May 14, 2012

Consolidated Financial Statements – Summary
(Year ended March 31, 2012)

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 Listings: Tokyo, Osaka
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Ordinary General Meeting of Shareholders (Scheduled): June 26, 2012
Start of Distribution of Dividends (Scheduled): June 27, 2012
Filing of Securities Report (*Yuka shoken hokokusho*) (Scheduled): June 27, 2012
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 FY2011 (Apr. 1, 2011 to Mar. 31, 2012)

(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 (¥ million)	Change (%)
FY2011	136,621	2.2	1,023	(66.8)	975	(70.3)	571	(68.2)
FY2010	133,705	(3.2)	3,085	57.2	3,285	29.6	1,796	113.6

Note: Comprehensive income
FY2011: (¥1,942 million) (- %) FY2010: (¥1,656 million) (- %)

	E.P.S. (¥)	Diluted E.P.S. (¥)	Net income to net worth (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY2011	2.96	2.95	0.5	0.6	0.7
FY2010	9.23	9.21	1.6	2.0	2.3

Reference: Equity in income of affiliated companies
FY2011: - FY2010: -

(2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
FY2011	168,517	110,197	64.7	568.89
FY2010	163,917	113,345	68.6	582.39

Reference: Net worth FY2011: ¥108,979 million FY2010: ¥112,448 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)
FY2011	(1,417)	(7,780)	8,373	6,078
FY2010	5,050	(5,958)	2,506	6,905

2. Dividends

	Dividends per share				
	1st quarter (¥)	2nd quarter (¥)	3rd quarter (¥)	Year-end (¥)	Full-year (¥)
FY2010	—	—	—	7.50	7.50
FY2011	—	—	—	7.50	7.50
FY2012 (projected)	—	—	—	7.50	7.50

	Total cash dividends paid (¥ million)	Payout ratio (consolidated) (%)	Dividends to net assets (consolidated) (%)
FY2010	1,448	81.3	1.3
FY2011	1,436	253.4	1.3
FY2012 (projected)		89.8	

3. Projected FY2012 Consolidated Operating Results (Apr. 1, 2012 to Mar. 31, 2013)

(Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
FY2012 Full-year	141,500	3.6	3,600	251.9	3,400	248.7

	Net income (¥ million)	Change (%)	E.P.S. (¥)
FY2011 Full-year	1,600	180.2	8.35

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: No
- (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):
  - FY2011: 209,935,165 shares
  - FY2010: 209,935,165 shares
- (b) Treasury stock at the end of the period:
  - FY2011: 18,369,686 shares
  - FY2010: 16,853,412 shares
- (c) Average number of shares outstanding during the period:
  - FY2011: 192,841,963 shares
  - FY2010: 194,560,001 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Operating Results for FY2011 (Apr. 1, 2011 to Mar. 31, 2012)

(1) Non-consolidated Operating Results (Percentages represent year-over-year changes.)

	Net sales (¥ million)	Change (%)	Operating income (loss) (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)	Net income (¥ million)	Change (%)
FY2011	111,576	1.0	(523)	–	1,068	(40.2)	373	(63.6)
FY2010	110,485	(0.5)	7	–	1,786	88.6	1,024	(2.4)

	E.P.S. (¥)	Diluted E.P.S. (¥)
FY2011	1.93	1.93
FY2010	5.27	5.25

(2) Non-consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
FY2011	148,350	113,052	76.0	588.83
FY2010	148,882	116,416	78.1	601.90

Reference: Net worth

FY2011: ¥112,799 million FY2010: ¥116,216 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 - 4 of attached materials.

(Attachment)

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1. Results of Operations

(1) Analysis of Full-Year Operating Results

<u>Overview of FY2011</u>

Reviewing economic conditions during the fiscal year ended March 31, 2012, the Japanese economy was in mild recovery from the profound effects of the Great East Japan Earthquake and the damage caused by floods in Thailand. Toward the end of the fiscal year, the historical appreciation of the yen slowed, leading to a recovery in stock prices and fueling expectations of improvement in corporate performance. Despite such positive signs, economic uncertainty about the future remained due to the European sovereign-debt crisis, the slowdown in growth in China and other emerging markets, and other factors.

The GUNZE Group's functional solutions business remained sluggish as a whole, due to a decline in orders caused by the downturn in the U.S. and European economies and the persistently strong yen. In the apparel business, national brand products experienced difficulty as strategic expansion of private brand products released by leading retailers caused the competition to intensify. Faced with such challenging conditions, the decline in sales and profitability continued, showing no signs of a reversal in the trend.

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 new medium-term management plan, called "Innovation 4S." Launched during the fiscal year under review, this plan covers the period from fiscal 2011 to fiscal 2013. Consequently, the GUNZE Group's consolidated net sales for the period under review amounted to ¥136,621 million (a year-over-year increase of 2.2%). Consolidated operating income totaled ¥1,023 million (a year-over-year decrease of 66.8%), while consolidated ordinary income was ¥975 million (a year-over-year decrease of 70.3%). Consolidated net income was ¥571 million (a year-over-year decrease of 68.2%).

Results by Business Segment

<Functional Solutions>

Plastic film sales were robust during the first half of the period under review, largely due to front-loaded demand to cope with the negative aftermath of the Great East Japan Earthquake. But after entering the second half, sales contracted due to increased trade inventories and the inflow of low-priced foreign products into the Japanese market. The engineering plastic business continually faced challenging conditions resulting from the prolonged appreciation of the yen and stagnation in U.S. and European economies, as well as a declined rate of capacity utilization by client manufacturers caused by Thailand's floods. In electronic components, projected capacitive touch screens for tablet terminals enjoyed sharp sales growth during the first half of the period under review. However, after entering the second half, the sharp decline in market conditions forced GUNZE to cut back production, which in turn adversely impacted electronic components sales. In medical materials, sales were strong in China and other parts of Asia. Consequently, the functional solutions business posted net sales of ¥51,500 million (a year-over-year increase of 9.5%), while operating income was ¥3,587 million (a year-over-year decrease of 12.8%).

<Apparel>
In innerwear, GUNZE strived to expand sales of national brand products centered on fashion-oriented, casual products and functional, seasonal products. In response to the sharp rise in prices of raw materials such as cotton fibers, price revisions were implemented for some cotton products. Still, the innerwear business remained slow due to resource costs remaining at high levels combined with worsened operational efficiency. However, the women's innerwear segment enjoyed an improvement in profitability thanks largely to the withdrawal from unprofitable stores. In leg wear, although fashionable products suffered disappointing sales, sales of basic products promoting functionality advanced steadily. Plain pantyhose products showed a recovering trend in sales, with the new *Mirica* stocking released in February recording healthy sales. Consequently, the apparel business recorded net sales of ¥72,948 million (a year-over-year decrease of 2.1%) and operating income of ¥192 million (a year-over-year decrease of 80.7%).

<Lifestyle Creations>
In the real estate business, the *GUNZE Town Center TSUKASHiN* commercial facility concentrated its efforts on soliciting new tenants and implementing community-rooted sales promotion strategies. Still, the facility was adversely affected by sluggish consumption and the new opening or expanded sales area of commercial facilities in the neighborhood. The ongoing renovation work for the facility's *Nishimachi* area, which is set to reopen this October, also had a negative impact on both the number of visitors and sales. The *Maebashi LIRICA* commercial facility, for which GUNZE had worked to invite new tenants, reopened last December after renovation. In the sports club business, concentrated efforts on attracting new customers led to membership growth and steady results. Consequently, the lifestyle creation business posted net sales of ¥13,424 million (a year-over-year increase of 0.2%), while operating income was ¥920 million (a year-over-year decrease of 38.5%).

<u>Outlook for FY2012</u>
As for the outlook for the upcoming fiscal year, although demand related to rebuilding and recovery from the Great East Japan Earthquake holds promise, there are many risk factors that will worsen corporate performance and consumer confidence. These include the European sovereign-debt problem, power supply shortages caused by suspended operations at nuclear power plants, rising crude oil prices due to political instability in the Middle East, and soaring prices of raw materials. These risk factors indicate that the business environment surrounding the GUNZE Group will remain challenging.

In view of these projected difficulties, the GUNZE Group will strive to achieve sustained enhancement of its corporate value by clarifying key challenges and strategies for each business segment.

In the functional solutions business, GUNZE will strive to expand sales of highly differentiated hybrid films (composite nylon films and shrink films) in the plastic film category. Efforts will also be focused on solidifying the management foundation for companies outside of Japan. In the engineering plastics category, GUNZE will seek to encourage the use of its products for new equipment models, and promote cost reduction. To expand the electronic components business, GUNZE will focus on promoting sales of projected capacitive touch screens, along with conductive films and optical films.

In the apparel business, proactive measures will be taken for seasonal and functional products enjoying market expansion. At the same time, GUNZE will strive to strengthen its national brands, such as the mainstay brand *BODYWILD*, while working to develop new channels and expanding its market share. By enhancing the efficiency of on-demand production and global production and logistics systems, improvements in cost-competitiveness are anticipated. GUNZE will also seek to expand direct sales in Japan, as well as local sales abroad, including sales through joint ventures in China.

As for the lifestyle creation business, shopping centers are facing increasingly intense competition. In this area, GUNZE will work to differentiate its shopping centers more clearly from the competitors through the redevelopment of *TSUKASHiN*'s *Nishimachi* area. GUNZE will also work on soliciting tenants that excel in attracting customers and reinforcing community-rooted sales promotions. In the sports club business, GUNZE will continue to implement proactive strategies aimed at enhancing customer satisfaction, such as improving customer service and introducing a more appealing menu of fitness options. At the same time, GUNZE will seek to improve the profitability of its sports club business by expanding urban-style fitness clubs using the club in Kyoto, which opened on April 1, as a model facility.

For fiscal 2012 (April 1, 2012 to March 31, 2013), the GUNZE Group, through the implementation of these measures, is forecasting net sales of ¥141,500 million, with operating income of ¥3,600 million, ordinary income of ¥3,400 million and net income of ¥1,600 million.

Forecast by business segment are as follows:

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

Item \ Segment	Functional solutions	Apparel	Lifestyle creations	Eliminations/ Corporate	Total
Net sales	55,300	73,700	13,800	(1,300)	141,500
vs. FY2011	Up 7.4%	Up 1.0%	Up 2.8%	―	Up 3.6%

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets (Fiscal 2011 Overview)

As of March 31, 2012, total assets were ¥168,517 million, an increase of ¥4,599 million compared to the end of the previous fiscal year. The main components of this increase included a ¥6,029 million increase in inventories, a ¥3,292 million increase in machinery, equipment and vehicles, and a ¥2,424 million increase in notes and accounts receivable. The main components of a decrease were a ¥4,160 million decrease in investments in securities, and a ¥3,506 million decrease in construction in progress.

Total liabilities were ¥58,319 million, an increase of ¥7,748 million compared to the end of the previous fiscal year. The main component of the increase was a ¥10,103 million increase in debt (including commercial paper). The key component of a decrease was a ¥2,448 million decrease in allowance for retirement benefits.

Net assets were ¥110,197 million, a decrease of ¥3,148 million compared to the end of the previous fiscal year. The main contributors to the decrease included return of earnings to shareholders amounting to ¥1,822 million (dividend payments of ¥1,448 million and treasury stock purchase of ¥374 million), and a ¥2,162 million decrease in unrealized gains on available-for-sale securities. The main components of an increase were a net income of ¥571 million and a ¥267 million increase in minority interests.

2) Cash Flows

As of March 31, 2012, consolidated cash and cash equivalents were ¥6,078 million, or ¥826 million less than at the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the period under review.

Net cash used in operating activities totaled ¥1,417 million, compared with ¥5,050 million provided during the previous fiscal year. The major components of incoming cash flows included depreciation and amortization of ¥8,171 million. The main components of outgoing cash flows were a ¥ 6,091 million increase in inventories, a ¥2,496 million increase in notes and accounts receivable (including ¥1,734 million with the end of term date falling on a holiday), and a ¥1,140 million decrease in notes and accounts payable.

Net cash used in investing activities totaled ¥7,780 million, ¥1,822 million more than one year earlier. The main component of outgoing cash flows was payment for purchase of property, plants and equipment amounting to ¥7,387 million, including capital investment related to the functional solutions business.

Net cash provided by financing activities was ¥8,373 million, ¥5,867 million more than one year earlier. The main components of incoming cash flows were a ¥7,294 million increase in short-term debt and commercial paper, and proceeds from long-term debt amounting to ¥3,595 million. The main components of outgoing cash flows were a repayment of long-term debt amounting to ¥1,077 million, and ¥1,440 million spent for dividend payments.

3) Cash Flow Indicator Trends

	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Net worth ratio (%)	67.4	64.7	69.2	68.6	64.7
Net worth ratio on market value basis (%)	44.8	30.3	40.3	35.6	27.5
Debt coverage ratio (years)	1.2	3.0	1.3	4.7	–
Interest coverage ratio (times)	41.7	25.3	66.4	25.3	–

Notes:

The net worth ratio is equal to net worth divided by total assets.

The net worth 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 FY2011 and FY2012

Returning earnings to shareholders is one of the most important management policies at the GUNZE Group. Accordingly, the GUNZE Group works to continue providing a stable dividend based on the medium- to long-term business outlook, with a target dividend payout ratio of approximately 30% on a consolidated basis. In line with this basic policy, the GUNZE Group plans to pay a dividend of ¥7.5 per share for fiscal 2011.

