

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2012 (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, Osaka
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 Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): August 10, 2011
 Start of Distribution of Dividends (Scheduled) : --
 Preparation of Supplementary Materials for the Quarterly Financial Results: No
 Holding of Presentation of Quarterly Financial Results: No

1. Consolidated results for the first quarter of FY2011 (April 1, 2011 to June 30, 2011)

(1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

(The percentage figures accompanying net sales, operating income, ordinary income and net income represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended June 2011	32,624	(1.4)	704	(40.2)	844	(42.8)
Three months ended June 2010	33,096	(3.3)	1,177	41.0	1,476	41.4

	Net income		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Three months ended June 2011	979	(5.3)	5.07	5.06
Three months ended June 2010	1,034	62.3	5.25	5.24

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥ millions	¥ millions	%
As of June 30, 2011	165,130	112,522	67.4
As of March 31, 2011	163,917	113,345	68.6

Reference: Equity

June 30, 2011: ¥111,342 million

March 31, 2011: ¥112,448 million

2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2010	-	-	-	7.50	7.50
FY2011	-	-	-	-	-
FY2011 (projected)	-	-	-	7.50	7.50

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2011 (April 1, 2011 to March 31, 2012)

(Percentages represent changes compared to the previous fiscal year for the full year and compared with previous cumulative second-quarter period for the second quarter.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2011 second quarter (cumulative)	67,000	(0.3)	500	(70.0)	500	(72.3)
FY2011 full year	143,500	7.3	3,500	13.5	3,400	3.5

	Net income		E.P.S.
	¥ millions	%	¥
FY2011 second quarter (cumulative)	400	(44.4)	2.07
FY2011 full year	2,100	16.9	10.88

Note: Revisions to projections of consolidated financial results most recently announced: No

4. Other

- (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):

1st quarter of FY2011: 209,935,165 shares

End of FY2010: 209,935,165 shares

(b) Treasury stock at the end of period:

1st quarter of FY2011: 16,861,854 shares

End of FY2010: 16,853,412 shares

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

1st quarter of FY2011: 193,077,812 shares

1st quarter of FY2010: 196,952,579 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) “Qualitative Information on Projected Consolidated Results” in “Qualitative Information on Quarterly Financial Results” on page 4.

Attached Materials

Table of Contents

1. Qualitative Information on Quarterly Financial Results	2
(1) Qualitative Information on Consolidated Results of Operations	2
(2) Qualitative Information on Consolidated Financial Position	3
(3) Qualitative Information on Projected Consolidated Results	4
2. Summary Information (Other)	4
(1) Changes in Significant Subsidiaries during the Period	4
(2) Application of Simplified Accounting Methods and/or Specific Accounting Methods	4
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatement after Error Corrections	4
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes Regarding Assumptions of Continuing Operations	9
(4) Segment Information	9
(5) Notes in the Event of Significant Changes in Shareholders' Equity	9

1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on Consolidated Results of Operations

During the first quarter of the current fiscal year (April 1, 2011 to June 30, 2011), the Japanese economy was under strong downward pressure. Production declined due to the devastation caused by the Great East Japan Earthquake, as well as electricity shortages resulting from the subsequent accidents at the Fukushima Nuclear Power Plant. Consumers' reluctance to spend also had a negative impact on the Japanese economy.

The GUNZE Group's functional solutions business was partially affected by earthquake damage in production facilities, as well as the effects of planned blackouts. But quick implementation of restoration measures helped minimize the negative effects on business. The apparel business continued to experience challenges such as soaring prices of raw materials centered on cotton, rising labor costs abroad, and an increasingly frugal mindset among consumers.

Faced with this situation, the GUNZE Group has launched its new medium-term management plan called "Innovation 4S." The plan covers the period from the present fiscal 2011 to fiscal 2013. Based on this plan, the GUNZE Group is striving to enhance its ability to adapt to rapid changes in the marketplace by implementing its two basic strategies—promoting growth and strengthening its corporate structure. Consequently, the GUNZE Group's consolidated net sales for the period under review amounted to ¥32,624 million (a year-over-year decrease of 1.4%). Consolidated operating income totaled ¥704 million (a year-over-year decrease of 40.2%), while consolidated ordinary income was ¥844 million (a year-over-year decrease of 42.8%). Consolidated net income was ¥979 million (a year-over-year decrease of 5.3%).

