May 12, 2016

Consolidated Financial Statements – Summary
(Year ended March 31, 2016)

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

Company Name:	GUNZE LIMITED
Company Code:	3002
Corporate Website URL:	http://www.gunze.co.jp
Stock Market Listing:	Tokyo
Representative Director:	Nodoka Kodama, President, CEO & COO
Contact:	Makoto Ogura, General Manager, Public & Investor Relations
Telephone:	+81 (6) 6348-1314
Ordinary General Meeting of Shareholders (Scheduled):	June 24, 2016
Start of Distribution of Dividends (Scheduled):	June 27, 2016
Filing of Securities Report (*Yuka shoken hokokusho*) (Scheduled):	June 27, 2016
Preparation of Supplementary Materials for the Financial Results:	Yes
Holding of Presentation of Finanical Results:	Yes (for institutional investors/analysts)

1. Consolidated Operating Results for FY2015 (Apr. 1, 2015 to Mar. 31, 2016)

(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 attributable to owners of the parent (¥ million)	Change (%)
FY2015	138,324	(2.0)	3,662	18.7	791	(84.0)	(1,201)	—
FY2014	141,172	(0.9)	3,084	(29.5)	4,933	(2.5)	3,215	28.2

Note: Comprehensive income (loss)
FY2015: (¥7,597 million) [(255.5%)] FY2014: ¥4,884 million [(8.3%)]

	E.P.S. (¥)	Diluted E.P.S. (¥)	Return on equity (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY2015	(6.39)	—	(1.1)	0.5	2.6
FY2014	16.78	16.66	2.8	2.9	2.2

Reference: Equity in income of affiliated companies

FY2015: - FY2014: -

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
FY2015	169,749	106,639	61.9	562.44
FY2014	175,331	117,359	66.0	603.87

Reference: Total equity FY2015: ¥105,158 million FY2014: ¥115,643 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)
FY2015	11,775	(12,046)	(1,274)	7,471
FY2014	9,512	(9,240)	1,726	9,159

2. Dividends

	Dividends per share				
	1st quarter (¥)	2nd quarter (¥)	3rd quarter (¥)	Year-end (¥)	Full-year (¥)
FY2014	—	—	—	7.50	7.50
FY2015	—	—	—	8.50	8.50
FY2016 (projected)	—	—	—	7.50	7.50

	Total cash dividends paid (¥ million)	Payout ratio (consolidated) (%)	Dividends to net assets (consolidated) (%)
FY2014	1,436	44.7	1.3
FY2015	1,589	—	1.5
FY2016 (projected)		53.9	

Note: Breakdown of year-end dividends for FY2015:
Ordinary dividend of ¥7.50 and commemorative dividend of ¥1.00 (for 120th anniversary).

3. Projected FY2016 Consolidated Operating Results (Apr. 1, 2016 to Mar. 31, 2017)

(Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
FY2016 Full-year	141,000	1.9	4,000	9.2	4,600	481.5

	Net income attributable to owners of the parent (¥ million)	Change (%)	E.P.S. (¥)
FY2016 Full-year	2,600	—	13.91

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

Notes

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

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

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(b) Changes in accounting policies due to other reasons: No

(c) Changes in accounting estimates: No

(d) Restatement after error corrections: No

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

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

FY2015: 209,935,165 shares

FY2014: 209,935,165 shares

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

FY2015: 22,966,562 shares

FY2014: 18,431,872 shares

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

FY2015: 188,084,758 shares

FY2014: 191,611,803 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Operating Results for FY2015 (Apr. 1, 2015 to Mar. 31, 2016)

(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 (%)
FY2015	108,469	(0.0)	1,597	48.3	486	(88.8)	(1,719)	—
FY2014	108,476	(1.5)	1,077	(5.0)	4,356	34.2	2,937	48.0

	E.P.S. (¥)	Diluted E.P.S. (¥)
FY2015	(9.14)	—
FY2014	15.33	15.22

(2) Non-consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
FY2015	139,819	103,804	74.1	553.88
FY2014	141,683	112,059	78.8	583.37

Reference: Total equity

FY2015: ¥103,557 million FY2014: ¥111,717 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 - 6 of attached materials.

(Attachment)

Table of Contents

1. Results of Operations

(1) Analysis of Full-Year Results

Overview of FY2015

Reviewing economic conditions during the fiscal year ended March 31, 2016, the Japanese economy as a whole showed signs of mild recovery, supported by the government's economic policy package and an easy monetary policy. However, the GUNZE Group's management environment continued to face uncertainty due to several factors. These include the rapid changes in exchange rates and the stock market, and the slowdown in emerging economies including the Chinese economy. Moreover, personal consumption remained at a standstill, reflecting price hikes for imported products and materials caused by the depreciation of the yen.

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 the 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 the area of medical materials. However, plastic films and engineering plastics suffered from sluggish economic and market conditions. Apparel sales remained firm, despite the warm winter.

Consequently, the GUNZE Group's consolidated net sales for the fiscal year under review amounted to ¥138,324 million (a year-over-year decrease of 2.0%). Consolidated operating income amounted to ¥3,662 million (a year-over-year increase of 18.7%). Because of the posting of a valuation loss in derivatives transactions* and a foreign exchange loss, consolidated ordinary income remained at ¥791 million (a year-over-year decrease of 84.0%). Moreover, GUNZE posted an impairment loss on fixed assets related to electronic components, which suffered a drop in profitability due to the worsened business environment. As a result, GUNZE posted a consolidated net loss attributable to owners of the parent amounting to ¥1,201 million compared with a consolidated net income attributable to owners of the parent of ¥3,215 million recorded in the previous fiscal year.

