

## Summary of Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2018 (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 ( <i>Shihanki hokokusho</i> ) (Scheduled):	February 13, 2018
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 FY2017 (April 1, 2017 to December 31, 2017)

#### (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 Dec. 2017	105,881	3.4	5,938	18.3	6,769	3.9
Nine months ended Dec. 2016	102,366	(3.8)	5,019	42.3	6,516	101.5

	Net income attributable to owners of the parent		E.P.S.	Diluted E.P.S.
	¥ millions	%	¥	¥
Nine months ended Dec. 2017	4,183	(6.4)	226.57	225.09
Nine months ended Dec. 2016	4,469	351.9	239.06	237.56

Note: Comprehensive income

Nine months ended December 2017: ¥7,938 million [77.6 %]

Nine months ended December 2016: ¥4,469 million [1,199.1%]

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, earnings per share (EPS) and diluted EPS, shown above, were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of December 31, 2017	176,922	114,195	64.0	6,164.13
As of March 31, 2017	169,460	108,353	63.8	5,784.83

Reference: Total equity

December 31, 2017: ¥113,219 million

March 31, 2017: ¥108,153 million

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, net assets per share shown above were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

## 2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2016	—	—	—	7.50	7.50
FY2017	—	—	—	—	—
FY2017 (projected)	—	—	—	80.00	80.00

Note: Revisions to dividend projections most recently announced: No

GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, the projected year-end dividend per share for fiscal 2017 shown above reflects the effect of the said share consolidation. If this is not taken into account, the projected year-end dividend per share for fiscal 2017 will be ¥8.00.

## 3. Projected results for FY2017 (April 1, 2017 to March 31, 2018)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2017 full year	140,000	2.5	5,500	30.8	6,000	28.5

	Net income attributable to owners of the parent		E.P.S.
	¥ millions	%	¥
FY2017 full year	3,200	3.2	173.51

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

The fiscal 2017 full-year forecast for the earnings per share (EPS) shown above reflects the effect of the share consolidation. If this is not taken into account, the fiscal 2017 full-year forecast for EPS will be ¥17.35.

## 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: 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):
    - 3rd quarter of FY2017: 20,993,516 shares
    - FY2016: 20,993,516 shares
  - (b) Treasury stock at the end of period:
    - 3rd quarter of FY2017: 2,626,118 shares
    - FY2016: 2,297,433 shares
  - (c) Average number of shares during the period (cumulative quarterly period):
    - 3rd quarter of FY2017: 18,464,786 shares
    - 3rd quarter of FY2016: 18,696,660 shares

Note: GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, the number of shares at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period, shown above, were calculated assuming that the said share consolidation was carried out at the beginning of the previous fiscal year.

Note: This summary of consolidated results is exempt from the quarterly review procedures.

### Notes regarding the use of projections of results and other matters (Notes regarding description of projections for the future)

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.

(About post-share consolidation dividend and consolidated financial forecasts)

Based on the approval given at the 121st Ordinary General Meeting of Shareholders held on June 23, 2017, GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Along with this, the number of shares per share unit was changed from the previous 1,000 shares to 100 shares, as of the same date. If share consolidation is not taken into account, the fiscal 2017 full-year forecasts for dividend and consolidated financial results are as follows:

- (1) Projection of year-end dividend per share: ¥8.00
- (2) Projection of consolidated financial results for fiscal 2017  
Full-year EPS projection: ¥17.35

## 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 nine months of the current fiscal year (April 1 – December 31, 2017), the Japanese economy generally showed signs of mild recovery, supported by economic policy packages and easy monetary policy set forth by the government and the Bank of Japan. However, overall business prospects remained uncertain due partly to heightening political risks in the U.S. and Europe and increasing geopolitical risks in Asia. Other factors that caused uncertainty include a slowdown in emerging economies and rising resource prices.

Faced with this situation, the GUNZE Group's medium-term management plan, called "CAN 20" has entered the initial year of its second phase (fiscal 2017 through fiscal 2020). With the key concept of "Focus and Concentration," the GUNZE Group implemented three pivotal strategies: implementation of segment-specific business strategies, creation of new businesses, and reinforcement of the management foundation.

The GUNZE Group's functional solutions business suffered a decline in electronic component sales due to business downsizing. However, plastic film and engineering plastics performed strongly. The apparel business remained firm thanks to expanded sales of differentiated products, and stronger efforts made toward high-growth sales channels.

Consequently, the GUNZE Group's consolidated net sales for the first nine months of the current fiscal year amounted to ¥105,881 million (a year-over-year increase of 3.4%). Consolidated operating income amounted to ¥5,938 million (a year-over-year increase of 18.3%). Consolidated ordinary income was ¥6,769 million (a year-over-year increase of 3.9%). However, consolidated net income attributable to owners of the parent was ¥4,183 million (a year-over-year decrease of 6.4%). This was mainly due to posting of impairment loss and business structure improvement expenses in the electronic components business.

