

Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2018 (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.

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Company Code:	3002
Stock Market Listings:	Tokyo
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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (Scheduled):	November 13, 2017
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 FY2017 (April 1, 2017 to September 30, 2017)

(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. 2017	67,792	2.7	3,370	33.9	4,006	—
Six months ended Sept. 2016	66,015	(4.9)	2,516	60.5	(3,080)	—

	Net income attributable to owners of the parent		EPS	Diluted EPS
	¥ millions	%	¥	¥
Six months ended Sept. 2017	2,537	—	137.13	136.25
Six months ended Sept. 2016	(2,688)	—	(143.78)	—

Note: Comprehensive income

Six months ended September 2017: ¥5,075 million [- %]

Six months ended September 2016: (¥4,726 million) [- %]

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, earnings per share (EPS) and diluted EPS, shown above, were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of September 30, 2017	175,753	111,344	62.8	6,010.90
As of March 31, 2017	169,460	108,353	63.8	5,784.83

Reference: Total equity

September 30, 2017: ¥110,415 million

March 31, 2017: ¥108,153 million

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, net assets per share shown above were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2016	—	—	—	7.50	7.50
FY2017	—	—			
FY2017 (projected)			—	80.00	80.00

Note: Revisions to dividend projections most recently announced: Yes

The Company carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, the projected year-end dividend per share for fiscal 2017 shown above reflects the effect of the said share consolidation. If this is not taken into account, the projected year-end dividend per share for fiscal 2017 will be ¥8.00.

3. Projected results for FY2017 (April 1, 2017 to March 31, 2018)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2017 full year	140,000	2.5	5,500	30.8	6,000	28.5

	Net income attributable to owners of the parent		EPS
	¥ millions	%	¥
FY2017 full year	3,200	(3.2)	173.50

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

The fiscal 2017 full-year forecast for the earnings per share (EPS) shown above reflects the effect of the share consolidation. If this is not taken into account, the fiscal 2017 full-year forecast for EPS will be ¥17.35.

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by changes in the scope of consolidation): No
- (2) Application of specific accounting practices for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement after error corrections
 - (a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - (b) Changes in accounting policies due to other reasons: 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 FY2017: 20,993,516 shares
 - FY2016: 20,993,516 shares
 - (b) Treasury stock at the end of period:
 - 2nd quarter of FY2017: 2,624,222 shares
 - FY2016: 2,297,433 shares
 - (c) Average number of shares during the period (cumulative quarterly period):
 - 2nd quarter of FY2017: 18,506,422 shares
 - 2nd quarter of FY2016: 18,696,802 shares

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, the number of shares at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period, shown above, were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

Note: This summary of consolidated results is exempt from the quarterly review procedures.

Notes regarding the use of projections of the results and other matters (Notes regarding description of projections for the future)

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.

(About post-share consolidation dividend and consolidated financial forecasts)

Based on the approval given at the 121st Ordinary General Meeting of Shareholders held on June 23, 2017, GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Along with this, the number of shares per share unit was changed from the previous 1,000 shares to 100 shares, as of the same date. If share consolidation is not taken into account, the fiscal 2017 full-year forecasts for dividend and consolidated financial results are as follows:

- (1) Projection of year-end dividend per share: ¥8.00
- (2) Projection of consolidated financial results for fiscal 2017
Full-year EPS projection: ¥17.35

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 six months of the current fiscal year (April 1 – September 30, 2017), the Japanese economy generally showed signs of mild recovery, supported by the economic policy packages and easy monetary policy set forth by the government and the Bank of Japan. However, overall business prospects remained uncertain due partly to heightening political risks in the U.S. and European countries, and increasing geopolitical risks in Asia. Other factors that caused uncertainties include a slowdown in emerging economies, and depressed consumer confidence resulting in sluggish consumption.

Faced with this situation, the GUNZE Group's medium-term management plan, called "CAN 20" has entered the initial year of its second phase (fiscal 2017 through fiscal 2020). With the key concept of "Focus and Concentration," the GUNZE Group promoted the pivotal strategies: implementation of segment-specific business strategies, creation of new businesses, and reinforcement of the management foundation.

