

Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2015 (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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 Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): November 14, 2014
 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 FY2014 (April 1, 2014 to September 30, 2014)

(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 | % |
| Six months ended Sept. 2014 | 66,010 | (5.1) | 1,382 | (6.5) | 2,143 | 8.8 |
| Six months ended Sept. 2013 | 69,523 | 9.8 | 1,478 | 68.9 | 1,969 | 162.2 |

| | Net income | | E.P.S. | Diluted E.P.S. |
|-----------------------------|------------|-------|--------|----------------|
| | ¥ millions | % | ¥ | ¥ |
| Six months ended Sept. 2014 | 1,249 | 55.7 | 6.52 | 6.47 |
| Six months ended Sept. 2013 | 802 | 311.3 | 4.19 | 4.16 |

Note: Comprehensive income

Six months ended September 2014: ¥806 million [(71.5%)]

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

(2) Consolidated financial position

| | Total assets | Net assets | Net worth ratio | Net assets per share |
|--------------------------|--------------|------------|-----------------|----------------------|
| | ¥ millions | ¥ millions | % | (¥) |
| As of September 30, 2014 | 168,366 | 113,399 | 66.4 | 583.33 |
| As of March 31, 2014 | 166,544 | 114,183 | 67.5 | 586.35 |

Reference: Net worth

September 30, 2014: ¥111,771 million

March 31, 2014: ¥112,357 million

2. Dividends

| | Annual dividends per share (¥) | | | | |
|--------------------|--------------------------------|-------------|-------------|----------|-----------|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Full year |
| FY2013 | — | — | — | 7.50 | 7.50 |
| FY2014 | — | — | — | — | — |
| FY2014 (projected) | — | — | — | 7.50 | 7.50 |

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2014 (April 1, 2014 to March 31, 2015)

(Percentages represent year-over-year changes.)

| | Net sales | | Operating income | | Ordinary income | |
|------------------|------------|-------|------------------|-----|-----------------|--------|
| | ¥ millions | % | ¥ millions | % | ¥ millions | % |
| FY2014 full year | 140,000 | (1.7) | 4,500 | 2.9 | 4,300 | (15.0) |

| | Net income | | E.P.S. |
|------------------|------------|--------|--------|
| | ¥ millions | % | ¥ |
| FY2014 full year | 2,100 | (16.3) | 10.96 |

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

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: Yes
 - (b) Changes in accounting policies due to other reasons: No
 - (c) Changes in accounting estimates: No
 - (d) Restatement after error corrections: No

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

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

2nd quarter of FY2014: 209,935,165 shares

End of FY2013: 209,935,165 shares

(b) Treasury stock at the end of period:

2nd quarter of FY2014: 18,324,459 shares

End of FY2013: 18,312,159 shares

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

2nd quarter of FY2014: 191,615,870 shares

2nd quarter of FY2013: 191,678,296 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 the economic conditions during the first six months of the current fiscal year (April 1 – September 30, 2014), the Japanese economy showed signs of mild recovery, reflecting the positive effects of the so-called “Abenomics” economic policy package in its second year. However, the “reverse effect” of a last-minute surge in demand prior to the rise in the consumption tax rate, combined with unseasonable weather, led to sluggish personal consumption. Moreover, costs of raw materials and energy hovered at high levels, due to rapid depreciation of the yen. These factors caused continued uncertainty for the GUNZE Group’s management environment.

Faced with this situation, the GUNZE Group launched its new medium-term management plan, called “CAN 20 (fiscal 2014 through fiscal 2020),” in the current fiscal year. With the key concept of “Focus and Concentration,” the GUNZE Group began implementing three key measures. These are: selection and focus for existing businesses based on the Strategic Business Unit (SBU) strategy; cultivation and creation of new high-growth businesses through the Cross-Functional Approach (CFA) initiatives; and reinforcement of the management foundation to support the company’s growth strategy.

