February 4, 2022

Summary of Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022 (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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Securities Code:	3002
Stock Market Listings:	Tokyo
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Scheduled Date to File Quarterly Securities Report:	February 14, 2022
Scheduled Date to Commence Dividend Payments:	–
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 FY2021 (April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended December 31, 2021	92,750	–	5,448	–	5,933	–
Nine months ended December 31, 2020	92,630	(14.0)	3,769	(38.1)	4,117	(35.5)

	Net income attributable to owners of the parent		EPS	Diluted EPS
	¥ millions	%	¥	¥
Nine months ended December 31, 2021	6,598	–	378.36	377.23
Nine months ended December 31, 2020	2,126	(52.8)	119.72	119.29

Note: Comprehensive income

Nine months ended December 31, 2021: ¥6,127 million [–%]

Nine months ended December 31, 2020: ¥5,243 million [6.9%]

Note: GUNZE has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year. As such, the figures for the nine months ended December 31, 2021, shown above, represent amounts after the application of the said accounting standard and other related standards, and year-over-year increases/decreases (%) are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of December 31, 2021	159,757	117,587	72.4	6,702.37
As of March 31, 2021	159,629	115,178	71.1	6,419.62

Reference: Total equity
As of December 31, 2021: ¥115,717 million As of March 31, 2021: ¥113,554 million

Note: GUNZE has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year. As such, the figures for the nine months ended December 31, 2021, shown above, represent amounts after the application of the said accounting standard and other related standards.

2. Dividends

	Annual dividends per share (¥)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
FY2020	–	–	–	115.00	115.00
FY2021	–	–	–		
FY2021 (projected)				140.00	140.00

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2021 (April 1, 2021 to March 31, 2022)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2021 full year	127,000	–	7,000	–	7,200	–

	Net income attributable to owners of the parent		EPS
	¥ millions	%	¥
FY2021 full year	5,600	–	321.85

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

GUNZE has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the fiscal year ending March 31, 2022. As such, the projected results, shown above, represent amounts after the application of the said accounting standard and other related standards, and year-over-year increases/decreases (%) are not provided.

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):

      As of December 31, 2021: 19,293,516 shares

      As of March 31, 2021: 19,293,516 shares

   (b) Treasury stock at the end of period:

      As of December 31, 2021: 2,028,328 shares

      As of March 31, 2021: 1,604,826 shares

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

      Nine months ended December 31, 2021: 17,439,858 shares

      Nine months ended December 31, 2020: 17,764,927 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Notes regarding the proper 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 and Other Future Forecast Information" of "1. Qualitative Information on Quarterly Financial Results" on page 5 of attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

GUNZE has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year. Because the accounting treatment for revenue for the period under review is different from that used for the same period of the previous fiscal year, year-over-year increases/decreases (%) compared to the same period of the previous fiscal year are not provided in the description of results of operations.

(1) Description of Results of Operations

(Results of operations during the first nine months ended December 31, 2021)

Reviewing Japan’s economic conditions during the first nine months of the current fiscal year (April 1 – December 31, 2021), the economy remained in a severe situation mainly due to the resurgence of COVID-19, which placed substantial restrictions on both personal consumption and corporate activities. This situation arose out of the Japanese government’s reissuance of the declaration of the state of emergency. Daily life and economic activities had been expected to normalize around the end of 2021 based on the ongoing progress of COVID-19 vaccinations and other factors. However, the outlook remains uncertain due to the Omicron variant, which is currently causing a rapid increase in infections, as well as the rising price of goods on account of soaring oil prices and disrupted supply chains, and other factors.

In this final year of the second phase of the GUNZE Group’s medium-term management plan, “CAN 20” (the period of the second phase of “CAN20” was extended by a year, due to the heavy impact of the COVID-19 pandemic on the group’s business), the GUNZE Group promoted three pivotal strategies based on the key concept of “Focus and Concentration.” These are: implementation of segment-specific business strategies, creation of new businesses, and reinforcement of the management foundation.