The GUNZE Group's functional solutions business suffered a decline in electronic component sales due to business downsizing as part of its business structure reformation. However, plastic film enjoyed solid performance. The apparel business remained firm thanks to the sales expansion of its core brands and stronger efforts made toward high-growth sales channels.

Consequently, the GUNZE Group's consolidated net sales for the first six months of the current fiscal year amounted to ¥67,792 million (a year-over-year increase of 2.7%). Consolidated operating income amounted to ¥3,370 million (a year-over-year increase of 33.9%). Consolidated ordinary income amounted to ¥4,006 million, compared with an ordinary loss of ¥3,080 million recorded in the same period of the previous fiscal year. As a result, GUNZE posted consolidated net income attributable to owners of the parent amounting to ¥2,537 million, compared with a consolidated net loss attributable to owners of the parent of ¥2,688 million posted in the same period of the previous fiscal year.

Results by Business Segment

<Functional Solutions>

In plastic film, mainstay shrink films enjoyed robust sales in Japan as well as strong exports to Asia. Engineering plastics sales remained strong in the favorable semiconductor market and for office automation applications. As for electronic components, structural reforms are underway through reorganizing and streamlining the Group's production facilities. In medial materials, products destined for China and the new product *DURAWAVE* performed strongly.

Consequently, the functional solutions business posted net sales of ¥24,289 million (a year-over-year increase of 0.7%) and operating income of ¥2,704 million (a year-over-year increase of 40.5%).

<Apparel>

The innerwear category performed well due to expanded sales of differentiated products mainly in the women's innerwear category, and expansion of high-growth channels. In legwear, socks such as

foot cover, in-sneaker socks, and room shoes showed impressive performance, but pantyhose sales were sluggish.

Consequently, the apparel business posted net sales of ¥36,291 million (a year-over-year increase of 4.5%) and operating income of ¥1,741 million (a year-over-year increase of 13.3%).

<Lifestyle Creations>

In the real estate category, the shopping mall business continued to perform well through local community-based operations. New properties contributed to the strong performance of the housing lease business. In the sports club category, initial expenses incurred for the two new clubs opened this April had a negative impact on the category's performance.

Consequently, the lifestyle creation business recorded net sales of ¥7,408 million (a year-over-year increase of 0.8%), while operating income was ¥474 million (a year-over-year decrease of 13.2%).

(2) Description of Financial Position

As of September 30, 2017, total assets were ¥175,753 million, an increase of ¥6,293 million compared to the end of the previous fiscal year. The main components of the increase were a ¥3,287 million increase in investments in securities, a ¥2,471 million increase in notes and accounts receivable, and a ¥1,483 million increase in finished products and goods. The main components of a decrease included a ¥1,142 million decrease in machinery, equipment and vehicles (net).

Total liabilities were ¥64,409 million, an increase of ¥3,302 million compared to the end of the previous fiscal year. The main components of the increase included a ¥6,162 million increase in long- and short-term debt including commercial paper. The main components of a decrease included a ¥2,450 million decrease in other current liabilities (including forward exchange contracts, etc.)

Net assets were ¥111,344 million, an increase of ¥2,990 million compared to the end of the previous fiscal year. The main components of the increase included a net income attributable to owners of the parent amounting to ¥2,537 million recorded for the period under review, and a ¥2,562 million increase in unrealized gains on available-for-sale securities. The main components of a decrease were dividend payments of ¥1,402 million, and ¥1,326 million spent for the purchase of treasury stock.

(Cash Flows)

As of September 30, 2017, cash and cash equivalents were ¥9,696 million, an increase of ¥25 million compared to 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 used in operating activities for the period under review was ¥169 million, compared with ¥3,820 million provided by operating activities during the same period of the previous fiscal year. The main components of cash inflows were net income attributable to owners of the parent amounting to ¥3,766 million, and depreciation and amortization of ¥3,196 million. The main components of cash outflows included a ¥2,750 million increase in notes and accounts receivable, including the impact of the closing date of the period under review coinciding with a bank holiday.

Other components of cash outflows were a ¥1,632 million increase in inventories, a ¥1,019 million decrease in other current liabilities, and ¥1,221 million spent for the payment of income tax.