## Results by Business Segment

### <Functional Solutions>

In plastic film, mainstay shrink films enjoyed robust sales in Japan as well as solid exports. Plastic film sales for flexible packaging and industrial applications were also strong. Engineering plastics recorded healthy performance driven by strong sales of semiconductor-related products and recovery in sales for office equipment applications. In medical materials, bioabsorbable reinforcement felt destined for China and the new product *Dura Wave* performed strongly. However, the increase in expenses incurred for strengthening the sales system, and inventory adjustment by main clients, adversely impacted the overall performance of this category.

Consequently, the functional solutions business posted net sales of ¥37,660 million (a year-over-year increase of 2.0%) and operating income of ¥4,239 million (a year-over-year increase of 31.4%).

### <Apparel>

Innerwear sales were robust due partly to expanded sales for differentiated products mainly in the women's innerwear and sports categories. Other contributors included increased sales through high-growth channels such as EC and SPA. In legwear, tights, cold weather items, and men's socks showed robust performance, but stocking sales were sluggish.

Consequently, the apparel business posted net sales of ¥57,384 million (a year-over-year increase of 5.2%) and operating income of ¥3,195 million (a year-over-year increase of 0.8%).

### <Lifestyle Creations>

In the real estate category, the shopping center business remained firm thanks to local community-based operations. Revenues from new properties contributed to the healthy performance of the rental housing business. By contrast, the energy-saving business was slow. The sports club business was negatively impacted by initial expenses incurred for the two newly opened clubs.

Consequently, the lifestyle creation business recorded net sales of ¥11,158 million (a year-over-year decrease of 0.2%) and operating income of ¥869 million (a year-over-year decrease of 2.5%).

## **(2) Description of Financial Position**

As of December 31, 2017, total assets were ¥176,922 million, an increase of ¥7,462 million compared to the end of the previous fiscal year. The main components of the increase were a ¥4,340 million increase in notes and accounts receivable, a ¥4,657 million increase in investments in securities, and a ¥1,502 million increase in cash and cash equivalents. The main components of a decrease included a ¥1,510 million decrease in other assets (deferred tax assets, etc.), and a ¥1,323 million decrease in machinery, equipment and vehicles (net).

Total liabilities were ¥62,726 million, an increase of ¥1,620 million compared to the end of the previous fiscal year. The main components of the increase were a ¥4,603 million increase in long- and short-term debt including commercial paper. The main components of a decrease included a ¥2,093 million decrease in other current liabilities (including forward exchange contracts, etc.).

Net assets were ¥114,195 million, an increase of ¥5,841 million compared to the end of the previous fiscal year. The main components of the increase were a net income attributable to owners of the parent of ¥4,183 million recorded for the period under review, and a ¥3,466 million increase in unrealized gain on available-for-sale securities. The main components of a decrease were dividend payments of ¥1,402 million, and ¥1,336 million spent for the purchase of treasury stock.

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

As for full-year forecast for the fiscal year ending March 31, 2018, the GUNZE Group's performance during the first nine months of the present fiscal year remained within the assumed range. Accordingly, GUNZE has not revised its consolidated full-year forecast from the previous forecast announced on November 2, 2017.



## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2016 (As of Mar. 31, 2017)	End of FY2017 3rd quarter (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	9,670	11,173
Notes and accounts receivable, trade	27,805	32,146
Finished products and goods	19,974	19,325
Work in process	5,751	5,960
Raw materials and supplies	4,546	4,416
Other current assets	3,842	4,621
Allowance for doubtful accounts	(8)	(10)
Total current assets	71,582	77,633
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	40,075	39,566
Machinery, equipment and vehicles (Net)	11,503	10,179
Land	12,935	12,575
Other (Net)	2,758	2,914
Total property, plants and equipment	67,272	65,235
Intangible fixed assets	1,916	1,903
Investments and other assets		
Investments in securities	20,376	25,034
Other assets	8,761	7,251
Allowance for doubtful accounts	(150)	(135)
Allowance for investment loss	(299)	-
Total investments and other assets	28,688	32,149
Total fixed assets	97,877	99,288
Total assets	169,460	176,922

(Millions of yen)

