

Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2016 (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: Makoto Ogura, General Manager, Public & Investor Relations
 Tel: +81 (6) 6348-1314
 Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): November 13, 2015
 Start of Distribution of Dividends (Scheduled) : –
 Preparation of Supplementary Materials for the Quarterly Financial Results: Yes
 Holding of Presentation of Quarterly Financial Results: Yes (for institutional investors/analysts)

1. Consolidated results for the second quarter of FY2015 (April 1, 2015 to September 30, 2015)

(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	%
Six months ended Sept. 2015	69,410	5.2	1,568	13.5	988	(53.9)
Six months ended Sept. 2014	66,010	(5.1)	1,382	(6.5)	2,143	8.8

	Net income attributable to owners of the parent		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Six months ended Sept. 2015	404	(67.7)	2.14	2.12
Six months ended Sept. 2014	1,249	55.7	6.52	6.47

Note: Comprehensive income

Six months ended September 2015: ¥391 million [(51.5) %]

Six months ended September 2014: ¥806 million [(71.5) %]

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of September 30, 2015	181,657	114,690	62.2	605.04
As of March 31, 2015	175,331	117,359	66.0	603.87

Reference: Total equity

September 30, 2015: ¥113,016 million

March 31, 2015: ¥115,643 million

2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2014	—	—	—	7.50	7.50
FY2015	—	—	—	—	—
FY2015 (projected)	—	—	—	8.50	8.50

Note: Revisions to dividend projections most recently announced: No

Breakdown of year-end dividend for FY2015 projection: Ordinary dividend: ¥7.50 per share, commemorative dividend (for 120th anniversary): ¥1.00 per share

3. Projected results for FY2015 (April 1, 2015 to March 31, 2016)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2015 full year	143,000	1.3	3,500	13.5	3,300	(33.1)

	Net income attributable to owners of the parent		E.P.S.
	¥ millions	%	¥
FY2015 full year	2,100	(34.7)	11.17

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: 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):

2nd quarter of FY2015: 209,935,165 shares

FY2014: 209,935,165 shares

(b) Treasury stock at the end of period:

2nd quarter of FY2015: 23,142,653 shares

FY2014: 18,431,872 shares

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

2nd quarter of FY2015: 189,155,235 shares

2nd quarter of FY2014: 191,615,870 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 5 of attached materials.

Attached Materials

Table of Contents

1. Qualitative Information on Quarterly Financial Results	2
(1) Description of Results of Operations	2
(2) Description of Financial Position	4
(3) Description of Consolidated Financial Forecast	5
2. Summary Information (Notes)	5
(1) Changes in Significant Subsidiaries during the Period	5
(2) Application of Specific Accounting Practices for Preparing Quarterly Consolidated Financial Statements	5
(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement after Error Corrections	6
3. Quarterly Consolidated Financial Statements	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	10
(3) Quarterly Consolidated Statements of Cash Flows	12
(4) Notes to Quarterly Consolidated Financial Statements	13
(Notes Regarding Assumptions of Continuing Operations)	13
(Notes in the Event of Significant Changes in Shareholders' Equity)	13
(Segment Information, etc.)	13
4. Supplementary Information	14
(1) Supplementary Materials for Quarterly Financial Results	14

1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Reviewing the economic conditions during the first six months of the current fiscal year (April 1 – September 30, 2015), the Japanese economy showed signs of mild recovery as a whole, supported by the government's economic policy package combined with an easy monetary policy. However, the risks caused by a downturn in overseas economies such as that of China became a matter of concern. Personal consumption also came to a standstill as price hikes for imported products and materials due to depreciation of the yen have caused consumers to adopt a more defensive attitude toward spending. These factors have resulted in continued uncertainty for the GUNZE Group's management environment.

