

Consolidated Financial Statements – Summary (Year ended March 31, 2022)

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
Securities Code:	3002
Stock Market Listings:	Tokyo
URL:	https://www.gunze.co.jp/
Representative:	Toshiyasu Saguchi, President and Representative Director
Contact:	Junko Nakashima, General Manager, Corporate Communications
Tel:	+81 (6) 6348-1314
Ordinary General Meeting of Shareholders (Scheduled):	June 24, 2022
Start of Distribution of Dividend (Scheduled):	June 27, 2022
Filing of Securities Report (<i>Yuka shoken hokokusho</i>) (Scheduled):	June 27, 2022
Preparation of Supplementary Materials for the Financial Results:	Yes
Holding of Presentation of Financial Results:	Yes (for institutional investors/analysts)

1. Consolidated Operating Results for FY2021 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Amounts less than one million yen are omitted)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FY2021	124,314	–	4,880	–	5,399	–	2,939	–
FY2020	123,649	(11.9)	4,673	(30.7)	5,094	(25.8)	2,147	(51.1)

Note: Comprehensive income

FY2021: ¥3,332 million [(60.0)%]

FY2020: ¥8,334 million [(378.7)%]

	EPS	Diluted EPS	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	¥	¥	%	%	%
FY2021	168.93	168.43	2.6	3.4	3.9
FY2020	120.94	120.51	1.9	3.1	3.8

Reference: Equity in income of affiliated companies: FY2021: – FY2020: –

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 fiscal year ended March 31, 2022. Accordingly, the figures for the fiscal year ended December 31, 2022, 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	%	¥
FY2021	158,216	114,790	71.4	6,535.42
FY2020	159,629	115,178	71.1	6,419.62

Reference: Total equity

As of March 31, 2022: ¥112,903 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 fiscal year ended March 31, 2022. Accordingly, the figures for the fiscal year ended December 31, 2022, shown above, represent amounts after the application of the said accounting standard and other related standards.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ millions	¥ millions	¥ millions	¥ millions
FY2021	9,155	6,806	(12,358)	14,469
FY2020	8,595	1,169	(9,335)	9,717

2. Dividends

	Annual dividends per share (¥)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
FY2020	—	—	—	115.00	115.00
FY2021	—	—	—	140.00	140.00
FY2022 (projected)	—	—	—	145.00	145.00

	Total cash dividends paid	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	¥ millions	%	%
FY2020	2,034	95.1	1.8
FY2021	2,418	82.9	2.2
FY2022 (projected)		67.7	

3. Projected results for FY2022 (April 1, 2022 to March 31, 2023)

	Net sales		Operating profit		Ordinary profit	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2022 full year	136,000	9.4	6,000	23.0	6,000	11.1

	Profit		EPS
	¥ millions	%	¥
FY2022 full year	3,700	25.9	214.17

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) 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
- (3) Number of shares issued and outstanding (common stock)
 - (a) Number of shares at the end of period (including treasury stock):
FY2021: 18,293,516 shares
FY2020: 19,293,516 shares
 - (b) Treasury stock at the end of period:
FY2021: 1,017,897 shares
FY2020: 1,604,826 shares
 - (c) Average number of shares during the period:
FY2021: 17,400,635 shares
FY2020: 17,758,226 shares

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

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Operating Results for FY2021 (Apr. 1, 2021 to Mar. 31, 2022)

(1) Non-consolidated Operating Results

(Percentages represent year-over-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	¥millions	%	¥millions	%	¥millions	%	¥millions	%
FY2021	90,134	—	94	—	2,974	—	1,699	—
FY2020	93,624	(13.1)	890	(57.3)	3,242	(28.1)	1,280	(71.1)

	EPS		Diluted EPS	
		¥		¥
FY2021	97.69		97.40	
FY2020	72.11		71.86	

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 fiscal year ended March 31, 2022. Accordingly, the figures for the fiscal year ended December 31, 2022, 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) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥millions	¥millions	%	¥
FY2021	134,257	106,315	79.1	6,146.48
FY2020	138,466	109,611	79.0	6,187.72

Reference: Total equity

FY2021: ¥106,184 million

FY2020: ¥109,452 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 fiscal year ended March 31, 2022. Accordingly, the figures for the fiscal year ended December 31, 2022, shown above, represent amounts after the application of the said accounting standard and other related standards.

- * This summary of consolidated results is exempt from the audit procedures 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 (4) “Outlook for FY2022” of “1. Results of Operations” on page 5 of attached materials.

(Attachment)

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1. Results of Operations

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 under review. Because the accounting treatment for revenue for the fiscal year under review is different from that used for the previous fiscal year, year-over-year increases/decreases (%) compared to the previous fiscal year are not provided in the description of results of operations.

(1) Analysis of Full-Year Results

(Overview of FY2021)

In the fiscal year that ended March 31, 2022, the Japanese 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 based on the ongoing progress of COVID-19 vaccinations and other factors. However, the outlook remains uncertain due to the spread of Omicron variant from the beginning of the year, the tense situation in Ukraine, disrupted supply chains, as well as the soaring raw materials and fuels prices caused by the drastic depreciation of the yen in the exchange rate, 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.

Even with the considerable adverse impacts of COVID-19, the soaring raw materials and fuels prices, and other factors, in GUNZE’s functional solutions business, all the divisions were on track for recovery by promoting cost-cutting through design improvement, etc. By contrast, the apparel business was affected by sluggish in-store sales and shutdowns of overseas factories caused by lockdown measures. 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 fiscal year under review amounted to ¥124,314 million (compared to ¥123,649 million recorded for the previous fiscal year); consolidated operating profit amounted to ¥4,880 million (compared to ¥4,673 million recorded for the previous fiscal year); consolidated ordinary profit was ¥5,399 million (compared to ¥5,094 million recorded for the previous fiscal year); and consolidated profit attributable to owners of parent amounted to ¥2,939 million (compared to ¥2,147 million recorded for the previous fiscal year).