* GUNZE enters into forward exchange contracts through the use of currency options in order to hedge against foreign exchange movement risk related to US dollar-denominated import prices of apparel products. Due to the rapid appreciation of the yen at the end of the present fiscal year under review, a valuation loss of ¥2,267 million was incurred for the year-end outstanding balance of currency option transactions. This loss was combined with a loss arising from reversing an entry of ¥601 million valuation gain incurred at the end of the previous fiscal year, resulting in the posting of a ¥2,869 million valuation loss in derivatives as non-operating expenses. This valuation loss has no effect on the cash flows for the fiscal year under review. In the next fiscal year, GUNZE will post ¥2,267 million as non-operating income through the reversal of the valuation loss recorded at the end of the fiscal year under review, while also revaluating the year-end outstanding balance of currency options at fair value to post a valuation gain or loss.

Results by Business Segment

[Functional Solutions]

In plastic film, sales of mainstay shrink film dipped mainly for beverage applications. Overseas sales were also slow due to a slowdown in exports to Europe. Still, the plastic film business secured profits reflecting the lower prices of raw materials. The engineering plastics business performed poorly, with sales of products for the office equipment market adversely affected by the economic slump in emerging markets. Sales of products for non-office equipment markets were also sluggish due to inventory adjustment in the semiconductor industry. Electronic components experienced difficulties in securing profits, with slow sales of touch screens for PCs and increasingly intense competition. To cope with this situation, GUNZE worked to improve productivity by restructuring and streamlining overseas production facilities. These efforts, however, were not sufficient to improve performance. Medical materials destined for North America continued to perform strongly, while sales were also solid in Japan and China.

Consequently, the functional solutions business posted net sales of ¥56,171 million (a year-over-year decrease of 5.9%), while operating income was ¥3,440 million (a year-over-year increase of 1.4%).

[Apparel]

For the apparel business in general, winter season product sales were negatively impacted by the warm winter. In innerwear, the renewal of the mainstay *Kaiteki Kobo* brand and the expansion of high-growth channels put the brakes on decreasing sales trends. In leg wear, sales of the mainstay *SABRINA* brand pantyhose remained strong, with leggings pants also enjoying increased sales.

Consequently, the apparel business posted net sales of ¥68,164 million (a year-over-year increase of 0.8%) and operating income of ¥2,232 million (a year-over-year increase of 49.7%).

[Lifestyle Creations]

In the real estate category, the reorganization of current tenants and the introduction of new tenants drove up business for the *GUNZE Town Center TSUKASHiN* commercial facility. The sports club business posted an increase in sales thanks to the opening of new clubs. However, initial expenses incurred for the new clubs had an adverse impact on the category’s performance.

Consequently, the lifestyle creation business recorded net sales of ¥14,635 million (a year-over-year increase of 0.7%), while operating income was ¥1,221 million (a year-over-year decrease of 2.9%).

Outlook for FY2016

For the upcoming fiscal year, the Japanese economy will experience increasing labor shortages in some industries and a stronger positive mindset among businesses, with expanding capital investment in equipment. Still, there are several risk factors that will cause the business environment surrounding the GUNZE Group to remain unpredictable. These include concerns of a downturn in the economy, reflecting anticipations that consumers may cut back spending in response to consumption tax hikes. Other concerns include soaring raw material prices and slowing growth in China and other emerging economies.

Against this backdrop, fiscal 2016 will mark the 120th anniversary of the GUNZE Group’s founding. Toward the goals specified by its medium-term management plan, GUNZE will clarify key strategic challenges for each business segment and strive to sustainably enhance its corporate value.

As for the functional solutions business, in the category of plastic films GUNZE will promote the development of new markets and products as it faces radical changes in its business environment. In engineering plastics, efforts will be concentrated on taking measures against maturation of mainstay products for office equipment applications, while also expanding products employing GUNZE's fiber technology, such as products related to semiconductors. In electronic components, GUNZE will shift sales of touch screens from consumer to business applications, while also accelerating the transition of its business structure to focus on film sales, which is a shift from the previous focus on touch screen sales. In medical materials, GUNZE will proactively invest management resources on construction of new factories and other projects aimed at further growth. By doing so, GUNZE will seek to improve production and sales systems so as to effectively respond to the expansion of the medical material business.

In the apparel business, GUNZE will aim to further expand sales of its mainstay brands in the innerwear category by leveraging its proprietary technologies. As part of this drive, GUNZE will strengthen the high-growth direct sales route and sales outside Japan. In leg wear, GUNZE will strive to develop new markets and products by anticipating and meeting potential consumer needs and market trends.

In the lifestyle creation business, GUNZE will seek to improve the profitability of its real estate business by revising its commercial facility operation system. In the sports club category, GUNZE will also strive to expand sales through aggressive multi-club chain expansion inside and outside Japan.

For fiscal 2016 (April 1, 2016 to March 31, 2017), the GUNZE Group, through the implementation of these measures, is forecasting net sales of ¥141,000 million, with operating income of ¥4,000 million, ordinary income of ¥4,600 million and net income attributable to owners of the parent of ¥2,600 million.