The GUNZE Group also plans to pay a dividend of ¥7.5 per share for fiscal 2012.

(4) Business and Other Risks

The following risks have the potential to impact the GUNZE Group’s operating results and financial conditions. Note that items referring to the future are based on the GUNZE Group’s judgment and assumptions as of the end of the consolidated fiscal year (March 31, 2012).

1) Quality control

With the policy of “quality first” and commitment to “supply of high-quality products” remaining central to its business operations, a strict check system is in place at the GUNZE Group to confirm the safety and quality of products and services that the Group offers. The goal is to continue offering products and services that are safer, more comfortable and more appealing. Should any quality problem with materiality that is beyond its expectations occur, it may heavily and adversely impact not only the consumer's evaluation of the product in question but also the reputation of the entire product offerings of the GUNZE Group. The resultant sales drop could have a negative impact on the GUNZE Group's operating results and financial conditions.

2) Changing consumer tastes and preferences

In the apparel business, the GUNZE Group is working on the establishment of a solid SCM system and reform of the product portfolio in order to correctly respond to changing preferences and demands from consumers. As consumer preferences and demands change very rapidly, incorrect judgments on market trends are likely to lead to declining sales and increasing inventory levels. This, in turn, could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

3) Unseasonable weather conditions

As the GUNZE Group's business is dominated by the sale of seasonal products, unseasonable weather conditions such as the unusually cool summer and warm winter could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

4) Raw material price fluctuations

The GUNZE Group's products are manufactured mainly from raw fibers, cotton fibers and plastic resins, and the prices of these raw materials can vary according to economic conditions. Accordingly, soaring raw material prices lead to higher manufacturing costs. Therefore, in circumstances in which it is impossible to pass on the rising costs in the pricing of final products, the raw material price fluctuations could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

5) Information management

The GUNZE Group handles and thus must manage a large amount of important information including information on individuals in the course of business operations. The GUNZE Group is taking thorough and strict measures for information management. These measures include carefully maintaining and strengthening the security of information systems; employee education regarding information management; and concluding nondisclosure agreements with outsourcing contractors/suppliers. However, should leakage or illegal use of important information occur due to unexpected circumstances, the problem might adversely affect the social reputation of the GUNZE Group and even make the Group liable for damage. Such circumstances could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

6) Natural disasters and infection

The GUNZE Group has various production facilities and other business sites in Japan and abroad. A large-scale earthquake, typhoon, flood or other natural disaster, or the onset of infectious diseases such as a new strain of influenza, may interfere with production, sales and other operations.

Accordingly, the occurrence of such natural phenomena or diseases could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

7) International business activities
The GUNZE Group's international business activities have various intrinsic risks, including political turmoil, uncertainty in social and economic trends, terrorism, wars, intellectual property lawsuits, and disease in foreign countries/regions. Such problems could subject the GUNZE Group to potential difficulties in continuing business operations, and thus could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

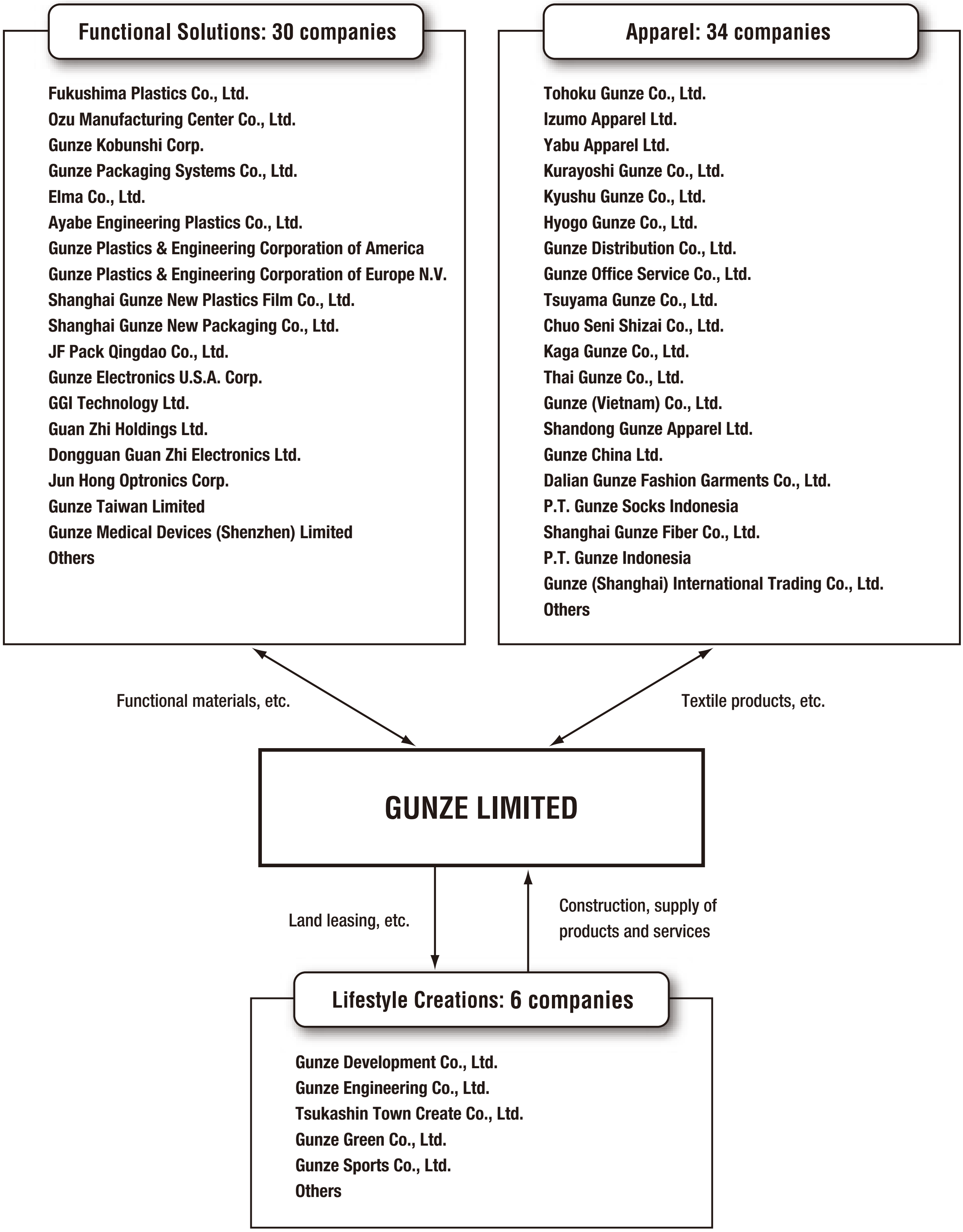
8) Foreign currency fluctuations
The GUNZE Group's business involves exports and imports denominated in foreign currencies. The GUNZE Group therefore seeks to hedge against exposure to foreign currency fluctuations in ways such as entering into forward exchange contracts. However, it is impossible to avoid all risks associated with foreign currency fluctuations, and thus these could have a negative impact, in no small degree, on the GUNZE Group's operating results and financial conditions.

9) Market price fluctuations of stocks, etc.
As part of implementing business activities or business alliances, the GUNZE Group holds stocks of some business associates. A majority of such stocks are listed on public stock exchanges, thus conditions of the stock market could have an impact, in no small degree, on the GUNZE Group's operating results and financial conditions.

10) Projected benefit obligations
Most companies comprising the GUNZE Group employ a defined benefit system for their retirement plans. Projected benefit obligations are calculated with a discount rate based on the yield of long-term government bonds, meaning that fluctuations in interest rates may impact projected benefit obligations. A part of plan assets for the defined benefit system is managed through shares and other risk-bearing investments. Declines in stock markets therefore could possibly result in a drop in the return on investment. As a result, long-term interest rate fluctuations and the worsening of the asset management environment such as sliding share prices could have a significant negative impact on the GUNZE Group's operating results and financial conditions.

2. The GUNZE Group

The GUNZE Group consists of GUNZE LIMITED and 70 related companies (63 subsidiaries and seven affiliates). The Group's main business activities range from manufacture, processing and marketing of functional materials, machinery, innerwear, leg wear and textiles, to real estate, sale of trees and plants, and operation and management of sports facilities. The following chart provides an overview of the structure and businesses of the GUNZE Group.



3. 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 strives to fulfill corporate social responsibility (CSR), while working hard to develop and offer new products and services that are safer, more comfortable and more appealing, as well as providing new functionality. In this way, GUNZE aims to become a global company that contributes to the enrichment of people’s lifestyles.

(2) Targeted Performance Indicators

To further promote shareholder-focused management practices, the GUNZE Group seeks to raise return on equity (ROE), which it views as a key performance indicator. To this end, the Group implements various measures aimed at increasing profitability, using capital more productively, and repurchasing treasury stock. The GUNZE Group also uses return on assets (ROA) to gauge the productivity of business investments in each business division and group company, in a drive to improve both the asset turnover ratio and profit margin on sales.

(3) Medium- and Long-term Management Strategies

In fiscal 2011, the GUNZE Group launched its new medium-term management plan called “Innovation 4S Plan.” With “4S,” the plan signifies the Group’s focus on the three “Ss,” namely “Solution,” “Strategy” and “Speed,” for each business segment, in each workplace, and with each product or service, in order to achieve its ultimate goal of maximizing the “big S,” i.e., “Satisfaction” of customers, employees and all other stakeholders surrounding the company. By promoting strategic programs specified for this new medium-term plan, the GUNZE Group will work on transformation of its business structure and business model. Through this endeavor, the GUNZE Group will strengthen its ability to adapt to radically changing market conditions to bring about a breakthrough toward dramatic improvement of its corporate value.

(4) Key Management Issues

Although demand related to rebuilding and recovery from the Great East Japan Earthquake holds promise, there are many risk factors that will worsen corporate performance and consumer confidence. These include the European sovereign-debt problem, power supply shortages caused by suspended operations at nuclear power plants, rising crude oil prices due to political instability in the Middle East, and soaring prices of raw materials. These risk factors indicate that the business environment surrounding the GUNZE Group will remain challenging.

In light of this situation, the upcoming fiscal year represents the second year of its medium-term plan, “Innovation 4S” (for the period up to fiscal 2013). Reflecting on its results during the plan’s initial year, GUNZE will address new strategic issues, as it strives to strengthen its ability to adapt to radically changing market conditions. GUNZE will also work on transforming its business structure and business model to bring about a breakthrough in improving corporate value.

4. Consolidated Financial Statements

(1) 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 (As of Mar. 31, 2012)
Assets		
Current assets		
Cash and cash equivalents	6,905	6,078
Notes & accounts receivable, trade	27,122	29,547
Finished products and goods	17,436	22,190
Work in process	6,423	7,177
Raw materials and supplies	5,673	6,195
Short-term loans	456	304
Deferred income taxes	1,980	1,444
Other current assets	1,752	2,475
Allowance for doubtful accounts	(28)	(21)
Total current assets	67,722	75,392
Fixed assets		
Property, plants and equipment		
Buildings and structures	97,143	101,274
Accumulated depreciation	(60,373)	(62,888)
Buildings and structures (Net)	36,770	38,386
Machinery, equipment and vehicles	90,327	96,087
Accumulated depreciation	(77,516)	(79,984)
Machinery, equipment and vehicles (Net)	12,811	16,103
Tools, furniture and fixtures	6,538	6,799
Accumulated depreciation	(5,518)	(5,809)
Tools, furniture and fixtures (Net)	1,020	989
Land	11,996	11,907
Leasehold assets	28	28
Accumulated depreciation	(12)	(16)
Leasehold assets (Net)	16	11
Construction in progress	4,854	1,348
Total property, plants and equipment	67,468	68,746
Intangible fixed assets		
Software	1,960	1,689
Other intangible fixed assets	230	226
Total intangible fixed assets	2,190	1,916
Investments and other assets		
Investments in securities	16,698	12,538
Long-term loans	525	103
Deferred income taxes	3,966	4,376
Other assets	5,493	5,513
Allowance for doubtful accounts	(147)	(69)
Total investments and other assets	26,536	22,462
Total fixed assets	96,194	93,125
Total assets	163,917	168,517

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

	End of FY2010 (As of Mar. 31, 2011)	End of FY2011 (As of Mar. 31, 2012)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	7,844	7,013
Short-term debt	3,993	4,798
Commercial paper	12,800	19,600
Current portion of long-term debt	1,081	1,077
Accrued income taxes	509	387
Allowance for employees' bonuses	1,311	1,239
Notes payable on acquisition of property, plants and equipment	635	1,695
Other current liabilities	7,081	7,533
Total current liabilities	35,257	43,344
Long-term liabilities		
Long-term debt	5,175	7,678
Allowance for retirement benefits	4,623	2,174
Long-term deposits & guarantee deposits	4,906	4,737
Other long-term liabilities	608	384
Total long-term liabilities	15,313	14,975
Total liabilities	50,571	58,319
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,082	14,080
Retained earnings	80,033	79,255
Treasury stock	(7,286)	(7,655)
Total shareholders' equity	112,900	111,752
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	2,592	430
Deferred gains (losses) on hedge	(416)	(220)
Revaluation differences on land	(400)	(400)
Foreign currency translation adjustments	(2,228)	(2,582)
Total accumulated other comprehensive income	(452)	(2,773)
Stock acquisition rights	200	253
Minority interests	697	964
Total net assets	113,345	110,197
Total liabilities and net assets	163,917	168,517