As a result of the application of the Accounting Standard for Revenue Recognition and other related standards for the fiscal year under review, net sales decrease by ¥3,770 million, while operating profit, ordinary profit, and profit before income taxes each increased by ¥36 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 office equipment related products and an increased demand in the semiconductor market. Electronic components were negatively affected by prolonged 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 some regions.

As a result of the above, the functional solutions business recorded net sales of ¥56,138 million (compared to ¥49,673 million for the previous fiscal year) and an operating profit of ¥8,032 million (compared to ¥4,852 million for 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 ¥675 million, but had no impact on operating profit.

[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 and sluggish in-store sales, 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, as well as new products with environmentally friendly materials. For legwear, production was adjusted through the shutdown of a factory due to stagnant sales arising from the decrease in opportunities for wearing stockings. Consequently, as profitability decreased, loss on valuation of inventories was recorded.

As a result of the above, the apparel business recorded net sales of ¥57,197 million (compared to ¥62,640 million for the previous fiscal year) and an operating loss of ¥557 million (compared to an operating profit of ¥2,306 million for 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 ¥2,922 million and operating profit to increase by ¥39 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 ¥11,576 million (compared to ¥11,976 million for the previous fiscal year) and an operating profit of ¥453 million (compared to ¥482 million for 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 ¥172 million and operating profit to decrease by ¥3 million.

(2) Analysis of Financial Position

(Assets, Liabilities and Net Assets)

As of March 31, 2022, total assets were ¥158,216 million, a decrease of ¥1,413 million compared to the end of the previous fiscal year. The main components of the increase in total assets included a ¥4,752 million increase in cash and deposits, a ¥1,327 million increase in raw materials and supplies, a ¥1,541 million increase in construction in progress. The main components of a decrease were a ¥5,824 million decrease in buildings and structures and a ¥1,647 million decrease in land, both resulting from the transfer of non-current assets in the Maebashi and Tokyo areas and impairment losses recorded in the sports club business and legwear, a ¥3,674 million decrease in the investment securities caused mainly by the sale of cross-held shares, and a ¥1,080 million decrease in notes and accounts receivable -trade.

Total liabilities were ¥43,425 million, a decrease of ¥1,026 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥7,557 million decrease in long- and short-term borrowings including commercial paper. The main components of an increase included a ¥1,823 million increase in the "other current liabilities" (accounts payable – facilities, etc.) and a ¥1,741 million increase in income taxes payable, a ¥1,097 million increase in notes and accounts payable – trade, and a ¥1,065 million increase in other non-current liabilities (long-term lease liabilities, etc.)

Net assets were ¥114,790 million, a decrease of ¥387 million compared to the end of the previous fiscal year. The main components of the increase included the recording of profit attributable to owners of parent amounting to ¥2,939 million, and a ¥1,575 million increase in foreign currency translation adjustments. The main components of a decrease were dividend paid of ¥2,034 million, ¥1,919 million spent for the purchase of treasury shares, and a ¥927 million decrease in valuation difference on available-for-sale securities.

(3) Summary of Cash Flows for FY2021

1) Cash Flows

As of March 31, 2022, consolidated cash and cash equivalents were ¥14,469 million, an increase of ¥4,752 million compared to the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the fiscal year under review.

Net cash provided by operating activities for the fiscal year under review totaled ¥9,155 million, an increase of ¥560 million compared to the previous fiscal year. The major components of cash inflows included profit before income taxes of ¥5,566 million, depreciation of ¥6,058 million, impairment losses of ¥3,513 million, a ¥ 1,699 decrease in trade receivables, and ¥1,175 million increase in other current liabilities. The main components of cash outflows included gain on sale and retirement of non-current assets of ¥4,641 million, a ¥2,004 million increase in inventories, and income tax paid of ¥1,043 million yen.

Net cash provided by investing activities were ¥6,806 million, an increase of ¥5,637 million compared to the previous fiscal year. The main components of cash inflows included proceeds from sale of non-current assets amounting to ¥9,405 million, and proceeds from sale of investment securities amounting to ¥3,810 million. Main components of cash outflows included purchase of non-current assets amounting to ¥4,741 million, and purchase of investment securities amounting to ¥1,095 million.

Net cash provided by financing activities decreased by ¥3,022 million compared to the previous fiscal year. As a result, net cash used in financing activities totaled ¥12,358 million. The main components of cash outflows were payment of long-term borrowings amounting to ¥7,335 million, ¥2,027 million spent for dividends paid, and purchase of treasury shares amounting to ¥1,919 million.

2) Cash Flow Indicator Trends

	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Equity ratio (%)	64.9	64.6	64.6	71.1	71.4
Equity ratio on market value basis (%)	64.3	47.7	38.7	46.0	40.9
Debt coverage ratio (years)	3.2	2.3	1.8	2.0	1.2
Interest coverage ratio (times)	46.3	49.5	59.0	77.6	61.3

Notes:

The equity ratio is equal to shareholders' equity divided by total assets.

The equity ratio on market value basis is equal to market capitalization divided by total assets.

The debt coverage ratio is equal to interest-bearing liabilities divided by operating cash flow.

The interest coverage ratio is equal to operating cash flow divided by interest payments.

- All of the above indicators are calculated based on consolidated financial figures.

- Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares issued and outstanding at the end of the period (excluding treasury stock).

- Operating cash flow equals to the total net cash flows from operating activities as stated in the Consolidated Statements of Cash Flows. Interest-bearing liabilities include all liabilities on which interest is paid, as stated in the Consolidated Balance Sheets. Interest payments are equal to interest paid as stated in the Consolidated Statements of Cash Flows.