Although the adverse impact of COVID-19 lingered, in GUNZE’s functional solutions business, all the divisions were on track for recovery. By contrast, the apparel business was affected by sluggish in-store sales even after the declaration of a state of emergency was lifted. The lifestyle creation business was heavily affected by temporary closures and shortened business hours of shopping centers and sports clubs.

Consequently, the GUNZE Group’s consolidated net sales for the first nine months of the current fiscal year amounted to ¥92,750 million (compared to ¥92,630 million recorded for the same period of the previous fiscal year); consolidated operating income amounted to ¥5,448 million (compared to ¥3,769 million recorded for the same period of the previous fiscal year); and consolidated ordinary income amounted to ¥5,933 million (compared to ¥4,117 million recorded for the same period of the previous fiscal year). In addition, due to the posting of an extraordinary income of ¥4,999 million in respect of a gain on the sale of fixed assets (real estate). GUNZE's consolidated net income attributable to owners of the parent amounted to ¥6,598 million (compared to ¥2,126 million recorded for the same period of the previous fiscal year).

As a result of the application of the Accounting Standard for Revenue Recognition and other related standards for the first nine months of the current fiscal year, net sales decreased by ¥2,721 million, while operating income, ordinary income, and income before income taxes each decreased by ¥24 million.

Results by Business Segment

<Functional Solutions>

In plastic film, packaging films continued to enjoy strong demand related to people spending more time at home. In addition, plastic films for export and industrial applications performed well. Engineering plastics performed strongly, supported by a recovery in sales of products for the semiconductor market and office equipment related products. Electronic components were negatively affected by difficulties in materials procurement arising from the global semiconductor shortage, but cost-cutting activities provided a positive contribution. Medical materials exhibited a robust performance thanks to the growth of the Chinese market and the sales of medical lasers, despite the lingering negative effects of COVID-19 in Japan and Europe.

As a result of the above, the functional solutions business recorded net sales of ¥41,208 million (compared to ¥36,454 million for the same period of the previous fiscal year) and an operating income of ¥5,934 million (compared to ¥3,365 million for the same period of the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥470 million and operating income to decrease by ¥29 million.

<Apparel>

In the apparel business, overall, in-store sales were impacted by the sluggish market conditions brought on by the spread of COVID-19 infections, but e-commerce and mail-order catalog channels performed strongly. In innerwear, sales of men's innerwear were negatively impacted by a suspension of operations at the Vietnam Factory, but sales of women's innerwear performed strongly in the foundation garment product lines, which differentiate from other products on the market through adhesive technologies. For legwear, production was adjusted through the shutdown of a factory in response to the considerable decrease in opportunities for wearing stockings due to changes in the market structure resulting from the redeclared state of emergency, etc.

As a result of the above, the apparel business recorded net sales of ¥43,475 million (compared to ¥47,909 million for the same period of the previous fiscal year) and an operating income of ¥1,342 million (compared to ¥2,339 million for the same period of the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥2,109 million and operating income to increase by ¥7 million.

<Lifestyle Creations>

In the real estate category, the rental property business performed well, while the shopping center business experienced a decrease in the number of visitors caused by a continuation of shortened business hours and cancellation of events in response to the state of emergency declarations. The sports club business experienced an adverse impact from temporary closures and shortened business hours arising from the redeclaration of the state of emergency and requests from various prefectural governments.

As a result of the above, the lifestyle creation business recorded net sales of ¥8,489 million (compared to ¥8,741 million for the same period of the previous fiscal year) and an operating income of ¥343 million (compared to ¥304 million for the same period of the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥141 million and operating income to decrease by ¥1 million.