The GUNZE Group’s functional solutions business remained sluggish overall despite stable performance of engineering plastics and medical materials. This was mainly due to worsened market conditions and price drops for touch screens in the electronic components category. Plastic film sales were also slow due to unseasonable weather in the summer and other negative factors. As for the apparel business, GUNZE promoted business structure reform while facing challenges such as sluggish personal spending after the consumption tax hike and unseasonable weather.

Consequently, the GUNZE Group’s consolidated net sales for the first six months of the current fiscal year amounted to ¥66,010 million (a year-over-year decrease of 5.1%). Consolidated operating income amounted to ¥1,382 million (a year-over-year decrease of 6.5%), while consolidated ordinary income was ¥2,143 million (a year-over-year increase of 8.8%). Consolidated net income was ¥1,249 million (a year-over-year increase of 55.7%).

Results by Business Segment

<Functional Solutions>

In plastic film, while prices for raw materials and energy costs continued to stay at high levels, sales of films for industrial applications were firm. However, films for beverage and food packaging applications remained slow, due to the downturn in personal spending after the consumption tax hike along with unseasonable weather. Engineering plastics performed well, thanks to the sales recovery in the overseas office equipment market and expanded sales for general industrial applications. Electronic components experienced difficulties, with slow sales and declining prices of projected capacitive touch screens for PCs and semi-finished products and films for smartphones. Medical materials achieved a steady sales increase in North America, while enjoying firm sales in Japan and China. Consequently, the functional solutions business posted net sales of ¥27,205 million (a year-over-year decrease of 6.2%) and operating income of ¥1,583 million (a year-over-year decrease of 25.3%).

<Apparel>

Innerwear experienced a sales decline caused by sluggish personal spending after the rise in the consumption tax rate and unseasonable weather. Other factors impacting the innerwear business were an increase in cost of sales resulting from the yen's depreciation and escalating labor costs outside Japan. However, GUNZE, as in the previous year, implemented business structure reform in order to promote profitability by reducing cost of sales and fixed costs. In leg wear, leggings pants and plain pantyhose products continued to enjoy strong sales. Consequently, the apparel business posted net sales of ¥32,350 million (a year-over-year decrease of 5.1%), while operating income was ¥812 million (a year-over-year increase of 79.2%).

<Lifestyle Creations>

In the real estate category, the solar power generation business that was launched in the second half of the previous fiscal year performed steadily, contributing to overall category profits. The *GUNZE Town Center TSUKASHiN* commercial facility was temporarily affected by the consumption tax hike, but showed a recovery trend later on. The sports club business experienced the effect of initial expenses incurred for the opening of new clubs. Consequently, the lifestyle creation

business recorded net sales of ¥6,791 million (a year-over-year decrease of 0.2%), while operating income was ¥480 million (a year-over-year increase of 6.9%).

(2) Description of Financial Position

As of September 30, 2014, total assets were ¥168,366 million, an increase of ¥1,822 million compared to the end of the previous fiscal year. The main components of the increase were a ¥2,080 million increase in inventories, an ¥890 million increase in investments in securities, and a ¥737 million increase in other property, plants and equipment (an increase in construction in progress, etc.). The main components of a decrease were a ¥997 million decrease in other assets contained in investments and other assets (a decrease in assets related to retirement benefits, etc.) and a ¥902 million decrease in machinery, equipment and vehicles.

Total liabilities were ¥54,966 million, an increase of ¥2,606 million compared to the end of the previous fiscal year. The main components of the increase included a ¥6,225 million increase in long- and short-term debt including commercial paper. The main components of a decrease included a ¥3,656 million decrease in other current liabilities (a decrease in notes payable on acquisition of equipment, etc.).

Net assets were ¥113,399 million, a decrease of ¥783 million compared to the end of the previous fiscal year. The main components of an increase included a net income of ¥1,249 million recorded for the period under review. The main components of the decrease were dividend payments of ¥1,437 million and a ¥656 million decrease in foreign currency translation adjustments.

