

Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2014 (Japanese Standards)

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

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 Stock Market Listings: Tokyo
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 Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): November 13, 2013
 Start of Distribution of Dividends (Scheduled) : –
 Preparation of Supplementary Materials for the Quarterly Financial Results: Yes
 Holding of Presentation of Quarterly Financial Results: Yes (for institutional investors/analysts)

1. Consolidated results for the second quarter of FY2013 (April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

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

| | Net sales | | Operating income | | Ordinary income | |
|-----------------------------|------------|-------|------------------|------|-----------------|-------|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| Six months ended Sept. 2013 | 69,523 | 9.8 | 1,478 | 68.9 | 1,969 | 162.2 |
| Six months ended Sept. 2012 | 63,313 | (5.6) | 875 | 43.7 | 751 | 18.3 |

| | Net income | | E.P.S. | Diluted E.P.S. |
|-----------------------------|------------|--------|--------|----------------|
| | ¥ millions | % | ¥ | ¥ |
| Six months ended Sept. 2013 | 802 | 311.3 | 4.19 | 4.16 |
| Six months ended Sept. 2012 | 195 | (40.7) | 1.02 | 1.01 |

Note: Comprehensive income

Six months ended September 2013: ¥2,829 million [–%]

Six months ended September 2012: (¥2,037 million) [–%]

(2) Consolidated financial position

| | Total assets | Net assets | Net worth ratio | Net assets per share |
|--------------------------|--------------|------------|-----------------|----------------------|
| | ¥ millions | ¥ millions | % | (¥) |
| As of September 30, 2013 | 166,472 | 110,184 | 65.3 | 567.49 |
| As of March 31, 2013 | 163,328 | 108,745 | 65.9 | 561.35 |

Reference: Net worth

September 30, 2013: ¥108,772 million

March 31, 2013: ¥107,600 million

2. Dividends

| | Annual dividends per share (¥) | | | | |
|--------------------|--------------------------------|-------------|-------------|----------|-----------|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Full year |
| FY2012 | — | — | — | 7.50 | 7.50 |
| FY2013 | — | — | — | — | — |
| FY2013 (projected) | — | — | — | 7.50 | 7.50 |

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2013 (April 1, 2013 to March 31, 2014)

(Percentages represent year-over-year changes.)

| | Net sales | | Operating income | | Ordinary income | |
|------------------|------------|-----|------------------|------|-----------------|------|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| FY2013 full year | 139,000 | 5.0 | 3,000 | 75.4 | 2,900 | 24.6 |

| | Net income | | E.P.S. |
|------------------|------------|---|--------|
| | ¥ millions | % | ¥ |
| FY2013 full year | 1,500 | — | 7.83 |

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

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by changes in the scope of consolidation): No
- (2) Application of specific accounting practices for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement after error corrections
 - (a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - (b) Changes in accounting policies due to other reasons: Yes
 - (c) Changes in accounting estimates: No
 - (d) Restatement after error corrections: No

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

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

2nd quarter of FY2013: 209,935,165 shares

End of FY2012: 209,935,165 shares

(b) Treasury stock at the end of period:

2nd quarter of FY2013: 18,261,227 shares

End of FY2012: 18,251,563 shares

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

2nd quarter of FY2013: 191,678,296 shares

2nd quarter of FY2012: 191,566,926 shares

Notes regarding quarterly review

This summary of consolidated financial statements is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Law of Japan, and that review had not been completed on the day of disclosure.

Notes regarding the use of projections of results and other matters

Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and notes regarding the use of projections, see (3) "Description of Consolidated Financial Forecast" on page 5 of attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Reviewing economic conditions during the first two quarters of the current fiscal year (April 1 – September 30, 2013), the Japanese economy showed signs of recovery, reflecting positive expectations spurred by the Bank of Japan's monetary easing policy and Abenomics (economic policies advocated by Prime Minister Abe). Despite these positive factors, increasing raw material and energy costs, as well as a sense of economic uncertainty remaining outside Japan caused a continuing unpredictable situation. Moreover, due to a delay in improvement of employment and income, personal expenditures still showed no signs of a pickup.