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

Consolidated Statements of Income

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Net sales	133,705	136,621
Cost of sales	97,295	102,717
Gross profit	36,409	33,904
Selling, general & administrative expenses	33,324	32,880
Operating income	3,085	1,023
Non-operating income		
Interest income	28	21
Dividend income	335	299
Rental income	582	607
Gain on allotment of investment securities	145	-
Other	254	182
Total non-operating income	1,346	1,111
Non-operating expenses		
Interest expenses	163	170
Rental costs	479	574
Exchange loss	239	172
Other	263	242
Total non-operating expenses	1,146	1,159
Ordinary income	3,285	975
Extraordinary income		
Gain on sale of property, plants & equipment	484	81
Reversal of allowance for doubtful accounts	17	-
Penalty received	1,337	-
Gain on establishment of employee retirement benefit trust	969	4,076
Other	33	23
Total extraordinary income	2,842	4,181
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	133	166
Loss on valuation of investments in securities	8	-
Amortization of actuarial differences in retirement benefits	2,247	2,492
Expenses on business structure improvement	287	-
Loss on disaster	223	-
Effect of application of accounting standard for asset retirement obligations	62	-
Other	146	182
Total extraordinary loss	3,110	2,842
Income before income taxes and minority interests	3,016	2,315
Income, residential and enterprise taxes	567	534
Adjustment for income and other taxes	645	1,370
Total income and other taxes	1,213	1,905
Income before minority interests	1,803	410
Minority interests in income (loss)	6	(160)
Net income	1,796	571

Consolidated Statements of Comprehensive Income

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Income before minority interests	1,803	410
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(2,195)	(2,162)
Deferred gains (losses) on hedge	(161)	195
Foreign currency translation adjustments	(1,102)	(386)
Total other comprehensive income (loss)	(3,459)	(2,352)
Comprehensive income (loss) attributable to:	(1,656)	(1,942)
Shareholders of the Parent Company	(1,609)	(1,668)
Minority interests	(46)	(273)

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

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Shareholders' equity		
Common stock		
Balance at the beginning of the period	26,071	26,071
Changes in the period		
Total changes in the period	-	-
Balance at the end of the period	26,071	26,071
Capital surplus		
Balance at the beginning of the period	14,085	14,082
Changes in the period		
Disposal of treasury stock	(2)	(2)
Total changes in the period	(2)	(2)
Balance at the end of the period	14,082	14,080
Retained earnings		
Balance at the beginning of the period	79,727	80,033
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Net income	1,796	571
Change in scope of consolidation	(8)	99
Reversal of land revaluation differences	0	-
Others	(3)	-
Total changes in the period	305	(777)
Balance at the end of the period	80,033	79,255
Treasury stock		
Balance at the beginning of the period	(6,089)	(7,286)
Changes in the period		
Acquisition of treasury stock	(1,217)	(374)
Disposal of treasury stock	20	5
Total changes in the period	(1,197)	(368)
Balance at the end of the period	(7,286)	(7,655)
Total shareholders' equity		
Balance at the beginning of the period	113,794	112,900
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Net income	1,796	571
Change in scope of consolidation	(8)	99
Reversal of land revaluation differences	0	-
Acquisition of treasury stock	(1,217)	(374)
Disposal of treasury stock	17	3
Others	(3)	-
Total changes in the period	(894)	(1,147)
Balance at the end of the period	112,900	111,752

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities		
Balance at the beginning of the period	4,788	2,592
Changes in the period		
Net changes of items other than shareholders' equity	(2,195)	(2,162)
Total changes in the period	(2,195)	(2,162)
Balance at the end of the period	2,592	430
Deferred gains on hedge		
Balance at the beginning of the period	(254)	(416)
Changes in the period		
Net changes of items other than shareholders' equity	(161)	195
Total changes in the period	(161)	195
Balance at the end of the period	(416)	(220)
Revaluation difference on land		
Balance at the beginning of the period	(400)	(400)
Changes in the period		
Net changes of items other than shareholders' equity	(0)	-
Total changes in the period	(0)	-
Balance at the end of the period	(400)	(400)
Foreign currency translation adjustments		
Balance at the beginning of the period	(1,179)	(2,228)
Changes in the period		
Net changes of items other than shareholders' equity	(1,048)	(353)
Total changes in the period	(1,048)	(353)
Balance at the end of the period	(2,228)	(2,582)
Total accumulated other comprehensive income		
Balance at the beginning of the period	2,953	(452)
Changes in the period		
Net changes of items other than shareholders' equity	(3,406)	(2,320)
Total changes in the period	(3,406)	(2,320)
Balance at the end of the period	(452)	(2,773)
Stock acquisition rights		
Balance at the beginning of the period	149	200
Changes in the period		
Net changes of items other than shareholders' equity	50	52
Total changes in the period	50	52
Balance at the end of the period	200	253

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	**FY2011** (Apr. 1, 2011 - Mar. 31, 2012)
Minority interests		
Balance at the beginning of the period	658	697
Changes in the period		
Net changes of items other than shareholders' equity	38	267
Total changes in the period	38	267
Balance at the end of the period	697	964
Total net assets		
Balance at the beginning of the period	117,556	113,345
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Net income	1,796	571
Change in scope of consolidation	(8)	99
Reversal of land revaluation differences	0	-
Acquisition of treasury stock	(1,217)	(374)
Disposal of treasury stock	17	3
Others	(3)	-
Net changes of items other than shareholders' equity	(3,316)	(2,000)
Total changes in the period	(4,210)	(3,148)
Balance at the end of the period	113,345	110,197

(4) Consolidated Statements of Cash Flows

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	3,016	2,315
Depreciation and amortization	7,898	8,171
Increase (decrease) in allowance for doubtful accounts	(26)	(7)
Increase (decrease) in allowance for retirement benefits	(1,242)	12
Increase (decrease) in allowance for employees' bonuses	(114)	(78)
Interest and dividend income	(363)	(321)
Interest expenses	163	170
Loss (gain) on sale and disposal of fixed assets	(350)	85
Loss (gain) on valuation of investments in securities	8	-
Loss (gain) on establishment of employee retirement benefit trust	(969)	(4,076)
Amortization of (gain on) actuarial differences in retirement	2,247	2,492
Effect of application of accounting standard for asset retirement obligations	62	-
Loss on disaster	223	-
Expenses on business structure improvement	287	-
Penalty received	(1,337)	-
Other losses (gains)	(175)	(70)
Decrease (increase) in notes and accounts receivable	(280)	(2,496)
Decrease (increase) in inventories	(51)	(6,091)
Decrease (increase) in other current assets	335	(340)
Increse (decrease) in notes and accounts payable	(232)	(1,140)
Increase (decrease) in deposits and guarantee deposits	(2,712)	(149)
Increase (decrease) in other current liabilities	(962)	482
Increase (decrease) in other long-term liabilities	32	142
Subtotal	5,459	(900)
Interest and dividends received	364	321
Interest paid	(199)	(191)
Income tax refund (paid)	(573)	(646)
Net cash provided by (used in) operating activities	5,050	(1,417)
Cash flows from investing activities		
Payments for purchase of property, plants & equipment	(6,562)	(7,387)
Proceeds from sale of property, plants & equipment	517	214
Payments for disposition of property, plants & equipment	(53)	(80)
Payments for acquisition of investment securities	(37)	(460)
Net decrease (increase) in loans	42	195
Other	136	(263)
Net cash provided by (used in) investing activities	(5,958)	(7,780)

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

	FY2010 (Apr. 1, 2010 - Mar. 31, 2011)	FY2011 (Apr. 1, 2011 - Mar. 31, 2012)
Cash flows from financing activities		
Net increase (decrease) in short-term debt and commercial paper	3,184	7,294
Proceeds from issuance of long-term debt	3,707	3,595
Repayments of long-term debt	(1,800)	(1,077)
Cash dividends paid	(1,472)	(1,440)
Acquisition of treasury stock	(1,217)	(374)
Other	104	376
Net cash provided by (used in) financing activities	2,506	8,373
Effect of exchange rate changes on cash & cash equivalents	(189)	(111)
Increase (decrease) in cash and cash equivalents	1,409	(936)
Cash and cash equivalents at the beginning of the period	5,496	6,905
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	0	109
Cash and cash equivalents at the end of the period	6,905	6,078

(5) Notes Regarding Assumptions of a Going Concern

None applicable

(6) Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

A. Scope of Consolidation

The GUNZE Group consists of GUNZE LIMITED and 43 consolidated subsidiaries. Major companies are listed in the section of this report titled “2. The GUNZE Group.” During the period under review, five companies, namely Ozu Manufacturing Center Co., Ltd.; JF Pack Qindao Co., Ltd.; Jun Hong Optronics Corp.; Gunze Taiwan Limited; and Gunze Medical Devices (Shenzhen) Limited, were included in the scope of consolidation, while one company, Lufran Co., Ltd., was excluded from consolidation due to being liquidated.

All 20 non-consolidated subsidiaries, which include Fukushima Gravure Co., Ltd. and other companies, conduct operations that are relatively small in scale and consequently have a minimal effect on the GUNZE Group’s financial performance for the fiscal year. GUNZE deems these subsidiaries to be of minor importance in terms of total assets, net sales, net income (loss) or retained earnings (in proportion to GUNZE’s equity holdings in these companies). They are therefore excluded from the scope of consolidation.

B. Application of Equity-Method Accounting

The equity method of accounting has not been applied for investments in the 20 non-consolidated subsidiaries and seven affiliates, including Chongbang Gunze Co., Ltd., because the effect on consolidated performance would not be material from the standpoint of net income (loss) or retained earnings (in proportion to GUNZE’s equity holdings in these companies), and these affiliates are of minor importance as a whole.

C. Business Years of Consolidated Subsidiaries

The 21 foreign consolidated subsidiaries’ fiscal year balance date is December 31. In the preparation of the consolidated financial statements, the financial statements of these companies as of December 31 are employed and adjustments have been made on a consolidated basis as necessary regarding any significant transactions occurring between the end of the fiscal year of these companies and the end of the consolidated fiscal year.

D. Accounting Standards and Treatment

(a) Methods for Valuation of Inventories

Finished products, goods, work in process, raw materials and supplies are stated principally at cost determined by the moving-average method; and machinery in process is stated at cost determined by the identified-cost method. Amounts reported on the balance sheet are calculated using the write-down method reflecting decline in profitability.

(b) Methods for Valuation of Other Marketable Securities

Other securities with fair market value are stated at fair market value, determined by the market price as of the fiscal year balance sheet date and other factors. Unrealized gains and losses on these securities are fully capitalized and reported as a separate component of net assets and the cost of securities sold is determined by the moving-average method. Other securities with no fair market value are stated at cost determined by the moving-average method.

(c) Methods for Valuation of Derivatives

Derivatives are stated at fair market value.

(d) Methods for Depreciating and Amortizing Important Assets

1) Property, plants and equipment

- Property, plants and equipment other than lease assets

GUNZE and its domestic consolidated subsidiaries principally use the declining-balance method. Buildings purchased on or after April 1, 1998 (excluding those facilities attached to buildings) are depreciated using the straight-line method. Foreign consolidated subsidiaries depreciate their property, plants and equipment by the straight-line method.

- Lease assets

Finance lease assets that do not transfer ownership are depreciated to an eventual residual value of zero, using the straight-line method within their lease service life. For finance leases that do not transfer ownership, and which began before the initial year in which the Accounting Standard for Lease Transactions was applied, the conventional accounting method for lease transactions is applied as before.

2) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method. Software used in-house is amortized using the straight-line method over a useful life of five years.

(e) Accounting for Allowances

1) Allowance for doubtful accounts

GUNZE and its domestic consolidated subsidiaries provide an allowance for doubtful accounts for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated uncollectible amounts for specific claims where there is an acknowledged credit risk based on an assessment of the likely recoverable monies on an individual assessment of each account, and a general reserve calculated based on historical default rates. Possible losses at foreign consolidated subsidiaries are accounted for based on customers’ asset portfolios and other factors.

2) Allowance for employees’ bonuses

GUNZE and its domestic consolidated subsidiaries provide an allowance for employees’ bonuses to adequately cover estimated payments of such bonuses for the applicable period.

3) Allowance for retirement benefits

GUNZE and its domestic consolidated subsidiaries provide an allowance for retirement benefits to adequately cover the retirement costs of employees. The allowance is determined as of the end of the consolidated fiscal year on the basis of projected benefit obligations and plan assets at the fiscal year balance sheet date. In the first fiscal year of application, GUNZE recognized the temporary amortization of transitional obligations arising from the adoption of new accounting standards for retirement benefits through the contribution of securities to an employee retirement benefit trust. The transitional obligation was recognized as a lump-sum amortization by the consolidated subsidiaries. Prior service costs are accounted for by the straight-line method over a fixed number of years (5 to 10 years), based on the average number of years of employee service remaining at the time incurred. Actuarial gains and losses are also expensed using the straight-line method over a fixed number of years (5 years) starting from the fiscal year following the year in which such differences are incurred, based on the average number of years of employee service remaining at the time incurred.

