

## Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2020 (Japanese Standards)

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

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 Stock Market Listings: Tokyo  
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 Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled): November 13, 2019  
 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 FY2019 (April 1, 2019 to September 30, 2019)

#### (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. 2019	71,027	3.6	3,290	1.0	3,355	(8.3)
Six months ended Sept. 2018	68,566	1.1	3,256	(3.4)	3,660	(8.6)

	Net income attributable to owners of the parent		EPS	Diluted EPS
	¥ millions	%	¥	¥
Six months ended Sept. 2019	2,159	(15.2)	119.67	119.07
Six months ended Sept. 2018	2,546	0.4	140.11	139.26

Note: Comprehensive income

Six months ended September 2019: ¥1,268 million [(62.4%)]

Six months ended September 2018: ¥3,376 million [(33.5%)]

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of September 30, 2019	173,999	109,521	62.1	6,027.10
As of March 31, 2019	169,632	111,068	64.6	6,059.06

Reference: Total equity

September 30, 2019: ¥107,983 million

March 31, 2019: ¥109,506 million

## 2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2018	—	—	—	110.00	110.00
FY2019	—	—	—	—	—
FY2019 (projected)	—	—	—	115.00	115.00

Note: Revisions to dividend projections most recently announced: No

## 3. Projected results for FY2019 (April 1, 2019 to March 31, 2020)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2019 full year	147,000	4.5	7,000	4.6	6,800	(4.9)

	Net income attributable to owners of the parent		EPS
	¥ millions	%	¥
FY2019 full year	4,300	5.2	239.09

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: 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 FY2019: 19,293,516 shares  
FY2018: 19,293,516 shares
  - (b) Treasury stock at the end of period:  
2nd quarter of FY2019: 1,377,238 shares  
FY2018: 1,220,318 shares
  - (c) Average number of shares during the period (cumulative quarterly period):  
2nd quarter of FY2019: 18,043,690 shares  
2nd quarter of FY2018: 18,173,338 shares

Note: The number of shares of treasury stock includes those held by the GUNZE Group Employee Shareholding Association Exclusive Trust.

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

### Notes regarding the use of projections of the 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" of "1. Qualitative Information on Quarterly Financial Results" on page 4 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, 2019), the Japanese economy generally showed signs of mild recovery, with ongoing improvements in corporate performance and the employment situation. However, overall business prospects remained uncertain due to several factors. These include concerns of an economic downturn after the consumption tax hike, and trade conflicts between the U.S. and China. Other factors include the unstable European situation and uncertainty regarding emerging economies.

Faced with this situation, the GUNZE Group's medium-term management plan, called "CAN 20" has entered the third year of its second phase (fiscal 2017 through fiscal 2020). With the key concept of "Focus and Concentration," the GUNZE Group promoted 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 was adversely impacted by the slowdown in the semiconductor market. In the apparel business, stronger efforts were made to expand sales of differentiated products, and to promote high-growth sales channels. This, combined with the spike in demand before the introduction of the consumption tax hike, contributed to the strong performance of the apparel business.

Consequently, the GUNZE Group's consolidated net sales for the first six months of the current fiscal year amounted to ¥71,027 million (a year-over-year increase of 3.6%). Consolidated operating income amounted to ¥3,290 million (a year-over-year increase of 1.0%). Due to the impact of exchange rate movements and other factors, consolidated ordinary income decreased 8.3% from the same period of the previous fiscal year to ¥3,355 million. Because of the gain on the sale of fixed assets posted in the previous fiscal year, along with other factors, GUNZE's consolidated net income attributable to owners of the parent decreased 15.2% from the same period of the previous fiscal year to ¥2,159 million.

### **Results by Business Segment**

#### **<Functional Solutions>**

In plastic film, sales of nylon films were firm, but sales of OPP films and multilayer films were adversely impacted by the market downturn. In engineering plastics, while products for office equipment performed stably, sales were sluggish for semiconductor applications. In electronic components, film sales decreased, but sales in China remained firm. In medical materials, GUNZE turned Medical U&A, Inc. into its subsidiary, which helped boost sales revenues. However, the medical materials business was adversely affected by the decline in sales of bioabsorbable reinforcement felt in the US market and the increase in clinical trial costs.