Faced with this situation, the GUNZE Group worked to enhance its ability to adapt to rapid changes in the marketplace by securing growth and fortifying its corporate constitution. These are two key strategies of GUNZE Group's medium-term management plan, called "Innovation 4S" (fiscal 2011 through fiscal 2013)," which is now in its final year.

As for the GUNZE Group's functional solutions business, electronic components enjoyed a significant improvement in performance thanks to the market recovery. However, other business segments remained sluggish, due to the slowdown of the overseas economy and increasingly intense price competition for GUNZE's mainstay products. The apparel business continued to experience challenges, including cost hikes reflecting the depreciation of the yen and escalating labor costs outside Japan.

Consequently, the GUNZE Group consolidated net sales for the first two quarters of the current fiscal year amounted to ¥69,523 million (a year-over-year increase of 9.8%). Consolidated operating income was ¥1,478 million (a year-over-year increase of 68.9%), while consolidated ordinary income was ¥1,969 million (a year-over-year increase of 162.2%). Consolidated net income was ¥802 million (a year-over-year increase of 311.3%).

Results by Business Segment

<Functional Solutions>

In plastic film, despite soaring raw material prices, shrink films for beverage, toiletry and other household product applications performed strongly. However, anti-fogging

film for vegetable packaging suffered sluggish sales due to slow movement caused by adverse weather conditions. In engineering plastics, despite brisk sales for semiconductor applications, office automation equipment components experienced sales declines, reflecting slow demand for expendable supplies due to an increasing avoidance of printing. In electronic components, projected capacitive touch screens for PCs as well as semi-finished products and films performed well, with strong sales and improvement in profitability. In medical materials, sales increased steadily in China and Europe. Overall, the functional solutions business posted net sales of ¥29,003 million (a year-over-year increase of 24.8%) and operating income of ¥2,118 million (a year-over-year increase of 50.5%).

<Apparel>

In innerwear, sales of mainstay basic products for men remained disappointing. Although GUNZE worked hard to reduce cost of sales through improvement of productivity while also concentrating on fixed cost cutting, the weaker yen and increasing labor costs outside Japan negatively impacted the innerwear business. In leg wear, plain pantyhose products continued to perform impressively and leggings pants, which set a new trend in fashion, also enjoyed robust sales. Still, this was not enough to offset the increase in cost of sales due to the yen's depreciation. Overall, the apparel business posted net sales of ¥34,080 million (a year-over-year increase of 0.3%), while operating income was ¥453 million (a year-over-year decrease of 45.9%).

<Lifestyle Creations>

In the real estate business, the *GUNZE Town Center TSUKASHiN* continued to enjoy greater sales and an increased number of visitors, thanks to the re-opening of the renovated *Nishimachi* area. The sports club business also did well with the campaign for attracting new members contributing to an increase in membership. Overall, the lifestyle creation business posted net sales of ¥6,803million (a year-over-year increase of 2.9%) and operating income of ¥449 million (a year-over-year increase of 46.3%).

(2) Description of Financial Position

As of September 30, 2013, total assets were ¥166,472 million, an increase of ¥3,143 million compared to the end of the previous fiscal year. The main components of the increase were a ¥910 million increase in cash and cash equivalents, a ¥901 million increase in other fixed assets (an increase in construction in progress, etc.), a ¥788 million increase in notes and accounts receivable, a ¥765 million increase in

investments in securities, and a ¥712 million increase in other current assets (an increase in short-term loans, etc.). The main factors contributing to a decrease in total assets were a ¥968 million decrease in investments and other assets (a decrease in long-term prepaid expenses, etc.).

Total liabilities were ¥56,287 million, an increase of ¥1,704 million compared to the end of the previous fiscal year. The key components of the increase were a ¥2,903 million increase in notes and accounts payable. The main components of a decrease in total liabilities were a ¥1,413 million decrease in other current liabilities (a decrease in notes payable on acquisition of equipment, etc.).

Net assets were ¥110,184 million, an increase of ¥1,438 million compared to the end of the previous fiscal year. The main components of the increase included a ¥1,262 million increase in foreign currency translation adjustments, and a net income of ¥802 million recorded for the period under review, and a ¥573 million increase in unrealized gains on available-for-sale securities. The main components of a decrease included dividend payments amounting to ¥1,437 million.

