February 5, 2014

Summary of Consolidated Financial Statements for the Third 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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Company Code: 3002
Stock Market Listings: Tokyo
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Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): February 13, 2014
Start of Distribution of Dividends (Scheduled): –
Preparation of Supplementary Materials for the Quarterly Financial Results: No
Holding of Presentation of Quarterly Financial Results: No

1. Consolidated results for the third quarter of FY2012 (April 1, 2013 to December 31, 2013)

(1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)
(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended December 2013	107,551	7.1	3,811	43.3	4,763	74.3
Nine months ended December 2012	100,419	(4.9)	2,660	32.9	2,732	31.7

	Net income (loss)		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Nine months ended December 2013	2,725	–	14.22	14.13
Nine months ended December 2012	(890)	–	(4.65)	–

Note: Comprehensive income
Nine months ended December 31, 2013: ¥5,332 million [–%]
Nine months ended December 31, 2012: (¥2,790 million) [–%]

(2) Consolidated financial position

	Total assets	Net assets	Net worth ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of December 31, 2013	171,468	113,083	64.9	580.41
As of March 31, 2013	163,328	108,745	65.9	561.35

Reference: Net worth
December 31, 2013: ¥111,217 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):

3rd quarter of FY2013: 209,935,165 shares

FY2012: 209,935,165 shares

(b) Treasury stock at the end of period:

3rd quarter of FY2013: 18,316,182 shares

FY2012: 18,251,563 shares

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

3rd quarter of FY2013: 191,670,874 shares

3rd quarter of FY2012: 191,572,734 shares

Notes regarding implementation of 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 4 of attached materials.

Attached Materials

Table of Contents

1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Reviewing the economic conditions during the first nine months of the current fiscal year (April 1 – December 31, 2013), the Japanese economy showed signs of recovery, reflecting the so-called "Abenomics effect." Personal expenditures showed signs of a partial recovery, especially in luxury items. Despite these positive signs, there were also negative factors, including increasing costs of raw materials and energy, as well as rising prices for imported products caused by the yen's depreciation. Moreover, concerns about inflation resulted in an increasingly defensive mindset among consumers with regard to spending. These negative factors caused continuing uncertainty in the Japanese economy, preventing any optimistic prospects about the future.

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.

Although the GUNZE Group's functional solutions business faced increasingly intense competition and soaring raw materials prices, electronic components showed a remarkable improvement in performance with an increase in demand for touch screen films. The apparel business continued to experience challenging conditions, with several factors causing cost hikes, such as the weaker yen and escalating labor costs outside Japan.

Consequently, the GUNZE Group posted net sales of ¥107,551 million for the nine months ended December 31, 2013 (a year-over-year increase of 7.1%). Consolidated operating income amounted to ¥3,811 million (a year-over-year increase of 43.3%), while consolidated ordinary income was ¥4,763 million (a year-over-year increase of 74.3%). Consolidated net income was ¥2,725 million compared with a consolidated net loss of ¥890 million posted in the same period of the previous fiscal year.

Results by Business Segment

<Functional Solutions>

In plastic film, while prices for raw materials continued to soar, sales of shrink films for beverage and anti-fogging film for vegetable packaging remained firm. In engineering plastics, demand for office equipment components bottomed out, and semiconductor-related components posted a sales increase. In electronic components, projected capacitive touch screens for PCs as well as semi-finished products and films for smartphones performed strongly, despite increasingly intense market price competition. In medical materials, sales increased steadily in Europe. Consequently, the functional solutions business posted net sales of ¥42,781 million (a year-over-year increase of 18.9%) and operating income of ¥3,617 million (a year-over-year increase of 73.6%).

<Apparel>

In innerwear, sales of mainstay basic products for men remained disappointing. GUNZE concentrated on business structure reform to cut fixed costs as well as to reduce cost of sales through improvement of productivity. Nevertheless, the weaker yen and increasing labor costs outside Japan negatively impacted the innerwear business. In leg wear, plain pantyhose products and leggings pants continued to enjoy firm sales. Still, this was not enough to offset the increase in cost of sales caused by the yen's depreciation. Consequently, the apparel business posted net sales of ¥55,041 million (a year-over-year decrease of 0.3%), while operating income was ¥1,761 million (a year-over-year decrease of 29.7%).