(4) Outlook for FY2022

(Medium-term Management Plan)

The GUNZE Group announced its new medium-term management plan “VISION 2030 stage 1”, which is scheduled to be promoted for three years from fiscal 2022 to fiscal 2024, in light of results and issues of the previous

medium-term management plan, “CAN20”, as well as changes in external environment.

Based on the concept of clarifying the vision and the targets for 2030 and aiming at the goal while closing the gap between it and reality with the backcasting approach, the new medium-term management plan “VISION 2030 stage 1” was developed as the first-stage management plan. Setting the vision for 2030 of “GUNZE contributes to realization of sustainable society by creating new values and providing “comfort”, we will aim to realize contribution to the society through sustainable management which pursues both economic profits and social benefits, as well as the GUNZE Group’s continuous growth, with a key word “transformation and challenge.” In addition, we will push ahead with “VISION 2030 stage 1”, clarifying roles and positions of each business segment.

For details of the new medium-term management plan, “VISION 2030 stage 1”, please refer to “the formulation of the new medium-term management plan VISION 2030 stage 1” announced today (May 13, 2022).

Said disclosed materials are available on the following URL.

GUNZE website: <https://www.gunze.co.jp/>

(Issues to be Addressed)

Two years have passed since the spread of COVID-19 began. As the infectious disease is not expected to be brought under control at this moment, it will be required to continue business management on the premise of coexistence with COVID-19 (the new normal in the COVID-19 situation). With soaring raw materials and fuels prices, the drastic depreciation of the yen, as well as the impacts of Russia's advances in Ukraine, the environment surrounding business has been more uncertain and harsher. In each business, we will enhance cost competitiveness through initiatives for improving productivity and optimal global production systems, and expand the raw materials procurement network. An increase in costs with which self-help efforts are not able to cope will be appropriately passed to product prices.

As for the functional solutions business, in plastic films, the GUNZE Group will continue to promote a project intended to build a Circular Factory (resource-circulating factory), along with the market launch of environmentally responsible products. While striving to move forward with production innovation through the rollout of digital technologies, our efforts will also be concentrated on expanding sales in overseas markets, particularly in the United States, China and the ASEAN region, etc. In engineering plastics, in addition to increasing the share of our products in the office equipment market, we will aim for sales expansion of products for health/medical-related and industrial equipment applications. In medical materials, we will strengthen sales in the United States and China, release new highly promising products for the next fiscal year, and consider an organizational restructuring to improve our competitiveness.

In the apparel business, the GUNZE Group will strive to expand sales even further on the e-commerce channel, which has been enjoying accelerated growth in line with changing consumer behavior, as well as the Direct to Consumer channel for company-owned stores. At the same time, efforts will be concentrated on promoting collaborations with other companies. In innerwear, the GUNZE Group will expand health & wellness products and ethical products in response to consumer preferences returning to natural materials, casual-oriented trends, increasing health awareness, and higher environmental awareness. We will also seek to further expand sales of women’s innerwear products such as products using Femtech and the foundation lineup in a way that clearly sets GUNZE apart from other brands. Furthermore, as an environmental effort, the GUNZE Group will proceed with the Net Zero Factory Project consisting of substantial zero CO₂ emission by using renewable energy and (partly) unmanned lines at major domestic factories. In legwear, the GUNZE Group will strive to enhance market responsiveness to accommodate changes in consumer needs. To this end, we will proactively release new products in the categories of leggings and bottoms including health-related products, while also promoting structure reform by reorganizing production bases.

In the lifestyle creation business, the GUNZE Group will work to boost the profitability of its commercial facilities and promote property-specific management that emphasizes investment efficiency. In the landscaping and greening business, we will proactively work on increasing the amounts of CO₂ fixed by plants to reduce CO₂ emissions. As for the sport clubs, we will implement stricter measures to adapt to the new normal in the COVID-19 situation and a membership expansion strategy that is tailored to specific regional/store characteristics, and strive to expand school business.

(5) Basic Policy on Distribution of Profits and Dividends for FY2021 and FY2022

Returning earnings to shareholders is one of the most important management policies at the GUNZE Group. Accordingly, we have provided a dividend with a target payout ratio of approximately 50% and total return ratio of 100% during the period of the second phase of “CAN 20.” As the GUNZE Group’s total return ratio remains within the scope of 100%, the scheduled dividend for fiscal 2021 is ¥140 per share as expected.

In the new medium-term management plan, “VISION2030”, the GUNZE Group will continue to set the total return ratio of 100% until return on equity (ROE) on a consolidated basis exceeds cost of shareholder’s equity. In order to return earnings in a stable and continuous manner, we will provide a dividend with a target dividend on equity ratio (DOE) at 2.2% or over. The GUNZE Group plans to pay a dividend of ¥145 per share for fiscal 2022.

2. Basic Policy for Selection of Accounting Standards

As a basic policy for the time being, GUNZE will continue preparing its consolidated financial statements in accordance with the Japanese accounting standards. As for the application of the International Financial Reporting Standards (IFRS), GUNZE will strive to collect related information and handle the matter appropriately.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	9,717	14,469
Notes and accounts receivable - trade	27,715	26,634
Merchandise and finished goods	21,094	21,361
Work in process	5,714	6,702
Raw materials and supplies	4,302	5,630
Short-term loans receivable	580	644
Other	2,983	3,768
Allowance for doubtful accounts	(17)	(11)
Total current assets	72,090	79,199
Non-current assets		
Property, plant and equipment		
Buildings and structures	122,045	109,634
Accumulated depreciation	(82,355)	(75,769)
Buildings and structures, net	39,689	33,864
Machinery, equipment and vehicles	94,587	92,985
Accumulated depreciation	(83,859)	(82,921)
Machinery, equipment and vehicles, net	10,727	10,064
Tools, furniture and fixtures	7,823	8,335
Accumulated depreciation	(6,430)	(6,068)
Tools, furniture and fixtures, net	1,393	2,266
Land	12,173	10,526
Leased assets	1,199	2,289
Accumulated depreciation	(1,036)	(1,839)
Leased assets, net	162	450
Construction in progress	776	2,318
Total property, plant and equipment	64,923	59,490
Intangible assets		
Software	663	777
Other	948	566
Total intangible assets	1,612	1,343
Investments and other assets		
Investment securities	15,638	11,964
Long-term loans receivable	3	0
Deferred tax assets	1,574	2,371
Other	3,859	3,898
Allowance for doubtful accounts	(71)	(51)
Total investments and other assets	21,004	18,183
Total non-current assets	87,539	79,016
Total assets	159,629	158,216