Net cash used in investing activities totaled ¥4,598 million, an increase of ¥68 million compared to the same period of the previous fiscal year. The main components of cash outflows included payments for purchase of fixed assets amounting to ¥3,134 million, including capital investment in equipment related to the medical business.

Net cash provided by financing activities totaled ¥5,499 million, a decrease of ¥1,052 million compared to the same period of the previous fiscal year. The main components of cash inflows included proceeds from long- and short-term debt amounting to ¥8,333 million, including commercial paper. The main components of cash outflows were ¥1,397 million spent for dividend payments and ¥1,358 million spent for the acquisition of treasury stock.

(3) Description of Consolidated Financial Forecast

The GUNZE Group's performance recorded during the first six months of the present fiscal year was stronger than expected, reflecting robust sales in the functional solutions business and the positive effects of cost reduction. In view of this, GUNZE has revised its full-year forecast for the fiscal year ending March 31, 2018 as follows. Accordingly, the year-end dividend forecast per share for the fiscal year ending March 31, 2018 has also been revised.

Revised Full-Year Forecast for Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	EPS
	¥ millions	¥ millions	¥ millions	¥ millions	¥
Previous forecast (A)	138,000	4,300	4,800	2,500	134.93
Revised forecast (B)	140,000	5,500	6,000	3,200	173.50
Difference (B - A)	2,000	1,200	1,200	700	
Difference (percentage)	1.4	27.9	25.0	28.0	
(Ref.) Previous fiscal year results (Year ended March 31, 2017)	136,579	4,206	4,671	3,102	165.95

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, earnings per share (EPS) shown above were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

Revised Dividends Forecast

	Annual dividends per share		
	End of 2nd quarter	Year-end	Full year
	¥	¥	¥
Previous forecast (Announced on August 3, 2017)	—	75.00	75.00
Revised forecast		80.00	80.00
Dividends paid in the fiscal year under review	—		
Dividends paid in the previous fiscal year (ending March 31, 2017)	—	7.50	7.50

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, the year-end dividend forecast per share for the fiscal year ending March 31, 2018 shown above reflects the effect of the said share consolidation. If this is not taken account, the year-end dividend forecast per share for the fiscal year ending March 31, 2018 will be ¥8.00.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2016 (As of Mar. 31, 2017)	End of FY2017 2nd quarter (As of Sept. 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	9,670	9,696
Notes and accounts receivable, trade	27,805	30,276
Finished products and goods	19,974	21,458
Work in process	5,751	5,819
Raw materials and supplies	4,546	4,357
Other current assets	3,842	4,450
Allowance for doubtful accounts	(8)	(9)
Total current assets	71,582	76,048
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	40,075	40,064
Machinery, equipment and vehicles (Net)	11,503	10,360
Land	12,935	12,890
Other (Net)	2,758	3,183
Total property, plants and equipment	67,272	66,499
Intangible fixed assets	1,916	1,927
Investments and other assets		
Investments in securities	20,376	23,663
Other assets	8,761	7,804
Allowance for doubtful accounts	(449)	(189)
Total investments and other assets	28,688	31,278
Total fixed assets	97,877	99,705
Total assets	169,460	175,753

(Millions of yen)

	End of FY2016 (As of Mar. 31, 2017)	End of FY2017 2nd quarter (As of Sept. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	9,594	9,217
Short-term debt	8,204	6,881
Commercial paper	4,000	6,300
Current portion of long-term debt	6,945	6,658
Accrued income taxes	1,311	1,171
Allowance for employees' bonuses	1,166	1,154
Other current liabilities	11,100	8,649
Total current liabilities	42,323	40,033
Long-term liabilities		
Long-term debt	8,562	14,034
Liabilities related to retirement benefits	4,818	4,974
Long-term deposits and guarantee deposits	4,371	4,409
Other long-term liabilities	1,031	957
Total long-term liabilities	18,783	24,376
Total liabilities	61,106	64,409
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	13,998	13,966
Retained earnings	77,504	78,783
Treasury stock	(9,111)	(10,437)
Total shareholders' equity	108,462	108,383
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(62)	2,500
Revaluation difference on land	(67)	(67)
Foreign currency translation adjustments	1,154	867
Accumulated adjustments related to retirement benefits	(1,333)	(1,266)
Total accumulated other comprehensive income	(309)	2,032
Stock acquisition rights	287	305
Non-controlling interests	(88)	623
Total net assets	108,353	111,344
Total liabilities and net assets	169,460	175,753

