

## Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2016 (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.

Company Name:	GUNZE LIMITED
Company Code:	3002
Stock Market Listings:	Tokyo
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Filing of Quarterly Securities Report ( <i>Shihanki hokokusho</i> ) (Scheduled):	August 10, 2015
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 first quarter of FY2015 (April 1, 2015 to June 30, 2015)

#### (1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

(The percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended June 2015	33,404	3.6	1,169	27.5	1,461	40.6
Three months ended June 2014	32,234	(5.5)	917	(13.5)	1,039	(30.7)

	Net income attributable to owners of the parent		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Three months ended June 2015	887	57.0	4.65	4.62
Three months ended June 2014	565	(30.4)	2.95	2.93

Note: Comprehensive income

Three months ended June 2015: ¥2,412 million [544.9%]

Three months ended June 2014: ¥374 million [(81.6) %]

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of June 30, 2015	178,877	117,560	64.8	612.25
As of March 31, 2015	175,331	117,359	66.0	603.87

Reference: Total equity

June 30, 2015: ¥115,836 million

March 31, 2015: ¥115,643 million

## 2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2014	—	—	—	7.50	7.50
FY2015	—	—	—	—	—
FY2015 (projected)	—	—	—	8.50	8.50

Note: Revisions to dividend projections most recently announced: No

Breakdown of year-end dividend for FY2015 projection: Ordinary dividend: ¥7.50 per share, commemorative dividend (for 120<sup>th</sup> anniversary): ¥1.00 per share

## 3. Projected results for FY2015 (April 1, 2015 to March 31, 2016)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2015 full year	143,000	1.3	3,500	13.5	3,300	(33.1)

	Net income attributable to owners of the parent		E.P.S.
	¥ millions	%	¥
FY2015 full year	2,100	(34.7)	11.07

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: 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):

1st quarter of FY2015: 209,935,165 shares

FY2014: 209,935,165 shares

(b) Treasury stock at the end of period:

1st quarter of FY2015: 20,736,580 shares

FY2014: 18,431,872 shares

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

1st quarter of FY2015: 190,926,390 shares

1st quarter of FY2014: 191,619,080 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 4 of attached materials.

## Attached Materials

### Table of Contents

1. Qualitative Information on Quarterly Financial Results	2
(1) Description of Results of Operations	2
(2) Description of Financial Position	3
(3) Description of Consolidated Financial Forecast	4
2. Summary Information (Notes)	4
(1) Changes in Significant Subsidiaries during the Period	4
(2) Application of Specific Accounting Practices for Preparing Quarterly Consolidated Financial Statements	4
(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement after Error Corrections	5
3. Quarterly Consolidated Financial Statements	7
(1) Quarterly Consolidated Balance Sheets	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	9
(3) Notes to Quarterly Consolidated Financial Statements	11
(Notes Regarding Assumptions of Continuing Operations)	11
(Notes in the Event of Significant Changes in Shareholders' Equity)	11
(Segment Information, etc.)	11

## 1. Qualitative Information on Quarterly Financial Results

### (1) Description of Results of Operations

Reviewing the economic conditions during the first three months of the current fiscal year (April 1 – June 30, 2015), the Japanese economy showed signs of mild recovery as a whole, against the backdrop of the yen's depreciation and a stock price rise supported by the Japanese government's economic policy package combined with an easy monetary policy. Although personal consumption has been picking up, rising prices of foodstuffs and daily necessities, hikes in electricity charges, and the increased burden of social security costs have caused consumers to adopt a more defensive attitude toward spending. These factors have caused continued uncertainty for the GUNZE Group's management environment.

Faced with this situation, the GUNZE Group's medium-term management plan, called "CAN 20 (fiscal 2014 through fiscal 2020)" has entered its second year. With the key concept of "Focus and Concentration," the GUNZE Group implemented three key measures: 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 enjoyed firm performance of medical materials and engineering plastics. However, plastic films experienced difficult conditions due to the sluggish market. As for the apparel business, GUNZE strengthened its efforts toward increasing sales in high-growth channels.

Consequently, the GUNZE Group's consolidated net sales for the first three months of the current fiscal year amounted to ¥33,404 million (a year-over-year increase of 3.6%). Consolidated operating income amounted to ¥1,169 million (a year-over-year increase of 27.5%), while consolidated ordinary income was ¥1,461 million (a year-over-year increase of 40.6%). Consolidated net income attributable to owners of the parent was ¥887 million (a year-over-year increase of 57.0%).

