894 million compared to the end of the previous fiscal year. The main components of the increase were a ¥7,795 million increase in long- and short-term debt including commercial paper and a ¥1,021 million increase in accrued income taxes. The main components of a decrease included a ¥2,967 million decrease in other current liabilities (a decrease in notes payable on acquisition of equipment, etc.).

Net assets were ¥116,517 million, an increase of ¥2,333 million compared to the end of the previous fiscal year. The main components of the increase were a net income of ¥3,098 million recorded for the period under review, and an ¥883 million increase in unrealized gains on available-for-sale securities. The main components of a decrease included dividend payments of ¥1,437 million.

(3) Description of Consolidated Financial Forecast

During the first nine months of the current fiscal year, GUNZE experienced a delay in recovery of market conditions for touch screens for PCs and semi-finished products and films for smartphones in the electronic components category. In the apparel business as well, sales were disappointing for autumn and winter season products due to sluggish personal spending after the consumption tax rise and unseasonable weather. The weaker yen also caused soaring costs for imported products. These factors resulted in the expectation that full-year consolidated operating income is likely to drop below the level of the previous forecast. Accordingly, GUNZE has revised its consolidated full-year forecast for operating income. Because progressive yen depreciation is expected to generate a foreign exchange gain (non-operating income) related to payables and receivables denominated in foreign currencies, the full-year forecast for consolidated ordinary

income and consolidated net income remains unchanged from the previous forecast. The projected dividend of ¥7.5 per share will also remain unchanged. Details of revisions to the full-year forecast are as follows:

Full-Year Forecast for FY2014 (April 1, 2014 to March 31, 2015)

| | Net sales | Operating income | Ordinary income | Net income | E.P.S. |
|--|------------|------------------|-----------------|------------|--------|
| | ¥ millions | ¥ millions | ¥ millions | ¥ millions | ¥ |
| Previous forecast (A) | 140,000 | 4,500 | 4,300 | 2,100 | 10.96 |
| Revised forecast (B) | 140,000 | 3,000 | 4,300 | 2,100 | 10.96 |
| Difference (B - A) | — | (1,500) | — | — | — |
| Difference (percentage) | — | (33.3%) | — | — | — |
| (Ref.) Previous fiscal year results (ended March 31, 2014) | 142,425 | 4,375 | 5,058 | 2,508 | 13.09 |

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

None applicable

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

(Calculation of taxes)

Taxes are calculated by multiplying income before income taxes posted in the first nine months of the current consolidated fiscal year 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, 2015.

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

(Change in accounting policies)

Application of the Accounting Standard for Retirement Benefits, etc.

With respect to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the “Retirement Benefit Accounting Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the “Retirement Benefit Guidance”). GUNZE adopted the provisions set forth in

Clause 35 of the Retirement Benefit Accounting Standard and Clause 67 of the Retirement Benefit Guidance, effective from the first quarter of the current fiscal year. Accordingly, GUNZE reviewed the calculation method for retirement benefit obligations and service costs, and changed the attribution method for retirement benefit estimates from the period-based straight-line method to the benefit calculation-based method. Moreover, GUNZE changed the method of determining discount rates. Previously, the single discount rate was determined based on the duration of bonds that approximates the average remaining service period of employees. The new method employs a single weighted average discount rate, which reflects the projected payment period of retirement benefits and an amount for each projected payment period.

The application of the Retirement Benefit Accounting Standard and the Retirement Benefit Guidance is subject to the transitional accounting treatment set forth in Clause 37 of the Retirement Benefit Accounting Standard. As such, the effect of the change in the calculation method for retirement benefit obligations and service costs has been reflected as an increase or decrease in retaining earnings at the beginning of the first nine months of the current fiscal year.

This caused the liabilities related to retirement benefits to increase by ¥157 million and retained earnings to decrease by ¥102 million at the beginning of the first nine months of the current fiscal year. The effect of this change on operating income, ordinary income, and income before income taxes and minority interests in the first nine months of the current fiscal year is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | End of FY2013 (As of Mar. 31, 2014) | End of FY2014 3rd quarter (As of Dec. 31, 2014) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 6,757 | 8,530 |
| Notes & accounts receivable, trade | 30,252 | 35,776 |
| Finished products and goods | 19,439 | 17,775 |
| Work in process | 6,746 | 6,673 |
| Raw materials and supplies | 6,370 | 8,374 |
| Other current assets | 3,969 | 4,492 |
| Allowance for doubtful accounts | (33) | (27) |
| Total current assets | 73,503 | 81,595 |
| Fixed assets | | |
| Property, plants and equipment | | |
| Buildings and structures (Net) | 38,093 | 37,518 |
| Machinery, equipment and vehicles (Net) | 16,084 | 16,183 |
| Land | 11,894 | 11,915 |
| Other (Net) | 2,691 | 3,260 |
| Total property, plants and equipment | 68,763 | 68,877 |
| Intangible fixed assets | 1,468 | 1,333 |
| Investments and other assets | | |
| Investments in securities | 12,684 | 14,044 |
| Other assets | 10,275 | 9,002 |
| Allowance for doubtful accounts | (151) | (81) |
| Total investments and other assets | 22,808 | 22,965 |
| Total fixed assets | 93,040 | 93,176 |
| Total assets | 166,544 | 174,772 |