(Cash Flows)

As of September 30, 2013, cash and cash equivalents were ¥6,980 million, ¥910 million more than at the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the first two quarters of the current fiscal year.

Net cash provided by operating activities for the period under review was ¥6,332 million, an increase of ¥4,323 million compared to the same period of the previous fiscal year. The major components of incoming cash flows were depreciation and amortization of ¥3,089 million, and a ¥2,354 million increase in notes and accounts payable, and an income before income taxes and minority interests of ¥1,564 million, while the major component of outgoing cash flows was payment of income taxes, etc. amounting to ¥489 million yen.

Net cash used in investing activities totaled ¥3,507 million, a decrease of ¥1,385 million compared to the same period of the previous fiscal year. The main components of outgoing cash flows included payments for purchase of property, plants and equipment amounting to ¥3,327 million, including capital investment in equipment related to the functional solutions business.

Net cash used in financing activities totaled ¥2,254 million compared with ¥1,966 million provided during the same period of the previous fiscal year. The main components of outgoing cash flows included ¥1,427 million spent for dividend payments, a repayment of short-term debt and commercial paper amounting to ¥989 million, and a repayment of long-term debt amounting to ¥826 million. The main components of incoming cash flows included proceeds from the issuance of long-term debt amounting to ¥1,000 million.

(3) Description of Consolidated Financial Forecast

GUNZE has not revised its consolidated full-year forecast for the present fiscal year ending March 31, 2014 from the previous forecast announced on May 14, 2013, as performance during the first two quarters of the present fiscal year remained within the assumed range.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

None applicable

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

(Calculation of taxes)

Taxes are calculated by multiplying income before income taxes for the first two quarters of the current fiscal year by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the income before income taxes for the current consolidated fiscal year ending March 31, 2014.

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

(Change in accounting policies, which is difficult to distinguish from changes in accounting estimates)

Change in depreciation method for property, plants and equipment

Conventionally, GUNZE and its domestic consolidated subsidiaries principally used the declining-balance method for depreciation of their property, plants and equipment (excluding buildings purchased on or after April 1, 1998). Foreign consolidated subsidiaries depreciated their property, plants and equipment by the straight-line method. Effective from the first quarter of the current fiscal year, GUNZE and its domestic consolidated subsidiaries changed their depreciation methods for property, plants and equipment to the straight-line method.

As a result of examination of the GUNZE Group's usage status for property, plants and equipment, it was discovered that these assets have been in stable operation over their useful life, and equipment/facility maintenance costs including repair costs have been nearly level. These findings enabled GUNZE to verify that physical deterioration of equipment and facilities has been progressing constantly with age. Moreover, GUNZE's large-scale investments related to the functional solutions business in Japan are almost complete. In view of this situation, GUNZE considered that it would be more suitable to change the depreciation method used by GUNZE and its domestic subsidiaries into the straight-line method in order to unify the accounting methods across the GUNZE Group both in and out of Japan. GUNZE also determined that the straight-line method, which allocates the costs of each asset evenly over its estimated useful life, could reflect the nature of the GUNZE Group's business more appropriately.

As a result of this change, depreciation for the first two quarters of the current fiscal year decreased by ¥501 million compared to the conventional depreciation method. Operating income increased by ¥370 million compared to the conventional depreciation method, while ordinary income and income before income taxes increased by ¥398 million each.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | End of FY2012 (As of Mar. 31, 2013) | End of FY2013 2nd quarter (As of Sept. 30, 2013) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 6,070 | 6,980 |
| Notes & accounts receivable, trade | 28,736 | 29,524 |
| Finished products and goods | 21,281 | 21,568 |
| Work in process | 6,765 | 7,330 |
| Raw materials and supplies | 5,938 | 5,945 |
| Other current assets | 4,672 | 5,385 |
| Allowance for doubtful accounts | (9) | (15) |
| Total current assets | 73,454 | 76,718 |
| Fixed assets | | |
| Property, plants and equipment | | |
| Buildings and structures (Net) | 37,591 | 37,055 |
| Machinery, equipment and vehicles (Net) | 14,524 | 14,331 |
| Land | 11,887 | 11,906 |
| Other (Net) | 1,299 | 2,201 |
| Total property, plants and equipment | 65,304 | 65,493 |
| Intangible fixed assets | 1,674 | 1,569 |
| Investments and other assets | | |
| Investments in securities | 11,831 | 12,596 |
| Other assets | 11,166 | 10,197 |
| Allowance for doubtful accounts | (102) | (102) |
| Total investments and other assets | 22,894 | 22,690 |
| Total fixed assets | 89,873 | 89,753 |
| Total assets | 163,328 | 166,472 |