## Results by Business Segment

### <Functional Solutions>

In plastic film, although overseas sales in the U.S. expanded steadily, sales remained sluggish in Japan due to the intensified competition for films used for packaging materials. In engineering plastics, sales of products for the office equipment market were firm and sales of fluorine resin products for industrial applications expanded steadily. In electronic components, projected capacitive touch screens for PCs enjoyed an increase in sales despite slow sales of semi-finished products and films for smartphones. Medical materials destined for North America continued to perform strongly, while sales were also solid in Japan and China. Consequently, the functional solutions business posted net sales of ¥13,707 million (a year-over-year increase of 6.2%) and operating income of ¥1,094 million (a year-over-year increase of 28.3%).

### <Apparel>

In inner wear, GUNZE concentrated its efforts on expanding sales in high-growth channels, while also promoting improvement of production efficiency and reduction of fixed costs. In leg wear, the renewed *SABRINA* line contributed to the strong performance of plain stockings and leggings pants. Consequently, the apparel business posted net sales of ¥16,094 million (a year-over-year increase of 1.4%), while operating income was ¥574 million (a year-over-year increase of 13.9%).

### <Lifestyle Creations>

In the real estate category, the reorganization of current tenants and introduction of new tenants drove up the business of the *GUNZE Town Center TSUKASHiN* commercial facility, resulting in increases in both sales revenue and the number of guests. The sports club business enjoyed an increase in membership thanks to active promotion to encourage enrollment and the reorganization of the school business. However, utility price hikes had an adverse impact on the sports club business. Consequently, the lifestyle creation business recorded net sales of ¥3,753 million (a year-over-year increase of 3.8%), while operating income was ¥286 million (a year-over-year decrease of 0.3%).

## (2) Description of Financial Position

As of June 30, 2015, total assets were ¥178,877 million, an increase of ¥3,545 million compared to the end of the previous fiscal year. The main components of

the increase were a ¥2,873 million increase in cash and cash equivalents, and a ¥1,904 million increase in investments in securities. The main components of a decrease included a ¥1,921 million decrease in notes and accounts receivable.

Total liabilities were ¥61,316 million, an increase of ¥3,345 million compared to the end of the previous fiscal year. The main component of the increase was a ¥4,665 million increase in long- and short-term debt including commercial paper. The main components of a decrease included a ¥751 million decrease in allowance for employees' bonuses.

Net assets were ¥117,560 million, an increase of ¥200 million compared to the end of the previous fiscal year. The main components of the increase were a ¥1,409 million increase in unrealized gains on available-for-sale securities, and net income attributable to owners of the parent of ¥887 million recorded for the period under review. The main components of a decrease included dividend payments of ¥1,436 million and ¥758 million spent for the purchase of treasury stock.

### **(3) Description of Consolidated Financial Forecast**

GUNZE has not revised its consolidated full-year forecast for the present fiscal year ending March 31, 2016 from the previous forecast announced on May 13, 2015, as performance during the first quarter of the current 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 posted in the first three 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, 2016.

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

(Changes in accounting policies)

**Application of the Accounting Standard for Business Combinations and others**

Effective from the first three months of the current fiscal year ending March 31, 2016, GUNZE adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combination Accounting Standard”); the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Consolidation Accounting Standard”); and the “Accounting Standard for Business Divestitures” (ASBJ No. 7, September 13, 2013, hereinafter referred to as the “Business Divestiture Accounting Standard”). As a result of the adoption of these standards, GUNZE changed accounting treatments as follows: recording any differences arising from changes in the proportion of equity ownership in a subsidiary when the parent company retains control over the subsidiary as capital surplus and recognizing acquisition-related costs as expenses for the consolidated fiscal year during which the costs are incurred. As for the business combination that occurred on or after the beginning of the first three months of the current fiscal year, the accounting treatment was revised to reflect the adjustment of purchase price allocation based on provisional accounting on the consolidated financial statements for the quarterly period during which the business combination takes place. In addition, the presentation method of net income was amended, and the reference to “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, the quarterly consolidated financial statements for the first three months of the previous consolidated fiscal year and the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

The application of the Business Combination Accounting Standard and others conforms to the provisional treatment stipulated in Section 58-2 (4) of the Business Combination Accounting Standard, Section 44-5 (4) of the Consolidation Accounting Standard, and Section 57-4 (4) of the Business Divestiture Accounting Standard, and these changes are effective from the beginning of the first three months of the current consolidated fiscal year onwards.