Consequently, the functional solutions business posted net sales of ¥28,253 million (a year-over-year increase of 8.6%), while operating income was ¥2,790 million (a year-over-year decrease of 11.7%).

### <Apparel>

In women's innerwear, the renewed *Tuché* brand performed impressively. In men's innerwear, distinguished products performed strongly, including the *BODYWILD AIRZ* line launched last year, and *in T*, which is specially designed for T-shirts. Products in the sports category also enjoyed strong sales. In legwear, leggings enjoyed healthy performance.

Consequently, the apparel business posted net sales of ¥35,688 million (a year-over-year increase of 0.8%) and operating income of ¥1,619 million (a year-over-year increase of 41.8%).

### <Lifestyle Creations>

In the real estate category, the shopping center business remained firm, mainly during the long consecutive holidays as well as in the summer vacation period. Revenues from new properties contributed to the strong performance of the rental property business. The sports club business was impacted by expenses incurred by the new clubs, although the decrease in membership finally appears to have come to an end.

Consequently, the lifestyle creation business recorded net sales of ¥7,300 million (a year-over-year decrease of 0.4%) and operating income of ¥445 million (a year-over-year decrease of 17.4%).

## (2) Description of Financial Position

As of September 30, 2019, total assets were ¥173,999 million, an increase of ¥4,366 million compared to the end of the previous fiscal year. The main components of the increase were a ¥2,314 million increase in cash and cash equivalents, a ¥1,673 million increase in finished products and goods, a ¥1,399 million increase in other current assets (advance payments, etc.), and a ¥2,236 million increase in other property, plants and equipment (construction in progress, etc.). The main components of a decrease included a ¥1,418 million decrease in other assets of investments and other assets (investments in unincorporated entities, etc.).

Total liabilities were ¥64,477 million, an increase of ¥5,913 million compared to the end of the previous fiscal year. The main components of the increase included a ¥5,167 million increase in long- and short-term debt including commercial paper.

Net assets were ¥109,521 million, a decrease of ¥1,547 million compared to the end of the previous fiscal year. The main components of an increase included a net income attributable to owners of the parent amounting to ¥2,159 million recorded for the period under review. The main components of the decrease were dividend payments of ¥1,995 million, ¥953 million spent for the purchase of treasury stock, and a ¥912 million decrease in unrealized gain on available-for-sale securities.

### (Cash Flows)

As of September 30, 2019, cash and cash equivalents were ¥10,417 million, an increase of ¥2,314 million compared to 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 during the period under review was ¥4,890 million, an increase of ¥1,276 million compared to the same period of the previous fiscal year. The main components of cash inflows were income before income taxes amounting to ¥3,350 million, depreciation and amortization of ¥3,187 million, and a ¥1,703 million decrease in notes and accounts receivable. The main components of cash outflows were income tax payment amounting to ¥1,520 million, a ¥1,142 million increase in inventories, and a ¥1,280 million decrease in notes and

accounts payable.

Net cash used in investing activities totaled ¥5,588 million, an increase of ¥1,923 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 ¥4,238 million, and payments for purchase of subsidiaries' shares accompanied by changes in the scope of consolidation amounting to ¥1,080 million.

Net cash provided by financing activities was ¥2,374 million, an increase of ¥4,857 million compared to the same period of the previous fiscal year. The main components of cash inflows included proceeds from issuance of long- and short-term debt amounting to ¥5,149 million, including commercial paper. The main components of cash outflows included ¥1,987 million spent for dividend payments.