Forecast by business segment are as follows:

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

Segment / Item	Functional solutions	Apparel	Lifestyle creations	Eliminations/ Corporate	Total
Net sales	54,200	71,300	16,100	(600)	141,000
vs. FY2015	Down 3.5%	Up 4.6%	Up 10.0%	—	Up 1.9%

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets (Fiscal 2015 Overview)

As of March 31, 2016, total assets were ¥169,749 million, a decrease of ¥5,582 million compared to the end of the previous fiscal year. The main components of an increase in total assets included a ¥2,659 million increase in deferred income taxes. The main components of the decrease in total assets were a ¥2,183 million decrease in assets related to retirement benefits, a ¥2,150 million decrease in notes and accounts receivable, a ¥1,687 million decrease in cash and cash equivalents, and a ¥1,692 million decrease in inventories. As for the book value of inventories and fixed assets, which were destroyed by the fire at GUNZE’s Yanase Factory on March 26, 2015, GUNZE recorded ¥265 million under “other current assets” as a fire loss suspense account in the previous fiscal year. With the receipt of the fire insurance proceeds, GUNZE cleared all entries of the suspense account.

Total liabilities were ¥63,110 million, an increase of ¥5,138 million compared to the end of the previous fiscal year. The main components of the increase were a ¥2,312 million increase in other current liabilities (exchange contracts, etc.), a ¥1,760 million increases in long- and short-term debt (including commercial paper), and a ¥1,425 million increase in liabilities related to retirement benefits.

Net assets were ¥106,639 million, a decrease of ¥10,720 million compared to the end of the previous fiscal year. The main components of the decease included a ¥3,516 million decrease in unrealized gains on available-for-sale securities, a ¥2,281 million decrease in accumulated adjustments related to retirement benefits, a ¥1,460 million spent for acquisition of treasury stock, dividend payments of ¥1,436 million, and a net loss attributable to owners of the parent of ¥1,201 million recorded for the period under review.

2) Cash Flows

As of March 31, 2016, consolidated cash and cash equivalents were ¥7,471 million, or ¥1,687 million less 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 ¥11,775 million, an increase of ¥2,262 million compared to the previous fiscal year. The major components of cash inflows included depreciation and amortization of ¥6,604 million, a ¥2,007 decrease in notes and accounts receivable, a ¥1,125 million decrease in inventories, and insurance proceeds of ¥933 million received.

Net cash used in investing activities totaled ¥12,046 million, an increase of ¥2,806 million compared to the previous fiscal year. The main components of cash outflows were payments for purchase of fixed assets amounting to ¥6,690 million, including capital investments in equipment related to the functional solutions business, and payments for acquisition of investment securities amounting to ¥5,897 million.

Net cash used in financing activities was ¥1,274 million, an increase of ¥3,001 million compared to the previous fiscal year. The main components of cash inflows were proceeds from long- and short-term debt amounting to ¥1,889 million, including commercial paper. The main components of cash outflows were ¥1,656 million spent for acquisition of treasury stock and ¥1,432 million spent for dividend payments.

3) Cash Flow Indicator Trends

	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Equity ratio (%)	64.7	65.9	67.5	66.0	61.9
Equity ratio on market value basis (%)	27.5	28.6	31.5	35.1	35.0
Debt coverage ratio (years)	–	2.5	1.8	3.1	2.7
Interest coverage ratio (times)	–	64.6	80.4	51.9	64.8

Notes:

The equity ratio is equal to total equity divided by total assets.

The equity 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 FY2015 and FY2016

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 ¥8.5 per share for fiscal 2015, including a 120th anniversary commemorative dividend of ¥1. The scheduled dividend for fiscal 2016 is ¥7.5 per share.

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 proactively 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

Focusing on shareholders, the GUNZE Group will seek to raise return on equity (ROE), which it views as the Group's key performance indicator. As part of this effort, the Group will implement various measures aimed at increasing profitability, using capital more productively and repurchasing treasury stock. Toward this end, the GUNZE Group will also set a return on assets (ROA) target for each business division or affiliated company as a measure to gauge the efficiency of business investments. This is part of the drive to improve both total asset turnover and profit margin on sales.

(3) Medium- and Long-term Corporate Management Strategies and Future Challenges

The new fiscal year 2016 marks the final year of the first phase (fiscal 2014 through fiscal 2016) of GUNZE's medium-term management plan, called "CAN 20 (fiscal 2014 through fiscal 2020)." As such, GUNZE will move into high gear with initiatives to revive growth. To this end, GUNZE will combine the efforts of all members of the Group to deal with strategic issues related to the maturation of mainstay products and channels. At the same time, GUNZE will clarify strategic goals and specific action plans for the second phase (fiscal 2017 through fiscal 2020) of its medium-term management plan.

As part of its efforts aimed at the revival of growth, GUNZE will promote the "+25 Campaign[1]" and the "CFA Initiatives[2]" that transcend organizational or workplace boundaries. These will support work on new activities, such as the development of new businesses, new products and new channels.

Efforts will be concentrated on expanding new businesses in the healthcare and medical fields. This is in line with GUNZE's promotion of quality of life (QOL) enhancement. 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 offers customers a "Feeling of Comfort." This personalized way of doing business is unique to the GUNZE Group.