Faced with this situation, the GUNZE Group's medium-term management plan, called "CAN 20 (fiscal 2014 through fiscal 2020)" has entered its second year. With the key concept of "Focus and Concentration," the GUNZE Group implemented three key measures: 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 strong performance in engineering plastics and medical materials. However, plastic films experienced difficult conditions due to the sluggish market. As for the apparel business, sales remained firm while the yen's depreciation led to a cost increase.

Consequently, the GUNZE Group's consolidated net sales for the first six months of the current fiscal year amounted to ¥69,410 million (a year-over-year increase of 5.2%). Consolidated operating income amounted to ¥1,568 million (a year-over-year increase of 13.5%). However, consolidated ordinary income remained at ¥988 million (a year-over-year decrease of 53.9%) due to the adverse impact of the exchange loss. Consolidated net income attributable to owners of the parent was ¥404 million (a year-over-year decrease of 67.7%).

Results by Business Segment

<Functional Solutions>

In plastic film, although sales in the U.S. and Europe expanded steadily, sales remained sluggish in Japan and China due to intensified competition, mainly in films for beverage applications. In engineering plastics, sales of products for the office equipment market as well as fluorine resin products for industrial applications remained firm. In electronic components, touch screens for PCs enjoyed an increase in sales, though increasingly severe competition made it difficult to secure profits. To cope with this situation, GUNZE has been working on structural improvement, such as restructuring overseas production sites. Medical materials destined for North America continued to perform impressively, while sales were also solid in Japan and China. Consequently, the functional solutions business posted net sales of ¥29,304 million (a year-over-year increase of 7.7%) and operating income of ¥1,785 million (a year-over-year increase of 12.8%).

<Apparel>

In inner wear, the renewal of mainstay brands and expansion of high-growth channels put the brakes on decreasing sales. The new *Kaiteki Kobo* also posted solid sales. In leg wear, plain stockings performed well, while leggings pants and foot cover earned popularity for their comfortable fit, resulting in strong sales. Consequently, the apparel business posted net sales of ¥33,475 million (a year-over-year increase of 3.5%), while operating income was ¥952 million (a year-over-year increase of 17.2%).

<Lifestyle Creations>

In the real estate category, the reorganization of current tenants and introduction of new tenants drove up business for the *GUNZE Town Center TSUKASHiN* commercial facility. The sports club business enjoyed an increase in sales mainly due to the opening of new clubs. However, this contribution was not enough to absorb the adverse impact of utility price hikes. Consequently, the lifestyle creation business recorded net sales of ¥6,962 million (a year-over-year increase of 2.5%), while operating income was ¥483 million (a year-over-year increase of 0.6%).

(2) Description of Financial Position

As of September 30, 2015, total assets were ¥181,657 million, an increase of ¥6,325 million compared to the end of the previous fiscal year. The main components of the increase were a ¥5,143 million increase in investments in securities and a ¥974 million increase in property, plants and equipment.

Total liabilities were ¥66,966 million, an increase of ¥8,994 million compared to the end of the previous fiscal year. The main components of the increase were a ¥9,278 million increase in long- and short-term debt including commercial paper and an ¥887 million increase in notes and accounts payable. The main components of a decrease included a ¥671 million decrease in other long-term liabilities (including a decrease in long-term accounts payable).

Net assets were ¥114,690 million, a decrease of ¥2,669 million compared to the end of the previous fiscal year. The main component of an increase was a net income attributable to owners of the parent of ¥404 million recorded for the period under review. The main components of the decrease were ¥1,530 million spent for the acquisition of treasury stock and dividend payments of ¥1,436 million.

(Cash Flows)

As of September 30, 2015, cash and cash equivalents were ¥8,416 million, ¥742 million less than at the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the first six months of the current fiscal year.

Net cash provided by operating activities for the period under review was ¥3,086 million, an increase of ¥2,610 million compared to the same period of the previous fiscal year. The major components of cash inflows were depreciation and amortization of ¥3,424 million, a ¥1,022 million decrease in notes and accounts receivable, and an income before income taxes of ¥1,015 million, while the major components of cash outflows were a ¥1,528 million decrease in other liabilities (including a decrease in long-term accounts payable) and payment of income taxes amounting to ¥561 million.