(2) Description of Financial Position

As of December 31, 2021, total assets were ¥159,757 million, an increase of ¥127 million compared to the end of the previous fiscal year. The main components of the increase in total assets included a ¥1,871 million increase in cash and deposits, a ¥1,427 million increase in finished products and goods, a ¥1,308 million increase in the “other” category of property, plants and equipment (construction in progress, etc.), a ¥1,152 million increase in work in process, a ¥1,130 million increase in notes and accounts receivable, trade, and a ¥1,120 million increase in raw materials and supplies. The main components of a decrease were a ¥4,005 million decrease in buildings and structures and a ¥1,299 million decrease in land, both resulting from the transfer of fixed assets in the Maebashi and Tokyo areas, as well as a ¥3,373 million decrease in investments in securities caused mainly by the sale of cross-held shares.

Total liabilities were ¥42,170 million, a decrease of ¥2,281 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥5,867 million decrease in long- and short-term debt including commercial paper and a ¥1,021 million decrease in allowance for employees' bonuses. The main components of an increase included a ¥2,329 million increase in the "other current liabilities" (accounts payable – facilities, etc.) and a ¥2,188 million increase in accrued income taxes.

Net assets were ¥117,587 million, an increase of ¥2,408 million compared to the end of the previous fiscal year. The main components of the increase included a net income attributable to the owners of the parent amounting to ¥6,598 million recorded for the period under review, and a ¥1,066 million increase in foreign currency translation adjustments. The main components of a decrease were dividend payments of ¥2,034 million, ¥1,918 million spent for the acquisition of treasury stock, and a ¥1,201 million decrease in unrealized gain on available-for-sale securities.

(3) Description of Consolidated Financial Forecast and Other Future Forecast Information

GUNZE has not revised its consolidated full-year forecast for the current fiscal year ending March 31, 2022 from the previous forecast announced on November 5, 2021, as the GUNZE Group's performance during the first nine months of the current 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 FY2020 (As of Mar. 31, 2021)	End of FY2021 3rd quarter (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	9,717	11,588
Notes and accounts receivable, trade	27,715	28,846
Finished products and goods	21,094	22,521
Work in process	5,714	6,867
Raw materials and supplies	4,302	5,423
Other current assets	3,564	4,445
Allowance for doubtful accounts	(17)	(4)
Total current assets	72,090	79,688
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	39,689	35,684
Machinery, equipment and vehicles (Net)	10,727	10,120
Land	12,173	10,873
Other (Net)	2,332	3,640
Total property, plants and equipment	64,923	60,319
Intangible fixed assets	1,612	1,371
Investments and other assets		
Investments in securities	15,638	12,265
Other assets	5,437	6,181
Allowance for doubtful accounts	(71)	(67)
Total investments and other assets	21,004	18,379
Total fixed assets	87,539	80,069
Total assets	159,629	159,757

(Millions of yen)

	End of FY2020 (As of Mar. 31, 2021)	End of FY2021 3rd quarter (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	7,830	7,974
Short-term debt	4,913	5,016
Commercial paper	500	500
Current portion of long-term debt	7,301	1,598
Accrued income taxes	397	2,585
Allowance for employees' bonuses	1,436	415
Other current liabilities	8,484	10,813
Total current liabilities	30,863	28,904
Long-term liabilities		
Long-term debt	4,581	4,313
Liabilities related to retirement benefits	3,645	3,879
Long-term deposits and guarantee deposits	4,750	4,524
Other long-term liabilities	610	548
Total long-term liabilities	13,587	13,265
Total liabilities	44,451	42,170
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	6,674	6,677
Retained earnings	84,456	89,073
Treasury stock	(6,904)	(8,765)
Total shareholders' equity	110,298	113,056
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	2,321	1,120
Deferred gain (loss) on hedge	16	0
Revaluation difference on land	(45)	(26)
Foreign currency translation adjustments	389	1,455
Accumulated adjustments related to retirement benefits	575	111
Total accumulated other comprehensive income	3,256	2,661
Stock acquisition rights	158	158
Non-controlling interests	1,465	1,710
Total net assets	115,178	117,587
Total liabilities and net assets	159,629	159,757