Notes:

[1] The "+25 Campaign" is designed to reallocate management resources to new initiatives for securing growth based on the keyword of "25%," while also generating human power and time necessary for those new initiatives.

[2] CFA stands for Cross-Functional Approach, and refers to addressing issues by combining knowledge and skills without regard to organizational boundaries.

3. Basic Policy for Selection of Accounting Standards

As a basic policy for the time being, GUNZE will continue preparing its consolidated financial statements in accordance with the Japanese accounting standards. As for the application of the International Financial Reporting Standards (IFRS), GUNZE will strive to collect related information and handle the matter appropriately.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	End of FY2014 (Mar. 31, 2015)	End of FY2015 (Mar. 31, 2016)
Assets		
Current assets		
Cash and cash equivalents	9,159	7,471
Notes & accounts receivable, trade	31,075	28,925
Finished products and goods	18,313	17,754
Work in process	6,541	6,648
Raw materials and supplies	6,696	5,456
Short-term loans	383	558
Deferred income taxes	2,201	2,113
Other current assets	3,270	2,697
Allowance for doubtful accounts	(20)	(19)
Total current assets	77,621	71,605
Fixed assets		
Property, plants and equipment		
Buildings and structures	108,617	112,184
Accumulated depreciation	(70,720)	(73,316)
Buildings and structures (Net)	37,896	38,867
Machinery, equipment and vehicles	102,828	102,957
Accumulated depreciation	(85,826)	(87,138)
Machinery, equipment and vehicles (Net)	17,001	15,819
Tools, furniture and fixtures	7,456	7,461
Accumulated depreciation	(6,221)	(5,869)
Tools, furniture and fixtures (Net)	1,234	1,591
Land	11,950	11,977
Leasehold assets	381	566
Accumulated depreciation	(86)	(159)
Leasehold assets (Net)	295	406
Construction in progress	1,839	1,221
Total property, plants and equipment	70,218	69,884
Intangible fixed assets		
Software	795	944
Other intangible fixed assets	414	377
Total intangible fixed assets	1,210	1,322
Investments and other assets		
Investments in securities	18,463	18,523
Long-term loans	658	626
Assets related to retirement benefits	2,183	–
Deferred income taxes	793	3,453
Other assets	4,277	4,435
Allowance for doubtful accounts	(95)	(101)
Total investments and other assets	26,280	26,936
Total fixed assets	97,709	98,143
Total assets	175,331	169,749

(Millions of yen)

	End of FY2014 (Mar. 31, 2015)	End of FY2015 (Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	9,339	9,112
Short-term debt	9,718	8,898
Commercial paper	2,700	5,200
Current portion of long-term debt	3,340	1,954
Accrued income taxes	448	331
Allowance for employees' bonuses	1,148	1,117
Notes payable on acquisition of property, plants and equipment	315	1,078
Other current liabilities	8,427	10,740
Total current liabilities	35,440	38,433
Long-term liabilities		
Long-term debt	12,889	14,355
Liabilities related to retirement benefits	3,461	4,887
Long-term deposits & guarantee deposits	4,272	4,122
Other long-term liabilities	1,907	1,310
Total long-term liabilities	22,531	24,676
Total liabilities	57,971	63,110
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,056	13,999
Retained earnings	79,313	76,605
Treasury stock	(7,648)	(9,108)
Total shareholders' equity	111,792	107,567
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	1,787	(1,728)
Deferred gains (losses) on hedge	1	-
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	2,298	1,838
Accumulated adjustments related to retirement benefits	164	(2,117)
Total accumulated other comprehensive income	3,850	(2,408)
Stock acquisition rights	342	246
Non-controlling interests	1,374	1,233
Total net assets	117,359	106,639
Total liabilities and net assets	175,331	169,749

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

Consolidated Statements of Income

(Millions of yen)

	FY2014 (Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (Apr. 1, 2015 to Mar. 31, 2016)
Net sales	141,172	138,324
Cost of sales	107,638	103,859
Gross profit	33,533	34,465
Selling, general & administrative expenses	30,448	30,802
Operating income	3,084	3,662
Non-operating income		
Interest income	27	43
Dividend income	312	922
Rental income	425	282
Exchange gain	1,220	-
Gain on valuation of derivatives	504	-
Other	120	139
Total non-operating income	2,610	1,388
Non-operating expenses		
Interest expenses	153	190
Rental expenses	399	270
Exchange loss	-	690
Loss on valuation of derivatives	-	2,869
Other	208	239
Total non-operating expenses	761	4,260
Ordinary income	4,933	791
Extraordinary income		
Gain on sale of fixed assets	120	66
Gain on revision of employee retirement benefit plan	1,229	-
Gain on insurance adjustment	-	403
Other	74	0
Total extraordinary income	1,425	470
Extraordinary loss		
Loss on sale or disposal of fixed assets	431	88
Loss on valuation of shares of affiliated companies	102	152
Amortization of goodwill	120	-
Impairment loss	-	1,326
Business structure improvement expenses	99	495
Other	0	6
Total extraordinary loss	754	2,069
Income (loss) before income and other taxes	5,605	(807)
Income, residential and enterprise taxes	815	523
Adjustment for income and other taxes	1,726	(40)
Total income and other taxes	2,541	483
Net income (loss)	3,063	(1,290)
Net income (loss) attributable to non-controlling interests	(151)	(88)
Net income (loss) attributable to owners of the parent	3,215	(1,201)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014 (Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (Apr. 1, 2015 to Mar. 31, 2016)
Net income (loss)	3,063	(1,290)
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	1,422	(3,516)
Deferred gains (losses) on hedge	0	(1)
Foreign currency translation adjustments	1,486	(506)
Adjustments related to retirement benefits	(1,087)	(2,281)
Total other comprehensive income (loss)	1,821	(6,306)
Comprehensive income (loss)	4,884	(7,597)
<Breakdown>		
Comprehensive income (loss) attributable to owners of the parent	4,920	(7,461)
Comprehensive income (loss) attributable to non-controlling interests	(36)	(136)