Net cash used in investing activities totaled ¥9,661 million, an increase of ¥4,336 million compared to the same period of the previous fiscal year. The main

components of cash outflows included payments for acquisition of investment securities amounting to ¥5,881 million and payments for purchase of fixed assets amounting to ¥4,064 million, including capital investment in equipment related to the functional solutions business.

Net cash provided by financing activities totaled ¥5,795 million, an increase of 752 million compared to the same period of the previous fiscal year. The main components of cash inflows included proceeds from short-term debt and commercial paper borrowing amounting to ¥8,415 million. The main components of cash outflows included ¥1,651 million spent for the acquisition of treasury stock and ¥1,430 million spent for dividend payments.

(3) Description of Consolidated Financial Forecast

GUNZE has not revised its consolidated full-year forecast for the present fiscal year ending March 31, 2016 from the previous forecast announced on May 13, 2015, as performance during the first six months of the current fiscal year remained within the assumed range.

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 six 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, 2016.

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

(Changes in accounting policies)

Effective from the first three months of the current fiscal year ending March 31, 2016, GUNZE adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combination Accounting Standard”); the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Consolidation Accounting Standard”); and the “Accounting Standard for Business Divestitures” (ASBJ No. 7, September 13, 2013, hereinafter referred to as the “Business Divestiture Accounting Standard”). As a result of the adoption of these standards, GUNZE changed accounting treatments as follows: recording any differences arising from changes in the proportion of equity ownership in a subsidiary when the parent company retains control over the subsidiary as capital surplus and recognizing acquisition-related costs as expenses for the consolidated fiscal year during which the costs are incurred. As for the business combination that occurred on or after the beginning of the first three months of the current fiscal year, the accounting treatment was revised to reflect the adjustment of purchase price allocation based on provisional accounting on the consolidated financial statements for the quarterly period during which the business combination takes place. In addition, the presentation method of net income was amended, and the reference to “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, the consolidated financial statements for the first six months of the previous consolidated fiscal year and the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

Also in the consolidated statements of cash flows for the first six months of the present consolidated fiscal year, revisions have been made so as to record cash flows arising from the acquisition or sale of shares in a subsidiary without an accompanying change in scope of consolidation under “cash flows from financing activities.” Cash flows associated with expenses related to the acquisition of shares in a subsidiary entailing a change in scope of consolidation or those related to expenses for acquisition or sale of shares in a subsidiary without an accompanying change in the scope of consolidation have been recorded under “cash flows from operating activities.”

The application of the Business Combination Accounting Standard and others conforms to the provisional treatment stipulated in Section 58-2 (4) of the Business Combination Accounting Standard, Section 44-5 (4) of the Consolidation Accounting Standard, and Section 57-4 (4) of the Business Divestiture Accounting Standard, and these changes are effective from the beginning of the first three months of the current consolidated fiscal year onwards.

These changes will have no impact on the consolidated financial statements for the first six months of the present consolidated fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2014 (As of Mar. 31, 2015)	End of FY2015 2nd quarter (As of Sept. 30, 2015)
Assets		
Current assets		
Cash and cash equivalents	9,159	8,416
Notes and accounts receivable, trade	31,075	30,596
Finished products and goods	18,313	18,794
Work in process	6,541	6,687
Raw materials and supplies	6,696	6,745
Other current assets	5,856	6,460
Allowance for doubtful accounts	(20)	(22)
Total current assets	77,621	77,678
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	37,896	38,107
Machinery, equipment and vehicles (Net)	17,001	17,473
Land	11,950	11,956
Other (Net)	3,369	3,655
Total property, plants and equipment	70,218	71,192
Intangible fixed assets	1,210	1,321
Investments and other assets		
Investments in securities	18,463	23,607
Other assets	7,912	7,952
Allowance for doubtful accounts	(95)	(95)
Total investments and other assets	26,280	31,464
Total fixed assets	97,709	103,978
Total assets	175,331	181,657