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,830	8,928
Short-term borrowings	4,913	5,018
Commercial papers	500	–
Current portion of long-term borrowings	7,301	2,402
Income taxes payable	397	2,139
Provision for bonuses	1,436	1,361
Notes payable - facilities	96	942
Provision for loss on transfer of business	–	218
Other	8,387	10,211
Total current liabilities	30,863	31,221
Non-current liabilities		
Long-term borrowings	4,581	2,317
Provision for loss on guarantees	44	115
Retirement benefit liability	3,645	3,750
Long-term leasehold and guarantee deposits received	4,750	4,389
Other	566	1,631
Total non-current liabilities	13,587	12,203
Total liabilities	44,451	43,425
Net assets		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,674	6,566
Retained earnings	84,456	81,184
Treasury shares	(6,904)	(4,399)
Total shareholders' equity	110,298	109,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,321	1,393
Deferred gains or losses on hedges	16	(35)
Revaluation reserve for land	(45)	(26)
Foreign currency translation adjustment	389	1,964
Remeasurements of defined benefit plans	575	183
Total accumulated other comprehensive income	3,256	3,480
Share acquisition rights	158	131
Non-controlling interests	1,465	1,755
Total net assets	115,178	114,790
Total liabilities and net assets	159,629	158,216

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

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	123,649	124,314
Cost of sales	85,666	86,700
Gross profit	37,982	37,614
Selling, general and administrative expenses	33,309	32,734
Operating profit	4,673	4,880
Non-operating income		
Interest income	36	50
Dividend income	439	384
Rental income from non-current assets	271	276
Foreign exchange gains	–	160
Subsidy income	212	409
Other	194	93
Total non-operating income	1,155	1,375
Non-operating expenses		
Interest expenses	125	146
Rental expenses on non-current assets	264	279
Foreign exchange losses	4	–
Expenses for suspension of operation	–	190
Other	338	239
Total non-operating expenses	734	856
Ordinary profit	5,094	5,399
Extraordinary income		
Gain on sale of non-current assets	170	5,447
Gain on sale of investment securities	1,466	923
Other	34	–
Total extraordinary income	1,671	6,370
Extraordinary losses		
Loss on sale and retirement of non-current assets	172	805
Loss on sale of investment securities	1,428	196
Loss on valuation of investment securities	39	299
Impairment losses	402	3,513
Loss on COVID	963	410
Business restructuring expenses	–	563
Factory transfer expenses	139	193
Other	264	221
Total extraordinary losses	3,410	6,203
Profit before income taxes	3,356	5,566
Income taxes - current	703	2,625
Income taxes - deferred	390	(72)
Total income taxes	1,093	2,553
Profit	2,262	3,013
Profit attributable to non-controlling interests	115	73
Profit attributable to owners of parent	2,147	2,939

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	2,262	3,013
Other comprehensive income		
Valuation difference on available-for-sale securities	4,939	(927)
Deferred gains or losses on hedges	(40)	(51)
Foreign currency translation adjustment	(134)	1,689
Remeasurements of defined benefit plans, net of tax	1,306	(391)
Total other comprehensive income	6,071	319
Comprehensive income	8,334	3,332
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,234	3,154
Comprehensive income attributable to non-controlling interests	99	177

(3) Consolidated Statements of Changes in Shareholders' Equity, etc.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	26,071	6,701	84,351	(6,727)	110,397
Changes during period					
Dividends of surplus			(2,042)		(2,042)
Profit attributable to owners of parent			2,147		2,147
Purchase of treasury shares				(391)	(391)
Disposal of treasury shares		(26)		214	187
Net changes in items other than shareholders' equity					
Total changes during period	-	(26)	105	(177)	(99)
Balance at end of period	26,071	6,674	84,456	(6,904)	110,298

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	(2,617)	57	(45)	507	(731)	(2,830)
Changes during period						
Dividends of surplus						
Profit attributable to owners of parent						
Purchase of treasury shares						
Disposal of treasury shares						
Net changes in items other than shareholders' equity	4,939	(40)	-	(118)	1,306	6,086
Total changes during period	4,939	(40)	-	(118)	1,306	6,086
Balance at end of period	2,321	16	(45)	389	575	3,256

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	187	1,385	109,139
Changes during period			
Dividends of surplus			(2,042)
Profit attributable to owners of parent			2,147
Purchase of treasury shares			(391)
Disposal of treasury shares			187
Net changes in items other than shareholders' equity	(28)	79	6,138
Total changes during period	(28)	79	6,039
Balance at end of period	158	1,465	115,178

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	26,071	6,674	84,456	(6,904)	110,298
Cumulative effects of changes in accounting policies			(149)		(149)
Restated balance	26,071	6,674	84,307	(6,904)	110,148
Changes during period					
Dividends of surplus			(2,034)		(2,034)
Profit attributable to owners of parent			2,939		2,939
Change in scope of consolidation			220		220
Reversal of revaluation reserve for land			(18)		(18)
Purchase of treasury shares				(1,919)	(1,919)
Disposal of treasury shares		(16)		103	87
Cancellation of treasury shares		(4,321)		4,321	–
Transfer from retained earnings to capital surplus		4,230	(4,230)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(107)	(3,123)	2,505	(725)
Balance at end of period	26,071	6,566	81,184	(4,399)	109,423