<Lifestyle Creations>

In the real estate business, the positive effects of renovating the *GUNZE Town Center TSUKASHiN* commercial facility had reached saturation. However, robust sales were recorded mainly in its food-related tenants. In the sports club business, the campaign for attracting new members and other promotions contributed to an increase in membership. The landscaping and greening business also did well in sales. Consequently, the lifestyle creation business recorded net sales of ¥10,300 million (a year-over-year increase of 3.8%) and operating income of ¥814 million (a year-over-year increase of 46.4%).

(2) Description of Financial Position

As of December 31, 2013, total assets were ¥171,468 million, an increase of ¥8,140 million compared to the end of the previous fiscal year. The main components of the increase were a ¥6,010 million increase in notes and accounts receivable, a ¥2,889 million increase in other fixed assets (an increase in construction in progress, etc.), and a ¥2,019 million increase in investments in securities. The main factors contributing to a decrease in total assets were a ¥2,461 million decrease in finished products and goods.

Total liabilities were ¥58,384 million, an increase of ¥3,802 million compared to the end of the previous fiscal year. The main components of the increase were a ¥2,248 million increase in notes and accounts payable, a ¥1,156 million increase in other current liabilities (an increase in other accounts payable, etc.), and a ¥1,100 million increase in accrued income taxes. The main components of a decrease in total liabilities included a ¥854 million decrease in allowance for employees' bonuses.

Net assets were ¥113,083 million, an increase of ¥4,338 million compared to the end of the previous fiscal year. The main components of the increase were a net income of ¥2,725 million recorded during the period under review, a ¥1,215 million increase in foreign currency translation adjustments, a ¥1,159 million increase in unrealized gains on available-for-sale securities, and a ¥670 million increase in minority interests. The main component of a decrease included dividend payments amounting to ¥1,437 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 nine months 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 nine months 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 nine months of the current fiscal year decreased by ¥766 million compared to the conventional depreciation method. Operating income increased by ¥625 million compared to the conventional depreciation method, while ordinary income increased by ¥656 million and income before income taxes increased by ¥651 million.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2012 (As of Mar. 31, 2013)	End of FY2013 3rd quarter (As of Dec. 31, 2013)
Assets		
Current assets		
Cash and cash equivalents	6,070	7,311
Notes & accounts receivable, trade	28,736	34,746
Finished products and goods	21,281	18,819
Work in process	6,765	7,230
Raw materials and supplies	5,938	6,110
Other current assets	4,672	5,121
Allowance for doubtful accounts	(9)	(22)
Total current assets	73,454	79,317
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	37,591	37,251
Machinery, equipment and vehicles (Net)	14,524	14,170
Land	11,887	11,901
Other (Net)	1,299	4,189
Total property, plants and equipment	65,304	67,512
Intangible fixed assets	1,674	1,479
Investments and other assets		
Investments in securities	11,831	13,850
Other assets	11,166	9,412
Allowance for doubtful accounts	(102)	(103)
Total investments and other assets	22,894	23,159
Total fixed assets	89,873	92,151
Total assets	163,328	171,468

(Millions of yen)

	End of FY2012 (As of Mar. 31, 2013)	End of FY2013 3rd quarter (As of Dec. 31, 2013)
Liabilities		
Current liabilities		
Notes & accounts payable, trade	6,990	9,238
Short-term debt	4,680	4,951
Commercial paper	11,800	10,100
Current portion of long-term debt	1,911	1,020
Accrued income taxes	438	1,538
Allowance for employees' bonuses	1,136	282
Other current liabilities	9,130	10,286
Total current liabilities	36,086	37,418
Long-term liabilities		
Long-term debt	11,647	14,065
Allowance for retirement benefits	1,805	1,946
Long-term deposits & guarantee deposits	4,664	4,485
Other long-term liabilities	378	468
Total long-term liabilities	18,495	20,966
Total liabilities	54,582	58,384
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,064	14,064
Retained earnings	76,700	77,988
Treasury stock	(7,603)	(7,619)
Total shareholders' equity	109,233	110,504
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(27)	1,131
Deferred gains on hedge	57	28
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	(1,261)	(46)
Total accumulated other comprehensive income	(1,632)	713
Stock acquisition rights	268	319
Minority interests	876	1,546
Total net assets	108,745	113,083
Total liabilities and net assets	163,328	171,468