(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 FY2020 (Apr. 1, 2020 to Dec. 31, 2020)	3rd quarter of FY2021 (Apr. 1, 2021 to Dec. 31, 2021)
Net sales	92,630	92,750
Cost of sales	64,053	62,946
Gross profit	28,577	29,803
Selling, general and administrative expenses	24,807	24,355
Operating income	3,769	5,448
Non-operating income		
Interest income	28	35
Dividend income	421	364
Rental income	229	214
Exchange gain	–	61
Subsidy income	182	317
Other non-operating income	160	66
Total non-operating income	1,022	1,060
Non-operating expenses		
Interest expenses	101	68
Rental expenses	225	212
Exchange loss	76	–
Expenses related to closures of factories, stores, etc.	–	148
Other non-operating expenses	271	146
Total non-operating expenses	674	576
Ordinary income	4,117	5,933
Extraordinary income		
Gain on sale of fixed assets	2	4,999
Gain on sale of investment securities	1,444	761
Gain on donation of fixed assets	34	–
Total extraordinary income	1,481	5,760
Extraordinary losses		
Loss on sale or disposal of fixed assets	63	194
Loss on sale of investment securities	1,428	123
Impairment loss	–	*1 881
Loss arising from COVID-19	*2 961	*2 398
Other extraordinary losses	134	521
Total extraordinary loss	2,588	2,119
Income before income taxes	3,011	9,574
Income taxes	824	2,898
Net Income	2,186	6,675
Net income attributable to non-controlling interests	60	77
Net income attributable to owners of the parent	2,126	6,598

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

(Millions of yen)

	3rd quarter of FY2020 (Apr. 1, 2020 to Dec. 31, 2020)	3rd quarter of FY2021 (Apr. 1, 2021 to Dec. 31, 2021)
Net income	2,186	6,675
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	3,044	(1,201)
Deferred gain (loss) on hedge	(69)	(15)
Foreign currency translation adjustments	(269)	1,133
Adjustments related to retirement benefits	350	(463)
Total other comprehensive income	3,056	(547)
Comprehensive income	5,243	6,127
(Breakdown)		
Comprehensive income attributable to owners of the parent	5,217	5,994
Comprehensive income attributable to non-controlling interests	25	132

(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.

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

(Calculation of taxes)

For the current fiscal year ending March 31, 2022, after the application of tax effect accounting for the income before income taxes, taxes are calculated by multiplying income before income taxes posted in the first nine months of the current fiscal year by the reasonably estimated effective tax rate.

However, if the calculation of taxes using the estimated effective tax rate would result in a significant loss of rationality, the statutory tax rate will be used instead.

[Changes in Accounting Policies]

(Application of Accounting Standard for Revenue Recognition)

GUNZE has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year. Accordingly, the company recognizes revenue when it satisfies a performance obligation by transferring promised goods or services to a customer. It recognizes as revenue the amount expected to be received upon exchange of said goods or services.

Major changes that occur due to the application of this accounting standard are as follows:

1. Transactions relating to chargeable subcontracting

As for subcontracting with chargeable components, although sales revenue and cost of sales were previously recorded in gross amounts, the accounting method has been changed to recognize sales revenue and cost of sales in net amounts. Should GUNZE be obligated to purchase the supplied components, the elimination of the components in question is not recognized.

2. Revenue recognition for principal and agent transactions

As for the supply of goods or services to a customer, in a transaction in which GUNZE or its consolidated domestic subsidiary acts as an agent, the gross amount to be received from the customer was previously recognized as revenue. This has been changed to recognize revenue based on net amounts, which are the amounts to be received from the customer less the amounts paid to the supplier, subcontractor, etc., of the goods or services.