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

GUNZE has not revised its consolidated full-year forecast for the present fiscal year ending March 31, 2020 from the previous forecast announced on May 14, 2019, as the GUNZE Group's results recorded during the first six months of the present fiscal year remained within the assumed range.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2018 (As of Mar. 31, 2019)	End of FY2019 2nd quarter (As of Sept. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	8,102	10,417
Notes and accounts receivable, trade	30,376	29,930
Finished products and goods	20,082	21,755
Work in process	6,413	6,857
Raw materials and supplies	4,635	4,822
Other current assets	3,426	4,826
Allowance for doubtful accounts	(8)	(8)
Total current assets	73,030	78,602
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	41,113	40,522
Machinery, equipment and vehicles (Net)	9,897	9,357
Land	13,005	12,995
Other (Net)	2,466	4,702
Total property, plants and equipment	66,483	67,579
Intangible fixed assets	2,143	1,962
Investments and other assets		
Investments in securities	19,170	18,466
Other assets	9,059	7,640
Allowance for doubtful accounts	(254)	(253)
Total investments and other assets	27,975	25,854
Total fixed assets	96,602	95,396
<b>Total assets</b>	<b>169,632</b>	<b>173,999</b>



(Millions of yen)

	End of FY2018 (As of Mar. 31, 2019)	End of FY2019 2nd quarter (As of Sept. 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	9,910	9,961
Short-term debt	6,416	6,317
Commercial paper	6,200	11,600
Current portion of long-term debt	2,101	2,191
Accrued income taxes	1,376	1,125
Allowance for employees' bonuses	1,314	1,371
Other current liabilities	9,350	9,502
Total current liabilities	36,669	42,070
Long-term liabilities		
Long-term debt	10,972	10,748
Liabilities related to retirement benefits	5,534	5,336
Long-term deposits and guarantee deposits	4,500	5,099
Other long-term liabilities	886	1,223
Total long-term liabilities	21,894	22,406
Total liabilities	58,563	64,477
<b>Net assets</b>		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	6,754	6,727
Retained earnings	82,050	82,132
Treasury stock	(5,293)	(5,925)
Total shareholders' equity	109,583	109,006
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	224	(687)
Deferred gain on hedge	19	5
Revaluation difference on land	(54)	(54)
Foreign currency translation adjustments	745	456
Accumulated adjustments related to retirement benefits	(1,011)	(742)
Total accumulated other comprehensive income	(76)	(1,022)
Stock acquisition rights	260	212
Non-controlling interests	1,301	1,326
Total net assets	111,068	109,521
<b>Total liabilities and net assets</b>	169,632	173,999

## (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 FY2018 (Apr. 1, 2018 to Sept. 30, 2018)	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)
Net sales	68,566	71,027
Cost of sales	48,537	49,718
Gross profit	20,029	21,308
Selling, general and administrative expenses	16,772	18,017
Operating income	3,256	3,290
Non-operating income		
Interest income	32	19
Dividend income	273	342
Rental income	184	195
Exchange gain	265	-
Other	67	82
Total non-operating income	824	640
Non-operating expenses		
Interest expenses	105	110
Rental expenses	169	175
Exchange loss	-	117
Other	144	172
Total non-operating expenses	419	576
Ordinary income	3,660	3,355
Extraordinary income		
Gain on sale of fixed assets	646	9
Gain on sale of investment securities	181	1
Gain on negative goodwill	0	21
Settlement income	-	128
Other	3	-
Total extraordinary income	831	160
Extraordinary loss		
Loss on sale or disposal of fixed assets	82	89
Loss on sale of shares of affiliated companies	450	-
Loss on valuation of shares of affiliated companies	-	22
Reversal of provision for loss on guarantees	-	52
Other	0	0
Total extraordinary loss	532	165
Income before income taxes	3,959	3,350
Income taxes	1,327	1,127
Net Income	2,632	2,222
Net income attributable to non-controlling interests	86	63
Net income attributable to owners of the parent	2,546	2,159

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

(Millions of yen)

	2nd quarter of FY2018 (Apr. 1, 2018 to Sept. 30, 2018)	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)
Net income	2,632	2,222
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	672	(912)
Deferred gain (loss) on hedge	144	(13)
Foreign currency translation adjustments	(306)	(297)
Adjustments related to retirement benefits	233	268
Total other comprehensive income	743	(954)
Comprehensive income	3,376	1,268
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,315	1,211
Comprehensive income attributable to non-controlling interests	61	57