Results by Business Segment

<Functional Solutions>

In plastic film, Fukushima Plastics Co., Ltd. (consolidated subsidiary) and others were affected by the disaster and forced to halt its operations temporarily. Operations were restored to normal by April, and a newly installed No. 2 composite nylon film production equipment at Fukushima Plastics also started operations. Provisional demand increases resulting from anxiety about the potential for post-disaster shortages of film pushed up shrink film sales for water and tea beverage bottle labels. Although the engineering plastics business was also partially affected by the disaster, mainstay products for office automation components performed strongly overall, thanks to quick recovery of its supply chain. In electronic components, orders for projected capacitive touch screens for tablet terminals expanded steadily. But a delay in sales increases for new products and sluggish sales of existing models prevented substantial results. In the medical materials category, bone fixation materials and reinforcement felts enjoyed impressive performance. Overall, the functional solutions business recorded net sales of ¥12,010 million (a year-over-year increase of 1.0%) and operating income of ¥1,146 million (a year-over-year increase of 4.1%).

<Apparel>

In innerwear, increasing demand for cool-feel products caused by the promotion of power-saving initiatives resulted in favorable sales of seasonal products such as *COOLMAGIC*. However, fashion-oriented and casual innerwear sales were disappointing. In leg wear as well, products with functionality such as cool-feel items performed strongly. But fashion items experienced slow sales with the trend of leggings coming to an end because of market saturation among target consumers, and consumers' reluctance to spend. Overall, the apparel business recorded net sales of ¥17,655 million (a year-over-year decrease of 2.6%), while operating income was ¥213 million (a year-over-year decrease of 63.3%).

<Lifestyle Creations>

In the real estate business, while the *GUNZE Town Center TSUKASHiN* concentrated its efforts on soliciting new tenants and implementing community-rooted sales promotion strategies, its business was sluggish because of declining consumption and the new opening or renewal of large-scale commercial facilities in the neighborhood. As for the Maebashi commercial facility that canceled a lease agreement with its tenant last October, GUNZE is now carrying forward with negotiations with a replacement tenant. In the sports club business, GUNZE strived to acquire new customers and enhance the efficiency of club operations. Overall, the lifestyle creation business posted net sales of ¥3,235 million (a year-over-year decrease of 3.7%) and operating income of ¥168 million (a year-over-year decrease of 46.8%).

(2) Qualitative Information on Consolidated Financial Position

As of June 30, 2011, total assets were ¥165,130 million, an increase of ¥1,212 million compared to the end of the previous fiscal year. The main components of the increase were a ¥3,492 million increase in machinery, equipment and vehicles, a ¥2,170 million increase in trade notes and accounts receivable, and a ¥1,184 million increase in buildings and structures. The main factors contributing to a decrease in total assets were a ¥3,925 million decrease in other property, plants and equipment (construction in progress, etc.) and a ¥2,103 million decrease in investments in securities.

Total liabilities were ¥52,608 million, an increase of ¥2,036 million compared to the end of the previous fiscal year. The key component of the increase was a ¥3,632 million increase in long- and short-term debt including commercial paper, while the main contributor to a decrease in total liabilities was a ¥1,826 million decrease in allowance for retirement benefits.

Net assets were ¥112,522 million, a decrease of ¥823 million compared to the end of the previous fiscal year. The main components of the decrease included dividend payments amounting to ¥1,448 million, and a ¥923 million decrease in unrealized gain on available-for-sale securities. The main components of an increase included a net income of ¥979 million recorded for the first-quarter period under review, a ¥267 million increase in minority interests, and a ¥204 million increase in foreign currency translation adjustments.

(3) Qualitative Information on Projected Consolidated Results

GUNZE has not revised its half-year and full-year forecasts for the fiscal year ending March 31, 2012 from the previous forecasts announced on May 13, 2011, as performance during the first-quarter period remained within the assumed range.

2. Summary Information (Other)

(1) Changes in Significant Subsidiaries during the Period

None applicable

(2) Application of Simplified Accounting Methods and/or Specific Accounting Methods

(Calculation of taxes)

Taxes are calculated by multiplying income before income taxes for the first-quarter period under review by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the income before income taxes for the full year. Therefore, the amount of income tax adjustment is recorded in income taxes.

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

None applicable

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

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

	End of FY2010 (As of Mar. 31, 2011)	End of FY2011 1st quarter (As of Jun. 30, 2011)
Assets		
Current assets		
Cash and cash equivalents	6,905	6,162
Notes & accounts receivable, trade	27,122	29,292
Finished products and goods	17,436	17,375
Work in process	6,423	7,474
Raw materials and supplies	5,673	6,401
Other current assets	4,189	4,085
Allowance for doubtful accounts	(28)	(17)
Total current assets	67,722	70,774
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	36,770	37,955
Machinery, equipment and vehicles (Net)	12,811	16,303
Land	11,996	12,008
Other (Net)	5,890	1,965
Total property, plants and equipment	67,468	68,231
Intangible fixed assets	2,190	2,126
Investments and other assets		
Investments in securities	16,698	14,594
Other assets	9,985	9,551
Allowance for doubtful accounts	(147)	(147)
Total investments and other assets	26,536	23,998
Total fixed assets	96,194	94,355
Total assets	163,917	165,130