(Millions of yen)

	End of FY2014 (As of Mar. 31, 2015)	End of FY2015 2nd quarter (As of Sept. 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	9,339	10,227
Short-term debt	9,718	9,247
Commercial paper	2,700	11,900
Current portion of long-term debt	3,340	3,622
Accrued income taxes	448	605
Allowance for employees' bonuses	1,148	1,109
Other current liabilities	8,743	8,098
Total current liabilities	35,440	44,810
Long-term liabilities		
Long-term debt	12,889	13,156
Liabilities related to retirement benefits	3,461	3,506
Long-term deposits and guarantee deposits	4,272	4,256
Other long-term liabilities	1,907	1,235
Total long-term liabilities	22,531	22,155
Total liabilities	57,971	66,966
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,056	14,037
Retained earnings	79,313	78,265
Treasury stock	(7,648)	(9,179)
Total shareholders' equity	111,792	109,194
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	1,787	1,452
Deferred gains on hedge	1	1
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	2,298	2,607
Accumulated adjustments related to retirement benefits	164	162
Total accumulated other comprehensive income	3,850	3,822
Stock acquisition rights	342	284
Non-controlling interests	1,374	1,388
Total net assets	117,359	114,690
Total liabilities and net assets	175,331	181,657

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

Consolidated Statements of Income
(for the six months from April 1 to September 30)

(Millions of yen)

	2nd quarter of FY2014 (Apr. 1, 2014 to Sept. 30, 2014)	2nd quarter of FY2015 (Apr. 1, 2015 to Sept. 30, 2015)
Net sales	66,010	69,410
Cost of sales	49,798	52,498
Gross profit	16,212	16,911
Selling, general and administrative expenses	14,830	15,343
Operating income	1,382	1,568
Non-operating income		
Interest income	15	17
Dividend income	194	224
Rental income	236	146
Exchange gain	619	-
Other	63	70
Total non-operating income	1,127	458
Non-operating expenses		
Interest expenses	57	90
Rental expenses	213	136
Exchange loss	-	732
Other	95	79
Total non-operating expenses	366	1,038
Ordinary income	2,143	988
Extraordinary income		
Gain on sale of fixed assets	1	63
Other	-	0
Total extraordinary income	1	63
Extraordinary loss		
Loss on sale or disposal of fixed assets	22	27
Other	4	8
Total extraordinary loss	27	36
Income before income taxes	2,117	1,015
Income taxes	964	654
Net Income	1,152	361
Net income (loss) attributable to non-controlling interests	(96)	(43)
Net income attributable to owners of the parent	1,249	404

Consolidated Statements of Comprehensive Income
(for the six months from April 1 to September 30)

(Millions of yen)

	2nd quarter of FY2014 (Apr. 1, 2014 to Sept. 30, 2014)	2nd quarter of FY2015 (Apr. 1, 2015 to Sept. 30, 2015)
Net income	1,152	361
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	570	(335)
Deferred gains (losses) on hedge	6	(0)
Foreign currency translation adjustments	(711)	367
Adjustments related to retirement benefits	(212)	(1)
Total other comprehensive income (loss)	<u>(345)</u>	<u>29</u>
Comprehensive income	<u>806</u>	<u>391</u>
(Breakdown)		
Comprehensive income attributable to owners of the parent	953	376
Comprehensive income (loss) attributable to non-controlling interests	(146)	14