(f) Translation of Foreign Currencies

Monetary receivables and payables denominated in foreign currencies were translated into Japanese yen at the spot exchange rates at the consolidated fiscal year balance sheet date and the resulting exchange gain and loss were charged to income. Assets and liabilities, and revenues and expenses of subsidiaries outside Japan (except for Dalian Gunze Fashion Garments Co., Ltd.) were translated into Japanese yen at the spot exchange rates at the fiscal year balance sheet date, with translation differences listed under minority interests and reported in net assets as foreign currency translation adjustments.

(g) Hedge Accounting

GUNZE enters into forward exchange contracts as a hedge against exposure to foreign currency fluctuations within the scope of anticipated import-export transactions denominated in foreign currencies. Deferred hedge accounting is used in principle. Foreign exchange contracts are allocated to specific foreign currency denominated receivables and payables when conditions for using the allocation method are met. GUNZE undertakes forward exchange contracts for import-export transactions in accordance with regulations on the scope of authority to execute such transactions and set transaction limits.

(h) Accounting Treatment of Consumption Tax

Financial statements are prepared exclusive of consumption tax.

(i) Amortization of Goodwill and Amortization Period

Goodwill is amortized in equal amounts over a five-year period.

(j) Scope of Cash and Cash Equivalents in the Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of less than three months that can be readily converted into cash and carry little risk of fluctuation in value.

(7) Additional Information

Application of Accounting Standard for Accounting Changes and Error Corrections

Effective from accounting changes and/or corrections of prior period errors conducted after the beginning of the consolidated fiscal year under review, GUNZE adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).

(8) Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Millions of yen)

A. Accumulated depreciation on property, plants and equipment

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
	143,420	148,699

B. Collateral and obligations collateralized:

[Assets pledged as collateral]

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Buildings (Note)	21	21
Land (Note)	8	8
Investment securities with market value	573	748
Total	603	778

Note: Buildings and land pledged as collateral comprise joint collateral for ¥2,327 million borrowed by the Urban Redevelopment Union for the Konosu Station East Exit A-District, for which GUNZE serves as a member of the executive board.

[Obligations collateralized by the above]

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Other current liabilities (deposits)	9	–
Long-term deposits & guarantee deposits	328	328
Total	337	328

C. Loan guarantees (incl. other similar guarantor obligations)

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
	1,226	655

D. Shares of non-consolidated subsidiaries and affiliates

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Investment securities with market value (shares)	1,967	2,060
Others (investments)	1,361	1,537

E. Reevaluation of land

Consolidated subsidiary Gunze Development Co., Ltd. revaluates land held for commercial purposes in accordance with Law No. 34, "Law concerning Land Revaluation" (enacted on March 31, 1998). As a result, GUNZE recorded an item for the revaluation difference of land under net assets.

- Revaluation method:

Gunze Development computes the value of the land based on the method prescribed by the Director General of the National Tax Administration Agency, with rational adjustments. This method is based on calculations of land value for the purpose of land value tax, as stipulated by Article 16 of the Land Value Tax Law (enacted as Law No. 69 in 1991), which is specified by Article 2-4 of the Enforcement Ordinance No. 119, enacted on March 31, 1998 pertaining to the Law.

- Revaluation date: March 31, 2000

(Millions of yen)

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Difference between the book value after revaluation and market price at the end of term of the revalued land	(362)	(385)

Notes to Consolidated Statements of Income

(Millions of yen)

A. Major items of selling, general and administrative expenses

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
Freight and transportation expenses and storage fees	7,968	7,939
Advertising and promotional costs	2,504	2,307
Employees' salaries, bonuses and allowances	8,220	7,839
Transfer to allowance for bonuses	563	529
Transfer to allowance for retirement benefits	574	545
Depreciation and amortization expenses	549	501

B. Research and development costs included in general and administrative expenses and manufacturing costs

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
General and administrative expenses	3,346	3,247

C. Gain on sale of property, plants and equipment by category

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
Buildings and structures	−	8
Machinery and vehicles	13	14
Tools, furniture and fixtures	0	1
Land	471	57
Total	484	81

D. Loss on sale or disposal of property, plants and equipment by category

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
Buildings and structures	36	124
Machinery and vehicles	85	39
Tools, furniture and fixtures	7	2
Intangible fixed assets	4	−
Total	133	166

E. Amortization of unrecognized actuarial differences related to retirement benefit obligations

FY2010 (April 1, 2010 to March 31, 2011)

GUNZE posted an amortization loss arising from unrecognized actuarial differences related to retirement benefit obligations, resulting mainly from the declined return on plan assets (including retirement benefit trust assets), as an extraordinary loss during the consolidated fiscal year under review because of a substantial amortization amount.

FY2011 (April 1, 2011 to March 31, 2012)

Same as above

Notes to Statements of Comprehensive Income

FY2011 (Apr. 1, 2011 to Mar. 31, 2012)

Reclassification Adjustment and Income Tax Benefit (Expense) Related to Other Comprehensive Income

	(Millions of yen)
Unrealized gains (losses) on available-for-sale securities	
Unrealized gains (losses) during the period	538
Reclassification adjustments	(4,076)
Net unrealized gains (losses)	(3,537)
Income tax benefit (expense)	1,375
Total unrealized gains (losses) on available-for-sale securities	(2,162)

Deferred gains (losses) on hedge	
Deferred gains (losses) during the period	(63)
Reclassification adjustments	401
Net deferred gains (losses)	338
Income tax benefit (expense)	(142)
Total deferred gains (losses) on hedge	195
Foreign currency translation adjustments	
Translation adjustments during the period	(386)
Total other comprehensive income	(2,352)

Notes to Consolidated Statements of Changes in Shareholders' Equity

FY2010 (April 1, 2010 to March 31, 2011)

A. Issued Shares

Type of shares	Number of shares held as of Apr. 1, 2010	Increase	Decrease	Number of shares held as of Mar. 31, 2011
Common stock (shares)	209,935,165	—	—	209,935,165

B. Treasury Stock

Types of shares	Number of shares held as of Apr. 1, 2010	Increase	Decrease	Number of shares held as of Mar. 31, 2011
Common stock (shares)	12,730,729	4,167,605	44,922	16,853,412

(Reasons for changes)

Breakdown of increase

Increase from acquisition of treasury stock based on resolution of Board Of Directors Meeting: 4,000,000 shares

Increase from acquisition of odd-lot shares: 167,605 shares

Breakdown of decrease

Decrease from release of treasury stock to allow shareholders with less than a full lot to complete their holdings: 16,922 shares

Decrease from exercise of stock acquisition rights: 28,000 shares

C. Type and Number of Shares to be Issued upon Exercise of Stock Acquisition Rights

Common stock: 673,000 shares

D. Dividends

(a) Dividends paid

Resolution	Type of shares	Total dividends (¥ millions)	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 25, 2010	Common stock	1,479	7.5	Mar. 31, 2010	June 28, 2010

(b) Dividends with record date within the fiscal year under review and effective date in the following fiscal year

Resolution	Type of shares	Total dividends (¥ millions)	Source of dividends	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 24, 2011	Common stock	1,448	Retained earnings	7.5	Mar. 31, 2011	June 27, 2011

FY2011 (April 1, 2011 to March 31, 2012)

A. Issued Shares

Type of shares	Number of shares held as of Apr. 1, 2011	Increase	Decrease	Number of shares held as of Mar. 31, 2012
Common stock (shares)	209,935,165	–	–	209,935,165

B. Treasury Stock

Types of shares	Number of shares held as of Apr. 1, 2011	Increase	Decrease	Number of shares held as of Mar. 31, 2012
Common stock (shares)	16,853,412	1,529,686	13,412	18,369,686

(Reasons for changes)

Breakdown of increase

Increase from acquisition of treasury stock based on resolution of Board of Directors Meeting: 1,500,000 shares

Increase from acquisition of odd-lot shares: 29,686 shares

Breakdown of decrease

Decrease from release of treasury stock to allow shareholders with less than a full lot to complete their holdings: 13,412 shares

C. Type and Number of Shares to be Issued upon Exercise of Stock Acquisition Rights

Common stock: 933,000 shares

D. Dividends

(a) Dividends paid

Resolution	Type of shares	Total dividends (¥ millions)	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 24, 2011	Common stock	1,448	7.5	Mar. 31, 2011	June 27, 2011

(b) Dividends with record date within the fiscal year under review and effective date in the following fiscal year

Resolution	Type of shares	Total dividends (¥ millions)	Source of dividends	Dividend per share (¥)	Record date	Effective date
General Meeting of Shareholders June 26, 2012 (scheduled)	Common stock	1,436	Retained earnings	7.5	Mar. 31, 2012	June 27, 2012

Notes to Consolidated Statements of Cash Flows

Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents

(Millions of yen)

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011** (Apr. 1, 2011 to Mar. 31, 2012)
Cash and deposits	6,905	6,078

Notes to Lease Transactions

Non-ownership-transfer financial lease transactions which began before the initial year in which the Accounting Standard for Lease Transactions was applied

(1) Amount equivalent to acquisition cost of leased assets, amount equivalent to accumulated depreciation, and amount equivalent to the balance at the end of the period

FY2010 (As of March 31, 2011)

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Software	Total
Amount equivalent to acquisition cost	4	257	1,193	158	1,612
Amount equivalent to accumulated depreciation	2	228	966	148	1,345
Amount equivalent to balance at end of period	2	28	226	9	266

Amount equivalent to the acquisition cost of leased assets is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the applicable period accounts for a low percentage of the balance of tangible fixed assets.

FY2011 (As of March 31, 2012)

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Software	Total
Amount equivalent to acquisition cost	4	130	1,014	158	1,306
Amount equivalent to accumulated depreciation	2	113	938	157	1,212
Amount equivalent to balance at end of period	1	16	75	0	94

Amount equivalent to the acquisition cost of leased assets is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the applicable period accounts for a low percentage of the balance of tangible fixed assets.

(2) Amount equivalent to the balance of unexpired lease fees at the end of the period

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Within one year	172	68
Over one year	94	25
Total	266	94

Amount equivalent to the balance of unexpired lease fees at the end of the applicable period is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the period accounts for a low percentage of the balance of tangible fixed assets.

(3) Lease fees paid and amount equivalent to depreciation cost

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Lease fees paid	260	172
Amount equivalent to depreciation cost	260	172

(4) Calculation method for the amount equivalent to depreciation cost

Assuming the lease period as the useful life, the straight-line method with the residual value as zero is used to calculate the amount equivalent to depreciation cost.

1. Financial Lease Transactions

Non-ownership-transfer finance lease transactions

(1) Lease assets

Assets leased during fiscal 2010 and fiscal 2011 were tangible fixed assets mainly including servers (tools, furniture and fixtures).

(2) Depreciation of lease assets

As stated in “D. Accounting Standards and Treatment” of “(6) Significant Accounting Policies Used in Preparation of Consolidated Financial Statements.”

2. Operating leases

Unexpired lease fee balance for non-cancellable operating leases

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Within one year	47	23
Over one year	24	15
Total	72	39

Notes to Financial Instruments

A. Status of Financial Instruments

(a) Financial instrument transaction policy
The GUNZE Group restricts its fund management to time deposits and other short-term investments. Also, the GUNZE Group's policy is to raise funds mainly by borrowing from banks and issuing commercial paper. Its policy is to use derivatives strictly as a hedge to avoid the risks discussed below. The GUNZE Group does not conduct any speculative transactions.

(b) Details of financial instruments and risks
GUNZE's operating receivables, including trade notes and accounts receivable, are exposed to the credit risk of customers. GUNZE also provides short- and long-term loans to its non-consolidated subsidiaries, affiliates and others. Investment securities with market quotations mostly consist of listed shares of companies with which GUNZE has business associations, which are exposed to the risk of fluctuations in market prices.

GUNZE's trade notes and accounts payable, as well as notes payable on acquisition of property, plants and equipment are mostly current with due dates within a year. Short-term debt and commercial paper are primarily used for short-term fund raising related to operations. Long-term debt is mainly used for capital investment, and thus is exposed to the risk of interest rate fluctuations. Long-term deposits and guarantee deposits mainly consist of deposits from tenants, etc. related to the real estate business.

GUNZE undertakes derivative transactions as a hedge against exposure to foreign currency fluctuations related to operating receivables and payables denominated in foreign currencies. Regarding hedging activities, refer to "D. Accounting Standards and Treatment, (g) Hedge Accounting" of "(6) Significant Accounting Policies Used in Preparation of Consolidated Financial Statements."

(c) Risk management system related to financial instruments
1) Management of credit risk (risks arising from non-performance of contract by counterparties)
At the GUNZE Group, relevant administrative departments manage due dates, balances and other items for each account or debtor, pursuant to internal regulations, regarding operating receivables and short- and long-term loans, in order to minimize default risk.

As for derivative transactions, the GUNZE Group considers the exposure to credit risk arising from non-performance by counterparties to be minimal since the counterparties are mainly highly creditable financial institutions.

2) Management of market risk (risk of loss in value due to fluctuations in exchange and interest rates)
As for foreign currency-denominated operating receivables and payables, GUNZE enters into forward exchange contracts for foreign currency-denominated operating payables which are expected to arise from forecasted import transactions. Derivative transactions are undertaken and managed according to the internal regulations specifying details of transactions, organizations in charge, internal check systems and others.