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

	End of FY2010 (As of Mar. 31, 2011)	End of FY2011 1st quarter (As of Jun. 30, 2011)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	7,844	7,900
Short-term debt	3,993	4,858
Commercial paper	12,800	15,600
Current portion of long-term debt	1,081	1,083
Accrued income taxes	509	730
Allowance for employees' bonuses	1,311	413
Other current liabilities	7,717	8,675
Total current liabilities	35,257	39,262
Long-term liabilities		
Long-term debt	5,175	5,141
Allowance for retirement benefits	4,623	2,796
Long-term deposits & guarantee deposits	4,906	4,715
Other long-term liabilities	608	692
Total long-term liabilities	15,313	13,345
Total liabilities	50,571	52,608
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,082	14,082
Retained earnings	80,033	79,656
Treasury stock	(7,286)	(7,288)
Total shareholders' equity	112,900	112,521
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	2,592	1,669
Deferred gains on hedge	(416)	(423)
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	(2,228)	(2,024)
Total accumulated other comprehensive income	(452)	(1,179)
Stock acquisition rights	200	214
Minority interests	697	965
Total net assets	113,345	112,522
Total liabilities and net assets	163,917	165,130

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

Consolidated Statements of Income (for the three months from April 1 to June 30)

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

	1st quarter of FY2010 (Three months ended June 30, 2010)	1st quarter of FY2011 (Three months ended June 30, 2011)
Net sales	33,096	32,624
Cost of sales	23,780	23,938
Gross profit	9,316	8,685
Selling, general & administrative expenses	8,139	7,981
Operating income	1,177	704
Non-operating income		
Interest income	7	3
Dividend income	195	161
Rental income	152	161
Gain on allotment of investment securities	145	-
Other	52	80
Total non-operating income	553	406
Non-operating expenses		
Interest expenses	42	29
Rental costs	137	156
Exchange loss	29	24
Other	45	56
Total non-operating expenses	254	267
Ordinary income	1,476	844
Extraordinary income		
Gain on sale of property, plants & equipment	0	1
Reversal of allowance for doubtful accounts	10	-
Gain on establishment of employee retirement benefit trust	969	1,492
Other	-	37
Total extraordinary income	980	1,531
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	53	86
Amortization of actuarial differences in retirement benefits	561	622
Expenses on business structure improvement	19	-
Effect of application of accounting standard for asset retirement obligations	62	-
Other	-	4
Total extraordinary loss	697	713
Income before income taxes and minority interests	1,759	1,661
Income taxes	703	728
Income before minority interests	1,055	933
Minority interests in income (loss)	21	(45)
Net income	1,034	979

Consolidated Statements of Comprehensive Income
 (for the three months from April 1 to June 30)

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

	1st quarter of FY2010 (Three months ended June 30, 2010)	1st quarter of FY2011 (Three months ended June 30, 2011)
Income before minority interests	1,055	933
Other comprehensive income (loss)	-	
Unrealized gains (losses) on available-for-sale securities	(2,017)	(923)
Deferred gains (losses) on hedge	(152)	(7)
Foreign currency translation adjustments	64	222
Total other comprehensive income (loss)	(2,104)	(708)
Comprehensive income (loss) attributable to:	(1,049)	225
Shareholders of the parent company	(1,086)	252
Minority interests	36	(27)

(3) Notes Regarding Assumptions of Continuing Operations

None applicable

(4) Segment Information

I. First quarter of FY2010 (Three months ended June 30, 2010)

1. Information on Net Sales and Profit (Loss) of Each Reportable Segment

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

	Functional solutions	Apparel	Lifestyle creations	Total	Adjustment (note)	Consolidated
Net sales						
Sales to customers	11,852	18,079	3,165	33,096	-	33,096
Intersegment sales and transfers	34	46	193	274	(274)	-
Total	11,886	18,125	3,358	33,371	(274)	33,096
Segment profit	1,101	580	316	1,998	(821)	1,177

Note:

The - (minus) ¥821 million segment income adjustment consists of overall costs not allocated to reportable segments.

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

II. First quarter of FY2011 (Three months ended June 30, 2011)

1. Information on Net Sales and Profit (Loss) of Each Reportable Segment

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

	Functional solutions	Apparel	Lifestyle creations	Total	Adjustment (note)	Consolidated
Net sales						
Sales to customers	11,978	17,618	3,026	32,624	-	32,624
Intersegment sales and transfers	31	36	208	277	(277)	-
Total	12,010	17,655	3,235	32,901	(277)	32,624
Segment profit	1,146	213	168	1,527	(823)	704

Note:

The - (minus) ¥823 million segment income adjustment consists of overall costs not allocated to reportable segments.

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

(5) Notes in the Event of Significant Changes in Shareholders' Equity

None applicable