(Millions of yen)

| | End of FY2012 (As of Mar. 31, 2013) | End of FY2013 2nd quarter (As of Sept. 30, 2013) |
|--|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes & accounts payable, trade | 6,990 | 9,893 |
| Short-term debt | 4,680 | 4,946 |
| Commercial paper | 11,800 | 11,200 |
| Current portion of long-term debt | 1,911 | 1,660 |
| Accrued income taxes | 438 | 651 |
| Allowance for employees' bonuses | 1,136 | 1,116 |
| Other current liabilities | 9,130 | 7,716 |
| Total current liabilities | 36,086 | 37,185 |
| Long-term liabilities | | |
| Long-term debt | 11,647 | 12,223 |
| Allowance for retirement benefits | 1,805 | 1,912 |
| Long-term deposits & guarantee deposits | 4,664 | 4,495 |
| Other long-term liabilities | 378 | 470 |
| Total long-term liabilities | 18,495 | 19,102 |
| Total liabilities | 54,582 | 56,287 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 26,071 | 26,071 |
| Capital surplus | 14,064 | 14,064 |
| Retained earnings | 76,700 | 76,065 |
| Treasury stock | (7,603) | (7,605) |
| Total shareholders' equity | 109,233 | 108,596 |
| Accumulated other comprehensive income | | |
| Unrealized gains (losses) on available-for-sale securities | (27) | 545 |
| Deferred gains on hedge | 57 | 30 |
| Revaluation difference on land | (400) | (400) |
| Foreign currency translation adjustments | (1,261) | 0 |
| Total accumulated other comprehensive income | (1,632) | 176 |
| Stock acquisition rights | 268 | 319 |
| Minority interests | 876 | 1,092 |
| Total net assets | 108,745 | 110,184 |
| Total liabilities and net assets | 163,328 | 166,472 |

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

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

(Millions of yen)

| | 2nd quarter of FY2012 (Apr. 1, 2012 to Sept. 30, 2012) | 2nd quarter of FY2013 (Apr. 1, 2013 to Sept. 30, 2013) |
|--|---|---|
| Net sales | 63,313 | 69,523 |
| Cost of sales | 46,814 | 52,712 |
| Gross profit | 16,499 | 16,811 |
| Selling, general & administrative expenses | 15,623 | 15,333 |
| Operating income | 875 | 1,478 |
| Non-operating income | | |
| Interest income | 5 | 13 |
| Dividend income | 198 | 184 |
| Rental income | 284 | 261 |
| Exchange gain | - | 340 |
| Other | 125 | 91 |
| Total non-operating income | 613 | 892 |
| Non-operating expenses | | |
| Interest expenses | 81 | 81 |
| Rental expenses | 260 | 238 |
| Exchange loss | 213 | - |
| Other | 182 | 81 |
| Total non-operating expenses | 738 | 400 |
| Ordinary income | 751 | 1,969 |
| Extraordinary income | | |
| Gain on sale of property, plants & equipment | 4 | 61 |
| Gain on sale of investment securities | 2 | - |
| Gain on establishment of employee retirement benefit trust | 1,673 | - |
| Other | 86 | - |
| Total extraordinary income | 1,766 | 61 |
| Extraordinary loss | | |
| Loss on sale or disposal of property, plants & equipment | 38 | 24 |
| Loss on sale of investment securities | 158 | - |
| Loss on valuation of investments in securities | 380 | - |
| Amortization of actuarial differences in retirement benefits | 1,300 | 443 |
| Other | 9 | - |
| Total extraordinary loss | 1,887 | 467 |
| Income before income taxes and minority interests | 630 | 1,564 |
| Income taxes | 532 | 652 |
| Income before minority interests | 98 | 911 |
| Minority interests in income (loss) | (96) | 109 |
| Net income | 195 | 802 |