These changes will have no impact on the quarterly consolidated financial statements for the period under review.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2014 (As of Mar. 31, 2015)	End of FY2015 1st quarter (As of June 30, 2015)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	9,159	12,033
Notes and accounts receivable, trade	31,075	29,154
Finished products and goods	18,313	18,217
Work in process	6,541	6,696
Raw materials and supplies	6,696	6,785
Other current assets	5,856	6,325
Allowance for doubtful accounts	(20)	(24)
Total current assets	77,621	79,187
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	37,896	37,542
Machinery, equipment and vehicles (Net)	17,001	16,561
Land	11,950	11,949
Other (Net)	3,369	5,025
Total property, plants and equipment	70,218	71,078
Intangible fixed assets	1,210	1,161
Investments and other assets		
Investments in securities	18,463	20,367
Other assets	7,912	7,177
Allowance for doubtful accounts	(95)	(95)
Total investments and other assets	26,280	27,449
Total fixed assets	97,709	99,689
Total assets	175,331	178,877

(Millions of yen)

	<b>End of FY2014</b> (As of Mar. 31, 2015)	<b>End of FY2015 1st quarter</b> (As of June 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	9,339	9,191
Short-term debt	9,718	9,739
Commercial paper	2,700	5,500
Current portion of long-term debt	3,340	3,668
Accrued income taxes	448	585
Allowance for employees' bonuses	1,148	396
Other current liabilities	8,743	8,920
<b>Total current liabilities</b>	<b>35,440</b>	<b>38,001</b>
Long-term liabilities		
Long-term debt	12,889	14,406
Liabilities related to retirement benefits	3,461	3,471
Long-term deposits and guarantee deposits	4,272	4,243
Other long-term liabilities	1,907	1,194
<b>Total long-term liabilities</b>	<b>22,531</b>	<b>23,315</b>
<b>Total liabilities</b>	<b>57,971</b>	<b>61,316</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	14,056	14,056
Retained earnings	79,313	78,748
Treasury stock	(7,648)	(8,407)
<b>Total shareholders' equity</b>	<b>111,792</b>	<b>110,469</b>
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	1,787	3,196
Deferred gains on hedge	1	5
Revaluation difference on land	(400)	(400)
Foreign currency translation adjustments	2,298	2,402
Accumulated adjustments related to retirement benefits	164	163
<b>Total accumulated other comprehensive income</b>	<b>3,850</b>	<b>5,366</b>
Stock acquisition rights	342	342
Non-controlling interests	1,374	1,381
<b>Total net assets</b>	<b>117,359</b>	<b>117,560</b>
<b>Total liabilities and net assets</b>	<b>175,331</b>	<b>178,877</b>

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

Consolidated Statements of Income  
(for the three months from April 1 to June 30)

(Millions of yen)

	1st quarter of FY2014 (Apr. 1, 2014 to June 30, 2014)	1st quarter of FY2015 (Apr. 1, 2015 to June 30, 2015)
Net sales	32,234	33,404
Cost of sales	24,007	24,865
Gross profit	8,226	8,538
Selling, general and administrative expenses	7,309	7,369
Operating income	917	1,169
Non-operating income		
Interest income	6	9
Dividend income	172	196
Rental income	120	78
Exchange gain	-	152
Other	61	42
Total non-operating income	362	478
Non-operating expenses		
Interest expenses	29	39
Rental expenses	107	95
Exchange loss	47	-
Other	54	51
Total non-operating expenses	240	186
Ordinary income	1,039	1,461
Extraordinary income		
Gain on sale of fixed assets	1	64
Other	-	0
Total extraordinary income	1	64
Extraordinary loss		
Loss on sale or disposal of fixed assets	2	18
Other	0	-
Total extraordinary loss	2	18
Income before income taxes	1,037	1,507
Income taxes	497	636
Net Income	540	871
Net income (loss) attributable to non-controlling interests	(25)	(16)
Net income attributable to owners of the parent	565	887

Consolidated Statements of Comprehensive Income  
(for the three months from April 1 to June 30)

(Millions of yen)

	1st quarter of FY2014 (Apr. 1, 2014 to June 30, 2014)	1st quarter of FY2015 (Apr. 1, 2015 to June 30, 2015)
Net income	540	871
Other comprehensive income (loss)		
Unrealized gains on available-for-sale securities	503	1,409
Deferred gains (losses) on hedge	(1)	3
Foreign currency translation adjustments	(562)	128
Adjustments related to retirement benefits	(106)	0
Total other comprehensive income (loss)	(165)	1,540
Comprehensive income	374	2,412
(Breakdown)		
Comprehensive income attributable to owners of the parent	456	2,404
Comprehensive income (loss) attributable to non-controlling interests	(81)	7

**(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. First quarter of FY2014 (Three months ended June 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 customers	12,876	15,824	3,533	32,234	-	32,234
Intersegment sales and transfers	33	50	80	165	(165)	-
Total	12,910	15,874	3,614	32,399	(165)	32,234
Segment profit	853	504	287	1,645	(728)	917

Note:

The - (minus) ¥728 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. First quarter of FY2015 (Three months ended June 30, 2015)

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	13,694	16,042	3,667	33,404	-	33,404
Intersegment sales and transfers	12	51	85	150	(150)	-
Total	13,707	16,094	3,753	33,555	(150)	33,404
Segment profit	1,094	574	286	1,955	(786)	1,169

Note:

The - (minus) ¥786 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.