As for marketable investment securities with market quotations, GUNZE assesses fair values on a quarterly basis, and considers its relationship with the counterparties and other factors, regularly reviewing whether or not to hold the applicable investment securities until maturity.

3) Management of liquidity risk arising from funding (risk of becoming unable to make required payment on due date)
GUNZE's financial department makes or updates a financial plan every month based on reports from each department or subsidiary/affiliate. GUNZE also makes sure that on-hand liquidity is kept at an appropriate level that reflects the current financial market situation in order to effectively manage liquidity risk.

B. Fair Values of Financial Instruments, etc.

The following table presents the carrying amounts of financial instruments recorded on consolidated balance sheets and fair values at the end of the consolidated fiscal year under review, and differences thereof. Certain financial instruments having no readily determinable fair value are not included (see Note 2).

FY2010 (As of March 31, 2011)

(Millions of yen)

	Carrying amount recorded on consolidated balance sheets	Fair value	Difference
(1) Cash and cash equivalents	6,905	6,905	—
(2) Trade notes and accounts receivable	27,122	27,122	—
(3) Short-term loans	456	456	—
(4) Investment securities	14,552	14,552	—
(5) Long-term loans	525	532	6
Total assets	49,561	49,568	6
(6) Trade notes and accounts payable	7,844	7,844	—
(7) Short-term debt	3,993	3,993	—
(8) Commercial paper	12,800	12,800	—
(9) Current portion of long-term debt	1,081	1,081	—

	Carrying amount recorded on consolidated balance sheets	Fair value	Difference
(10) Notes payable on acquisition of property, plants and equipment	635	635	—
(11) Long-term debt	5,175	5,175	—
(12) Long-term deposits and guarantee deposits	4,906	4,426	(479)
Total liabilities	36,436	35,957	(479)
(13) Derivatives*	(697)	(697)	—

* Debts and credits arising from forward exchange contracts are recorded in net amounts. In the case that the total becomes a debt, it is included within parentheses.

FY2011 (As of March 31, 2012)

(Millions of yen)

	Carrying amount recorded on consolidated balance sheets	Fair value	Difference
(1) Cash and cash equivalents	6,078	6,078	—
(2) Trade notes and accounts receivable	29,547	29,547	—
(3) Short-term loans	304	304	—
(4) Investment securities	10,299	10,299	—
(5) Long-term loans	103	106	3
Total assets	46,332	46,335	3
(6) Trade notes and accounts payable	7,013	7,013	—
(7) Short-term debt	4,798	4,798	—
(8) Commercial paper	19,600	19,600	—
(9) Current portion of long-term debt	1,077	1,077	—
(10) Notes payable on acquisition of property, plants and equipment	1,695	1,695	—
(11) Long-term debt	7,678	7,678	—
(12) Long-term deposits and guarantee deposits	4,737	4,372	(365)
Total liabilities	46,600	46,235	(365)
(13) Derivatives*	(419)	(419)	—

* Debts and credits arising from forward exchange contracts are recorded in net amounts. In the case that the total becomes a debt, it is included within parentheses.

Notes:
1. Fair value calculation methods for financial instruments, and notes related to marketable securities and derivatives

(Assets)
(1) Cash and cash equivalents, (2) Trade notes and accounts receivable, (3) Short-term loans
Since these assets are settled on a short-term basis, the carrying values approximate fair values. The carrying values are therefore indicated as fair values.

(4) Investment securities
The fair values of shares are determined in terms of the prices listed on the Stock Exchange. As for notes regarding marketable securities for each purpose of holding, refer to “Notes to Marketable Securities.”

(5) Long-term loans
The fair values of long-term loans are determined using the present value of discounted collectible principal and interest amounts estimated reflecting their collectability, based on an appropriate rate in which a credit spread is added to a risk-free benchmark rate (such as a government bond yield) corresponding to the remaining term of loan.

(Liabilities)
(6) Trade notes and accounts payable, (7) Short-term debt, (8) Commercial paper, (9) Current portion of long-term debt, (10) Notes payable on acquisition of property, plants and equipment
Since these liabilities are settled on a short-term basis, the carrying values approximate fair values. The carrying values are therefore indicated as fair values.

(11) Long-term debt
Long-term debt with a floating interest rate reflects the market interest rate and credit standing of the company, thus its carrying value approximates the fair value. The carrying value is therefore indicated as the fair value of the long-term debt.

(12) Long-term deposits and guarantee deposits
Fair values are determined using the present value of discounted future cash flows, based on an appropriate rate in which a credit spread is added to the risk-free benchmark rate (such as a government bond yield) corresponding to the remaining term of real estate rent.

(Derivatives)
Refer to “ Notes to Derivatives.”

2. Carrying amounts of difficult-to-value financial instruments recorded on consolidated balance sheets

(Millions of yen)

Types	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Unlisted securities	2,146	2,238

Unlisted securities are not included in “(4) Investment securities,” because these securities are without quotations, which makes it extremely difficult to assess fair values.

Notes to Marketable Securities

A. The Company does not hold any held-to-maturity bonds with market quotations.

FY2010 (As of March 31, 2011)
None applicable.

FY2011 (As of March 31, 2012)
None applicable.

B. Other marketable securities with market quotations

FY2010 (As of March 31, 2011) (Millions of yen)

Category	Carrying amounts	Acquisition cost	Difference
Securities with balance sheet amounts that exceed acquisition cost			
Shares	10,195	3,219	6,975
Bonds	-	-	-
Other	-	-	-
Subtotal	10,195	3,219	6,975
Securities with balance sheet amounts that do not exceed acquisition cost			
Shares	4,357	6,987	(2,630)
Bonds	-	-	-
Other	-	-	-
Subtotal	4,357	6,987	(2,630)
Total	14,552	10,206	4,345

FY2011 (As of March 31, 2012) (Millions of yen)

Category	Carrying amounts	Acquisition cost	Difference
Securities with balance sheet amounts that exceed acquisition cost			
Shares	6,033	2,820	3,212
Bonds	-	-	-
Other	-	-	-
Subtotal	6,033	2,820	3,212
Securities with balance sheet amounts that do not exceed acquisition cost			
Shares	4,266	6,671	(2,404)
Bonds	-	-	-
Other	-	-	-
Subtotal	4,266	6,671	(2,404)
Total	10,299	9,491	807

C. Other marketable securities sold during the period

FY2010 (April 1, 2010 - March 31, 2011)
None applicable.

FY2011 (April 1, 2011 - March 31, 2012) (Millions of yen)

Category	Sale price	Total gain on sale	Total loss on sale
Shares	0	0	-
Bonds	-	-	-
Other	-	-	-
Total	0	0	-

Notes to Derivatives

FY2010 (As of March 31, 2011)

A. Derivative transactions for which hedge accounting is not applied

Currency-related transactions (Millions of yen)

Category	Type of transactions	Contract amount	Term of contract exceeding one year	Fair value	Valuation gain (loss)
Non-market transactions	Forward exchange contract of buying USD	3,484	1,296	(9)	(9)
	Total	3,484	1,296	(9)	(9)

Note: Fair values are calculated, based on prices offered by financial institutions.

B. Derivative transactions for which hedge accounting is applied

Currency-related transactions (Millions of yen)

Hedge accounting method	Type of transactions	Hedged items	Contract amount	Term of contract exceeding one year	Fair value
Deferred hedge accounting and appropriated accounting	Forward exchange contract of buying USD	Trade notes and accounts payable	4,956	2,373	(688)
	Total		4,956	2,373	(688)

Note: Fair values are calculated, based on prices offered by financial institutions.

FY2011 (As of March 31, 2012)

A. Derivative transactions for which hedge accounting is not applied

Currency-related transactions (Millions of yen)

Category	Type of transactions	Contract amount	Term of contract exceeding one year	Fair value	Valuation gain (loss)
Non-market transactions	Forward exchange contract of buying USD	5,365	2,799	(69)	(69)
	Total	5,365	2,799	(69)	(69)

Note: Fair values are calculated, based on prices offered by financial institutions.

B. Derivative transactions for which hedge accounting is applied

Currency-related transactions (Millions of yen)

Hedge accounting method	Type of transactions	Hedged items	Contract amount	Term of contract exceeding one year	Fair value
Deferred hedge accounting and appropriated accounting	Forward exchange contract of buying USD	Trade notes and accounts payable	2,373	0	(349)
	Forward exchange contract of selling USD	Trade notes and accounts receivable	32	0	0
	Total		2,405	0	(349)

Note: Fair values are calculated, based on prices offered by financial institutions.

Notes to Retirement Benefits

A. Description of Retirement Benefit Systems Used

GUNZE and its domestic consolidated subsidiaries have a defined benefit system comprising a defined benefit corporate pension, a lump-sum retirement payment and an employees' pension fund, as well as a defined contribution pension system and an employees' severance prepayment system. When an employee retires, GUNZE sometimes has to provide premium severance pay not included in the projected benefit obligations actually calculated according to GUNZE's retirement plan. GUNZE has also set up a retirement benefit trust. Some foreign consolidated subsidiaries provide defined benefit systems and defined contribution pension systems. The percentage breakdown of retirement systems in use is 36.5% for the defined benefit corporate pension system, 36.5% for the lump-sum retirement payment system, and 27% for the defined contribution pension system (employees' severance prepayment system option is also available).

B. Retirement Benefit Obligation

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011** **(Mar. 31, 2012)**
(1) Projected benefit obligation	(38,391)	(36,579)
(2) Plan assets	28,475	30,914
(3) Funded status ((1) + (2))	(9,915)	(5,664)
(4) Untreated transitional differences to new accounting standards for retirement benefits	—	—
(5) Unrecognized net actuarial gains and losses	6,349	4,415
(6) Unrecognized prior service cost (decrease in obligation)	—	—
(7) Net amount stated on consolidated balance sheet ((3) + (4) + (5) + (6))	(3,566)	(1,248)
(8) Prepaid pension expenses	1,056	926
(9) Allowance for severance and pension benefits ((7) – (8))	(4,623)	(2,174)

Notes:
1. Some subsidiaries use the simplified method in calculating the projected benefit obligation.
2. The comprehensive employees' pension fund used by some consolidated subsidiaries cannot be merely calculated from the contributions of each company to the plan assets. As a result, figures have not been included above.
   The amounts of plan assets calculated from the premium contribution ratio at the end of fiscal 2010 and fiscal 2011 are ¥612 million and ¥601 million, respectively.

C. Retirement Benefit Expenses

(Millions of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011** **(Apr. 1, 2011 – Mar. 31, 2012)**
(1) Service cost	1,032	985
(2) Interest cost	751	721
(3) Expected return on assets	(509)	(533)
(4) Amortization of net transition difference to new accounting standards for retirement benefits	—	—
(5) Amortization of net actuarial gains and losses	2,247	2,492
(6) Amortization of prior service cost	—	—
(7) Retirement benefit expenses ((1) + (2) + (3) + (4) + (5) + (6))	3,521	3,665
(8) Gains (losses) on transition to new system	(17)	(23)
(9) Others	290	303
Total ((7) + (8) + (9))	3,794	3,944

Notes:
1. The retirement benefit expenses of consolidated subsidiaries using the simplified method are stated in "(1) Service cost."
2. The ¥29 million premium contribution (except the amount of employee contributions) of the comprehensive pension fund for fiscal 2010 and fiscal 2011 is not included.
3. "(8) Gains (losses) on transition to new system" for fiscal 2010 refers to gains or losses related to transition to a new retirement system at consolidated subsidiaries. "(8) Gains (losses) on transition to new system" for fiscal 2011 refers to gains or losses related to transition to a new retirement system at GUNZE and its consolidated subsidiaries.

D. Basis for Calculation of Retirement Benefit Obligation, etc.

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
(1) Periodic allocation method for projected benefits	Straight-line standard	Straight-line standard
(2) Discount rate	2.0%	2.0%
(3) Expected rate of return	0.5 - 2.0%	0.5 - 2.1%
(4) Years over which prior service cost is amortized	5 - 10 years	5 - 10 years
(5) Years over which net actuarial gains and losses are amortized	5 years	5 years
(6) Years over which net transition difference to new accounting standards for retirement benefits is amortized	All amounts were amortized in first year in which retirement benefit accounting was applied	

Notes to Income Taxes

A. Breakdown of major components of deferred tax assets and liabilities

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Deferred tax assets		
Unrealized gains on inventories	160	126
Non-deductible write-off of deferred assets	8	5
Allowance for employees' bonuses	506	448
Allowance for retirement benefits	3,860	2,218
Accrued enterprise taxes	77	47
Loss on disposal of inventories	363	315
Deferred loss on hedge	272	129
Net loss carried forward	4,129	4,937
Others	579	306
Gross deferred tax assets	9,957	8,535
Valuation allowance	(1,859)	(2,001)
Total deferred tax assets	8,097	6,534
Deferred tax liabilities		
Unrealized differences on securities	(1,695)	(319)
Reserve for reduction of fixed assets	(417)	(361)
Reserve for special depreciation	(35)	(28)
Others	(3)	(3)
Total deferred tax liabilities	(2,151)	(712)
Net deferred tax assets (liabilities)	5,946	5,821

Note: Net deferred tax assets (liabilities) are included in the following items of the consolidated balance sheets:

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Current assets – Deferred tax assets	1,980	1,444
Fixed assets – Deferred tax assets	3,966	4,376

B. Major components of the differences between the statutory tax rate and the actual effective tax rate for income taxes subsequent to the application of tax effect accounting

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Normal statutory tax rate	–	39.5%
Adjustment for:		
Entertainment expenses and other permanently non-deductible expenses	–	5.9%
Dividend income and other permanently non-taxable income	–	(3.8%)
Per capita inhabitant tax, etc.	–	3.4%
Effect of valuation allowance changes	–	6.1%
Decrease of year-end deferred tax assets accompanying change in effective income tax rate	–	23.3%
Difference in applicable tax rates of foreign subsidiaries	–	2.8%
Others	–	5.1%
Actual effective tax rate subsequent to application of tax effect accounting	–	82.3%

Note: Major components of difference between the normal statutory tax rate and the actual effective tax rate for income taxes subsequent to the application of the tax effect accounting are not presented for fiscal 2010 because the difference accounted for less than 5/100ths of the statutory tax rate.