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	2,321	16	(45)	389	575	3,256
Cumulative effects of changes in accounting policies						–
Restated balance	2,321	16	(45)	389	575	3,256
Changes during period						
Dividends of surplus						
Profit attributable to owners of parent						
Change in scope of consolidation						
Reversal of revaluation reserve for land						
Purchase of treasury shares						
Disposal of treasury shares						
Cancellation of treasury shares						
Transfer from retained earnings to capital surplus						
Net changes in items other than shareholders' equity	(927)	(51)	18	1,575	(391)	223
Total changes during period	(927)	(51)	18	1,575	(391)	223
Balance at end of period	1,393	(35)	(26)	1,964	183	3,480

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Share acquisition rights	Non- controlling interests	Total net assets
Balance at beginning of period	158	1,465	115,178
Cumulative effects of changes in accounting policies			(149)
Restated balance	158	1,465	115,029
Changes during period			
Dividends of surplus			(2,034)
Profit attributable to owners of parent			2,939
Change in scope of consolidation			220
Reversal of revaluation reserve for land			(18)
Purchase of treasury shares			(1,919)
Disposal of treasury shares			87
Cancellation of treasury shares			–
Transfer from retained earnings to capital surplus			–
Net changes in items other than shareholders' equity	(26)	290	487
Total changes during period	(26)	290	(238)
Balance at end of period	131	1,755	114,790

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,356	5,566
Depreciation	6,155	6,058
Impairment losses	402	3,513
Amortization of goodwill	133	133
Increase (decrease) in allowance for doubtful accounts	12	(7)
Increase (decrease) in retirement benefit liability	58	(451)
Increase (decrease) in provision for bonuses	0	(83)
Increase (decrease) in provision for loss on guarantees	39	–
Interest and dividend income	(476)	(434)
Interest expenses	125	146
Foreign exchange losses (gains)	4	32
Loss (gain) on sale and retirement of non-current assets	1	(4,641)
Loss (gain) on sale and valuation of investment securities	(37)	(427)
Business restructuring expenses	–	563
Loss on COVID	963	410
Factory transfer expenses	139	193
Other extraordinary loss (income)	84	71
Other loss (gain)	(31)	(33)
Decrease (increase) in trade receivables	206	1,699
Decrease (increase) in inventories	1,723	(2,004)
Decrease (increase) in other current assets	448	(728)
Increase (decrease) in trade payables	(2,250)	639
Increase (decrease) in leasehold and guarantee deposits received	(215)	(363)
Increase (decrease) in other current liabilities	(276)	1,175
Increase (decrease) in other non-current liabilities	(44)	(17)
Subtotal	10,523	11,010
Interest and dividends received	478	434
Interest paid	(110)	(149)
Payments for business restructuring expenses	–	(530)
Payments for factory transfer expenses	(107)	(195)
Payments for loss on COVID	(881)	(371)
Income taxes refund (paid)	(1,306)	(1,043)
Net cash provided by (used in) operating activities	8,595	9,155

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from investing activities		
Purchase of non-current assets	(4,796)	(4,741)
Proceeds from sale of non-current assets	407	9,405
Payments for retirement of non-current assets	(85)	(610)
Purchase of investment securities	(975)	(1,095)
Proceeds from sale of investment securities	6,832	3,810
Decrease (increase) in loans receivable	(2)	8
Other, net	(211)	30
Net cash provided by (used in) investing activities	1,169	6,806
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	(6,420)	(964)
Repayments of long-term borrowings	(550)	(7,335)
Purchase of treasury shares	(391)	(1,919)
Proceeds from sale of treasury shares	187	87
Dividends paid	(2,036)	(2,027)
Dividends paid to non-controlling interests	(20)	(64)
Other, net	(104)	(132)
Net cash provided by (used in) financing activities	(9,335)	(12,358)
Effect of exchange rate change on cash and cash equivalents	20	692
Net increase (decrease) in cash and cash equivalents	449	4,296
Cash and cash equivalents at beginning of period	9,267	9,717
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	456
Cash and cash equivalents at end of period	9,717	14,469

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumptions of Continuing Operations)

None applicable

(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 fiscal year under review. 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 net sales and cost of sales were previously recorded in gross amounts, the accounting method has been changed to recognize net sales 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 fiscal year under review has been added to or subtracted from the retained earnings at the beginning of the fiscal year under review, and the new accounting policy has been applied from the balance at

the beginning of said fiscal year; 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 fiscal year under review 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 fiscal year under review, 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 fiscal year under review 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 fiscal year under review, net sales decreased by ¥3,770 million, with cost of sales decreasing by ¥3,268 million and SG&A decreasing by ¥538 million. Operating profit, ordinary profit, and profit before income taxes each increased by ¥36 million. The balance of retained earnings at the beginning of the fiscal year under review decreased by ¥149 million.

(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 fiscal year under review. 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 consolidated financial statements.

(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).

From the beginning of the next fiscal year, GUNZE Group will apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force (PITF) No. 42, August 12, 2021) which provides for the treatment of the accounting and disclosure for income taxes, local corporation taxes, and tax effect accounting under the Group Tax Sharing System.

(COVID-19 Impact on Accounting Estimates)

The GUNZE Group's accounting estimates for determining recoverability for impairment of non-current assets are prepared based on information available to us at the time of preparing the consolidated financial statements.

Concerning the projected timing for the COVID-19 pandemic to be brought under control that is employed in preparing our accounting estimates, we are expecting its impacts to continue to a certain extent while tending to be gradually brought under control.

Please note that actual results may differ from accounting estimates because the spread of COVID-19 infections and the timing for bringing the COVID-19 pandemic under control remain uncertain.