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	2nd quarter of FY2018 (Apr. 1, 2018 to Sept. 30, 2018)	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)
Cash flows from operating activities		
Income before income taxes	3,959	3,350
Depreciation and amortization	3,243	3,187
Amortization of goodwill	52	66
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in liabilities related to retirement benefits	349	48
Increase (decrease) in allowance for employees' bonuses	7	(2)
Increase (decrease) in provision for loss on guarantees	-	52
Interest and dividend income	(306)	(362)
Interest expenses	105	110
Exchange loss (gain)	(112)	5
Loss (gain) on valuation of derivatives	(111)	-
Loss (gain) on sale or disposal of fixed assets	(564)	80
Loss (gain) on sale or valuation of investments in securities	(181)	(0)
Loss (gain) on sale of shares of affiliated companies	450	-
Loss on valuation of shares of affiliated companies	-	22
Settlement income	-	(128)
Gain on negative goodwill	(0)	(21)
Other extraordinary losses (gains)	(3)	-
Other losses (gains)	(9)	(32)
Decrease (increase) in notes and accounts receivable	344	1,703
Decrease (increase) in inventories	(2,030)	(1,142)
Decrease (increase) in other current assets	160	92
Increase (decrease) in notes and accounts payable	(487)	(1,280)
Increase (decrease) in deposits and guarantee deposits	(166)	538
Increase (decrease) in other current liabilities	(1,123)	(186)
Increase (decrease) in other long-term liabilities	(5)	(64)
Subtotal	3,571	6,037
Interest and dividends received	306	362
Interest paid	(102)	(117)
Settlement received	-	128
Income tax refund (paid)	(161)	(1,520)
Net cash provided by (used in) operating activities	3,614	4,890

(Millions of yen)

	2nd quarter of FY2018 (Apr. 1, 2018 to Sept. 30, 2018)	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)
Cash flows from investing activities		
Payments for purchase of fixed assets	(2,717)	(4,238)
Proceeds from sale of fixed assets	685	12
Payments for disposition of fixed assets	(35)	(50)
Payments for acquisition of investment securities	(583)	(788)
Proceeds from sale of investment securities	676	482
Payments for purchase of investments in subsidiaries	(1,336)	(84)
Payments for acquisition of business	(469)	-
Net decrease (increase) in loans	50	35
Payments for sale of subsidiaries' shares accompanied by changes in scope of consolidation	(108)	-
Payments for acquisition of subsidiaries' shares accompanied by changes in scope of consolidation	-	(1,080)
Other	174	124
Net cash provided by (used in) investing activities	(3,664)	(5,588)
Cash flows from financing activities		
Net increase in short-term debt and commercial paper	1,113	5,545
Repayments of long-term debt	(350)	(396)
Acquisition of treasury stock	(1,510)	(659)
Cash dividends paid	(1,645)	(1,987)
Cash dividends paid to holders of non-controlling interests	(4)	(33)
Other	(84)	(94)
Net cash provided by (used in) financing activities	(2,483)	2,374
Effect of exchange rate changes on cash & cash equivalents	(514)	(107)
Net increase (decrease) in cash and cash equivalents	(3,047)	1,569
Cash and cash equivalents at beginning of period	9,477	8,102
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	571	744
Cash and cash equivalents at end of period	7,001	10,417

#### **(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.

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

(Calculation of taxes)

For the current consolidated fiscal year ending March 31, 2020, after the application of tax effect accounting for the earnings before taxes, taxes are calculated by multiplying earnings before taxes posted in the first six 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.]

Second quarter of FY2018 (Six months ended September 30, 2018)

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

(Millions of yen)

	Reportable segments				Adjustment (note 1)	Consolidated (note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	25,980	35,311	7,274	68,566	—	68,566
Intersegment sales and transfers	40	97	52	190	(190)	—
Total	26,020	35,409	7,327	68,756	(190)	68,566
Segment profit	3,161	1,142	539	4,843	(1,586)	3,256

Note:

1. The - (minus) ¥1,586 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. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

Second quarter of FY2019 (Six months ended September 30, 2019)

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

(Millions of yen)

	Reportable segments				Adjustment (note 1)	Consolidated (note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	28,195	35,599	7,232	71,027	—	71,027
Intersegment sales and transfers	58	89	67	216	(216)	—
Total	28,253	35,688	7,300	71,243	(216)	71,027
Segment profit	2,790	1,619	445	4,855	(1,564)	3,290

Note:

1. The - (minus) ¥1,564 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. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