Notes to Rental Property

GUNZE and some subsidiaries own commercial facilities, office buildings and housing for earning rental revenue in Hyogo Prefecture and other regions in Japan. The following table presents balance sheet figures, increase/decrease and fair values of rental real estate property.

(Millions of yen)

		FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
Consolidated balance sheet figure	Balance at beginning of the period	20,981	20,540
	Change during the period	(441)	947
	Balance at end of the period	20,540	21,487
Fair value at end of the period		32,301	31,543

Notes:

1. Consolidated balance sheet figures are calculated by deducting accumulated depreciation and revaluation difference of land from acquisition cost.

2. The main component of the increase during fiscal 2010 is ¥496 million transferred from business assets, while the main contributor to the decrease is a depreciation of ¥1,025 million.

The main components of the increase during fiscal 2011 are a ¥1,257 million increase from renovation of commercial facilities and ¥873 million transferred from business assets, while the main contributor to the decrease is a depreciation of ¥1,115 million.

3. The fair values for the main pieces of rental property at the end of each period are calculated based on the real estate research report prepared by third-party appraisers. For other rental property, the fair values are determined based on the valuated amounts and indices deemed to appropriately reflect market prices, and by adding reasonable adjustments in-house.

The following table presents income (loss) related to rental property

(Millions of yen)

		FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 – Mar. 31, 2012)**
Consolidated income statement figure	Operating revenue	3,429	2,952
	Operating cost	2,187	2,409
	Operating income	1,241	542
	Other income (loss)	1,690	(97)

Note: "Other income (loss)" for fiscal 2010 refers to penalty received, gain (loss) on sale of property, etc.

"Other income (loss)" for fiscal 2011 refers to compensation for transfer of property, loss on disposal of property, etc.

[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, textiles and threads. The Lifestyle Creations segment is engaged in operation and management of commercial facilities and sports clubs, as well as sales of trees and plants.

B. Net Sales, Profit (Loss), Assets and Others of Each Reportable Segment and Calculation Method

Accounting treatment for reported segments is roughly the same as those stated in "Significant Accounting Policies Used in Preparation of Consolidated Financial Statements."

C. Information on Net Sales, Profit (Loss), Assets and Others of Each Reportable Segment

FY2010 (April 1, 2010 to March 31, 2011) (Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	46,794	74,333	12,577	133,705	-	133,705
Intersegment sales and transfers	219	190	819	1,229	(1,229)	-
Total	47,013	74,524	13,396	134,934	(1,229)	133,705
Segment profit	4,114	993	1,497	6,604	(3,519)	3,085
Segment assets	52,082	55,137	27,693	134,912	29,004	163,917
Other items						
Depreciation & amortization	3,680	2,011	1,316	7,007	890	7,898
Increase in tangible and intangible fixed assets	2,325	1,870	311	4,507	1,489	5,997

Notes:

1. Adjustment comprises the following:
   (1) The segment profit adjustment of – (minus) ￥3,519 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 ￥29,004 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.

FY2011 (April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidated (Note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to outside customers	51,331	72,782	12,507	136,621	-	136,621
Intersegment sales and transfers	169	165	917	1,252	(1,252)	-
Total	51,500	72,948	13,424	137,873	(1,252)	136,621
Segment profit	3,587	192	920	4,700	(3,677)	1,023
Segment assets	55,016	59,920	28,382	143,319	25,198	168,517
Other items						
Depreciation & amortization	3,993	1,966	1,369	7,329	841	8,171
Increase in tangible and intangible fixed assets	9,097	1,191	1,423	11,713	356	12,069

Notes:

1. Adjustment comprises the following:

(1) The segment profit adjustment of – (minus) ¥3,677 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 ¥25,198 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.

[Related Information]

FY2010 (April 1, 2010 to March 31, 2011)

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
117,351	16,353	133,705

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

(b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
60,407	7,060	67,468

C. Major Customer Information

The information on sales categorized by customer 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.

FY2011 (April 1, 2011 to March 31, 2012)

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
114,958	21,663	136,621

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

(b) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
58,750	9,995	68,746

C. Major Customer Information

The information on sales categorized by customer 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.

<u>Related Party Transaction</u>

None applicable.

Per Share Information

	FY2010 (April 1, 2010 to March 31, 2011)	**FY2011** (April 1, 2011 to March 31, 2012)
Net assets per share (¥)	582.39	568.89
Earnings per share (¥)	9.23	2.96
Diluted earnings per share (¥)	9.21	2.95

Notes:

1. Earnings and diluted earnings per share were calculated on the following basis:

	FY2010 (April 1, 2010 to March 31, 2011)	**FY2011** (April 1, 2011 to March 31, 2012)
Earnings per share		
Net income (¥ millions)	1,796	571
Amounts not allocated to common stockholders (¥ millions)	-	-
Net income allocated to common stock (¥ millions)	1,796	571
Average number of common shares outstanding during each term (thousand shares)	194,560	192,841
Diluted earnings per share		
Adjustment to net income (¥ millions)	-	-
Increase in common shares (thousand shares)	512	735
(Stock acquisition rights) (thousand shares)	512	735

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

	FY2010 (As of Mar. 31, 2011)	**FY2011** (As of Mar. 31, 2012)
Total net assets (¥ millions)	113,345	110,197
Deduction from net assets (¥ millions)	897	1,217
(Minority interests) (¥ millions)	697	964
(Stock acquisition rights) (¥ millions)	200	253
Term-end amounts allocated to common stock (¥ millions)	112,448	108,979
Term-end number of common shares used for calculation of net assets per share (thousand shares)	193,081	191,565

Significant Subsequent Events

None applicable.

5. Non-consolidated Financial Statements

(1) Non-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 (As of Mar. 31, 2012)
Assets		
Current assets		
Cash and cash equivalents	3,701	3,438
Trade notes receivable	3,257	3,557
Trade accounts receivable	22,225	23,226
Finished products & goods	16,053	20,129
Work in process	3,869	4,447
Raw materials and supplies	2,578	2,715
Advances paid	431	1,098
Prepaid expenses	204	201
Deferred income taxes	1,557	870
Accrued revenue	72	104
Short-term loans to affiliated companies	11,808	17,168
Uncollected balance	311	515
Other current assets	945	1,044
Allowance for doubtful accounts	(38)	(24)
Total current assets	66,979	78,493
Fixed assets		
Property, plants and equipment		
Buildings	38,599	39,373
Accumulated depreciation	(27,899)	(28,653)
Buildings (Net)	10,700	10,720
Structures	3,915	3,960
Accumulated depreciation	(3,281)	(3,358)
Structures (Net)	634	602
Machinery and equipment	53,924	53,802
Accumulated depreciation	(47,473)	(48,616)
Machinery and equipment (Net)	6,450	5,186
Vehicles	345	357
Accumulated depreciation	(326)	(339)
Vehicles (Net)	18	18
Tools, furniture and fixtures	4,381	4,523
Accumulated depreciation	(3,737)	(3,931)
Tools, furniture and fixtures (Net)	644	592
Land	8,341	8,345
Lease assets	22	22
Accumulated depreciation	(9)	(13)
Lease assets (Net)	12	9
Construction in progress	446	1,086
Total property, plants and equipment	27,250	26,560

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

	End of FY2010 (As of Mar. 31, 2011)	**End of FY2011 (As of Mar. 31, 2012)**
Intangible fixed assets		
Goodwill	11	7
Leaseholds	62	62
Software	1,873	1,564
Rights to use facilities	47	47
Total intangible fixed assets	1,994	1,682
Investments and other assets		
Investments in securities	14,697	10,435
Investments in capital stock of affiliated companies	21,329	20,385
Allowance for investment loss	(5,360)	(3,739)
Investments	198	198
Investments in affiliated companies	5,681	6,040
Long-term loans	0	0
Long-term loans to affiliated companies	10,396	1,430
Bankruptcy rehabilitation claims	96	18
Long-term prepaid expenses	1,410	1,193
Deferred income taxes	5,196	5,142
Deposits	453	440
Other assets	203	204
Allowance for doubtful accounts	(1,646)	(137)
Total investments and other assets	52,657	41,613
Total fixed assets	81,903	69,857
Total assets	148,882	148,350

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

	End of FY2010 (As of Mar. 31, 2011)	**End of FY2011** (As of Mar. 31, 2012)
Liabilities		
Current liabilities		
Trade notes payable	197	204
Trade accounts payable	4,756	4,348
Short-term debt	1,500	500
Short-term borrowings from affiliated companies	1,886	2,169
Commercial paper	12,800	19,600
Lease obligations	3	3
Current portion of long-term debt	500	500
Other accounts payable	1,608	1,660
Accrued expenses	1,684	1,605
Accrued income taxes	133	107
Advances received	33	17
Deposits received	933	895
Allowance for employees' bonuses	883	838
Notes payable on acquisition of property, plants and equipment	296	756
Other current liabilities	339	450
Total current liabilities	27,552	33,658
Long-term liabilities		
Long-term debt	750	250
Lease obligations	9	5
Allowance for retirement benefits	2,637	254
Long-term deposits & guarantee deposits	1,011	1,014
Other long-term liabilities	506	115
Total long-term liabilities	4,913	1,639
Total liabilities	32,466	35,298
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus		
Capital reserve	6,566	6,566
Other capital surplus	7,516	7,513
Total capital surplus	14,083	14,080
Retained earnings		
Legal reserve	12	12
Other retained earnings		
Reserve for special depreciation	53	49
Reserve for reduction of fixed assets	637	680
Reserve for unspecified purposes	77,240	77,240
Retained earnings carried forward	3,243	2,130
Total retained earnings	81,187	80,112
Treasury stock	(7,286)	(7,655)
Total shareholders' equity	114,055	112,609

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

	End of FY2010 (As of Mar. 31, 2011)	End of FY2011 (As of Mar. 31, 2012)
Valuation, translation adjustments and others		
Unrealized gains on available-for-sale securities	2,577	410
Deferred gains (losses) on hedge	(416)	(220)
Total valuation, translation adjustments and others	2,161	189
Stock acquisition rights	200	253
Total net assets	116,416	113,052
Total liabilities and net assets	148,882	148,350

(2) Non-consolidated Statements of Income

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

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)
Net sales	110,485	111,576
Cost of sales	82,232	84,934
Gross profit	28,252	26,641
Selling, general & administrative expenses	28,245	27,165
Operating income (loss)	7	(523)
Non-operating income		
Interest income	367	365
Dividend income	805	799
Rental income	1,316	1,267
Management consultation fee	373	269
Other	233	129
Total non-operating income	3,096	2,831
Non-operating expenses		
Interest expenses	64	51
Rental expenses	908	913
Other	344	274
Total non-operating expenses	1,317	1,238
Ordinary income	1,786	1,068
Extraordinary income		
Gain on sale of property, plants & equipment	473	58
Reversal of allowance for revaluation losses on investments in affiliated companies	1,171	-
Gain on establishment of employee retirement benefit trust	15	4,076
Other	677	37
Total extraordinary income	2,338	4,171
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	82	127
Loss on valuation of investments in securities	8	-
Amortization of actuarial differences in retirement benefits	2,255	2,498
Expenses on business structure improvement	268	-
Revaluation losses on investments in affiliates	-	159
Effect of application of accounting standard for asset retirement obligations	33	-
Other	85	42
Total extraordinary loss	2,734	2,827
Income before income taxes	1,391	2,412
Income, residential and enterprise taxes	14	64
Adjustment for income and other taxes	352	1,975
Total income and other taxes	366	2,039
Net income	1,024	373

(3) Non-consolidated Statements of Changes in Shareholders' Equity, etc.