(Notes regarding Consolidated Statements of Income)

*1 Impairment loss

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

FY2020 (April 1, 2020 – March 31, 2021)

Location	Application	Asset Group	No of clubs	Amount (¥ millions)
Suita, Osaka Prefecture	Sports club facilities	Buildings, structures, leased assets, and others	1	202
Kobe, Hyogo Prefecture	Sports club facilities	Buildings, structures, leased assets, and others	1	200
Total			2	402

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

Buildings and structures	354
Leased assets	34
Other	13
<hr/> Total	<hr/> 402

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

In relation to the asset group for which cash flow from operating activities continues to be negative due to fiercer competition in the sports club business, GUNZE reduced the book value of such assets to the recoverable amount, and recorded an impairment loss for the reduction as an extraordinary loss. The recoverable amount for the assets is the net realizable value or use value, whichever is higher. The net realizable value is calculated based on the estimated sales price. In case that the sales price is estimated to be zero, the book value is reduced in whole based on the net realizable value at zero. The use value is calculated based on future cash flow (discount rate of 5.15%).

FY2021 (April 1, 2021 – March 31, 2022)

Application	Location	Asset Group	Amount (¥ millions)
Sports Club facilities	Hiroshima, Hiroshima Prefecture and other 13 clubs	Buildings and Structures	1,310
		Investments and other assets	100
		Other	84
	Total		1,496
Legwear business assets	Shandong, China, and other three locations	Buildings and Structures	166
		Machinery, equipment and vehicles	337
		Leased assets	596
		Other	35
	Total		1,136
Commercial facilities	Maebashi, Gunma Prefecture	Buildings and Structures	880
		Other	0
	Total		881

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

In relation to sports club facilities and legwear business assets, GUNZE reduced the book value of such assets to the recoverable amount, and recorded an impairment loss for the reduction as an extraordinary loss, due to the decrease in profitability. The recoverable amount for the assets is the net realizable value or use value, whichever is higher. The net realizable value is calculated based on the estimated sales price. In case that the sales price is estimated to be zero, the book value is reduced in whole based on the net realizable value at zero. The use value is calculated based on future cash flow (discount rate of 5.15%).

GUNZE reduced the book value of assets related to commercial facilities of the lifestyle creation business for which a decision to sell had been made to the recoverable amount, and recorded an impairment loss 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

FY2020 (April 1, 2020 – March 31, 2021)

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	214	Fixed expenses incurred during closures of factories in Japan and overseas and stores
Lifestyle creations	663	Fixed expenses incurred during closures of sports clubs and commercial facilities and support for tenants
Total	963	

FY2021 (April 1, 2021 – March 31, 2022)

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	161	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	410	

(Segment Information, etc.)

[Segment Information]

1. Summary of Reportable Segments

GUNZE's reportable segments refer to the components of GUNZE that provide separate financial data to the board of directors for decisions on allocation of management resources and evaluation of business results on a regular basis.

GUNZE's corporate structure consists of business organizations (internal companies/business divisions, etc.) classified according to the type of products or services, and each business organization formulates strategies for the products/services it handles and promotes business activities. Therefore, GUNZE consists of segments based on business organizations classified by the type of products/services, and discloses financial information about three reportable segments, namely Functional Solutions, Apparel and Lifestyle Creations.

The Functional Solutions segment produces and sells functional materials made by processing plastics, medical materials and machinery. The Apparel segment is engaged in the production and sales of apparel as well as threads and accessories. The Lifestyle Creations segment is engaged in operation and management of commercial facilities and sports clubs, sales of trees and plants, as well as the solar power generation business.

2. Net Sales, Profit/Loss, Asset/Liabilities and Others of Each Reportable Segment and Calculation Method

Accounting treatment for business segment reporting is the same as the accounting policies and procedures used for the preparation of consolidated financial statements.

3. Information on Net Sales, Profit/Loss, Assets/Liabilities and Others of Each Reportable Segment
 FY2020 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Reportable segments				Adjustment (note 1)	Consolidated (note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	49,363	62,439	11,846	123,649	-	123,649
Intersegment sales and transfers	309	201	130	641	(641)	-
Total	49,673	62,640	11,976	124,290	(641)	123,649
Segment profit	4,852	2,306	482	7,641	(2,968)	4,673
Segment assets	51,342	53,657	31,792	136,793	22,836	159,629
Other items						
Depreciation	2,486	1,230	1,962	5,678	476	6,155
Amortization of goodwill	88	45	-	133	-	133
Impairment losses	-	-	402	402	-	402
Increase in property, plant and equipment, and intangible assets	6,386	814	414	7,615	230	7,845

Notes:

1. Adjustment comprises the following:

(1) The - (minus) ¥2,968 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) The ¥22,836 million segment asset adjustment consists of overall costs not allocated to reportable segments.

2. Segment profit total was adjusted to be consistent with the operating profit recorded on the Consolidated Statements of Income.

FY2021 (April 1, 2021 – March 31, 2022)

(Millions of yen)

	Reportable segments				Adjustment (note 1)	Consolidated (note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	55,881	56,991	11,440	124,314	-	124,314
Intersegment sales and transfers	256	206	135	598	(598)	-
Total	56,138	57,197	11,576	124,912	(598)	124,314
Segment profit	8,032	(557)	453	7,929	(3,049)	4,880
Segment assets	57,354	50,462	25,986	133,803	24,412	158,216
Other items						
Depreciation	2,564	1,322	1,698	5,585	472	6,058
Amortization of goodwill	88	45	-	133	-	133
Impairment losses	-	1,136	2,377	3,513	-	3,513
Increase in property, plant and equipment, and intangible assets	1,721	2,244	867	4,832	1,114	5,947

Notes:

1. Adjustment comprises the following:

(1) The ¥(3,049) 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) The ¥24,412 million segment asset adjustment consists of overall costs not allocated to reportable segments

2. Segment profit total was adjusted to be consistent with the operating profit recorded on the Consolidated Statements of Income.