(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 FY2016 (Apr. 1, 2016 to Sept. 30, 2016)	2nd quarter of FY2017 (Apr. 1, 2017 to Sept. 30, 2017)
Net sales	66,015	67,792
Cost of sales	47,742	48,138
Gross profit	18,273	19,653
Selling, general and administrative expenses	15,757	16,282
Operating income	2,516	3,370
Non-operating income		
Interest income	28	25
Dividend income	265	248
Rental income	140	140
Exchange gain	-	51
Gain on valuation of derivatives	-	255
Other	91	233
Total non-operating income	526	955
Non-operating expenses		
Interest expenses	82	87
Rental expenses	120	120
Exchange loss	750	-
Loss on valuation of derivatives	5,030	-
Other	138	111
Total non-operating expenses	6,123	319
Ordinary income (loss)	(3,080)	4,006
Extraordinary income		
Gain on sale of fixed assets	43	2
Gain on sale of investment securities	147	6
Gain on transfer of business	233	-
Total extraordinary income	424	8
Extraordinary loss		
Loss on sale or disposal of fixed assets	199	31
Loss on sale of shares of affiliated companies	-	84
Loss on valuation of investments in and loans to affiliated companies	-	86
Other	26	46
Total extraordinary loss	226	249
Income (loss) before income taxes	(2,882)	3,766
Income taxes	(129)	1,173
Net Income (loss)	(2,753)	2,592
Net income (loss) attributable to non-controlling interests	(65)	55
Net income (loss) attributable to owners of the parent	(2,688)	2,537

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

(Millions of yen)

	2nd quarter of FY2016 (Apr. 1, 2016 to Sept 30, 2016)	2nd quarter of FY2017 (Apr. 1, 2017 to Sept. 30, 2017)
Net income (loss)	(2,753)	2,592
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(324)	2,562
Foreign currency translation adjustments	(1,797)	(147)
Adjustments related to retirement benefits	149	67
Total other comprehensive income (loss)	(1,972)	2,482
Comprehensive income (loss)	(4,726)	5,075
(Breakdown)		
Comprehensive income (loss) attributable to owners of the parent	(4,494)	5,023
Comprehensive income (loss) attributable to non-controlling interests	(232)	52

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	2nd quarter of FY2016 (Apr. 1, 2016 to Sept. 30, 2016)	2nd quarter of FY2017 (Apr. 1, 2017 to Sept. 30, 2017)
Cash flows from operating activities		
Income (loss) before income taxes	(2,882)	3,766
Depreciation and amortization	3,283	3,196
Loss on valuation of investments in and loans to affiliated companies	-	86
Amortization of goodwill	13	36
Increase (decrease) in allowance for doubtful accounts	(7)	1
Increase (decrease) in liabilities related to retirement benefits	397	252
Increase (decrease) in allowance for employees' bonuses	(11)	(11)
Interest and dividend income	(294)	(273)
Interest expenses	82	87
Exchange loss (gain)	195	(47)
Loss (gain) on valuation of derivatives	5,030	(255)
Loss (gain) on sale or disposal of fixed assets	156	29
Loss (gain) on sale or valuation of investments in securities	(147)	(6)
Loss (gain) on sale of shares of affiliated companies	-	84
Loss (gain) on transfer of business	(233)	-
Other losses (gains)	34	11
Decrease (increase) in notes and accounts receivable	117	(2,750)
Decrease (increase) in inventories	(1,556)	(1,632)
Decrease (increase) in other current assets	(332)	(27)
Increase (decrease) in notes and accounts payable	171	(408)
Increase (decrease) in deposits and guarantee deposits	297	(23)
Increase (decrease) in other current liabilities	(10)	(1,019)
Increase (decrease) in other long-term liabilities	(696)	(248)
Subtotal	3,610	847
Interest and dividends received	298	283
Interest paid	(84)	(79)
Income tax refund (paid)	(3)	(1,221)
Net cash provided by (used in) operating activities	3,820	(169)
Cash flows from investing activities		
Payments for purchase of fixed assets	(4,143)	(3,134)
Proceeds from sale of fixed assets	128	54
Payments for disposition of fixed assets	(124)	(23)
Payments for acquisition of investment securities	(133)	(1,017)
Proceeds from sale of investment securities	537	301
Payments for acquisition of subsidiary shares accompanying a change in scope of consolidation	(657)	-
Proceeds from transfer of business	279	-
Net decrease (increase) in loans	(57)	(678)
Other	(358)	(102)
Net cash provided by (used in) investing activities	(4,529)	(4,598)