(Cash Flows)

As of September 30, 2014, cash and cash equivalents were ¥6,709 million, ¥47 million less than at the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the first six months of the current fiscal year.

Net cash provided by operating activities for the period under review was ¥476 million, a decrease of ¥5,855 million compared to the same period of the previous fiscal year. The major components of cash inflows were depreciation and amortization of ¥3,246 million, and an income before income taxes and minority interests of ¥2,117 million, while the major components of cash outflows were a

¥2,387 million increase in inventories, an ¥856 million increase in notes and accounts receivable, and payment of income taxes, etc. amounting to ¥679 million.

Net cash used in investing activities totaled ¥5,324 million, an increase of ¥1,816 million compared to the same period of the previous fiscal year. The main components of cash outflows included payments for purchase of fixed assets amounting to ¥5,569 million, including capital investment in equipment related to the functional solutions business.

Net cash provided by financing activities totaled ¥5,043 million, compared with ¥2,254 million used during the same period of the previous fiscal year. The main components of cash inflows included proceeds from short-term debt and commercial paper borrowing amounting to ¥7,028 million. The main components of cash outflows included ¥1,428 million spent for dividend payments.

(3) Description of Consolidated Financial Forecast

During the first six months of the current fiscal year, GUNZE's sales remained slow due to sluggish market conditions for the plastics and innerwear businesses owing to unseasonable weather. The worsened market situation for electronic components also contributed to disappointing sales. However, earnings remained roughly within the assumed range. Accordingly, GUNZE has revised its consolidated full-year forecast for net sales only. The projected dividend of ¥7.5 per share will remain unchanged. Details of revisions to the full-year forecast are as follows:

Full-Year Forecast for FY2014 (April 1, 2014 to March 31, 2015)

| | Net sales | Operating income | Ordinary income | Net income | E.P.S. |
|--|------------|------------------|-----------------|------------|--------|
| | ¥ millions | ¥ millions | ¥ millions | ¥ millions | ¥ |
| Previous forecast (A) | 144,000 | 4,500 | 4,300 | 2,100 | 10.96 |
| Revised forecast (B) | 140,000 | 4,500 | 4,300 | 2,100 | 10.96 |
| Difference (B - A) | (4,000) | — | — | — | — |
| Difference (percentage) | (2.8%) | — | — | — | — |
| (Ref.) Previous fiscal year results (ended March 31, 2014) | 142,425 | 4,375 | 5,058 | 2,508 | 13.09 |

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 posted in the first six months of the current consolidated 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, 2015.

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

(Change in accounting policies)

Application of the Accounting Standard for Retirement Benefits, etc.

With respect to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012; hereinafter referred to as the “Retirement Benefit Accounting Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012; hereinafter referred to as the “Retirement Benefit Guidance”). GUNZE adopted the provisions set forth in Clause 35 of the Retirement Benefit Accounting Standard and Clause 67 of the Retirement Benefit Guidance, effective from the first quarter of the current fiscal year. Accordingly, GUNZE reviewed the calculation method for retirement benefit obligations and service costs, and changed the attribution method for retirement benefit estimates from the period-based straight-line method to the benefit calculation-based method. Moreover, GUNZE changed the application of the discount rate. Previously, the single discount rate was determined based on the approximate number of years of the average remaining service period of employees. The new method employs a single weighted average discount rate, which reflects the projected payment period of retirement benefits and an amount for each projected payment period.

The application of the Retirement Benefit Accounting Standard and the Retirement Benefit Guidance is subject to the transitional accounting treatment set forth in Clause 37 of the Retirement Benefit Accounting Standard. As such, the effect of the

change in the calculation method for retirement benefit obligations and service costs has been reflected as an increase or decrease in retaining earnings at the beginning of the first six months of the current fiscal year.