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	2nd quarter of FY2014 (Apr. 1, 2014 to Sept. 30, 2014)	2nd quarter of FY2015 (Apr. 1, 2015 to Sept. 30, 2015)
Cash flows from operating activities		
Income before income taxes	2,117	1,015
Depreciation and amortization	3,246	3,424
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in liabilities related to retirement benefits	28	108
Increase (decrease) in allowance for employees' bonuses	(19)	(37)
Interest and dividend income	(209)	(242)
Interest expenses	57	90
Loss (gain) on sale or disposal of fixed assets	21	(36)
Other losses (gains)	(179)	666
Decrease (increase) in notes and accounts receivable	(856)	1,022
Decrease (increase) in inventories	(2,387)	(545)
Decrease (increase) in other current assets	(138)	(862)
Increase (decrease) in notes and accounts payable	(17)	557
Increase (decrease) in deposits and guarantee deposits	(252)	(127)
Increase (decrease) in other current liabilities	(301)	(810)
Increase (decrease) in other long-term liabilities	(104)	(717)
Subtotal	1,005	3,507
Interest and dividends received	208	234
Interest paid	(58)	(93)
Income tax refund (paid)	(679)	(561)
Net cash provided by (used in) operating activities	476	3,086
Cash flows from investing activities		
Payments for purchase of fixed assets	(5,569)	(4,064)
Proceeds from sale of fixed assets	2	96
Payments for disposition of fixed assets	(12)	(23)
Payments for acquisition of investment securities	(28)	(5,881)
Proceeds from sale of investment securities	-	283
Net decrease (increase) in loans	(27)	(168)
Other	312	96
Net cash provided by (used in) investing activities	(5,324)	(9,661)
Cash flows from financing activities		
Net increase (decrease) in short-term debt and commercial paper	7,028	8,415
Proceeds from issuance of long-term debt	-	2,008
Repayments of long-term debt	(536)	(1,463)
Cash dividends paid	(1,428)	(1,430)
Acquisition of treasury stock	(4)	(1,651)
Other	(16)	(83)
Net cash provided by (used in) financing activities	5,043	5,795
Effect of exchange rate changes on cash & cash equivalents	(243)	38
Net increase (decrease) in cash and cash equivalents	(47)	(739)
Cash and cash equivalents at beginning of period	6,757	9,159
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	-	(3)
Cash and cash equivalents at end of period	6,709	8,416

**(4) 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. Second quarter of FY2014 (Six months ended September 30, 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	27,130	32,249	6,631	66,010	-	66,010
Intersegment sales and transfers	74	100	160	335	(335)	-
Total	27,205	32,350	6,791	66,346	(335)	66,010
Segment profit	1,583	812	480	2,877	(1,494)	1,382

Note:

The - (minus) ¥1,494 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. Second quarter of FY2015 (Six months ended September 30, 2015)

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	29,273	33,346	6,790	69,410	-	69,410
Intersegment sales and transfers	30	129	172	332	(332)	-
Total	29,304	33,475	6,962	69,742	(332)	69,410
Segment profit	1,785	952	483	3,221	(1,653)	1,568

Note:

The - (minus) ¥1,653 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.

4. Supplementary Information

(1) Supplementary Materials for Quarterly Financial Results

Overview of Consolidated Results for Second Quarter of FY2015

<Overview of Results>

• The functional solutions business enjoyed increases in sales and profits. The engineering plastics and medical materials showed strong performance, although plastic films and electronic components suffered sluggish performance due to intensified competition.

• The apparel business recorded increases in sales and profits as the renewal of key innerwear brands and expansion of high-growth channels put the brakes on decreasing sales. Legwear also performed well.

• The lifestyle creation business posted increases in sales and profits reflecting the positive impact of reorganization/renewal of the commercial facility's tenants in the real estate category.

• Exchange loss (non-operating expenses): ¥700 million

The exchange loss mainly comprised a loss arising from reversing an entry of ¥600 million gain on fair market valuation of currency options posted at the end of the previous fiscal year and a ¥24 million loss recorded at the end of the second quarter of the present fiscal year. (An exchange gain of ¥600 million was recorded during the same period of the previous fiscal year, including a ¥300 million gain arising from reversal of valuation of the above-mentioned currency options.)