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

(Millions of yen)

| | 2nd quarter of FY2012 (Apr. 1, 2012 to Sept. 30, 2012) | 2nd quarter of FY2013 (Apr. 1, 2013 to Sept. 30, 2013) |
|--|---|---|
| Income before minority interests | 98 | 911 |
| Other comprehensive income (loss) | | |
| Unrealized gains (losses) on available-for-sale securities | (2,470) | 573 |
| Deferred gains (losses) on hedge | 99 | (27) |
| Foreign currency translation adjustments | 235 | 1,371 |
| Total other comprehensive income (loss) | (2,135) | 1,917 |
| Comprehensive income (loss) attributable to: | (2,037) | 2,829 |
| Shareholders of the parent company | (1,969) | 2,611 |
| Minority interests | (67) | 218 |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | 2nd quarter of FY2012 (Apr. 1, 2012 to Sept. 30, 2012) | 2nd quarter of FY2013 (Apr. 1, 2013 to Sept. 30, 2013) |
|--|---|---|
| Cash flows from operating activities | | |
| Income before income taxes & minority interests | 630 | 1,564 |
| Depreciation and amortization | 3,689 | 3,089 |
| Increase (decrease) in allowance for doubtful accounts | (14) | 6 |
| Increase (decrease) in allowance for retirement benefits | (722) | 332 |
| Increase (decrease) in allowance for employees' bonuses | 24 | (21) |
| Interest and dividend income | (204) | (198) |
| Interest expenses | 81 | 81 |
| Loss (gain) on sale or disposal of fixed assets | 34 | (37) |
| Loss (gain) on sale or valuation of investments in securities | 536 | - |
| Loss (gain) on establishment of employee retirement benefit trust | (1,673) | - |
| Amortization of (gain on) actuarial differences in retirement benefits | 1,300 | 443 |
| Other losses (gains) | 117 | 10 |
| Decrease (increase) in notes and accounts receivable | (389) | 70 |
| Decrease (increase) in inventories | (2,091) | (28) |
| Decrease (increase) in other current assets | 213 | (134) |
| Increase (decrease) in notes and accounts payable | 1,108 | 2,354 |
| Increase (decrease) in deposits and guarantee deposits | (105) | (252) |
| Increase (decrease) in other current liabilities | (347) | (558) |
| Increase (decrease) in other long-term liabilities | 36 | (11) |
| Subtotal | 2,227 | 6,709 |
| Interest and dividends received | 203 | 195 |
| Interest paid | (84) | (83) |
| Income tax refund (paid) | (338) | (489) |
| Net cash provided by (used in) operating activities | 2,008 | 6,332 |
| Cash flows from investing activities | | |
| Payments for purchase of property, plants & equipment | (3,722) | (3,327) |
| Proceeds from sale of property, plants & equipment | 48 | 101 |
| Payments for disposition of property, plants & equipment | (23) | (2) |
| Payments for acquisition of investment securities | (644) | (62) |
| Proceeds from sale of investment securities | 92 | 137 |
| Net decrease (increase) in loans | (727) | (324) |
| Other | 83 | (29) |
| Net cash provided by (used in) investing activities | (4,893) | (3,507) |

(Millions of yen)

| | 2nd quarter of FY2012 (Apr. 1, 2012 to Sept. 30, 2012) | 2nd quarter of FY2013 (Apr. 1, 2013 to Sept. 30, 2013) |
|--|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term debt and commercial paper | 4,021 | (989) |
| Proceeds from issuance of long-term debt | - | 1,000 |
| Repayments of long-term debt | (625) | (826) |
| Cash dividends paid | (1,426) | (1,427) |
| Acquisition of treasury stock | (1) | (2) |
| Other | (1) | (7) |
| Net cash provided by (used in) financing activities | 1,966 | (2,254) |
| Effect of exchange rate changes on cash & cash equivalents | 37 | 341 |
| Net increase (decrease) in cash and cash equivalents | (880) | 910 |
| Cash and cash equivalents at beginning of period | 6,078 | 6,070 |
| Increase (decrease) in cash and cash equivalents due to change in scope of consolidation | 89 | - |
| Cash and cash equivalents at end of period | 5,287 | 6,980 |

**(4) Notes to Quarterly Consolidated Financial Statements
(Notes Regarding Assumptions of Continuing Operations)**

None applicable

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

None applicable

(Segment Information, etc.)