This caused the liabilities related to retirement benefits to increase by ¥157 million and retained earnings to decrease by ¥102 million at the beginning of the first six months of the current fiscal year. The effect of this change on operating income, ordinary income, and income before income taxes and minority interests in the first six months of the current fiscal year is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | End of FY2013 (As of Mar. 31, 2014) | End of FY2014 2nd quarter (As of Sept. 30, 2014) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 6,757 | 6,709 |
| Notes & accounts receivable, trade | 30,252 | 30,403 |
| Finished products and goods | 19,439 | 20,132 |
| Work in process | 6,746 | 6,416 |
| Raw materials and supplies | 6,370 | 8,087 |
| Other current assets | 3,969 | 4,363 |
| Allowance for doubtful accounts | (33) | (32) |
| Total current assets | 73,503 | 76,080 |
| Fixed assets | | |
| Property, plants and equipment | | |
| Buildings and structures (Net) | 38,093 | 37,661 |
| Machinery, equipment and vehicles (Net) | 16,084 | 15,181 |
| Land | 11,894 | 11,883 |
| Other (Net) | 2,691 | 3,428 |
| Total property, plants and equipment | 68,763 | 68,155 |
| Intangible fixed assets | 1,468 | 1,387 |
| Investments and other assets | | |
| Investments in securities | 12,684 | 13,574 |
| Other assets | 10,275 | 9,278 |
| Allowance for doubtful accounts | (151) | (110) |
| Total investments and other assets | 22,808 | 22,743 |
| Total fixed assets | 93,040 | 92,285 |
| Total assets | 166,544 | 168,366 |

(Millions of yen)

| | End of FY2013 (As of Mar. 31, 2014) | End of FY2014 2nd quarter (As of Sept. 30, 2014) |
|--|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes & accounts payable, trade | 9,491 | 9,169 |
| Short-term debt | 4,781 | 5,273 |
| Commercial paper | 4,500 | 10,800 |
| Current portion of long-term debt | 1,451 | 1,313 |
| Accrued income taxes | 622 | 891 |
| Allowance for employees' bonuses | 1,109 | 1,089 |
| Other current liabilities | 10,544 | 6,888 |
| Total current liabilities | 32,502 | 35,425 |
| Long-term liabilities | | |
| Long-term debt | 13,333 | 12,905 |
| Long-term deposits & guarantee deposits | 4,401 | 4,443 |
| Liabilities related to retirement benefits | 1,672 | 1,706 |
| Other long-term liabilities | 450 | 486 |
| Total long-term liabilities | 19,858 | 19,541 |
| Total liabilities | 52,360 | 54,966 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 26,071 | 26,071 |
| Capital surplus | 14,061 | 14,061 |
| Retained earnings | 77,771 | 77,480 |
| Treasury stock | (7,614) | (7,617) |
| Total shareholders' equity | 110,289 | 109,995 |
| Accumulated other comprehensive income | | |
| Unrealized gains on available-for-sale securities | 365 | 936 |
| Deferred gains on hedge | 0 | 7 |
| Revaluation difference on land | (400) | (400) |
| Foreign currency translation adjustments | 850 | 194 |
| Accumulated adjustments related to retirement benefits | 1,251 | 1,039 |
| Total accumulated other comprehensive income | 2,067 | 1,776 |
| Stock acquisition rights | 312 | 362 |
| Minority interests | 1,514 | 1,265 |
| Total net assets | 114,183 | 113,399 |
| Total liabilities and net assets | 166,544 | 168,366 |