<FY2015 Forecast>

• As the performance during the first six months of the present fiscal year remained roughly within the assumed range, GUNZE has not revised its previously announced consolidated full-year forecast for fiscal 2015.

• The scheduled dividend payment for fiscal 2015 is ¥8.5 per share, including a 120th anniversary commemorative dividend of ¥1.

(1) FY2015 2nd Quarter Operating Results (Apr. 1, 2015 to Sept. 30, 2015)

(Millions of yen)

	FY2015 2nd Quarter (Six months ended Sept. 30, 2015)	FY2014 2nd Quarter (Six months ended Sept. 30, 2014)	Change <Upper figures in brackets %>
Net Sales	69,410	66,010	<5.2> 3,399
Operating Income	1,568	1,382	<13.5> 185
Ordinary Income	988	2,143	<(53.9)> (1,155)
Income Before Income Taxes	1,015	2,117	<(52.1)> (1,101)
Net Income Attributable to Owners of the Parent	404	1,249	<(67.7)> (844)
Total Assets	181,657	168,366	<7.9> 13,290
Inventories	32,227	34,636	<(7.0)> (2,409)
Fixed Assets	103,978	92,285	<12.7> 11,692
Net Assets	114,690	113,399	<1.1> 1,290
Financing Income/Expenses	152	151	0
Interest/Dividends Received	242	209	33
Interest Expenses	(90)	(57)	(32)
Capital Expenditures	4,228	2,586	1,642
Depreciation and Amortization	3,424	3,246	178

Notes: Acquisition of treasury stock

	(Thousands of shares)	(Amount)
• Treasury stock acquired (including acquisition of odd-lot shares)	5,011	¥1,651 million
• Treasury stock disposed	300	¥120 million
• Treasury stock held at the end of the previous fiscal year	18,431	¥7,648 million
• Treasury stock held at the end of the period	23,142	¥9,179 million

(2) Results by Business Segment

(Millions of yen)

Item		FY2015 2nd Quarter (Six months ended Sept. 30, 2015)		FY2014 2nd Quarter (Six months ended Sept. 30, 2014)		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	29,304	42.0	27,205	41.0	2,099	7.7
	Apparel	33,475	48.0	32,350	48.8	1,125	3.5
	Lifestyle Creations	6,962	10.0	6,791	10.2	171	2.5
	Subtotal	69,742	100.0	66,346	100.0	3,395	5.1
	Eliminations	(332)		(335)		3	-
	Consolidated	69,410		66,010		3,399	5.2
Operating Income	Functional Solutions	1,785	55.4	1,583	55.0	202	12.8
	Apparel	952	29.6	812	28.2	140	17.2
	Lifestyle Creations	483	15.0	480	16.8	2	0.6
	Subtotal	3,221	100.0	2,877	100.0	344	12.0
	Eliminations/Corporate	(1,653)		(1,494)		(159)	-
	Consolidated	1,568		1,382		185	13.5

(3) Significant Financial Indicators

		FY2015 2nd Quarter (Six months ended Sept. 30, 2015)	FY2014 2nd Quarter (Six months ended Sept. 30, 2014)	Change
Operating Income to Total Assets Ratio	%	0.9	0.8	0.1
Ordinary Income to Total Assets Ratio	%	0.6	1.3	(0.7)
Operating Income to Net Sales Ratio	%	2.3	2.1	0.2
Ordinary Income to Net Sales Ratio	%	1.4	3.2	(1.8)
Equity Ratio	%	62.2	66.4	(4.2)
ROE	%	0.4	1.1	(0.7)
Earnings per Share	¥	2.14	6.52	(4.38)
Diluted Earnings per Share	¥	2.12	6.47	(4.35)
Net Assets per Share	¥	605.04	583.33	21.71

(4) Cash Flows

(Millions of yen)