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

FY2014 (April 1, 2014 to March 31, 2015)

(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	14,061	77,771	(7,614)	110,289
Cumulative effect of changes in accounting policies			(102)		(102)
Balance at the beginning of the period reflecting changes in accounting policies	26,071	14,061	77,668	(7,614)	110,186
Changes in the period					
Dividends from retained earnings			(1,437)		(1,437)
Net income (loss) attributable to owners of the parent			3,215		3,215
Change in scope of consolidation			(133)		(133)
Acquisition of treasury stock				(59)	(59)
Disposal of treasury stock		(5)		25	20
Net changes of items other than shareholders' equity					
Total changes in the period	-	(5)	1,645	(33)	1,605
Balance at the end of the period	26,071	14,056	79,313	(7,648)	111,792

	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	365	0	(400)	850	1,251	2,067
Cumulative effect of changes in accounting policies						
Balance at the beginning of the period reflecting changes in accounting policies	365	0	(400)	850	1,251	2,067
Changes in the period						
Dividends from retained earnings						
Net income (loss) attributable to owners of the parent						
Change in scope of consolidation						
Acquisition of treasury stock						
Disposal of treasury stock						
Net changes of items other than shareholders' equity	1,422	0	-	1,447	(1,087)	1,783
Total changes in the period	1,422	0	-	1,447	(1,087)	1,783
Balance at the end of the period	1,787	1	(400)	2,298	164	3,850

FY2014 (April 1, 2014 to March 31, 2015)

	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the period	312	1,514	114,183
Cumulative effect of changes in accounting policies			(102)
Balance at the beginning of the period reflecting changes in accounting policies	312	1,514	114,080
Changes in the period			
Dividends from retained earnings			(1,437)
Net income (loss) attributable to owners of the parent			3,215
Change in scope of consolidation			(133)
Acquisition of treasury stock			(59)
Disposal of treasury stock			20
Net changes of items other than shareholders' equity	29	(139)	1,673
Total changes in the period	29	(139)	3,278
Balance at the end of the period	342	1,374	117,359

FY2015 (April 1, 2015 to March 31, 2016)

(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	14,056	79,313	(7,648)	111,792
Cumulative effect of changes in accounting policies					-
Balance at the beginning of the period reflecting changes in accounting policies	26,071	14,056	79,313	(7,648)	111,792
Changes in the period					
Dividends from retained earnings			(1,436)		(1,436)
Net income (loss) attributable to owners of the parent			(1,201)		(1,201)
Change in scope of consolidation			(69)		(69)
Acquisition of treasury stock				(1,656)	(1,656)
Disposal of treasury stock		(57)		196	139
Net changes of items other than shareholders' equity					
Total changes in the period	-	(57)	(2,707)	(1,460)	(4,224)
Balance at the end of the period	26,071	13,999	76,605	(9,108)	107,567

	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	1,787	1	(400)	2,298	164	3,850
Cumulative effect of changes in accounting policies						
Balance at the beginning of the period reflecting changes in accounting policies	1,787	1	(400)	2,298	164	3,850
Changes in the period						
Dividends from retained earnings						
Net income (loss) attributable to owners of the parent						
Change in scope of consolidation						
Acquisition of treasury stock						
Disposal of treasury stock						
Net changes of items other than shareholders' equity	(3,516)	(1)	-	(459)	(2,281)	(6,259)
Total changes in the period	(3,516)	(1)	-	(459)	(2,281)	(6,259)
Balance at the end of the period	(1,728)	-	(400)	1,838	(2,117)	(2,408)

FY2015 (April 1, 2015 to March 31, 2016)

	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the period	342	1,374	117,359
Cumulative effect of changes in accounting policies			-
Balance at the beginning of the period reflecting changes in accounting policies	342	1,374	117,359
Changes in the period			
Dividends from retained earnings			(1,436)
Net income (loss) attributable to owners of the parent			(1,201)
Change in scope of consolidation			(69)
Acquisition of treasury stock			(1,656)
Disposal of treasury stock			139
Net changes of items other than shareholders' equity	(95)	(140)	(6,493)
Total changes in the period	(95)	(140)	(10,720)
Balance at the end of the period	246	1,233	106,639