(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 FY2013 (Apr. 1, 2013 to Sept. 30, 2013) | 2nd quarter of FY2014 (Apr. 1, 2014 to Sept. 30, 2014) |
|--|---|---|
| Net sales | 69,523 | 66,010 |
| Cost of sales | 52,712 | 49,798 |
| Gross profit | 16,811 | 16,212 |
| Selling, general & administrative expenses | 15,333 | 14,830 |
| Operating income | 1,478 | 1,382 |
| Non-operating income | | |
| Interest income | 13 | 15 |
| Dividend income | 184 | 194 |
| Rental income | 261 | 236 |
| Exchange gain | 340 | 619 |
| Other | 91 | 63 |
| Total non-operating income | 892 | 1,127 |
| Non-operating expenses | | |
| Interest expenses | 81 | 57 |
| Rental expenses | 238 | 213 |
| Other | 81 | 95 |
| Total non-operating expenses | 400 | 366 |
| Ordinary income | 1,969 | 2,143 |
| Extraordinary income | | |
| Gain on sale of fixed assets | 61 | 1 |
| Total extraordinary income | 61 | 1 |
| Extraordinary loss | | |
| Loss on sale or disposal of fixed assets | 24 | 22 |
| Amortization of actuarial differences in retirement benefits | 443 | - |
| Other | - | 4 |
| Total extraordinary loss | 467 | 27 |
| Income before income taxes and minority interests | 1,564 | 2,117 |
| Income taxes | 652 | 964 |
| Income before minority interests | 911 | 1,152 |
| Minority interests in income (loss) | 109 | (96) |
| Net income | 802 | 1,249 |

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

(Millions of yen)

| | 2nd quarter of FY2013 (Apr. 1, 2013 to Sept. 30, 2013) | 2nd quarter of FY2014 (Apr. 1, 2014 to Sept. 30, 2014) |
|---|---|---|
| Income before minority interests | 911 | 1,152 |
| Other comprehensive income | | |
| Unrealized gains on available-for-sale securities | 573 | 570 |
| Deferred gains (losses) on hedge | (27) | 6 |
| Foreign currency translation adjustments | 1,371 | (711) |
| Adjustments related to retirement benefits | - | (212) |
| Total other comprehensive income (loss) | 1,917 | (345) |
| Comprehensive income attributable to: | 2,829 | 806 |
| Shareholders of the parent company | 2,611 | 953 |
| Minority interests | 218 | (146) |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | 2nd quarter of FY2013 (Apr. 1, 2013 to Sept. 30, 2013) | 2nd quarter of FY2014 (Apr. 1, 2014 to Sept. 30, 2014) |
|--|---|---|
| Cash flows from operating activities | | |
| Income before income taxes & minority interests | 1,564 | 2,117 |
| Depreciation and amortization | 3,089 | 3,246 |
| Increase (decrease) in allowance for doubtful accounts | 6 | (0) |
| Increase (decrease) in allowance for retirement benefits | 332 | - |
| Increase (decrease) in liabilities related to retirement benefits | - | 28 |
| Increase (decrease) in allowance for employees' bonuses | (21) | (19) |
| Interest and dividend income | (198) | (209) |
| Interest expenses | 81 | 57 |
| Loss (gain) on sale or disposal of fixed assets | (37) | 21 |
| Amortization of (gain on) actuarial differences in retirement benefits | 443 | - |
| Other losses (gains) | 10 | (179) |
| Decrease (increase) in notes and accounts receivable | 70 | (856) |
| Decrease (increase) in inventories | (28) | (2,387) |
| Decrease (increase) in other current assets | (134) | (138) |
| Increase (decrease) in notes and accounts payable | 2,354 | (17) |
| Increase (decrease) in deposits and guarantee deposits | (252) | (252) |
| Increase (decrease) in other current liabilities | (558) | (301) |
| Increase (decrease) in other long-term liabilities | (11) | (104) |
| Subtotal | 6,709 | 1,005 |
| Interest and dividends received | 195 | 208 |
| Interest paid | (83) | (58) |
| Income tax refund (paid) | (489) | (679) |
| Net cash provided by (used in) operating activities | 6,332 | 476 |
| Cash flows from investing activities | | |
| Payments for purchase of fixed assets | (3,327) | (5,569) |
| Proceeds from sale of fixed assets | 101 | 2 |
| Payments for disposition of fixed assets | (2) | (12) |
| Payments for acquisition of investment securities | (62) | (28) |
| Proceeds from sale of investment securities | 137 | - |
| Net decrease (increase) in loans | (324) | (27) |
| Other | (29) | 312 |
| Net cash provided by (used in) investing activities | (3,507) | (5,324) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term debt and commercial paper | (989) | 7,028 |
| Proceeds from issuance of long-term debt | 1,000 | - |
| Repayments of long-term debt | (826) | (536) |
| Cash dividends paid | (1,427) | (1,428) |
| Acquisition of treasury stock | (2) | (4) |
| Other | (7) | (16) |
| Net cash provided by (used in) financing activities | (2,254) | 5,043 |
| Effect of exchange rate changes on cash & cash equivalents | 341 | (243) |
| Net increase (decrease) in cash and cash equivalents | 910 | (47) |
| Cash and cash equivalents at beginning of period | 6,070 | 6,757 |
| Cash and cash equivalents at end of period | 6,980 | 6,709 |