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

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

(Millions of yen)

	3rd quarter of FY2012 (Apr. 1, 2012 to Dec. 31, 2012)	3rd quarter of FY2013 (Apr. 1, 2013 to Dec. 31, 2013)
Net sales	100,419	107,551
Cost of sales	74,267	80,561
Gross profit	26,152	26,990
Selling, general & administrative expenses	23,492	23,178
Operating income	2,660	3,811
Non-operating income		
Interest income	17	21
Dividend income	226	258
Rental income	450	364
Exchange gain	52	782
Other	203	123
Total non-operating income	951	1,549
Non-operating expenses		
Interest expenses	122	118
Rental expenses	421	322
Other	334	157
Total non-operating expenses	878	598
Ordinary income	2,732	4,763
Extraordinary income		
Gain on sale of property, plants & equipment	19	1,253
Gain on sale of investment securities	2	1
Gain on establishment of employee retirement benefit trust	1,941	-
Other	86	-
Total extraordinary income	2,049	1,255
Extraordinary loss		
Loss on sale or disposal of property, plants & equipment	257	57
Loss on sale of investment securities	158	-
Amortization of actuarial differences in retirement benefits	1,950	664
Expenses on business structure improvement	-	670
Impairment loss	2,521	-
Other	9	1
Total extraordinary loss	4,897	1,394
Income (loss) before income taxes and minority interests	(115)	4,624
Income taxes	984	1,737
Income (loss) before minority interests	(1,100)	2,886
Minority interests in income (loss)	(209)	161
Net income (loss)	(890)	2,725

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

(Millions of yen)

	3rd quarter of FY2012 (Apr. 1, 2012 to Dec. 31, 2012)	3rd quarter of FY2013 (Apr. 1, 2013 to Dec. 31, 2013)
Income (loss) before minority interests	(1,100)	2,886
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(1,988)	1,159
Deferred gains (losses) on hedge	224	(29)
Foreign currency translation adjustments	72	1,316
Total other comprehensive income (loss)	(1,690)	2,446
Comprehensive income (loss) attributable to:	(2,790)	5,332
Shareholders of the parent company	(2,606)	5,070
Minority interests	(184)	262

(3) 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. Third quarter of FY2012 (Nine months ended December 31, 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	35,878	55,128	9,412	100,419	-	100,419
Intersegment sales and transfers	115	101	507	724	(724)	-
Total	35,994	55,229	9,920	101,144	(724)	100,419
Segment profit	2,083	2,504	556	5,144	(2,484)	2,660

Note:
The - (minus) ￥2,484 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. Information on Impairment Loss on Fixed Assets, Goodwill, etc. by Reportable Segment

(Significant impairment loss on fixed assets)

As for electronic component production equipment related to the functional solutions business, an impairment loss of ￥2,521 million was recognized because the recoverable amount fell below the carrying amount. This was caused by the decline in profitability resulting from worsening business conditions.

II. Third quarter of FY2013 (Nine months ended December 31, 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	42,655	54,893	10,002	107,551	-	107,551
Intersegment sales and transfers	126	147	298	572	(572)	-
Total	42,781	55,041	10,300	108,123	(572)	107,551
Segment profit	3,617	1,761	814	6,193	(2,381)	3,811

Note:
The - (minus) ￥2,381 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 nine months of the current fiscal year increased by ￥421 million, ￥104 million and ￥22 million, respectively, compared to the conventional depreciation method. The amount of adjustment increased by ￥77 million.