

Summary of Consolidated Financial Statements for the Third 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): February 14, 2012
 Start of Distribution of Dividends (Scheduled) : –
 Preparation of Supplementary Materials for the Quarterly Financial Results: No
 Holding of Presentation of Quarterly Financial Results: No

1. Consolidated results for the third quarter of FY2011 (April 1, 2011 to December 31, 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	%
Nine months ended Dec. 31, 2011	105,614	1.3	2,001	(46.5)	2,074	(46.6)
Nine months ended Dec. 31, 2010	104,236	(2.7)	3,742	9.9	3,884	2.5

	Net income		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Nine months ended Dec. 31, 2011	(1,306)	–	(6.77)	–
Nine months ended Dec. 31, 2010	2,516	80.0	12.90	12.87

Note: Comprehensive income

Nine months ended December 31, 2011: (¥2,227 million) [– %]

Nine months ended December 31, 2010: (¥169 million) [– %]

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥ millions	¥ millions	%
As of December 31, 2011	174,076	110,261	62.6
As of March 31, 2011	163,917	113,345	68.6

Reference: Equity capital

December 31, 2011: ¥109,021 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.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2011 full year	137,000	2.5	1,000	(67.6)	800	(75.6)

	Net income		E.P.S.
	¥ millions	%	¥
FY2011 full year	500	(72.2)	2.59

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

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):

3rd quarter of FY2011: 209,935,165 shares

End of FY2010: 209,935,165 shares

(b) Treasury stock at the end of period:

3rd quarter of FY2011: 16,863,953 shares

End of FY2010: 16,853,412 shares

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

3rd quarter of FY2011: 193,074,298 shares

3rd quarter of FY2010: 194,997,931 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 “Qualitative Information on Projected Consolidated Results” on page 4-5 of the attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on Consolidated Results of Operations

Reviewing economic conditions during the first nine months of the current fiscal year (April 1 – December 31, 2011), the Japanese economy continued to experience uncertainty. Specifically, the Great East Japan Earthquake and the subsequent electricity supply problems caused disruptions in corporate activities and made consumer spending shrink. Other negative factors that caused economic uncertainty included sluggish international economies stemming from the European financial crisis, the persistent appreciation of the yen, and the flooding disaster in Thailand.

The GUNZE Group's functional solutions business continued to face difficulties, due to the increasing availability of low-priced foreign products in Japan, the slowdown in the U.S. and European economies, and the negative impact of the Thailand floods. The apparel business enjoyed increasing energy-saving related demand. However, the situation remained challenging, with raw material prices hovering at high levels and increasingly intense market competition caused by the wide availability of private brand products.

Faced with this situation, the GUNZE Group strived to enhance its ability to adapt to rapid changes in the marketplace by promoting growth and strengthening its corporate structure. These are two key strategies of GUNZE Group's recently launched medium-term management plan, called "Innovation 4S." This plan covers the period from the present fiscal 2011 to fiscal 2013.

As a result of these measures, the GUNZE Group's consolidated net sales for the period under review amounted to ¥105,614 million (a year-over-year increase of 1.3%). Consolidated operating income amounted to ¥2,001 million (a year-over-year decrease of 46.5%), while consolidated ordinary income was ¥2,074 million (a year-over-year decrease of 46.6%). During the period under review, the GUNZE Group recorded a net loss of ¥1,306 million, compared with a consolidated net income of ¥2,516 million posted in the same period of the previous fiscal year. This was mainly due to the posting of an impairment loss on investment securities, as well as the reversal of deferred tax assets due to the revision of the Japanese tax system.

Results by Business Segment

<Functional Solutions>

Plastic film sales remained robust during the first half of the period under review, largely due to front-loaded demand based on anticipation of post-earthquake supply shortages and electricity usage restrictions. But after entering the third quarter, orders contracted due to increasing trade inventories and low-priced products from abroad entering the Japanese market. The engineering plastics business was adversely impacted by the prolonged appreciation of the yen and weakness in the economies of the U.S. and Europe, combined with supply chain disruptions caused by Thailand's floods. In electronic components, GUNZE was forced to cut back production for projected capacitive touch screens designed for tablet terminals in response to the sharp decline in market conditions. In medical materials, business conditions were difficult in the U.S. and Europe, while sales were strong in China and other parts of Asia. Overall, the functional solutions business recorded net sales of ¥39,590 million (a year-over-year increase of 9.2%), while operating income was ¥2,915 million (a year-over-year decrease of 9.6%).