**(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 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 outside 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.

II. Second quarter of FY2014 (Six months ended September 30, 2014)

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 outside customers | 27,130 | 32,249 | 6,631 | 66,010 | - | 66,010 |
| Intersegment sales and transfers | 74 | 100 | 160 | 335 | (335) | - |
| Total | 27,205 | 32,350 | 6,791 | 66,346 | (335) | 66,010 |
| Segment profit | 1,583 | 812 | 480 | 2,877 | (1,494) | 1,382 |

Note:

The - (minus) ¥1,494 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.

4. Supplementary Information

(1) Supplementary Materials for Quarterly Financial Results

Overview of Consolidated Results for Second Quarter of FY2014

<Overview of Results>

- The functional solutions business suffered decreases in sales and profits due to worsened market conditions and lower prices for electronic components. However, engineering plastics and medical materials enjoyed firm sales.
- The apparel business posted a decrease in sales due to slow personal spending after the consumption tax hike and unseasonable weather. However, profits increased thanks to the promotion of business structure reform.
- The lifestyle creation business posted a decrease in sales with the commercial facility impacted by the consumption tax rise. However, the solar power generation business contributed to increased profits.
- Exchange gain (non-operating income): ¥600 million

<FY2014 Forecast>

- Sales remained slow with the plastic film and innerwear businesses suffering sluggish market conditions caused by unseasonable weather. A worsened electronic component market also contributed to slow sales. However, as earnings remained roughly within the assumed range, GUNZE has revised its consolidated full-year forecast for net sales only.
- Scheduled dividend payment for current fiscal year: ¥7.5 per share

(1) FY2014 2nd Quarter Operating Results (Apr. 1, 2014 to Sept. 30, 2014)

(Millions of yen)

| | FY2014 2nd Quarter (Six months ended Sept. 30, 2014) | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | Change |
|--|---|---|----------------------------------|
| | | | <Upper figures in brackets %> |
| Net Sales | 66,010 | 69,523 | <(5.1)> (3,513) |
| Operating Income | 1,382 | 1,478 | <(6.5)> (95) |
| Ordinary Income | 2,143 | 1,969 | <8.8> 173 |
| Income Before Income Taxes and Minority Interests | 2,117 | 1,564 | <35.4> 553 |
| Net Income | 1,249 | 802 | <55.7> 446 |
| Total Assets | 168,366 | 166,472 | <1.1> 1,894 |
| Inventories | 34,636 | 34,844 | <(0.6)> (207) |
| Fixed Assets | 92,285 | 89,753 | <2.8> 2,532 |
| Net Assets | 113,399 | 110,184 | <2.9> 3,215 |
| Financing Income/Expenses | 151 | 116 | 34 |
| Interest/Dividends Received | 209 | 198 | 10 |
| Interest Expenses | (57) | (81) | 23 |
| Capital Expenditures | 2,586 | 1,164 | 1,421 |
| Depreciation and Amortization | 3,246 | 3,089 | 157 |