I. Second quarter of FY2012 (Six months ended September 30, 2012)

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

(Millions of yen)

| | Reportable segments | | | | Adjustment (note) | Consolidated |
|----------------------------------|----------------------|---------|---------------------|--------|----------------------|--------------|
| | Functional solutions | Apparel | Lifestyle creations | Total | | |
| Net sales | | | | | | |
| Sales to customers | 23,158 | 33,903 | 6,251 | 63,313 | - | 63,313 |
| Intersegment sales and transfers | 76 | 65 | 360 | 503 | (503) | - |
| Total | 23,235 | 33,969 | 6,611 | 63,817 | (503) | 63,313 |
| Segment profit | 1,407 | 837 | 307 | 2,552 | (1,676) | 875 |

Note:

The - (minus) ¥1,676 million segment profit adjustment consists of overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not allocated to reportable segments.

II. Second quarter of FY2013 (Six months ended September 30, 2013)

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

(Millions of yen)

| | Reportable segments | | | | Adjustment (note) | Consolidated |
|----------------------------------|----------------------|---------|---------------------|--------|----------------------|--------------|
| | Functional solutions | Apparel | Lifestyle creations | Total | | |
| Net sales | | | | | | |
| Sales to customers | 28,922 | 33,988 | 6,613 | 69,523 | - | 69,523 |
| Intersegment sales and transfers | 80 | 91 | 190 | 362 | (362) | - |
| Total | 29,003 | 34,080 | 6,803 | 69,886 | (362) | 69,523 |
| Segment profit | 2,118 | 453 | 449 | 3,021 | (1,542) | 1,478 |

Note:

The - (minus) ¥1,542 million segment profit adjustment consists of overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not allocated to reportable segments.

2. Matters Regarding Changes in Reportable Segments

(Change in accounting policies, which is difficult to distinguish from changes in accounting estimates)

Change in depreciation method for property, plants and equipment

Conventionally, GUNZE and its domestic consolidated subsidiaries principally used the declining-balance method for depreciation of their property, plants and equipment (excluding buildings purchased on or after April 1, 1998).

Foreign consolidated subsidiaries depreciated their property, plants and equipment by the straight-line method.

Effective from the first quarter of the current fiscal year, GUNZE and its domestic subsidiaries changed their depreciation methods for property, plants and equipment to the straight-line method.

As a result of this change, profits of the functional solutions segment, apparel segment, and lifestyle creation segment for the first two quarters of the current fiscal year increased by ¥259 million, ¥58 million and ¥15 million, respectively, compared to the conventional depreciation method. The amount of adjustment increased by ¥37 million.

4. Supplementary Information

(1) Supplementary Materials for Quarterly Financial Results

Overview of Consolidated Results for Second Quarter of FY2013

<Overview of Results>

- Functional solutions business enjoyed increases in sales and profits due to the recovery of the electronic components market.
- Apparel business suffered a decrease in profits due to increased costs caused by the weaker yen and soaring labor costs overseas.
- Lifestyle creation business posted increases in sales and profits, thanks to the re-opening of the renovated *TSUKASHiN Nishimachi* area and increased membership for sports clubs.

<Main Extraordinary Income/Loss>

- Loss on amortization of actuarial differences in retirement benefits: (¥400 million)

<FY2012 Forecast>

- GUNZE has not revised its previously announced full-year forecast as the performance during the first two quarters of the present fiscal year remained within the assumed range.
- Scheduled dividend payment for current fiscal year: ¥7.5 per share

(1) FY2013 2nd Quarter Operating Results (Apr. 1, 2013 to Sept. 30, 2013)