Cash Flow Activity	FY2015 2nd Quarter (Six months ended Sept. 30, 2015)	FY2014 2nd Quarter (Six months ended Sept. 30, 2014)	Change	Breakdown of Major Components
Operating Activities	3,086	476	2,610	Depreciation and amortization: 3,424; Decrease in notes and accounts receivable: 1,022; Income before income taxes: 1,015; Income taxes paid: (561); Decrease in other liabilities: (1,528)
Investing Activities	(9,661)	(5,324)	(4,336)	Acquisition of investment securities: (5,881); Purchase of fixed assets: (4,064)
Financing Activities	5,795	5,043	752	Increase in short-term debt and commercial paper: 8,415; Proceeds from long-term debt: 2,008; Acquisition of treasury stock: (1,651); Repayment of long-term debt: (1,463); Dividends paid: (1,430)
Foreign Currency Translation	38	(243)	281	
Increase in Cash and Cash Equivalents - 2nd Quarter	(739)	(47)	(691)	
Decrease due to Change in Scope of Consolidation	(3)	-	-	
Cash and Cash Equivalents - End of Period	8,416	6,709	1,706	

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

Item	FY2015 Plan			FY2014		Y-over-Y Change
	Amount	Weight	2nd Quarter (cumulative)	Amount	Weight	
Capital Expenditures	[International]	[3,000]		[2,386]	[1,914]	
	Functional Solutions	5,800	55.2	2,800	3,195	53.2
	[International]	[300]		[147]	[301]	
	Apparel	1,100	10.5	270	681	11.3
	Lifestyle Creations	2,100	20.0	369	1,640	27.3
	Corporate	1,500	14.3	787	487	8.2
	[International]	[3,300]		[2,533]	[2,217]	
	Total	10,500	100.0	4,228	6,005	100.0
Depreciation and Amortization	Functional Solutions	3,500	50.0	1,594	3,100	45.4
	Apparel	1,200	17.1	639	1,427	20.9
	Lifestyle Creations	1,400	20.0	845	1,584	23.2
	Corporate	900	12.9	345	718	10.5
	Total	7,000	100.0	3,424	6,830	100.0

Notes:

1. Capital expenditures are based on the amount charged to construction in progress.
2. Capital expenditures include investments for intangible fixed assets.

Main Investment Plans for the Period under Review

- Plastic film production equipment: ¥3,500 million
- Engineering plastics and medical materials production equipment: ¥1,300 million
- Idle land development and opening of new sports clubs: ¥2,100 million

(6) FY2015 Forecast

(Millions of yen)

	FY2015 Forecast	FY2014	Change <Upper figures %>
Net Sales	143,000	141,172	<1.3> 1,828
Operating Income	3,500	3,084	<13.5> 416
Ordinary Income	3,300	4,933	<(33.1)> (1,633)
Net income attributable to owners of the parent	2,100	3,215	<(34.7)> (1,115)

(7) Forecast of Results by Segment

(Millions of yen)

		FY2015 Forecast		FY2014 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	59,600	41.5	59,689	42.1	(89)	(0.1)
	Apparel	68,900	48.0	67,635	47.7	1,265	1.9
	Lifestyle Creations	15,100	10.5	14,537	10.2	563	3.9
	Subtotal	143,600	100.0	141,862	100.0	1,738	1.2
	Eliminations	(600)		(691)		91	-
	Consolidated	143,000		141,170		1,830	1.3
Operating Income	Functional Solutions	3,800	54.3	3,393	55.2	407	12.0
	Apparel	2,000	28.6	1,491	24.3	509	34.1
	Lifestyle Creations	1,200	17.1	1,257	20.5	(57)	(4.5)
	Subtotal	7,000	100.0	6,142	100.0	858	14.0
	Eliminations/Corporate	(3,500)		(3,057)		(443)	-
	Consolidated	3,500		3,084		416	13.5