Notes: Acquisition of treasury stock

| | (Thousands of shares) | (Amount) |
|--|-----------------------|----------------|
| • Treasury stock acquired (including acquisition of odd-lot shares) | 14 | ¥4 million |
| • Treasury stock disposed | (2) | (¥0 million) |
| • Treasury stock held at the end of the previous fiscal year | 18,312 | ¥7,614 million |
| • Treasury stock held at the end of the period | 18,324 | ¥7,617 million |

(2) Results by Business Segment

(Millions of yen)

| Item | | FY2014 2nd Quarter (Six months ended Sept. 30, 2014) | | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | | Change | |
|------------------|------------------------|--|--------|--|--------|---------|------------|
| | | Amount | Weight | Amount | Weight | Amount | Change (%) |
| Net Sales | Functional Solutions | 27,205 | 41.0 | 29,003 | 41.5 | (1,798) | (6.2) |
| | Apparel | 32,350 | 48.8 | 34,080 | 48.8 | (1,730) | (5.1) |
| | Lifestyle Creations | 6,791 | 10.2 | 6,803 | 9.7 | (12) | (0.2) |
| | Subtotal | 66,346 | 100.0 | 69,886 | 100.0 | (3,540) | (5.1) |
| | Eliminations | (335) | | (362) | | 27 | - |
| | Consolidated | 66,010 | | 69,523 | | (3,513) | (5.1) |
| Operating Income | Functional Solutions | 1,583 | 55.0 | 2,118 | 70.1 | (535) | (25.3) |
| | Apparel | 812 | 28.2 | 453 | 15.0 | 359 | 79.2 |
| | Lifestyle Creations | 480 | 16.8 | 449 | 14.9 | 31 | 6.9 |
| | Subtotal | 2,877 | 100.0 | 3,021 | 100.0 | (144) | (4.8) |
| | Eliminations/Corporate | (1,494) | | (1,542) | | 48 | - |
| | Consolidated | 1,382 | | 1,478 | | (95) | (6.5) |

(3) Significant Financial Indicators

| | | FY2014 2nd Quarter (Six months ended Sept. 30, 2014) | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | Change |
|--|---|--|--|--------|
| Operating Income to Total Assets Ratio | % | 0.8 | 0.9 | (0.1) |
| Ordinary Income to Total Assets Ratio | % | 1.3 | 1.2 | 0.1 |
| Operating Income to Net Sales Ratio | % | 2.1 | 2.1 | 0.0 |
| Ordinary Income to Net Sales Ratio | % | 3.2 | 2.8 | 0.4 |
| Net Worth Ratio | % | 66.4 | 65.3 | 1.1 |
| ROE | % | 1.1 | 0.7 | 0.4 |
| Earnings per Share | ¥ | 6.52 | 4.19 | 2.33 |
| Diluted Earnings per Share | ¥ | 6.47 | 4.16 | 2.31 |
| Net Assets per Share | ¥ | 583.33 | 567.49 | 15.84 |

(4) Cash Flows

(Millions of yen)

| Cash Flow Activity | FY2014 2nd Quarter (Six months ended Sept. 30, 2014) | FY2013 2nd Quarter (Six months ended Sept. 30, 2013) | Change | Breakdown of Major Components |
|---|--|--|---------|--|
| Operating Activities | 476 | 6,332 | (5,855) | Depreciation and amortization: 3,246; Income before income taxes and minority interests: 2,117; Increase in inventories: (2,387); Increase in notes and accounts receivable: (856); Income taxes paid: (679) |
| Investing Activities | (5,324) | (3,507) | (1,816) | Purchase of fixed assets: (5,569) |
| Financing Activities | 5,043 | (2,254) | 7,297 | Increase in short-term debt and commercial paper: 7,028; Dividends paid: (1,428); Repayment of long-term debt: (536) |
| Foreign Currency Translation | (243) | 341 | (584) | |
| Increase in Cash and Cash Equivalents - 2nd Quarter | (47) | 910 | (958) | |
| Cash and Cash Equivalents - End of Period | 6,709 | 6,980 | (271) | |