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

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)
Shareholders' equity		
Common stock		
Balance at the beginning of the period	26,071	26,071
Changes in the period		
Total changes in the period	-	-
Balance at the end of the period	26,071	26,071
Capital surplus		
Capital reserve		
Balance at the beginning of the period	6,566	6,566
Changes in the period		
Total changes in the period	-	-
Balance at the end of the period	6,566	6,566
Other capital surplus		
Balance at the beginning of the period	7,518	7,516
Changes in the period		
Disposal of treasury stock	(2)	(2)
Total changes in the period	(2)	(2)
Balance at the end of the period	7,516	7,513
Total capital surplus		
Balance at the beginning of the period	14,085	14,083
Changes in the period		
Disposal of treasury stock	(2)	(2)
Total changes in the period	(2)	(2)
Balance at the end of the period	14,083	14,080
Retained earnings		
Legal reserve		
Balance at the beginning of the period	12	12
Changes in the period		
Total changes in the period	-	-
Balance at the end of the period	12	12
Other retained earnings		
Reserve for special depreciation		
Balance at the beginning of the period	48	53
Changes in the period		
Provision of reserve for special depreciation	8	7

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

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)
Reversal of reserve for special depreciation	(3)	(14)
Increase in reserves etc. due to effective tax rate change	-	2
Total changes in the period	5	(4)
Balance at the end of the period	53	49
Reserve for reduction of fixed assets		
Balance at the beginning of the period	646	637
Changes in the period		
Reversal of reserve for reduction of fixed assets	(8)	(7)
Increase in reserves etc. due to effective tax rate change	-	50
Total changes in the period	(8)	42
Balance at the end of the period	637	680
Reserve for unspecified purposes		
Balance at the beginning of the period	77,240	77,240
Changes in the period		
Provision of reserve for unspecified purposes	-	-
Total changes in the period	-	-
Balance at the end of the period	77,240	77,240
Retained earnings carried forward		
Balance at the beginning of the period	3,694	3,243
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Provision of reserve for special depreciation	(8)	(7)
Reversal of reserve for special depreciation	3	14
Reversal of reserve for reduction of fixed assets	8	7
Increase in reserves etc. due to effective tax rate change	-	(52)
Provision of reserve for unspecified purposes	-	-
Net income	1,024	373
Total changes in the period	(451)	(1,113)
Balance at the end of the period	3,243	2,130
Total retained earnings		
Balance at the beginning of the period	81,641	81,187
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Provision of reserve for special depreciation	-	-
Reversal of reserve for special depreciation	-	-
Reversal of reserve for reduction of fixed assets	-	-

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

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)
Increase in reserves etc. due to effective tax rate change	-	-
Provision of reserve for unspecified purposes	-	-
Net income	1,024	373
Total changes in the period	(454)	(1,074)
Balance at the end of the period	81,187	80,112
Treasury stock		
Balance at the beginning of the period	(6,089)	(7,286)
Changes in the period		
Acquisition of treasury stock	(1,217)	(374)
Disposal of treasury stock	20	5
Total changes in the period	(1,197)	(368)
Balance at the end of the period	(7,286)	(7,655)
Total shareholders' equity		
Balance at the beginning of the period	115,709	114,055
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Net income	1,024	373
Acquisition of treasury stock	(1,217)	(374)
Disposal of treasury stock	17	3
Total changes in the period	(1,653)	(1,445)
Balance at the end of the period	114,055	112,609
Valuation, translation adjustments and others		
Unrealized gains on available-for-sale securities		
Balance at the beginning of the period	4,594	2,577
Changes in the period		
Net changes of items other than shareholders' equity	(2,017)	(2,166)
Total changes in the period	(2,017)	(2,166)
Balance at the end of the period	2,577	410
Deferred gains (losses) on hedge		
Balance at the beginning of the period	(254)	(416)
Changes in the period		
Net changes of items other than shareholders' equity	(161)	195
Total changes in the period	(161)	195
Balance at the end of the period	(416)	(220)
Total valuation, translation adjustments and others		
Balance at the beginning of the period	4,340	2,161

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

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	FY2011 (Apr. 1, 2011 to Mar. 31, 2012)
Changes in the period		
Net changes of items other than shareholders' equity	(2,179)	(1,971)
Total changes in the period	(2,179)	(1,971)
Balance at the end of the period	2,161	189
Stock acquisition rights		
Balance at the beginning of the period	149	200
Changes in the period		
Net changes of items other than shareholders' equity	50	52
Total changes in the period	50	52
Balance at the end of the period	200	253
Total net assets		
Balance at the beginning of the period	120,198	116,416
Changes in the period		
Dividends from retained earnings	(1,479)	(1,448)
Net income	1,024	373
Acquisition of treasury stock	(1,217)	(374)
Disposal of treasury stock	17	3
Net changes of items other than shareholders' equity	(2,128)	(1,918)
Total changes in the period	(3,782)	(3,364)
Balance at the end of the period	116,416	113,052

(4) Notes Regarding Assumptions of a Going Concern
None applicable

(5) Significant Accounting Policies

A. Standards and Methods for Valuation of Inventories
Finished products, goods, work in process, raw materials and supplies are stated principally at cost determined by the moving-average method; and machinery in process is stated at cost determined by the identified-cost method. Amounts reported on the balance sheet are calculated using the write-down method reflecting decline in profitability.

B. Methods for Valuation of Marketable Securities
(1) Shares of Subsidiaries and Affiliates
Shares of subsidiaries and affiliates are stated at cost determined by the moving-average method.

(2) Other Securities
Other securities with fair market value are stated at fair market value. Unrealized gains and losses on these securities are fully capitalized and reported as a separate component of net assets and the cost of securities sold is determined by the moving-average method. Other securities with no fair market value are stated at cost determined by the moving-average method.

C. Standards and Methods for Valuation of Derivatives
Derivatives are stated at fair market value.

D. Methods for Depreciating and Amortizing Fixed Assets
(a) Property, Plants and Equipment
1) Property, plants and equipment other than lease assets
Property, plants and equipment other than lease assets are depreciated using the declining-balance method. However, buildings purchased on or after April 1, 1998 (excluding those facilities attached to buildings) are depreciated using the straight-line method.

2) Lease assets (finance leases that do not transfer ownership)
Finance lease assets that do not transfer ownership are depreciated to an eventual residual value of zero, using the straight-line method within their lease service life. For finance leases that do not transfer ownership, and which began before the initial year in which the Accounting Standard for Lease Transactions was applied, the conventional accounting method for lease transactions is applied as before.

(b) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method. Software used in-house is amortized using the straight-line method over a useful life of five years.

E. Accounting for Important Allowances

(a) Allowance for Doubtful Accounts

GUNZE provides an allowance for doubtful accounts for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated uncollectible amounts for specific claims where there is an acknowledged credit risk based on an assessment of the likely recoverable monies on an individual assessment of each account, and a general reserve calculated based on historical default rates.

(b) Allowance for Investment Losses

GUNZE provides an allowance for possible losses of investment in affiliated companies in an appropriate amount determined by taking their financial conditions into account.

(c) Allowance for Employees' Bonuses

GUNZE provides an allowance for employees' bonuses to adequately cover estimated payments of such bonuses for the applicable period.

(d) Allowance for Retirement Benefits

GUNZE provides an allowance for retirement benefits to adequately cover the retirement costs of employees. The allowance is determined as of the end of the fiscal year on the basis of projected benefit obligations and plan assets at the end of the fiscal year. In the first fiscal year of application, GUNZE recognized the temporary amortization of transitional obligations arising from the adoption of new accounting standards for retirement benefits through the contribution of securities to an employee retirement benefit trust. The transitional obligation was recognized as a lump-sum amortization. Prior service costs are accounted for by the straight-line method over a fixed number of years (5 years), based on the average number of years of employee service remaining at the time incurred. Actuarial gains and losses are also expensed using the straight-line method over a fixed number of years (5 years) starting from the fiscal year following the year in which such differences are incurred, based on the average number of years of employee service remaining at the time incurred.

F. Translation of Foreign Currencies

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the fiscal year balance sheet date and the resulting exchange gain and loss are charged to income.

G. Hedge Accounting

GUNZE enters into forward exchange contracts as a hedge against exposure to foreign currency fluctuations within the scope of anticipated import-export transactions denominated in foreign currencies. Deferred hedge accounting is used in principle. Foreign exchange contracts are allocated to specific foreign currency denominated receivables and payables when conditions for using the allocation method are met. GUNZE undertakes forward exchange contracts for import-export transactions in accordance with regulations on the scope of authority to execute such transactions and set transaction limits.

H. Other Significant Accounting Policies Used in Preparation of Financial Statements

Accounting Treatment of Consumption Tax

Financial statements are prepared exclusive of consumption tax.

(6) Additional Information

Application of Accounting Standard for Accounting Changes and Error Corrections

Effective from accounting changes and/or corrections of prior period errors conducted after the beginning of the fiscal year under review, GUNZE adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).

(7) Notes to Non-consolidated Financial Statements

Notes to Balance Sheets

(Millions of yen)

A. Accumulated depreciation on property, plants and equipment

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
	82,728	84,913

B. Collateral and obligations collateralized:

[Assets pledged as collateral]

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Buildings (Note)	21	21
Land (Note)	8	8
Investment securities with market value	573	748
Total	603	778

Note: Buildings and land pledged as collateral comprise joint collateral for ¥2,327 million borrowed by the Urban Redevelopment Union for the Konosu Station East Exit A-District, for which GUNZE serves as a member of the executive board.

[Obligations collateralized by the above]

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
Other current liabilities (deposits)	9	–
Long-term deposits & guarantee deposits	328	328
Total	337	328

C. Loan guarantees (incl. other similar guarantor obligations)

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
	8,001	11,575

D. Treasury stock (thousand shares)

	FY2010 (As of Mar. 31, 2011)	**FY2011 (As of Mar. 31, 2012)**
	16,853	18,369

Notes to Statements of Income

(Millions of yen)

A. Major items of selling, general and administrative expenses

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
Freight and transportation expenses and storage fees	7,591	7,516
Advertising and promotional costs	2,108	1,939
Employees' salaries, bonuses and allowances	6,694	6,250
Transfer to allowance for bonuses	415	399
Welfare expenses	1,044	1,018
Retirement benefit expenses	447	408
Depreciation and amortization expenses	524	428
Rent expenses	667	625
Travel and transportation expenses	566	548
Research and development costs	3,219	3,053

B. Research and development costs included in general and administrative expenses and manufacturing costs

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
General and administrative expenses	3,219	3,053

C. Gain on sale of property, plants and equipment by category

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
Structures	–	0
Machinery and equipment	2	0
Tools, furniture and fixtures	0	0
Land	471	57
Total	473	58

D. Loss on sale or disposal of property, plants and equipment by category

	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011 (Apr. 1, 2011 to Mar. 31, 2012)**
Buildings	22	102
Structures	3	1
Machinery and equipment	53	21
Vehicles	0	0
Tools, furniture and fixtures	3	1
Total	82	127

E. Amortization of unrecognized actuarial differences related to retirement benefit obligations

FY2010 (April 1, 2010 to March 31, 2011)

GUNZE posted an amortization loss arising from unrecognized actuarial differences related to retirement benefit obligations, resulting mainly from the declined return on plan assets (including retirement benefit trust assets), as an extraordinary loss during the fiscal year under review because of a substantial amortization amount.

FY2011 (April 1, 2011 to March 31, 2012)
Same as above

Notes to Lease Transactions

Non-ownership-transfer financial lease transactions which began before the initial year in which the Accounting Standard for Lease Transactions was applied

(1) Amount equivalent to acquisition cost of leased assets, amount equivalent to accumulated depreciation, and amount equivalent to the balance at the end of the period

FY2010 (As of March 31, 2011)

(Millions of yen)

	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Software	Total
Amount equivalent to acquisition cost	4	91	60	366	6	528
Amount equivalent to accumulated depreciation	2	89	50	295	4	443
Amount equivalent to balance at end of period	2	2	9	70	1	85

Amount equivalent to the acquisition cost of leased assets is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the applicable period accounts for a low percentage of the balance of tangible fixed assets.

FY2011 (As of March 31, 2012)

(Millions of yen)

	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Software	Total
Amount equivalent to acquisition cost	4	26	50	318	6	405
Amount equivalent to accumulated depreciation	2	26	46	297	6	379
Amount equivalent to balance at end of period	1	–	3	21	–	26

Amount equivalent to the acquisition cost of leased assets is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the applicable period accounts for a low percentage of the balance of tangible fixed assets.

(2) Amount equivalent to the balance of unexpired lease fees at the end of the period

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Within one year	58	18
Over one year	26	7
Total	85	26

Amount equivalent to the balance of unexpired lease fees at the end of the applicable period is calculated using the interest inclusive method since the balance of unexpired lease fees at the end of the period accounts for a low percentage of the balance of tangible fixed assets.

(3) Lease fees paid and amount equivalent to depreciation cost

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Lease fees paid	84	58
Amount equivalent to depreciation cost	84	58

(4) Calculation method for the amount equivalent to depreciation cost

Assuming the lease period as the useful life, the straight-line method with the residual value as zero is used to calculate the amount equivalent to depreciation cost.

1. Financial Lease Transactions

Non-ownership-transfer finance lease transactions

(1) Lease assets

Assets leased during fiscal 2010 and fiscal 2011 were tangible fixed assets mainly including servers (tools, furniture and fixtures).

(2) Depreciation of lease assets

As stated in “D. Methods for Depreciating and Amortizing Fixed Assets” of “(5) Significant Accounting Policies.”

2. Operating leases

Unexpired lease fee balance for non-cancellable operating leases

(Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Within one year	29	14
Over one year	15	12
Total	44	27

Notes to Marketable Securities

Shares in subsidiaries and affiliates with quotations

GUNZE did not hold any shares in subsidiaries and affiliates with quotations as of March 31, 2011 nor March 31, 2012.