<Apparel>

In innerwear, faced with the increasing availability of private brand products released by leading retailers, fashion-oriented and casual national brand products and seasonal functional products suffered disappointing sales. Although GUNZE implemented price rises for cotton products, their effects were limited due to the soaring cost of raw materials such as cotton fibers. In leg wear, fashion items, including patterned stockings and tights, continued to experience declining sales. By contrast, basic products emphasizing functionality and cold protection items performed strongly. Overall, the apparel business posted net sales of ¥57,610 million (a year-over-year decrease of 2.6%) and operating income of ¥1,351 million (a year-over-year decrease of 31.2%).

<Lifestyle Creations>

In the real estate business, the *GUNZE Town Center TSUKASHiN* (commercial facility) strived to solicit new tenants and implement community-rooted sales promotion measures. Still, its business was slow because of sluggish consumption and the new opening or expanded sales area of commercial facilities in the neighborhood. The Maebashi commercial facility, for which GUNZE had worked to invite new tenants, re-opened last December after renovation. The sports club business enjoyed solid performance thanks to proactive efforts to attract new customers, as well as enhanced

efficiency in club operations. Overall, the lifestyle creation business posted net sales of ¥9,304 million (a year-over-year decrease of 4.2%) and operating income of ¥461 million (a year-over-year decrease of 54.8%).

(2) Qualitative Information on Consolidated Financial Position

As of December 31, 2011, total assets were ¥174,076 million, an increase of ¥10,159 million compared to the end of the previous fiscal year. The main components of the increase were a ¥7,758 million increase in trade notes and accounts receivable and a ¥4,797 million increase in inventories. The main factor contributing to a decrease in total assets was a ¥3,206 million decrease in investments in securities.

Total liabilities were ¥63,815 million, an increase of ¥13,243 million compared to the end of the previous fiscal year. The key components of the increase were a ¥11,954 million increase in long- and short-term debt including commercial paper, and a ¥1,844 million increase in trade notes and accounts payable.

Net assets were ¥110,261 million, a decrease of ¥3,084 million compared to the end of the previous fiscal year. The main components of the decrease included dividend payments amounting to ¥1,448 million, a net loss of ¥1,306 million posted during the period under review, and a ¥543 million decrease in foreign currency translation adjustments.

(3) Qualitative Information on Projected Consolidated Results

In the GUNZE Group's functional solutions business, orders for projected capacitive touch screens fell short of initial expectations. Intensified market competition also negatively impacted the apparel business during the autumn/winter selling season. Moreover, the posting of a loss on the write-down of investment securities and the reversal of deferred tax assets based on the revised tax system are also expected to negatively impact performance. In view of this situation, the GUNZE Group has made a downward revision to its previous full-year forecast for the fiscal year ending March 31, 2012. However, the projected year-end dividend of ¥7.5 per share will remain unchanged.

Details of revision to the full-year forecast are as follows:

Fiscal 2011 forecast (April 1, 2011 to March 31, 2012) (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share (¥)
Previous forecast (A)	143,500	3,500	3,400	2,100	10.88
Revised forecast (B)	137,000	1,000	800	500	2.59
Difference (B – A)	(6,500)	(2,500)	(2,600)	(1,600)	–
Difference (%)	(4.5%)	(71.4%)	(76.5%)	(76.2%)	–
Ref: FY2010 results	133,705	3,085	3,285	1,796	9.23

2. Summary Information (Other)

(1) Changes in Significant Subsidiaries during the Period

None applicable

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

(Calculation of taxes)

Taxes are calculated by multiplying income before income taxes and minority interests for the nine-month 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 3rd quarter (As of Dec. 31, 2011)
Assets		
Current assets		
Cash and cash equivalents	6,905	8,169
Notes & accounts receivable, trade	27,122	34,880
Finished products and goods	17,436	19,759
Work in process	6,423	7,623
Raw materials and supplies	5,673	6,948
Other current assets	4,189	4,740
Allowance for doubtful accounts	(28)	(21)
Total current assets	67,722	82,099
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	36,770	38,059
Machinery, equipment and vehicles (Net)	12,811	15,180
Land	11,996	11,902
Other (Net)	5,890	2,971
Total property, plants and equipment	67,468	68,114
Intangible fixed assets	2,190	1,972
Investments and other assets		
Investments in securities	16,698	13,492
Other assets	9,985	8,540
Allowance for doubtful accounts	(147)	(141)
Total investments and other assets	26,536	21,890
Total fixed assets	96,194	91,977
Total assets	163,917	174,076