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

| Item | FY2014 Plan | | | FY2013 | | Y-over-Y Change |
|-------------------------------|----------------------|---------|-----------------------------|--------|---------|--------------------|
| | Amount | Weight | 2nd Quarter (cumulative) | Amount | Weight | |
| Capital Expenditures | [International] | [2,400] | | [675] | [603] | |
| | Functional Solutions | 5,000 | 64.1 | 1,166 | 2,370 | 35.0 |
| | [International] | [300] | | [76] | [463] | |
| | Apparel | 900 | 11.5 | 195 | 790 | 11.7 |
| | Lifestyle Creations | 1,300 | 16.7 | 1,014 | 2,229 | 32.9 |
| | Corporate | 600 | 7.7 | 210 | 1,378 | 20.4 |
| | [International] | [2,700] | | [751] | [1,067] | |
| | Total | 7,800 | 100.0 | 2,586 | 6,768 | 100.0 |
| Depreciation and Amortization | Functional Solutions | 3,400 | 47.9 | 1,432 | 2,862 | 45.5 |
| | Apparel | 1,300 | 18.3 | 618 | 1,356 | 21.6 |
| | Lifestyle Creations | 1,500 | 21.1 | 781 | 1,441 | 22.9 |
| | Corporate | 900 | 12.7 | 415 | 628 | 10.0 |
| | Total | 7,100 | 100.0 | 3,246 | 6,288 | 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: ¥2,400 million
- Plastic film production equipment: ¥1,400 million
- Overseas medical materials production facility and production equipment in Japan: ¥400 million

(6) FY2014 Forecast

(Millions of yen)

| | FY2014 Forecast | FY2013 | Change <Upper figures %> |
|------------------|--------------------|---------|-----------------------------|
| Net Sales | 140,000 | 142,425 | <(1.7)> (2,425) |
| Operating Income | 4,500 | 4,375 | <2.9> 125 |
| Ordinary Income | 4,300 | 5,058 | <(15.0)> (758) |
| Net Income | 2,100 | 2,508 | <(16.3)> (408) |

(7) Forecast of Results by Segment

(Millions of yen)

| | | FY2014 Forecast | | FY2013 Results | | Change | |
|------------------|------------------------|-----------------|--------|----------------|--------|---------|------------|
| | | Amount | Weight | Amount | Weight | Amount | Change (%) |
| Net Sales | Functional Solutions | 58,200 | 41.3 | 58,235 | 40.7 | (35) | (0.1) |
| | Apparel | 68,000 | 48.3 | 70,461 | 49.2 | (2,461) | (3.5) |
| | Lifestyle Creations | 14,600 | 10.4 | 14,497 | 10.1 | 103 | 0.7 |
| | Subtotal | 140,800 | 100.0 | 143,194 | 100.0 | (2,394) | (1.7) |
| | Eliminations | (800) | | (768) | | (32) | - |
| | Consolidated | 140,000 | | 142,425 | | (2,425) | (1.7) |
| Operating Income | Functional Solutions | 4,600 | 59.0 | 4,745 | 63.1 | (145) | (3.1) |
| | Apparel | 1,900 | 24.4 | 1,400 | 18.6 | 500 | 35.7 |
| | Lifestyle Creations | 1,300 | 16.7 | 1,367 | 18.3 | (67) | (4.9) |
| | Subtotal | 7,800 | 100.0 | 7,514 | 100.0 | 286 | 3.8 |
| | Eliminations/Corporate | (3,300) | | (3,138) | | (162) | - |
| | Consolidated | 4,500 | | 4,375 | | 125 | 2.9 |