(Millions of yen)

| | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | FY2012 2nd Quarter (Six months ended Sept. 30, 2012) | Change |
|--|---|---|----------------------------------|
| | | | <Upper figures in brackets %> |
| Net Sales | 69,523 | 63,313 | <9.8> 6,209 |
| Operating Income | 1,478 | 875 | <68.9> 602 |
| Ordinary Income | 1,969 | 751 | <162.2> 1,218 |
| Income Before Income Taxes and Minority Interests | 1,564 | 630 | <148.3> 933 |
| Net Income | 802 | 195 | <311.3> 607 |
| Total Assets | 166,472 | 167,974 | <(0.9)> (1,501) |
| Inventories | 34,844 | 38,224 | <(8.8)> (3,380) |
| Fixed Assets | 89,753 | 90,985 | <(1.4)> (1,232) |
| Net Assets | 110,184 | 106,855 | <3.1> 3,329 |
| Financing Income/Expenses | 116 | 122 | (6) |
| Interest/Dividends Received | 198 | 204 | (6) |
| Interest Expenses | (81) | (81) | (0) |
| Capital Expenditures | 1,164 | 1,657 | (493) |
| Depreciation and Amortization | 3,089 | 3,689 | (600) |

Notes: Acquisition of treasury stock

| | (Thousands of shares) | (Amount) |
|--|-----------------------|----------------|
| • Treasury stock acquired (including acquisition of odd-lot shares) | 11 | ¥2 million |
| • Treasury stock disposed | (1) | (¥0 million) |
| • Treasury stock held at the end of the previous fiscal year | 18,251 | ¥7,603 million |
| • Treasury stock held at the end of the period | 18,261 | ¥7,605 million |

(2) Results by Business Segment

(Millions of yen)

| Item | | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | | FY2012 2nd Quarter (Six months ended Sept. 30, 2012) | | Change | |
|------------------|------------------------|--|--------|--|--------|--------|------------|
| | | Amount | Weight | Amount | Weight | Amount | Change (%) |
| Net Sales | Functional Solutions | 29,003 | 41.5 | 23,235 | 36.4 | 5,768 | 24.8 |
| | Apparel | 34,080 | 48.8 | 33,969 | 53.2 | 111 | 0.3 |
| | Lifestyle Creations | 6,803 | 9.7 | 6,611 | 10.4 | 192 | 2.9 |
| | Subtotal | 69,886 | 100.0 | 63,817 | 100.0 | 6,069 | 9.5 |
| | Eliminations | (362) | | (503) | | 141 | - |
| | Consolidated | 69,523 | | 63,313 | | 6,209 | 9.8 |
| Operating Income | Functional Solutions | 2,118 | 70.1 | 1,407 | 55.1 | 711 | 50.5 |
| | Apparel | 453 | 15.0 | 837 | 32.8 | (384) | (45.9) |
| | Lifestyle Creations | 449 | 14.9 | 307 | 12.1 | 142 | 46.3 |
| | Subtotal | 3,021 | 100.0 | 2,552 | 100.0 | 469 | 18.4 |
| | Eliminations/Corporate | (1,542) | | (1,676) | | 134 | - |
| | Consolidated | 1,478 | | 875 | | 602 | 68.9 |

(3) Significant Financial Indicators

| | | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | FY2012 2nd Quarter (Six months ended Sept. 30, 2012) | Change |
|--|---|--|--|--------|
| Operating Income to Total Assets Ratio | % | 0.9 | 0.5 | 0.4 |
| Ordinary Income to Total Assets Ratio | % | 1.2 | 0.4 | 0.8 |
| Operating Income to Net Sales Ratio | % | 2.1 | 1.4 | 0.7 |
| Ordinary Income to Net Sales Ratio | % | 2.8 | 1.2 | 1.6 |
| Net Worth Ratio | % | 65.3 | 62.9 | 2.4 |
| ROE | % | 0.7 | 0.2 | 0.5 |
| Earnings per Share | ¥ | 4.19 | 1.02 | 3.17 |
| Diluted Earnings per Share | ¥ | 4.16 | 1.01 | 3.15 |
| Net Assets per Share | ¥ | 567.49 | 551.50 | 15.99 |

(4) Cash Flows

(Millions of yen)

| Cash Flow Activity | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | FY2012 2nd Quarter (Six months ended Sept. 30, 2012) | Change | Breakdown of Major Components |
|---|--|--|---------|---|
| Operating Activities | 6,332 | 2,008 | 4,323 | Depreciation and amortization: 3,089; Increase in notes and accounts payable: 2,354; Income before income taxes and minority interests: 1,564; Income taxes paid: (489) |
| Investing Activities | (3,507) | (4,893) | 1,385 | Purchase of property, plants and equipment: (3,327) |
| Financing Activities | (2,254) | 1,966 | (4,221) | Dividends paid: (1,427); Decrease in short-term debt and commercial paper: (989); Repayment of long-term debt: (826); Proceeds from issuance of long-term debt: 1,000 |
| Foreign Currency Translation | 341 | 37 | 303 | |
| Increase in Cash and Cash Equivalents - 2nd Quarter | 910 | (880) | 1,791 | |
| Increase due to Change in Scope of Consolidation | - | 89 | (89) | |
| Cash and Cash Equivalents - End of Period | 6,980 | 5,287 | 1,693 | |