	End of FY2016 (As of Mar. 31, 2017)	End of FY2017 3rd quarter (As of Dec. 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	9,594	9,293
Short-term debt	8,204	6,904
Commercial paper	4,000	6,100
Current portion of long-term debt	6,945	6,656
Accrued income taxes	1,311	1,346
Allowance for employees' bonuses	1,166	304
Other current liabilities	11,100	9,006
<b>Total current liabilities</b>	<b>42,323</b>	<b>39,613</b>
Long-term liabilities		
Long-term debt	8,562	12,654
Liabilities related to retirement benefits	4,818	5,057
Long-term deposits and guarantee deposits	4,371	4,403
Other long-term liabilities	1,031	997
<b>Total long-term liabilities</b>	<b>18,783</b>	<b>23,113</b>
<b>Total liabilities</b>	<b>61,106</b>	<b>62,726</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	13,998	13,966
Retained earnings	77,504	80,429
Treasury stock	(9,111)	(10,447)
<b>Total shareholders' equity</b>	<b>108,462</b>	<b>110,018</b>
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(62)	3,403
Revaluation difference on land	(67)	(67)
Foreign currency translation adjustments	1,154	1,097
Accumulated adjustments related to retirement benefits	(1,333)	(1,232)
<b>Total accumulated other comprehensive income</b>	<b>(309)</b>	<b>3,200</b>
Stock acquisition rights	287	305
Non-controlling interests	(88)	671
<b>Total net assets</b>	<b>108,353</b>	<b>114,195</b>
<b>Total liabilities and net assets</b>	<b>169,460</b>	<b>176,922</b>

## (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 FY2016 (Apr. 1, 2016 to Dec. 31, 2016)	3rd quarter of FY2017 (Apr. 1, 2017 to Dec. 31, 2017)
Net sales	102,366	105,881
Cost of sales	73,379	75,191
Gross profit	28,986	30,690
Selling, general and administrative expenses	23,967	24,751
Operating income	5,019	5,938
Non-operating income		
Interest income	48	48
Dividend income	409	394
Rental income	206	203
Exchange gain	232	64
Gain on valuation of derivatives	960	350
Other	135	283
Total non-operating income	1,992	1,345
Non-operating expenses		
Interest expenses	123	139
Rental expenses	177	179
Other	193	194
Total non-operating expenses	495	514
Ordinary income	6,516	6,769
Extraordinary income		
Gain on sale of fixed assets	58	330
Gain on sale of investment securities	216	6
Gain on sale of shares of affiliated companies	-	214
Gain on transfer of business	233	-
Other	7	-
Total extraordinary income	516	552
Extraordinary loss		
Loss on sale or disposal of fixed assets	310	242
Loss on sale of shares of affiliated companies	-	84
Loss on liquidation of affiliated companies	-	50
Loss on valuation of investments in and loans to affiliated companies	-	37
Impairment loss	-	395
Business structure improvement expenses	-	213
Other	35	48
Total extraordinary loss	345	1,071
Income before income taxes	6,686	6,250
Income taxes	2,360	1,977
Net Income	4,326	4,273
Net income (loss) attributable to non-controlling interests	(142)	89
Net income attributable to owners of the parent	4,469	4,183

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

(Millions of yen)

	3rd quarter of FY2016 (Apr. 1, 2016 to Dec. 31, 2016)	3rd quarter of FY2017 (Apr. 1, 2017 to Dec. 31, 2017)
Net income	4,326	4,273
Other comprehensive income		
Unrealized gains on available-for-sale securities	1,857	3,466
Foreign currency translation adjustments	(1,939)	98
Adjustments related to retirement benefits	224	100
Total other comprehensive income	142	3,665
Comprehensive income	4,469	7,938
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,774	7,836
Comprehensive income (loss) attributable to non-controlling interests	(304)	102

### **(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

#### **[Changes in Significant Subsidiaries during the Period]**

None applicable

#### **[Application of Specific Accounting Practices for Preparing Quarterly Consolidated Financial Statements]**

(Calculation of taxes)

For the current consolidated fiscal year ending March 31, 2018, after the application of tax effect accounting for the earnings before taxes, taxes are calculated by multiplying earnings before taxes posted in the first nine months of the current consolidated fiscal year by the reasonably estimated effective tax rate.

#### **[Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement after Error Corrections]**

None applicable.

**[Segment Information, etc.]**

**I. Third quarter of FY2016 (Nine months ended December 31, 2016)**

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	36,885	54,372	11,108	102,366	-	102,366
Intersegment sales and transfers	39	183	74	297	(297)	-
Total	36,925	54,555	11,182	102,663	(297)	102,366
Segment profit	3,227	3,171	891	7,290	(2,271)	5,019

Note:

The - (minus) ¥2,271 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. Third quarter of FY2017 (Nine months ended December 31, 2017)**

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	37,609	57,189	11,082	105,881	-	105,881
Intersegment sales and transfers	51	195	76	322	(322)	-
Total	37,660	57,384	11,158	106,203	(322)	105,881
Segment profit	4,239	3,195	869	8,305	(2,366)	5,938

Note:

The - (minus) ¥2,366 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.