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

	End of FY2010 (As of Mar. 31, 2011)	End of FY2011 3rd quarter (As of Dec. 31, 2011)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	7,844	9,689
Short-term debt	3,993	4,167
Commercial paper	12,800	21,700
Current portion of long-term debt	1,081	1,076
Accrued income taxes	509	295
Allowance for employees' bonuses	1,311	370
Other current liabilities	7,717	9,140
Total current liabilities	35,257	46,439
Long-term liabilities		
Long-term debt	5,175	8,061
Allowance for retirement benefits	4,623	4,044
Long-term deposits & guarantee deposits	4,906	4,769
Other long-term liabilities	608	500
Total long-term liabilities	15,313	17,376
Total liabilities	50,571	63,815
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,082	14,080
Retained earnings	80,033	77,377
Treasury stock	(7,286)	(7,287)
Total shareholders' equity	112,900	110,242
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	2,592	2,318
Deferred gains (losses) on hedge	(416)	(367)
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	(2,228)	(2,771)
Total accumulated other comprehensive income	(452)	(1,221)
Stock acquisition rights	200	240
Minority interests	697	999
Total net assets	113,345	110,261
Total liabilities and net assets	163,917	174,076

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

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

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

	3rd quarter of FY2010 (Apr. 1, 2010 to Dec. 31, 2010)	3rd quarter of FY2011 (Apr. 1, 2011 to Dec. 31, 2011)
Net sales	104,236	105,614
Cost of sales	75,354	78,905
Gross profit	28,881	26,708
Selling, general & administrative expenses	25,139	24,706
Operating income	3,742	2,001
Non-operating income		
Interest income	24	9
Dividend income	362	292
Rental income	442	473
Gain on allotment of investment securities	145	-
Other	176	149
Total non-operating income	1,151	925
Non-operating expenses		
Interest expenses	117	104
Rental costs	419	447
Exchange loss	292	166
Other	178	134
Total non-operating expenses	1,009	852
Ordinary income	3,884	2,074
Extraordinary income		
Gain on sale of property, plants & equipment	62	41
Reversal of allowance for doubtful accounts	8	-
Penalty received	1,337	-
Gain on establishment of employee retirement benefit trust	969	1,492
Other	16	37
Total extraordinary income	2,393	1,571
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	115	149
Loss on valuation of investments in securities	2	2,357
Amortization of actuarial differences in retirement benefits	1,685	1,869
Expenses on business structure improvement	287	-
Effect of application of accounting standard for asset retirement obligations	62	-
Other	24	59
Total extraordinary loss	2,179	4,435
Income (loss) before income taxes and minority interests	4,098	(789)
Income taxes	1,572	639
Income (loss) before minority interests	2,525	(1,429)
Minority interests in income (loss)	9	(122)
Net income (loss)	2,516	(1,306)

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

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

	3rd quarter of FY2010 (Apr. 1, 2010 to Dec. 31, 2010)	3rd quarter of FY2011 (Apr. 1, 2011 to Dec. 31, 2011)
Income (loss) before minority interests	2,525	(1,429)
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(1,633)	(268)
Deferred gains (losses) on hedge	(284)	48
Foreign currency translation adjustments	(776)	(579)
Total other comprehensive income (loss)	<u>(2,694)</u>	<u>(798)</u>
Comprehensive income (loss) attributable to:	<u>(169)</u>	<u>(2,227)</u>
Shareholders of the parent company	(149)	(1,988)
Minority interests	(19)	(238)

(3) Notes Regarding Assumptions of Continuing Operations

None applicable

(4) Segment Information

I. Third quarter of FY2010 (Nine months ended December 31, 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 creation	Total	Adjustment (note)	Consolidated
Net sales						
Sales to customers	36,117	59,026	9,092	104,236	-	104,236
Intersegment sales and transfers	153	140	624	918	(918)	-
Total	36,271	59,167	9,716	105,155	(918)	104,236
Segment profit	3,223	1,965	1,021	6,210	(2,467)	3,742

Note:

The - (minus) ¥2,467 million segment profit adjustment consists of overall costs not allocated to reportable segments.

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

II. Third quarter of FY2011 (Nine months ended December 31, 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 creation	Total	Adjustment (note)	Consolidated
Net sales						
Sales to customers	39,455	57,484	8,674	105,614	-	105,614
Intersegment sales and transfers	135	126	629	891	(891)	-
Total	39,590	57,610	9,304	106,505	(891)	105,614
Segment profit	2,915	1,351	461	4,728	(2,726)	2,001

Note:

The - (minus) ¥2,726 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.

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

None applicable