Notes to Income Taxes

A. Breakdown of major components of deferred tax assets and liabilities (Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Deferred tax assets		
Non-deductible write-off of deferred assets	7	5
Allowance for employee's bonuses	349	310
Allowance for retirement benefits	3,093	1,537
Revaluation losses on investments in affiliated companies	2,751	2,003
Loss on disposal of inventories	363	315
Deferred loss on hedge	272	129
Accrued enterprise taxes	35	23
Net loss carried forward	1,771	2,827
Others	279	216
Subtotal	8,923	7,368
Valuation allowance	(31)	(657)
Total deferred tax assets	8,891	6,711
Deferred tax liabilities		
Unrealized gains on securities	(1,695)	(307)
Reserve for reduction of fixed assets	(417)	(361)
Reserve for special depreciation	(35)	(28)
Total deferred tax liabilities	(2,137)	(697)
Net deferred tax assets (liabilities)	6,753	6,013

Note: Net deferred tax assets (liabilities) are included in the following items of the balance sheets:

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Current assets – Deferred tax assets	1,557	870
Fixed assets – Deferred tax assets	5,196	5,142

B. Major components of the differences between the statutory tax rate and the actual effective tax rate for income taxes subsequent to the application of tax effect accounting (Millions of yen)

	FY2010 (Mar. 31, 2011)	**FY2011 (Mar. 31, 2012)**
Normal statutory tax rate	39.5%	39.5%
Adjustment for:		
Entertainment expenses and other permanently non-deductible expenses	3.3%	1.8%
Dividend income and other permanently non-taxable income	(20.9%)	(11.9%)
Per capita inhabitant tax, etc.	4.7%	2.6%
Decrease of year-end deferred tax assets accompanying change in effective income tax rate	−	22.4%
Effect of valuation allowance changes	−	29.8%
Others	(0.3%)	0.3%
Actual effective tax rate subsequent to application of tax effect accounting	26.3%	84.5%

Per Share Information

	FY2010 (April 1, 2010 to March 31, 2011)	**FY2011** (April 1, 2011 to March 31, 2012)
Net assets per share (¥)	601.90	588.83
Earnings per share (¥)	5.27	1.93
Diluted earnings per share (¥)	5.25	1.93

Notes:

1. Earnings and diluted earnings per share were calculated on the following basis:

	FY2010 (April 1, 2010 to March 31, 2011)	**FY2011** (April 1, 2011 to March 31, 2012)
Earnings per share		
Net income (¥ millions)	1,024	373
Amounts not allocated to common stockholders (¥ millions)	-	-
Net income allocated to common stock (¥ millions)	1,024	373
Average number of common shares outstanding during each term (thousand shares)	194,560	192,841
Diluted earnings per share		
Adjustment to net income (¥ millions)	-	-
Increase in common shares (thousand shares)	512	735
(Stock acquisition rights) (thousand shares)	512	735

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

	FY2010 (As of Mar. 31, 2011)	**FY2011** (As of Mar. 31, 2012)
Total net assets (¥ millions)	116,416	113,052
Deduction from net assets (¥ millions)	200	253
(Stock acquisition rights) (¥ millions)	200	253
Term-end amounts allocated to common stockholders (¥ millions)	116,216	112,799
Term-end number of common shares used for calculation of net assets per share (thousand shares)	193,081	191,565

Significant Subsequent Events

None applicable.

6. Others

(1) Production, Orders and Sales

1) Results of Production

(Millions of yen)

Business Segment	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011** (Apr. 1, 2011 to Mar. 31, 2012)
Functional solutions	35,350	37,477
Apparel	45,126	49,619
Total	80,477	87,096

Notes: 1. Figures are calculated on a manufacturing cost basis, and include outsourced production.

2. In addition to production, the Company also made the following purchases.

(Millions of yen)

Business Segment	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011** (Apr. 1, 2011 to Mar. 31, 2012)
Functional solutions	582	660
Apparel	6,266	8,184
Lifestyle creations	2,465	2,573
Total	9,314	11,418

3. Figures exclude consumption tax.

2) Orders Received

GUNZE and its consolidated subsidiaries calculate orders received, excluding for machinery (included in the functional solutions segment), on the basis of projected production rather than production orders.
Orders received and outstanding orders for machinery are as follows:

(Millions of yen)

Business Segment	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)		**FY2011** (Apr. 1, 2011 to Mar. 31, 2012)	
	Orders received	Outstanding orders	Orders received	Outstanding orders
Machinery included in the functional solutions business	1,897	444	2,180	582

Note: Figures exclude consumption tax.

3) Sales

(Millions of yen)

Business Segment	FY2010 (Apr. 1, 2010 to Mar. 31, 2011)	**FY2011** (Apr. 1, 2011 to Mar. 31, 2012)	Increase (Decrease)
			%
Functional solutions	47,013	51,500	9.5
Apparel	74,524	72,948	(2.1)
Lifestyle creations	13,396	13,424	0.2
Subtotal	134,934	137,873	2.2
Excl. intersegment sales	(1,229)	(1,252)	-
Total	133,705	136,621	2.2

Note: Figures exclude consumption tax.

(2) Supplementary Information

Overview of Consolidated Results

<Overview of Results>

・In the functional solutions segment, profitability declined for plastic films due to intensified competition. Projected capacitive touch screens in the electronic components category suffered sluggish sales due to a rapid deterioration in market conditions after entering the second half of the fiscal year. Engineering plastics experienced slow demand for office automation applications. Although medical material sales were strong, the functional solutions segment as a whole posted decreased profits although sales revenues increased.

・The apparel segment recorded decreases in sales and profits, due largely to an increase of private brand products released by leading retailers. The segment also suffered from resource costs remaining at high levels along with lower efficiency.

・The lifestyle creation segment experienced lowered profits with the close of the Maebashi commercial facility due to renovation, along with other negative factors.

<Special Treatments>

・Loss on amortization of actuarial differences in retirement benefits: ¥2.4 billion

・Gain on establishment of employee retirement benefit trust: ¥4 billion

・Reversal of deferred tax assets due to the revision of income tax rate: ¥0.5 billion

<Dividends>

・Scheduled dividend payment for the current fiscal year: ¥7.5 per share

<FY2012 Forecast>

・Sales growth is projected for functional solutions while the apparel business is likely to enjoy profitability improvement. The lifestyle creation business is expected to post increases in sales and profits with the start of full-year operation of the Maebashi commercial facility, along with other positive factors.

・Scheduled dividend payment for next fiscal year: ¥7.5 per share

(1) FY2011 Operating Results (Apr. 1, 2011 to Mar. 31, 2012) (Millions of yen)

	FY2011	Forecasts (Feb. 3)	FY2010	Change <Upper figures in brackets %>	
				vs. forecasts	vs. FY2010
Net Sales	136,621	137,000	133,705	<(0.3)> (379)	<2.2> 2,916
Operating Income	1,023	1,000	3,085	<2.3> 23	<(66.8)> (2,061)
Ordinary Income	975	800	3,285	<21.9> 175	<(70.3)> (2,309)
Net Income	571	500	1,796	<14.2> 71	<(68.2)> (1,224)
Total Assets	168,517		163,917		<2.8> 4,599
Inventories	35,563		29,534		<20.4> 6,029
Fixed Assets	93,125		96,194		<(3.2)> (3,069)
Net Assets	110,197		113,345		<(2.8)> (3,148)
Financing Income/Expenses	150		199		(48)
Interest/Dividends Received	321		363		(41)
Interest Expenses	(170)		(163)		(7)
Capital Expenditures	12,069		5,997		6,072
Depreciation and Amortization	8,171		7,898		272

Note:

GUNZE purchased treasury stock during the fiscal year

	(Thousands of shares)	(Amount)
・Treasury stock acquired (including acquisition of odd-lot shares)	1,529	¥374 million
・Treasury stock disposed	13	¥5 million
・Treasury stock held at the end of the previous fiscal year	16,853	¥7,286 million
・Treasury stock held at the end of the period	18,369	¥7,655 million

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

	Segment	FY2011		FY2010		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	51,500	37.4	47,013	34.8	4,487	9.5
	Apparel	72,948	52.9	74,524	55.2	(1,575)	(2.1)
	Lifestyle Creations	13,424	9.7	13,396	10.0	27	0.2
	Subtotal	137,873	100.0	134,934	100.0	2,939	2.2
	Eliminations	(1,252)		(1,229)		(23)	-
	Consolidated	136,621		133,705		2,916	2.2
Operating Income	Functional Solutions	3,587	76.3	4,114	62.3	(526)	(12.8)
	Apparel	192	4.1	993	15.0	(800)	(80.7)
	Lifestyle Creations	920	19.6	1,497	22.7	(577)	(38.5)
	Subtotal	4,700	100.0	6,604	100.0	(1,903)	(28.8)
	Eliminations/Corporate	(3,677)		(3,519)		(157)	-
	Consolidated	1,023		3,085		(2,061)	(66.8)

(3) Significant Financial Indicators

Item		FY2011	FY2010	Change
Operating Income to Total Assets Ratio	%	0.6	1.9	(1.3)
Ordinary Income to Total Assets Ratio	%	0.6	2.0	(1.4)
Operating Income to Net Sales Ratio	%	0.7	2.3	(1.6)
Ordinary Income to Net Sales Ratio	%	0.7	2.5	(1.8)
Turnover of Total Assets	times	0.82	0.80	0.02
Net Worth Ratio	%	64.7	68.6	(3.9)
ROE	%	0.5	1.6	(1.1)
Earnings per Share	¥	2.96	9.23	(6.27)
Diluted Earnings per Share	¥	2.95	9.21	(6.26)
Net Assets per Share	¥	568.89	582.39	(13.50)

(4) Cash Flows (Millions of yen)

Cash Flow Activity	FY2011	FY2010	Change	Breakdown of Major Components
Operating Activities	(1,417)	5,050	(6,467)	Depreciation and amortization: 8,171 Increase in inventories: (6,091) Increase in notes and accounts receivable (including 1,734 with the end of the term date falling on a holiday): (2,496); Decrease in notes and accounts payable: (1,140)
Investing Activities	(7,780)	(5,958)	(1,822)	Purchase of property, plants and equipment: (7,387)
Financing Activities	8,373	2,506	5,867	Increase in debts payable: 9,812 Dividend payments: (1,440)
Foreign Currency Translation	(111)	(189)	77	
Increase (Decrease) in Cash and Cash Equivalents	(936)	1,409	(2,345)	
Increase (Decrease) due to Change in Scope of Consolidation	109	0	108	
Cash and Cash Equivalents - End of Period	6,078	6,905	(826)	

(5) Capital Expenditures and Depreciation and Amortization by Segment (Millions of yen)

Item		FY2011		FY2010		Y-over-Y	FY2012 Plan		Y-over-Y
		Amount	Weight	Amount	Weight	Change	Amount	Weight	Change
Capital Expenditures	<International>	<2,967>		<920>			<1,400>		
	Functional Solutions	9,097	75.4	2,325	38.8	6,772	5,800	59.2	(3,297)
	<International>	<534>		<499>			<400>		
	Apparel	1,191	9.9	1,870	31.2	(679)	1,500	15.3	309
	Lifestyle Creations	1,423	11.8	311	5.2	1,112	2,000	20.4	577
	Corporate	356	2.9	1,489	24.8	(1,133)	500	5.1	144
	<International>	<3,502>		<1,419>			<1,800>		
	Total	12,069	100.0	5,997	100.0	6,072	9,800	100.0	(2,269)
Depreciation and Amortization	Functional Solutions	3,993	48.9	3,680	46.6	313	4,400	53.7	407
	Apparel	1,966	24.1	2,011	25.5	(45)	1,400	17.1	(566)
	Lifestyle Creations	1,369	16.8	1,316	16.7	53	1,400	17.1	31
	Corporate	841	10.2	890	11.2	(49)	1,000	12.1	159
	Total	8,171	100.0	7,898	100.0	273	8,200	100.0	29

Note:

1. Capital expenditures include investments in intangible fixed assets.

Main Investment Plans for FY2012

- Plastic film production facilities: ¥2,200 million
- Electronic components production facilities: ¥2,100 million
- Re-development of commercial facilities: ¥1,900 million

(6) FY2012 Forecast (Millions of yen)

Item	Full Year		
	FY2012 Forecast	FY2011	Change <Upper figures %>
Net Sales	141,500	136,621	<3.6> 4,879
Operating Income	3,600	1,023	<251.9> 2,577
Ordinary Income	3,400	975	<248.7> 2,425
Net Income	1,600	571	<180.2> 1,029

(7) Forecast of Results by Segment

(Millions of yen)

Item		FY2012 Forecast		FY2011 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional solutions	55,300	38.7	51,500	37.4	3,800	7.4
	Apparel	73,700	51.6	72,948	52.9	752	1.0
	Lifestyle creations	13,800	9.7	13,424	9.7	376	2.8
	Subtotal	142,800	100.0	137,873	100.0	4,927	3.6
	Eliminations/Corporate	(1,300)		(1,252)		(48)	-
	Consolidated	141,500		136,621		4,879	3.6
Operating Income	Functional solutions	4,240	56.5	3,587	76.3	653	18.2
	Apparel	2,060	27.5	192	4.1	1,868	972.9
	Lifestyle creations	1,200	16.0	920	19.6	280	30.4
	Subtotal	7,500	100.0	4,700	100.0	2,800	59.6
	Eliminations/Corporate	(3,900)		(3,677)		(223)	-
	Consolidated	3,600		1,023		2,577	251.9