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2014 (Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (Apr. 1, 2015 to Mar. 31, 2016)
Cash flows from operating activities		
Income (loss) before income and other taxes	5,605	(807)
Depreciation and amortization	6,830	6,604
Impairment loss	-	1,326
Increase (decrease) in allowance for doubtful accounts	(69)	5
Increase (decrease) in liabilities related to retirement benefits	(963)	432
Increase (decrease) in allowance for employees' bonuses	27	(29)
Interest and dividend income	(340)	(966)
Interest expenses	153	190
Loss (gain) on valuation of derivatives	(504)	2,869
Loss (gain) on sale or disposal of fixed assets	311	22
Loss (gain) on sale or valuation of investments in securities	102	151
Amortization of goodwill	120	-
Business structure improvement expenses	99	495
Gain on revision of employee retirement benefit plan	(1,229)	-
Gain on insurance adjustment	-	(403)
Other losses (gains)	17	(32)
Decrease (increase) in notes and accounts receivable	(596)	2,007
Decrease (increase) in inventories	1,767	1,125
Decrease (increase) in other current assets	5	(382)
Increase (decrease) in notes and accounts payable	(941)	(106)
Increase (decrease) in deposits and guarantee deposits	(221)	(150)
Increase (decrease) in other current liabilities	292	(1,476)
Increase (decrease) in other long-term liabilities	(118)	(13)
Subtotal	10,346	10,860
Interest and dividends received	334	966
Interest paid	(183)	(181)
Insurance proceeds received	-	933
Income tax refund (paid)	(984)	(803)
Net cash provided by (used in) operating activities	9,512	11,775
Cash flows from investing activities		
Payments for purchase of fixed assets	(8,786)	(6,690)
Proceeds from sale of fixed assets	161	84
Payments for disposition of fixed assets	(211)	(53)
Payments for acquisition of investment securities	(582)	(5,897)
Proceeds from sale of investment securities	0	263
Proceeds from liquidation of subsidiaries	-	390
Net decrease (increase) in loans	39	(148)
Other	139	4
Net cash provided by (used in) investing activities	(9,240)	(12,046)

(Millions of yen)

	FY2014 (Apr. 1, 2014 to Mar. 31, 2015)	FY2015 (Apr. 1, 2015 to Mar. 31, 2016)
Cash flows from financing activities		
Increase (decrease) in short-term debt and commercial paper	2,127	1,810
Proceeds from issuance of long-term debt	2,700	3,678
Repayments of long-term debt	(1,611)	(3,598)
Cash dividends paid	(1,430)	(1,432)
Acquisition of treasury stock	(8)	(1,656)
Other	(48)	(75)
Net cash provided by (used in) financing activities	1,726	(1,274)
Effect of exchange rate changes on cash & cash equivalents	372	(138)
Increase (decrease) in cash and cash equivalents	2,371	(1,684)
Cash and cash equivalents at the beginning of the period	6,757	9,159
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	30	(3)
Cash and cash equivalents at the end of the period	9,159	7,471

(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 Business Combinations, etc.

Effective from 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 expenses as expenses for the consolidated fiscal year during which the expenses are incurred. As for the business combination that occurred on or after the beginning of the current consolidated fiscal year, the accounting treatment was revised as follows: If adjustment for acquisition cost allocation resulting from the finalization of provisional amounts is made in the fiscal year that follows the fiscal year in which the business combination takes place, the effect on the balance at the beginning of the fiscal year in which the said adjustment is made is classified and the amount reflecting the said effect is recorded as the balance at the beginning of the fiscal year. 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 previous consolidated fiscal year have been reclassified.

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 current consolidated fiscal year onwards.

Also in the consolidated statements of cash flows for 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.”

These changes have no effect on consolidated financial statements and per-share information for the consolidated fiscal year under review.

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, sales of trees and plants, as well as the solar power generation business.

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

FY2014 (April 1, 2014 to March 31, 2015) (Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	59,550	67,397	14,224	141,172	-	141,172
Intersegment sales and transfers	139	238	314	691	(691)	-
Total	59,689	67,635	14,537	141,864	(691)	141,172
Segment profit	3,393	1,491	1,257	6,142	(3,057)	3,084
Segment assets	62,738	54,194	29,566	146,499	28,831	175,331
Other items						
Depreciation & amortization	3,100	1,425	1,584	6,110	718	6,828
Amortization of goodwill (Note 3)	120	5	-	126	-	126
Gain on negative goodwill	-	3	-	3	-	3
Impairment loss	-	-	-	-	-	-
Increase in tangible and intangible fixed assets	3,195	681	1,640	5,518	487	6,005

Notes:

1. Adjustment comprises the following:
   (1) The segment profit adjustment of – (minus) ¥3,057 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 ¥28,831 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.
3. "Amortization of goodwill" includes amortization of goodwill recorded as an extraordinary loss.

FY2015 (April 1, 2015 to March 31, 2016) (Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	56,108	67,896	14,320	138,324	-	138,324
Intersegment sales and transfers	63	268	315	647	(647)	-
Total	56,171	68,164	14,635	138,971	(647)	138,324
Segment profit	3,440	2,232	1,221	6,894	(3,231)	3,662
Segment assets	56,057	52,894	30,826	139,778	29,970	169,749
Other items						
Depreciation & amortization	3,079	1,337	1,624	6,041	558	6,599
Amortization of goodwill	-	5	-	5	-	5
Gain on negative goodwill	-	-	-	-	-	-
Impairment loss	1,326	-	-	1,326	-	1,326
Increase in tangible and intangible fixed assets	4,085	929	2,081	7,096	1,490	8,586

Notes:

1. Adjustment comprises the following:

(1) The segment profit adjustment of – (minus) ￥3,231 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 ￥29,970 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

FY2014 (April 1, 2014 to March 31, 2015)

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
108,935	32,236	141,172

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

(b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
57,191	13,026	70,218

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.