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

| Item | FY2013 Plan | | | FY2012 | | Y-over-Y Change |
|-------------------------------|----------------------|---------|-----------------------------|--------|--------|--------------------|
| | Amount | Weight | 2nd Quarter (cumulative) | Amount | Weight | |
| Capital Expenditures | [International] | [1,500] | | [240] | [527] | |
| | Functional Solutions | 4,900 | 51.0 | 672 | 3,735 | 53.9 |
| | [International] | [500] | | [55] | [362] | |
| | Apparel | 1,000 | 10.4 | 149 | 916 | 13.2 |
| | Lifestyle Creations | 2,400 | 25.0 | 203 | 1,932 | 27.9 |
| | Corporate | 1,300 | 13.6 | 139 | 346 | 5.0 |
| Total | 9,600 | 100.0 | 1,164 | 6,930 | 100.0 | 2,670 |
| Depreciation and Amortization | Functional Solutions | 3,000 | 46.9 | 1,422 | 3,783 | 49.9 |
| | Apparel | 1,200 | 18.8 | 615 | 1,635 | 21.6 |
| | Lifestyle Creations | 1,400 | 21.9 | 695 | 1,408 | 18.6 |
| | Corporate | 800 | 12.4 | 357 | 759 | 9.9 |
| | Total | 6,400 | 100.0 | 3,089 | 7,587 | 100.0 |

Notes:

- Capital expenditures are based on the amount charged to construction in progress.
- Capital expenditures include investments for intangible fixed assets.

Main Investment Plans for the Period under Review

- Electronic components production equipment: ¥2,100 million
- Solar power generation facilities: ¥1,700 million
- Plastic film production equipment: ¥1,300 million

(6) FY2013 Forecast

(Millions of yen)

| | FY2013 Forecast | FY2012 | Change <Upper figures %> |
|------------------|--------------------|---------|-----------------------------|
| Net Sales | 139,000 | 132,373 | <5.0> 6,627 |
| Operating Income | 3,000 | 1,710 | <75.4> 1,290 |
| Ordinary Income | 2,900 | 2,328 | <24.6> 572 |
| Net Income | 1,500 | (1,161) | < - > 2,661 |

(7) Forecast of Results by Segment

(Millions of yen)

| | | FY2013 Forecast | | FY2012 Results | | Change | |
|------------------|------------------------|-----------------|--------|----------------|--------|--------|------------|
| | | Amount | Weight | Amount | Weight | Amount | Change (%) |
| Net Sales | Functional Solutions | 56,900 | 40.6 | 49,538 | 37.1 | 7,362 | 14.9 |
| | Apparel | 69,100 | 49.4 | 69,991 | 52.5 | (891) | (1.3) |
| | Lifestyle Creations | 14,000 | 10.0 | 13,867 | 10.4 | 133 | 1.0 |
| | Subtotal | 140,000 | 100.0 | 133,397 | 100.0 | 6,603 | 4.9 |
| | Eliminations | (1,000) | | (1,024) | | 24 | - |
| | Consolidated | 139,000 | | 132,373 | | 6,627 | 5.0 |
| Operating Income | Functional Solutions | 4,550 | 72.2 | 2,813 | 53.6 | 1,737 | 61.7 |
| | Apparel | 550 | 8.7 | 1,393 | 26.5 | (843) | (60.5) |
| | Lifestyle Creations | 1,200 | 19.0 | 1,044 | 19.9 | 156 | 14.9 |
| | Subtotal | 6,300 | 100.0 | 5,251 | 100.0 | 1,049 | 20.0 |
| | Eliminations/Corporate | (3,300) | | (3,540) | | 240 | - |
| | Consolidated | 3,000 | | 1,710 | | 1,290 | 75.4 |