(Millions of yen)

	2nd quarter of FY2016 (Apr. 1, 2016 to Sept. 30, 2016)	2nd quarter of FY2017 (Apr. 1, 2017 to Sept. 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term debt and commercial paper	9,688	3,096
Proceeds from issuance of long-term debt	-	5,700
Repayments of long-term debt	(1,498)	(463)
Acquisition of treasury stock	(1)	(1,358)
Cash dividends paid	(1,581)	(1,397)
Cash dividends paid to holders of non-controlling interests	(1)	-
Other	(53)	(77)
Net cash provided by (used in) financing activities	6,551	5,499
Effect of exchange rate changes on cash & cash equivalents	(746)	(608)
Net increase (decrease) in cash and cash equivalents	5,096	123
Cash and cash equivalents at beginning of period	7,471	9,670
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	-	(98)
Cash and cash equivalents at end of period	12,568	9,696

(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

[Changes in Significant Subsidiaries during the Period]

None applicable

[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, 2018.

[Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement after Error Corrections]

None applicable.

[Segment Information, etc.]

I. Second quarter of FY2016 (Six months ended September 30, 2016)

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	24,098	34,617	7,300	66,015	-	66,015
Intersegment sales and transfers	26	112	51	189	(189)	-
Total	24,124	34,729	7,351	66,205	(189)	66,015
Segment profit	1,924	1,537	546	4,009	(1,492)	2,516

Note:

The - (minus) ¥1,492 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 FY2017 (Six months ended September 30, 2017)

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	24,255	36,176	7,360	67,792	-	67,792
Intersegment sales and transfers	34	115	47	197	(197)	-
Total	24,289	36,291	7,408	67,989	(197)	67,792
Segment profit	2,704	1,741	474	4,920	(1,549)	3,370

Note:

The - (minus) ¥1,549 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.

3. Supplementary Information

(1) Supplementary Materials for Quarterly Financial Results

Overview of Consolidated Results for Second Quarter of FY2017

<Overview of Results>

- The functional solutions business posted increases in sales and profits. Although electronic components sales declined due to business downsizing as part of business structure reform, plastic films performed strongly.
- The apparel business recorded increases in sales and profits thanks to the sales expansion of core brands and a stronger focus on high-growth sales channels.
- The lifestyle creation business posted a decrease in profits despite an increase in sales. Although the shopping mall business in the real estate category performed well through local community-based operations, the sports club category was impacted by initial expenses incurred for the opening of new clubs.
- Gain on valuation of derivatives of ¥255 million and exchange gain of ¥51 million.

<FY2017 Forecast>

- The results for the first half of the current fiscal year were stronger than expected, reflecting robust functional solutions sales and the positive effects of cost reduction. In view of this, GUNZE revised its full-year forecast upward for fiscal 2017.
- Along with the upward revision of the full-year forecast, the year-end dividend forecast per share for fiscal 2017 has also been revised upward to ¥80 from the previously projected ¥75.