FY2015 (April 1, 2015 to March 31, 2016)

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
108,547	29,776	138,324

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

(b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
57,854	12,029	69,884

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

	FY2014 (April 1, 2014 to March 31, 2015)	FY2015 (April 1, 2015 to March 31, 2016)
Net assets per share (¥)	603.87	562.44
Earnings (loss) per share (¥)	16.78	(6.39)
Diluted earnings per share (¥)	16.66	―

Notes:

1. Although potentially dilutive shares existed, diluted earnings per share for the consolidated fiscal year under review are not listed, as loss per share was recorded.
2. Earnings, loss and diluted earnings per share were calculated on the following basis:

	FY2014 (April 1, 2014 to March 31, 2015)	FY2015 (April 1, 2015 to March 31, 2016)
Earnings (loss) per share		
Net income (loss) attributable to owners of the parent (¥ millions)	3,215	(1,201)
Amounts not allocated to common shareholders (¥ millions)	―	―
Net income (loss) attributable to owners of the parent allocated to common stock (¥ millions)	3,215	(1,201)
Average number of common shares outstanding during each term (thousand shares)	191,611	188,084
Diluted earnings per share		
Adjustment to net income attributable to owners of the parent (¥ millions)	―	―
Increase in common shares (thousand shares)	1,419	―
[Stock acquisition rights] (thousand shares)	[1,419]	―

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

	FY2014 (Mar. 31, 2015)	FY2015 (Mar. 31, 2016)
Total net asset value (¥ millions)	117,359	106,639
Deduction from net assets (¥ millions)	1,716	1,480
[Non-controlling interests] (¥ millions)	[1,374]	[1,233]
[Stock acquisition rights] (¥ millions)	[342]	[246]
Term-end net asset value allocated to common shareholders (¥ millions)	115,643	105,158
Term-end number of common shares used for calculation of net assets per share (thousand shares)	191,503	186,968

Significant Subsequent Events

None applicable.

5. Others

(1) Supplementary Information

Overview of Consolidated Results

<Overview of Results>

- The functional solutions business recorded an increase in profits despite a sales decline. Medical materials showed strong performance although electronic components and other businesses suffered sluggish performance.
- The apparel business enjoyed increases in sales and profits due to the impressive performance of mainstay brands of innerwear and leg wear.
- The lifestyle creation business posted an increase in sales, thanks to the opening of new sports clubs. However, initial expenses incurred for the new clubs dragged this segment's profits down.
- Loss on valuation of derivatives and exchange loss (non-operating expenses): ¥3.5 billion

<Special Treatments>

- Impairment loss for fixed assets: ¥1.3 billion
- Business structure improvement expenses: ¥400 million

<Cash Flows>

- Cash flows from operating activities: ¥11.7 billion (an increase of ¥2.2 billion from previous year)

<Dividends>

- Scheduled dividend payment for current fiscal year: ¥8.5 per share, including a 120th anniversary commemorative dividend of ¥1

<FY2016 Forecast>

- Efforts to expand sales of mainstay innerwear brands and strengthen sales in high-growth channels are expected to drive up sales. Structural reform in the electronic component business is also projected to help increase operating income.
- Scheduled dividend payment for fiscal 2016 is ¥7.5 per share.

(1) FY2015 Operating Results (Apr. 1, 2015 to Mar. 31, 2016) (Millions of yen)

	FY2015	Forecasts (Apr. 21)	FY2014	Change <Upper figures in brackets %> vs. forecasts	Change <Upper figures in brackets %> vs. FY2014
Net Sales	138,324	138,300	141,172	<0.0> 24	<(2.0)> (2,847)
Operating Income	3,662	3,600	3,084	<1.7> 62	<18.7> 578
Ordinary Income	791	800	4,933	<(1.1)> (8)	<(84.0)> (4,142)
Net income (loss) attributable to owners of the parent	(1,201)	(1,200)	3,215	< - > (1)	< - > (4,417)
Total Assets	169,749		175,331		<(3.2)> (5,582)
Inventories	29,858		31,551		<(5.4)> (1,692)
Fixed Assets	98,143		97,709		<0.4> 433
Net Assets	106,639		117,359		<(9.1)> (10,720)
Financing Income/Expenses	776		186		590
Interest/Dividends Received	966		340		626
Interest Expenses	(190)		(153)		(36)
Capital Expenditures	8,586		6,005		2,581
Depreciation and Amortization	6,604		6,830		(226)

Note: Acquisition of treasury stock

	(Thousands of shares)	(Amount)
• Treasury stock acquired	5,026	¥1,656 million
• Treasury stock disposed	491	¥196 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	22,966	¥9,108 million