[Related Information]

FY2020 (April 1, 2020 to March 31, 2021)

1. Information by Product/Service

This information is not presented because similar information is available in “Segment Information.”

2. Geographic Information

(1) Net sales

(Millions of yen)

Japan	Others	Total
104,311	19,337	123,649

Note: Net sales are classified by the location of customers.

(2) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
56,487	8,435	64,923

3. Major Customer Information

This information is not presented because no single customer represents 10% or more of the company's total net sales reported on the Consolidated Statements of Income.

FY2021 (April 1, 2021 to March 31, 2022)

1. Information by Product/Service

This information is not presented because similar information is available in "Segment Information."

2. Geographic Information

(1) Net sales

(Millions of yen)

Japan	Others	Total
100,214	24,099	124,314

Note: Net sales are classified by the location of customers.

(2) Property, plants and equipment

(Millions of yen)

Japan	Others	Total
50,529	8,961	59,490

3. Major Customer Information

This information is not presented because no single customer represents 10% or more of the company's total net sales reported on the Consolidated Statements of Income.

[Information on Impairment Loss of Non-current Assets of Each Reportable Segment]

FY2020 (April 1, 2020 to March 31, 2021)

This information is not presented because similar information is available in “Segment Information.”

FY2021 (April 1, 2021 to March 31, 2022)

This information is not presented because similar information is available in Segment Information.”

[Information on Goodwill Amortization and Unamortized Balance of Each Reportable Segment]

FY2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments				Corporate/ Elimination	Consolidated
	Functional solutions	Apparel	Lifestyle creations	Total		
Amortization during the period	88	45	-	133	-	133
Balance at the end of the period	191	247	-	439	-	439

FY2021 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments				Corporate/ Elimination	Consolidated
	Functional solutions	Apparel	Lifestyle creations	Total		
Amortization during the period	88	45	-	133	-	133
Balance at the end of the period	103	202	-	305	-	305

[Information on Gain on Negative Goodwill of Each Reportable Segment]

FY2020 (April 1, 2020 to March 31, 2021)

None applicable

FY2021 (April 1, 2021 to March 31, 2022)

None applicable

(Per Share Information)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net assets per share (¥)	6,419.62	6,535.42
Earnings per share (¥)	120.94	168.93
Diluted earnings per share (¥)	120.51	168.43

Note:

1. Earnings per share and diluted earnings per share were calculated on the following basis:

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Earnings per share		
Profit attributable to owners of parent (¥ millions)	2,147	2,939
Amounts not allocated to common shareholders (¥ millions)	—	
Profit attributable to owners of parent allocated to common stock (¥ millions)	2,147	2,939
Average number of shares of common stock outstanding during each term (thousand shares)	17,758	17,400
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (¥ millions)	-	-
Increase in common stock (thousand shares)	63	51
[Stock acquisition rights] (thousand shares)	(63)	(51)

2. Net assets per share were calculated on the following basis:

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Total net asset value (¥ millions)	115,178	114,790
Deduction from net assets (¥ millions)	1,623	1,887
[Non-controlling interests] (¥ millions)	(1,465)	(1,755)
[Stock acquisition rights] (¥ millions)	(158)	(131)
Term-end net asset value allocated to common stock (¥ millions)	113,554	112,903
Term-end number of shares of common stock used for calculation of net assets per share (thousand shares)	17,688	17,275

3. Any residual shares of the Company held in the GUNZE Group Employee Shareholding Association Exclusive Trust, which were recorded as treasury stock under Shareholders' Equity are included in the number of shares of treasury stock to be deducted from the average number of the Company's shares outstanding during the period under review, which is used as the basis for calculating earnings per share and diluted earnings per share.

The average numbers of shares of treasury stock outstanding during the previous fiscal year and the fiscal year under review, which were deducted for the calculation of earnings per share and diluted earnings per share, are 2,000 shares and - shares, respectively.

(Significant Subsequent Events)

None applicable.

4. Supplementary Information

Overview of Consolidated Results

<Overview of Results>

- While being heavily impacted by soaring raw material and fuel prices, as well as COVID-19 infection, GUNZE has promoted cost-cutting activities including design improvements.
- In the functional solutions business, all the divisions were on track for recovery.
- The apparel business was affected by sluggish in-store sales and suspended operations due to lockdowns at the overseas factories.
- The lifestyle creation business was affected by temporary closures and shortened business hours of shopping centers and sports clubs.

<Main Extraordinary Income or Losses>

- Gain on sale of non-current assets: ¥5.4 billion (GUNZE Nihonbashi Building, No. 2 SK Building, etc.)
- Impairment losses: ¥(3.5) billion
- Loss on sale and retirement of non-current assets: ¥(0.8) billion

<Cash Flows>

- Net cash provided by operating activities totaled ¥9.1 billion (an increase of ¥0.5 billion from the previous fiscal year)

<Dividends>

- Scheduled dividend payment for the fiscal year ended March 31, 2022 is ¥140 per share.

<Forecasts for the Fiscal Year Ending March 31, 2023>

- Despite being heavily impacted by soaring raw material and fuel prices and others, both sales and profits are expected to increase because GUNZE will enhance its cost competitiveness.
- Scheduled dividend payment for the fiscal year ending March 31, 2023 is ¥145 per share.

(1) FY2021 Operating Results (Apr. 1, 2021 to Mar. 31, 2022)

(Millions of yen)

	FY2021	FY2020	Change <Upper figures in brackets %>
Net Sales	124,314	123,649	—
Operating profit	4,880	4,673	—
Ordinary profit	5,399	5,094	—
Profit attributable to owners of parent	2,939	2,147	—
Total Assets	158,216	159,629	<(0.9)> (1,413)
Inventories	33,693	31,110	<8.3> 2,582
Fixed Assets	79,016	87,539	<(9.7)> (8,522)
Net Assets	114,790	115,178	<(0.3)> (387)
Financing Income/Expenses	288	351	(63)
Interest/Dividends Received	434	476	(41)
Interest Expenses	(146)	(125)	(21)
Capital Expenditures	5,947	7,845	(1,899)
Depreciation	6,191	6,289	(97)

Acquisition of treasury shares, etc.