3. Revenue recognition relating to transactions with a right of return

As for sales with a right of return, the accounting method has been changed to recognize sales revenue and cost of sales less those of goods/products expected to be returned, respectively. Considerations for products/goods expected to be returned are recorded under “other current liabilities” as refund liabilities, and assets recognized as the right to repossess the products/goods in question when refund liabilities are settled are recorded under “other current assets” as returned assets.

4. Considerations payable to customers

Sales rebates, other companies’ points, and other considerations payable to customers were previously treated as part of selling, general and administrative (SG&A) expenses. The accounting method has been changed to deduct them from transaction prices.

The application of the Accounting Standard for Revenue Recognition and other related standards is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The aggregate amount of the impact on retroactive application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been added to or subtracted from the retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy has been applied from the balance at the beginning of the period under review; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all revenue amounts for periods prior to the beginning of the first quarter of the current fiscal year were subject to the previous treatment, by applying the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition. With regard to modifications to contracts made prior to the beginning of the first quarter of the current fiscal year, accounting treatment has been conducted based on the contractual terms existing after all contract modifications were reflected and this cumulative effect has been added to or subtracted from the balance of retained earnings at the beginning of the first quarter of the current fiscal year by applying the method set forth in item (1) of the supplementary proviso of Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the first nine months of the current fiscal year, net sales decreased by ¥2,721 million, with cost of sales decreasing by ¥2,334 million and SG&A expenses decreasing by ¥362 million. Operating income, ordinary income, and income before income taxes each decreased by ¥24 million. The balance of retained earnings at the beginning of the period under review decreased by ¥149 million.

In accordance with the transitional treatment stipulated in Article 28-15 of the revised "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the information on a breakdown of revenue generated from contracts made with customers relating to the first nine months of the previous fiscal year is not stated.

(Application of Accounting Standard for Fair Value Measurement)

GUNZE has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and other related standards effective from the beginning of the first quarter of the current fiscal year. As a result, pursuant to transitional measures set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and in Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), new accounting policies stipulated in the Accounting Standard for Fair Value Measurement and other related standards are applied prospectively. Please note that the application of the Accounting Standard for Fair Value Measurement has no impact on the GUNZE Group's quarterly consolidated financial statements.

[Changes in Accounting Estimates and Restatement after Error Corrections]

None applicable.

[Additional Information]

(Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system)

Regarding the transition to the group tax sharing system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8, 2020) and items for which the non-consolidated taxation system has been reviewed in line with the said transition, GUNZE and some of its domestic subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax laws prior to the amendment based on the treatment of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force (PITF) No. 39, March 31, 2020) instead of applying the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

(COVID-19 impact on accounting estimates)

There are no significant changes in the assumptions stated in the "Significant Accounting Estimates" section of the GUNZE Group Securities Report for the previous fiscal year, including with regard to the degree of the spread of COVID-19 infections and the timing for bringing the COVID-19 pandemic under control.

[Notes regarding Quarterly Consolidated Statements of Income]

*1 Impairment loss

The Gunze Group posted an impairment loss for the following asset group.

Third quarter of FY2020 (April 1 – December 31, 2020)

None applicable.

Third quarter of FY2021 (April 1 – December 31, 2021)

Location	Application	Asset Group	Amount (¥ millions)
Maebashi, Gunma Prefecture	Commercial facilities	Buildings, structures and others	881
Total			881

Breakdown of impairment loss by asset type (Millions of yen)

Buildings and structures	880
Others	0
Total	881

The GUNZE Group divides assets into groups based on the classification employed for the internal management.

GUNZE reduced the book value of assets related to the lifestyle creation business for which a decision to sell had been made to the recoverable amount, and recorded an impairment loss of ¥881 million as an extraordinary loss. The recoverable amount for the asset group in question is defined as the net realizable value based on the estimated sales price.