### 3. Supplementary Materials for Quarterly Financial Results

#### (1) FY2019 2nd Quarter Operating Results (Apr. 1, 2019 to Sept. 30, 2019)

(Millions of yen)

	<b>FY2019 2nd Quarter</b> (Six months ended Sept. 30, 2019)	<b>FY2018 2nd Quarter</b> (Six months ended Sept. 30, 2018)	<b>Change</b> <Upper figures in brackets %>
Net Sales	71,027	68,566	<3.6> 2,460
Operating Income	3,290	3,256	<1.0> 34
Ordinary Income	3,355	3,660	<(8.3)> (305)
Net Income Attributable to Owners of the Parent	2,159	2,546	<(15.2)> (386)
Total Assets	173,999	171,755	<1.3> 2,243
Inventories	33,436	31,966	<4.6> 1,470
Fixed Assets	95,396	99,618	<(4.2)> (4,222)
Net Assets	109,521	112,715	<(2.8)> (3,193)
Financing Income/Expenses	252	200	52
Interest/Dividends Received	362	306	56
Interest Expenses	(110)	(105)	(4)
Capital Expenditures	1,932	2,034	(102)
Depreciation and Amortization	3,253	3,294	(40)

#### <Overview of Results>

- The functional solutions business enjoyed a sales increase, as Medical U&A, Inc. became a GUNZE subsidiary. However, profits decreased due to the slowdown of the semiconductor market. Also, the status of medical materials was adversely affected by the increase in clinical trial costs and other factors.
- The apparel business recorded increases in sales and profits. In addition to expanded sales of differentiated products, stronger efforts were made to promote high-growth sales channels. This, combined with the last-minute rush of demand prior to the consumption tax hike, contributed to its strong performance.
- The lifestyle creation business posted decreases in sales and profits. In the real estate business category, the shopping center and rental property businesses were firm. The sports club business was heavily impacted by expenses incurred by the new clubs, although the decrease in membership finally appears to have come to an end.

#### <Special Treatments>

- Settlement income: 100 million yen

#### <FY2019 Forecast>

- As operating income during the first half of the current fiscal year remained roughly within the assumed range, GUNZE has not revised its previously announced full-year forecast for fiscal 2019.
- Scheduled dividend payment for fiscal 2019 is ¥115 per share (¥110 per share in fiscal 2018).

#### [Acquisition of treasury stock, etc.]

	Thousands of shares	Amount
Treasury stock acquired	216	¥953 million
Treasury stock disposed	59	¥321 million
Treasury stock held at the end of the previous fiscal year	1,220	¥5,293 million
Treasury stock held at the end of the period	1,377	¥5,925 million

\* Treasury stock acquired includes 215,000 shares purchased according to the resolution reached at the Board of Directors meeting held on May 14 (¥951 million).

\* Treasury stock includes shares of the Company held by the GUNZE Group Employee Shareholding Association Exclusive Trust.



**(2) Results by Business Segment**

(Millions of yen)

		FY2019 2nd Quarter		FY2018 2nd Quarter		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	28,253	39.7	26,020	37.8	2,233	8.6
	Apparel	35,688	50.1	35,409	51.5	279	0.8
	Lifestyle Creations	7,300	10.2	7,327	10.7	(26)	(0.4)
	Subtotal	71,243	100.0	68,756	100.0	2,486	3.6
	Elimination	(216)		(190)		(25)	-
	Consolidated	71,027		68,566		2,460	3.6
Operating Income	Functional Solutions	2,790	57.5	3,161	65.3	(370)	(11.7)
	Apparel	1,619	33.3	1,142	23.6	477	41.8
	Lifestyle Creations	445	9.2	539	11.1	(94)	(17.4)
	Subtotal	4,855	100.0	4,843	100.0	12	0.2
	Elimination	(1,564)		(1,586)		21	-
	Consolidated	3,290		3,256		34	1.0