(Millions of yen)

| | End of FY2013 (As of Mar. 31, 2014) | End of FY2014 3rd quarter (As of Dec. 31, 2014) |
|--|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes & accounts payable, trade | 9,491 | 10,143 |
| Short-term debt | 4,781 | 7,580 |
| Commercial paper | 4,500 | 10,200 |
| Current portion of long-term debt | 1,451 | 3,728 |
| Accrued income taxes | 622 | 1,643 |
| Allowance for employees' bonuses | 1,109 | 281 |
| Other current liabilities | 10,544 | 7,577 |
| Total current liabilities | 32,502 | 41,155 |
| Long-term liabilities | | |
| Long-term debt | 13,333 | 10,354 |
| Long-term deposits & guarantee deposits | 4,401 | 4,470 |
| Liabilities related to retirement benefits | 1,672 | 1,782 |
| Other long-term liabilities | 450 | 492 |
| Total long-term liabilities | 19,858 | 17,099 |
| Total liabilities | 52,360 | 58,254 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 26,071 | 26,071 |
| Capital surplus | 14,061 | 14,061 |
| Retained earnings | 77,771 | 79,329 |
| Treasury stock | (7,614) | (7,620) |
| Total shareholders' equity | 110,289 | 111,841 |
| Accumulated other comprehensive income | | |
| Unrealized gains on available-for-sale securities | 365 | 1,248 |
| Deferred gains on hedge | 0 | 7 |
| Revaluation difference on land | (400) | (400) |
| Foreign currency translation adjustments | 850 | 1,214 |
| Accumulated adjustments related to retirement benefits | 1,251 | 932 |
| Total accumulated other comprehensive income | 2,067 | 3,002 |
| Stock acquisition rights | 312 | 362 |
| Minority interests | 1,514 | 1,310 |
| Total net assets | 114,183 | 116,517 |
| Total liabilities and net assets | 166,544 | 174,772 |

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

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

(Millions of yen)

| | 3rd quarter of FY2013 (Apr. 1, 2013 to Dec. 31, 2013) | 3rd quarter of FY2014 (Apr. 1, 2014 to Dec. 31, 2014) |
|--|--|--|
| Net sales | 107,551 | 105,058 |
| Cost of sales | 80,561 | 79,314 |
| Gross profit | 26,990 | 25,744 |
| Selling, general & administrative expenses | 23,178 | 22,438 |
| Operating income | 3,811 | 3,305 |
| Non-operating income | | |
| Interest income | 21 | 28 |
| Dividend income | 258 | 281 |
| Rental income | 364 | 340 |
| Exchange gain | 782 | 1,418 |
| Other | 123 | 84 |
| Total non-operating income | 1,549 | 2,153 |
| Non-operating expenses | | |
| Interest expenses | 118 | 96 |
| Rental expenses | 322 | 307 |
| Other | 157 | 125 |
| Total non-operating expenses | 598 | 529 |
| Ordinary income | 4,763 | 4,929 |
| Extraordinary income | | |
| Gain on sale of fixed assets | 1,253 | 13 |
| Gain on sale of investment securities | 1 | - |
| Total extraordinary income | 1,255 | 13 |
| Extraordinary loss | | |
| Loss on sale or disposal of fixed assets | 57 | 37 |
| Amortization of actuarial differences in retirement benefits | 664 | - |
| Expenses on business structure improvement | 670 | - |
| Other | 1 | 26 |
| Total extraordinary loss | 1,394 | 64 |
| Income before income taxes and minority interests | 4,624 | 4,878 |
| Income taxes | 1,737 | 1,917 |
| Income before minority interests | 2,886 | 2,961 |
| Minority interests in income (loss) | 161 | (136) |
| Net income | 2,725 | 3,098 |

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

(Millions of yen)

| | 3rd quarter of FY2013 (Apr. 1, 2013 to Dec. 31, 2013) | 3rd quarter of FY2014 (Apr. 1, 2014 to Dec. 31, 2014) |
|---|--|--|
| Income before minority interests | 2,886 | 2,961 |
| Other comprehensive income | | |
| Unrealized gains on available-for-sale securities | 1,159 | 883 |
| Deferred gains (losses) on hedge | (29) | 6 |
| Foreign currency translation adjustments | 1,316 | 395 |
| Adjustments related to retirement benefits | - | (318) |
| Total other comprehensive income | 2,446 | 966 |
| Comprehensive income (loss) attributable to: | 5,332 | 3,928 |
| Shareholders of the parent company | 5,070 | 4,028 |
| Minority interests | 262 | (100) |

**(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. Third quarter of FY2013 (Nine months ended December 31, 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 | 42,655 | 54,893 | 10,002 | 107,551 | - | 107,551 |
| Intersegment sales and transfers | 126 | 147 | 298 | 572 | (572) | - |
| Total | 42,781 | 55,041 | 10,300 | 108,123 | (572) | 107,551 |
| Segment profit | 3,617 | 1,761 | 814 | 6,193 | (2,381) | 3,811 |

Note:

The - (minus) ¥2,381 million segment profit adjustment consists of overall costs not allocated to reportable segments.

Overall costs refer to SG&A expenses not allocated to reportable segments.

II. Third quarter of FY2014 (Nine months ended December 31, 2014)

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 | 43,125 | 51,967 | 9,965 | 105,058 | - | 105,058 |
| Intersegment sales and transfers | 102 | 171 | 233 | 508 | (508) | - |
| Total | 43,228 | 52,139 | 10,199 | 105,567 | (508) | 105,058 |
| Segment profit | 2,625 | 2,129 | 789 | 5,544 | (2,239) | 3,305 |

Note:

The - (minus) ¥2,239 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.