*2 Loss arising from COVID-19

Third quarter of FY2020 (April 1 – December 31, 2020)

The GUNZE Group closed down sports clubs, commercial facilities, stores, and factories that the group operates in response to requests from the national and local governments due to the spread of COVID-19 infections. GUNZE recorded fixed expenses incurred during the period of closures (such as personnel costs, rent, depreciation and amortization) and support for tenants of commercial facilities under "extraordinary losses" as loss arising from COVID-19.

The breakdown of the loss arising from COVID-19 by segment is as follows:

Segment	Amount (¥ millions)	Description
Functional solutions	86	Fixed expenses incurred during closures of factories in Japan and overseas
Apparel	213	Fixed expenses incurred during closures of factories in Japan and overseas and stores
Lifestyle creations	662	Fixed expenses incurred during closures of sports clubs and commercial facilities and support for tenants
Total	961	

Third quarter of FY2021 (April 1 – December 31, 2021)

The GUNZE Group closed down sports clubs, commercial facilities, stores, and overseas factories that the group operates in response to requests from the national and local governments due to the spread of COVID-19 infections. GUNZE recorded fixed expenses incurred during the period of closures (such as personnel costs, rent, depreciation and amortization) under "extraordinary losses" as loss arising from COVID-19.

The breakdown of the loss arising from COVID-19 by segment is as follows:

Segment	Amount (¥ millions)	Description
Functional solutions	—	
Apparel	149	Fixed expenses incurred during closures of overseas factories and stores
Lifestyle creations	249	Fixed expenses incurred during closures of sports clubs and commercial facilities
Total	398	

[Segment Information, etc.]

Third quarter of FY2020 (April 1 – December 31, 2020)

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	36,222	47,755	8,652	92,630	—	92,630
Intersegment sales and transfers	232	153	88	475	(475)	—
Total	36,454	47,909	8,741	93,105	(475)	92,630
Segment profit	3,365	2,339	304	6,009	(2,240)	3,769

Notes:
1. The - (minus) ¥2,240 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.

Third quarter of FY2021 (April 1 – December 31, 2021)

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	41,018	43,319	8,413	92,750	—	92,750
Intersegment sales and transfers	189	155	75	421	(421)	—
Total	41,208	43,475	8,489	93,172	(421)	92,750
Segment profit	5,934	1,342	343	7,620	(2,171)	5,448

Notes:
1. The - (minus) ¥2,171 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.

2. Information on Impairment Loss of Fixed Assets, Goodwill, etc. of Each Reportable Segment

(Significant impairment loss relating to fixed assets)

In the lifestyle creation business segment, an impairment loss was posted along with a decision on the sale of fixed assets. The impairment loss posted for the first nine months of the current fiscal year amounted to ¥881 million.

3. Matters relating to the Change of Reportable Segments

As discussed in "Changes in Accounting Policies," because GUNZE has applied the Accounting Standard for Revenue Recognition and other related standards effective from the beginning of the first quarter of the current fiscal year, the calculation method for the profit (loss) of each business segment has been changed accordingly.

The change of calculation method, compared to the conventional calculation method, has caused net sales for the functional solutions business to decrease by ¥470 million, with the segment profit decreasing by ¥29 million; net sales for the apparel business to decrease by ¥2,109 million, with the segment profit increasing by ¥7 million; and net sales for the lifestyle creation business to decrease by ¥141 million, with the segment profit decreasing by ¥1 million.

[Significant Subsequent Events]

(Cancellation of treasury stock)

At the meeting of the Board of Directors held on December 21, 2021, pursuant to the provisions of Article 178 of the Companies Act, GUNZE resolved to cancel its treasury stock, and carried out the cancellation on January 31, 2022.

1. Type of shares cancelled:	Shares of common stock of the Company
2. Total number of shares cancelled:	1,000,000 shares (Ratio to the total number of issued shares before cancellation: 5.18%)
3. Date of cancellation:	January 31, 2022

(Reference)

Number of issued shares after the cancellation will be 18,293,516 shares.