(1) FY2017 2nd Quarter Operating Results (Apr. 1, 2017 to Sept. 30, 2017)

(Millions of yen)

	FY2017 2nd Quarter (Six months ended Sept. 30, 2017)	FY2016 2nd Quarter (Six months ended Sept. 30, 2016)	Change
			<Upper figures in brackets %>
Net Sales	67,792	66,015	<2.7> 1,776
Operating Income	3,370	2,516	<33.9> 854
Ordinary Income	4,006	(3,080)	< - > 7,087
Income Before Income Taxes	3,766	(2,882)	< - > 6,649
Net Income Attributable to Owners of the Parent	2,537	(2,688)	< - > 5,226
Total Assets	175,753	174,399	<0.8> 1,354
Inventories	31,634	30,723	<3.0> 911
Fixed Assets	99,705	96,934	<2.9> 2,771
Net Assets	111,344	100,361	<10.9> 10,982
Financing Income/Expenses	186	212	(24)
Interest/Dividends Received	273	294	(20)
Interest Expenses	(87)	(82)	(4)
Capital Expenditures	2,500	3,680	(1,180)
Depreciation and Amortization	3,232	3,297	(65)

Notes: Acquisition of treasury stock

	(Thousands of shares)	(Amount)
• Treasury stock acquired (including acquisition of odd-lot shares)	341	¥1,383 million
• Treasury stock disposed	14	¥57 million
• Treasury stock held at the end of the previous fiscal year	2,297	¥9,111 million
• Treasury stock held at the end of the period	2,624	¥10,437 million

(2) Results by Business Segment

(Millions of yen)

Item		FY2017 2nd Quarter (Six months ended Sept. 30, 2017)		FY2016 2nd Quarter (Six months ended Sept. 30, 2016)		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	24,289	35.7	24,124	36.4	164	0.7
	Apparel	36,291	53.4	34,729	52.5	1,562	4.5
	Lifestyle Creations	7,408	10.9	7,351	11.1	56	0.8
	Subtotal	67,989	100.0	66,205	100.0	1,783	2.7
	Eliminations	(197)		(189)		(7)	-
	Consolidated	67,792		66,015		1,776	2.7
Operating Income	Functional Solutions	2,704	55.0	1,924	48.0	779	40.5
	Apparel	1,741	35.4	1,537	38.3	203	13.3
	Lifestyle Creations	474	9.6	546	13.7	(72)	(13.2)
	Subtotal	4,920	100.0	4,009	100.0	911	22.7
	Eliminations/Corporate	(1,549)		(1,492)		(56)	-
	Consolidated	3,370		2,516		854	33.9

(3) Significant Financial Indicators

		FY2017 2nd Quarter (Six months ended Sept. 30, 2017)	FY2016 2nd Quarter (Six months ended Sept. 30, 2016)	Change
Operating Income to Total Assets Ratio	%	2.0	1.5	0.5
Ordinary Income to Total Assets Ratio	%	2.3	(1.8)	4.1
Operating Income to Net Sales Ratio	%	5.0	3.8	1.2
Ordinary Income to Net Sales Ratio	%	5.9	(4.7)	10.6
Equity Ratio	%	62.8	56.8	6.0
ROE	%	2.3	(2.6)	4.9
Earnings (Loss) per Share	¥	137.13	(143.78)	280.91
Diluted Earnings per Share	¥	136.25	-	-
Net Assets per Share	¥	6,010.90	5,299.05	711.85

Note: About Share Consolidation

GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017.

- The numbers of shares in the "Acquisition of treasury stock" shown above were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

- Earnings per share, diluted earnings per share, and net assets per share, shown above, were also calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

(4) Cash Flows

(Millions of yen)

Cash Flow Activity	FY2017 2nd Quarter (Six months ended Sept. 30, 2017)	FY2016 2nd Quarter (Six months ended Sept. 30, 2016)	Change	Breakdown of Major Components
Operating Activities	(169)	3,820	(3,990)	Income before income tax: 3,766; Depreciation and amortization: 3,196; Increase in notes and accounts receivable: (2,750); Increase in inventories: (1,632); Income tax paid: (1,221); Decrease in other current liabilities: (1,019)
Investing Activities	(4,598)	(4,529)	(68)	Purchase of fixed assets: (3,134); Acquisition of investment securities: (1,017)
Financing Activities	5,499	6,551	(1,052)	Increase in long-term and short- term debt and commercial paper: 8,796; Repayment of long- term debt: (463); Dividends paid: (1,397); Acquisition of treasury stock: (1,358)
Foreign Currency Translation Adjustments	(608)	(746)	138	
Increase in Cash and Cash Equivalents - 2nd Quarter	123	5,096	(4,973)	
Decrease due to Change in Scope of Consolidation	(98)	-	(98)	
Cash and Cash Equivalents - End of Period	9,696	12,568	(2,872)	