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

	Segment	FY2015		FY2014		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	56,171	40.4	59,689	42.1	(3,518)	(5.9)
	Apparel	68,164	49.0	67,635	47.7	528	0.8
	Lifestyle Creations	14,635	10.6	14,537	10.2	96	0.7
	Subtotal	138,971	100.0	141,864	100.0	(2,892)	(2.0)
	Eliminations	(647)		(691)		44	-
	Consolidated	138,324		141,172		(2,847)	(2.0)
Operating Income	Functional Solutions	3,440	49.9	3,393	55.2	47	1.4
	Apparel	2,232	32.4	1,491	24.3	740	49.7
	Lifestyle Creations	1,221	17.7	1,257	20.5	(35)	(2.9)
	Subtotal	6,894	100.0	6,142	100.0	752	12.2
	Eliminations/Corporate	(3,231)		(3,057)		(174)	-
	Consolidated	3,662		3,084		578	18.7

(3) Significant Financial Indicators

Item		FY2015	FY2014	Change
Operating Income to Total Assets Ratio	%	2.1	1.8	0.3
Ordinary Income to Total Assets Ratio	%	0.5	2.9	(2.4)
Operating Income to Net Sales Ratio	%	2.6	2.2	0.4
Ordinary Income to Net Sales Ratio	%	0.6	3.5	(2.9)
Turnover of Total Assets	times	0.80	0.83	(0.03)
Equity Ratio	%	61.9	66.0	(4.1)
ROE	%	(1.1)	2.8	(3.9)
Earnings (Loss) per Share	¥	(6.39)	16.78	(23.17)
Diluted Earnings per Share	¥	-	16.66	-
Net Assets per Share	¥	562.44	603.87	(41.43)

(4) Cash Flows (Millions of yen)

Cash Flow Activity	FY2015	FY2014	Change	Breakdown of Major Components
Operating Activities	11,775	9,512	2,262	Depreciation and amortization: 6,604 Decrease in notes and accounts receivable: 2,007 Decrease in inventories: 1,125 Insurance proceeds received: 933
Investing Activities	(12,046)	(9,240)	(2,806)	Purchase of fixed asets: (6,690) Acquisition of investment securities: (5,897)
Financing Activities	(1,274)	1,726	(3,001)	Acquisition of treasury stock: (1,656) Dividends paid: (1,432) Increase in long- and short-term debt including commercial paper: 1,889
Foreign Currency Translation Adjustments	(138)	372	(510)	
Increase (Decrease) in Cash and Cash Equivalents	(1,684)	2,371	(4,055)	
Increase (Decrease) due to Change in Scope of	(3)	30	(33)	
Cash and Cash Equivalents - End of Period	7,471	9,159	(1,687)	

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

Item		FY2015		FY2014		Y-over-Y	FY2016 Plan		Y-over-Y
		Amount	Weight	Amount	Weight	Change	Amount	Weight	Change
Capital Expenditures	<International>	<2,489>		<1,914>			<700>		
	Functional Solutions	4,085	47.6	3,195	37.2	890	3,300	36.3	(785)
	<International>	<295>		<301>			<200>		
	Apparel	929	10.8	681	7.9	248	1,700	18.7	771
	Lifestyle Creations	2,081	24.2	1,640	19.1	441	3,700	40.7	1,619
	Corporate	1,490	17.4	487	35.8	1,003	400	4.3	(1,090)
	<International>	<2,784>		<2,217>			<900>		
	Total	8,586	100.0	6,005	100.0	2,581	9,100	100.0	514
Depreciation and Amortization	Functional Solutions	3,079	46.6	3,100	46.9	(21)	3,300	47.8	221
	Apparel	1,342	20.3	1,427	21.6	(85)	1,300	18.8	(42)
	Lifestyle Creations	1,624	24.6	1,584	24.0	40	1,500	21.7	(124)
	Corporate	558	8.5	718	7.5	(160)	800	11.7	242
	Total	6,604	100.0	6,830	100.0	(226)	6,900	100.0	296

Note: Capital expenditures include investments in intangible fixed assets.

Main Investment Plans for FY2016

- Plastic film production equipment: ¥1,200 million
- Medical material production facility and production equipment: ¥900 million
- Innerwear production facility and production equipment: ¥1,200 million
- New rental housing construction and improvement of commercial facilities: ¥2,900 million
- New sports club opening and improvement of existing facilities: ¥800 million

(6) FY2016 Forecast

(Millions of yen)

Item	FY2016 Forecast	FY2015	Change <Upper figures %>
Net Sales	141,000	138,324	<1.9> 2,676
Operating Income	4,000	3,662	<9.2> 338
Ordinary Income	4,600	791	<481.5> 3,809
Net income (loss) attributable to owners of the parent	2,600	(1,201)	< - > 3,801

(7) Forecast of Results by Segment

(Millions of yen)

Item		FY2016 Forecast		FY2015 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional solutions	54,200	38.2	56,171	40.4	(1,971)	(3.5)
	Apparel	71,300	50.4	68,164	49.0	3,136	4.6
	Lifestyle creations	16,100	11.4	14,635	10.6	1,465	10.0
	Subtotal	141,600	100.0	138,971	100.0	2,629	1.9
	Eliminations	(600)		(647)		47	-
	Consolidated	141,000		138,324		2,676	1.9
Operating Income	Functional solutions	3,700	50.0	3,440	49.9	260	7.6
	Apparel	2,400	32.4	2,232	32.4	168	7.5
	Lifestyle creations	1,300	17.6	1,221	17.7	79	6.5
	Subtotal	7,400	100.0	6,894	100.0	506	7.3
	Eliminations/Corporate	(3,400)		(3,231)		(169)	-
	Consolidated	4,000		3,662		338	9.2