**(3) Significant Financial Indicators**

Item		FY2019 2nd Quarter	FY2018 2nd Quarter	Change
Operating Income to Total Assets Ratio	%	1.9	1.9	-
Ordinary Income to Total Assets Ratio	%	2.0	2.1	(0.1)
Operating Income to Net Sales Ratio	%	4.6	4.7	(0.1)
Ordinary Income to Net Sales Ratio	%	4.7	5.3	(0.6)
Equity Ratio	%	62.1	64.7	(2.6)
ROE	%	2.0	2.3	(0.3)
Earnings per Share	¥	119.67	140.11	(20.44)
Diluted Earnings per Share	¥	119.07	139.26	(20.19)
Net Assets per Share	¥	6,027.10	6,164.63	(137.53)

**(4) Cash Flows**

(Millions of yen)

Cash Flow Activity	FY2019 2nd Quarter	FY2018 2nd Quarter	Change	Breakdown of Major Components
Operating Activities	4,890	3,614	1,276	Income before income and other taxes: 3,350; Depreciation and amortization: 3,187; Payment of income tax and other taxes: (1,520)
Investing Activities	(5,588)	(3,664)	(1,923)	Purchase of fixed assets: (4,238) Acquisition of a subsidiaries' shares: (1,080)
Financing Activities	2,374	(2,483)	4,857	Increase in commercial paper: 5,400; Dividends paid: (1,987)
Foreign Currency Translation Adjustments	(107)	(514)	407	
Increase (Decrease) in Cash and Cash Equivalents	1,569	(3,047)	4,617	
Increase (Decrease) due to Change in Scope of Consolidation	744	571	173	
Cash and Cash Equivalents - End of Period	10,417	7,001	3,415	

**(5) Capital Expenditures and Depreciation and Amortization by Segment**

(Millions of yen)

Item		FY2019 Plan			FY2018		Y-over-Y Change
		Amount	Weight	2nd Quarter (cumulative)	Amount	Weight	
Capital Expenditures * Incl. intangible fixed assets	[International]	[300]		[61]	[288]		
	Functional Solutions	4,700	51.6	693	3,152	42.9	1,548
	[International]	[300]		[98]	[398]		
	Apparel	1,400	15.4	265	1,335	18.2	65
	Lifestyle Creations	2,500	27.5	862	2,096	28.5	404
	Corporate	500	5.5	111	761	10.4	(261)
Depreciation and Amortization * Incl. amortization of goodwill	[International]	[600]		[160]	[686]		
	Total	9,100	100.0	1,932	7,346	100.0	1,754
	Functional Solutions	2,400	36.9	1,197	2,665	40.1	(265)
	Apparel	1,500	23.1	656	1,342	20.2	158
	Lifestyle Creations	1,800	27.7	1,016	2,073	31.2	(273)
	Corporate	800	12.3	383	568	8.5	232
	Total	6,500	100.0	3,253	6,650	100.0	(150)

**[Main Investment Plans for FY2019]**

- Engineering plastics production equipment: ¥2,500 million
- Maintenance of commercial facilities and construction of new rental housing: ¥2,300 million
- Plastic film production equipment: ¥1,800 million
- Innerwear production equipment: ¥800 million

**(6) FY2019 Forecast**

(Millions of yen)

	FY2019 forecast	FY 2018 results	Change	
			Amount	Change (%)
Net Sales	147,000	140,706	6,294	4.5
Operating Income	7,000	6,690	310	4.6
Ordinary Income	6,800	7,152	(352)	(4.9)
Net income attributable to owners of the parent	4,300	4,087	213	5.2

**(7) FY2019 Forecast by Segment**

(Millions of yen)

		FY2019 forecast	FY 2018 results	Change
Net Sales	Functional Solutions	58,300	53,234	5,066
	Apparel	73,300	72,609	691
	Lifestyle Creations	15,900	15,285	615
	Subtotal	147,500	141,129	6,371
	Elimination	(500)	(423)	(77)
	Consolidated	147,000	140,706	6,294
Operating Income	Functional Solutions	6,300	6,160	140
	Apparel	3,000	2,507	493
	Lifestyle Creations	1,300	1,241	59
	Subtotal	10,600	9,908	692
	Elimination	(3,600)	(3,218)	(382)
	Consolidated	7,000	6,690	310

Note:

GUNZE has not revised its consolidated full-year forecast for fiscal 2019 from the previous forecast announced on May 14, 2019.