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

Item	FY2017 Plan			FY2016		Y-over-Y Change	
	Amount	Weight	2nd Quarter (cumulative)	Amount	Weight		
Capital Expenditures	[International] Functional Solutions	[460] 2,900	39.2	[76] 1,020	[421] 1,677	17.2	1,223
	[International] Apparel	[420] 1,800	24.3	[121] 365	[216] 2,110	21.7	(310)
	Lifestyle Creations	1,200	16.2	397	5,539	56.9	(4,339)
	Corporate	1,500	20.3	718	411	4.2	1,089
	[International] Total	[880] 7,400	100.0	[198] 2,500	[637] 9,739	100.0	(2,339)
Depreciation and Amortization	Functional Solutions	3,100	44.3	1,323	3,105	45.2	(5)
	Apparel	1,400	20.0	666	1,407	20.5	(7)
	Lifestyle Creations	1,700	24.3	893	1,821	26.5	(121)
	Corporate	800	11.4	348	527	7.8	273
	Total	7,000	100.0	3,232	6,862	100.0	138

Notes:

1. Capital expenditures include investments for intangible fixed assets.
2. Depreciation and amortization include amortization of goodwill.

Main Investment Plans for the Period under Review

- Medical material production facility and production equipment: ¥1,000 million
- Plastic film production equipment: ¥800 million
- Innerwear production equipment and systems development: ¥800 million

(6) FY2017 Forecast

(Millions of yen)

	Revised forecast	Previous forecast	Change <Upper figures %>	FY2016	Change <Upper figures %>
Net Sales	140,000	138,000	<1.4> 2,000	136,579	<2.5> 3,421
Operating Income	5,500	4,300	<27.9> 1,200	4,206	<30.8> 1,294
Ordinary Income	6,000	4,800	<25.0> 1,200	4,671	<28.5> 1,329
Net income attributable to owners of the parent	3,200	2,500	< 28.0 > 700	3,102	<3.2> 98

(7) Forecast of Results by Segment

(Millions of yen)

		Revised forecast		Previous forecast		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	49,800	35.4	48,800	35.3	1,000	2.0
	Apparel	74,300	52.9	73,300	52.9	1,000	1.4
	Lifestyle Creations	16,400	11.7	16,400	11.8	-	-
	Subtotal	140,500	100.0	138,500	100.0	2,000	1.4
	Eliminations	(500)		(500)		-	-
	Consolidated	140,000		138,000		2,000	1.4
Operating Income	Functional Solutions	4,800	53.9	3,600	46.2	1,200	33.3
	Apparel	2,700	30.3	2,700	34.6	-	-
	Lifestyle Creations	1,400	15.7	1,500	19.2	(100)	(6.7)
	Subtotal	8,900	100.0	7,800	100.0	1,100	14.1
	Eliminations/Corporate	(3,400)		(3,500)		100	-
	Consolidated	5,500		4,300		1,200	27.9

		FY2016		Change	
		Amount	Weight	Amount	Change (%)
Net Sales	Functional Solution	50,195	36.6	(395)	(0.8)
	Apparel	71,629	52.3	2,671	3.7
	Lifestyle Creations	15,168	11.1	1,232	8.1
	Subtotal	136,994	100.0	3,506	2.6
	Eliminations	(415)		(85)	-
	Consolidated	136,579		3,421	2.5
Operating Income	Functional Solutions	3,468	47.5	1,332	38.4
	Apparel	2,505	34.3	195	7.8
	Lifestyle Creations	1,322	18.2	78	5.9
	Subtotal	7,296	100.0	1,604	22.0
	Eliminations/Corporate	(3,090)		(310)	-
	Consolidated	4,206		1,294	30.8