(Thousands of shares)

(Amount)

Treasury shares acquired	436	¥1,919 million
Treasury shares disposed	23	¥103 million
Treasury shares cancelled	1,000	¥4,321 million
Treasury shares held at the end of the previous fiscal year	1,604	¥6,904 million
Treasury shares held at the end of the period	1,017	¥4,399 million

* Treasury shares acquired includes 435 thousand shares purchased at ¥1,913 million as resolved at the Board of Directors meeting.

(2) Results by Business Segment

(Millions of yen)

Segment		FY2021		FY2020	
		Amount	Weight	Amount	Weight
Net Sales	Functional Solutions	56,138	44.9	49,673	40.0
	Apparel	57,197	45.8	62,640	50.4
	Lifestyle Creations	11,576	9.3	11,976	9.6
	Subtotal	124,912	100.0	124,290	100.0
	Elimination	(598)		(641)	
	Consolidated	124,314		123,649	
Operating profit	Functional Solutions	8,032	101.3	4,852	63.5
	Apparel	(557)	(7.0)	2,306	30.2
	Lifestyle Creations	453	5.7	482	6.3
	Subtotal	7,929	100.0	7,641	100.0
	Elimination	(3,049)		(2,968)	
	Consolidated	4,880		4,673	

(3) Significant Financial Indicators

Item		FY2021	FY2020	Change
Operating profit to Total Assets Ratio	%	3.1	2.9	—
Ordinary profit to Total Assets Ratio	%	3.4	3.1	—
Operating profit to Net Sales Ratio	%	3.9	3.8	—
Ordinary profit to Net Sales Ratio	%	4.3	4.1	—
Turnover of Total Assets	times	0.78	0.76	0.02
Equity Ratio	%	71.4	71.1	0.3
ROE	%	2.6	1.9	—
Earnings per Share	¥	168.93	120.94	—
Diluted Earnings per Share	¥	168.43	120.51	—
Net Assets per Share	¥	6,535.42	6,419.62	115.80

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 fiscal year under review. 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 in amounts and percentages for the management indicators relating to net sales, operating profit, ordinary profit, and profit attributable to owners of parent.

(4) Cash Flows

(Millions of yen)

Cash Flow Activity	FY2021	FY2020	Change	Breakdown of Major Components
Operating Activities	9,155	8,595	560	Profit before income taxes: 5,566; Depreciation: 6,058; impairment losses: 3,513; Decrease in trade receivables: 1,699; gain on sale and retirement of non-current assets: (4,641); increase in inventories: (2,004)
Investing Activities	6,806	1,169	5,637	Proceeds from sale of non-current assets: 9,405; Proceeds from sale of investment securities: 3,810; Purchase of non-current assets: (4,741)
Financing Activities	(12,358)	(9,335)	(3,022)	Repayments of long-term borrowings: (7,335); Dividends paid: (2,027); Purchase of treasury shares: (1,919);
Effect of exchange rate change on cash and cash equivalents	692	20	672	
Net increase (decrease) in cash and cash equivalents	4,296	449	3,846	
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	456	-	456	
Cash and cash equivalents at end of period	14,469	9,717	4,752	

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

Item		FY2021		FY2020		Y-over-Y Change	FY2022 Plan		Y-over-Y Change
		Amount	Weight	Amount	Weight		Amount	Weight	
Capital Expenditures * Incl. intangible fixed assets	<International> Functional Solutions	<214> 1,721		<3,219> 6,386	81.4	(4,665)	<500> 7,200	60.5	5,479
	<International> Apparel	<1,324> 2,244	37.7	<295> 814	10.4	1,430	<500> 2,700	22.7	456
	Lifestyle Creations	867	14.6	414	5.3	452	1,100	9.2	233
	Corporate	1,114	18.7	230	2.9	884	900	7.6	(214)
	<International> Total	<1,538> 5,947	100.0	<3,514> 7,845	100.0	(1,899)	<1,000> 11,900	100.0	5,953
	Depreciation * Incl. amortization of goodwill	Functional Solutions	2,653	42.8	2,575	40.9	78	3,000	47.6
	Apparel	1,367	22.1	1,275	20.3	91	1,400	22.2	33
	Lifestyle Creations	1,698	27.4	1,962	31.2	(263)	1,500	23.8	(198)
	Corporate	472	7.6	476	7.6	(3)	400	6.4	(72)
	Total	6,191	100.0	6,289	100.0	(97)	6,300	100.0	109

Main Investment Plans for FY2022

- Plastic film production resource-circulating factory and equipment: ¥4,700 million
- Innerwear production equipment: ¥2,100 million
- Engineering plastics production building and equipment: ¥1,200 million

(6) FY2022 Forecast

(Millions of yen)

Item	FY2022 Forecast	FY2021 Results	Change	
			Amount	Change(%)
Net Sales	136,000	124,314	11,686	9.4
Operating profit	6,000	4,880	1,120	23.0
Ordinary profit	6,000	5,399	601	11.1
Profit attributable to owners of parent	3,700	2,939	761	25.9

(7) Forecast of Results by Segment

(Millions of yen)

Item		FY2022 Forecast		FY2021 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change(%)
Net Sales	Functional solutions	59,300	43.4	56,138	44.9	3,162	5.6
	Apparel	61,400	44.9	57,197	45.8	4,203	7.3
	Lifestyle creations	16,000	11.7	11,576	9.3	4,424	38.2
	Subtotal	136,700	100.0	124,912	100.0	11,788	9.4
	Elimination	(700)		(598)		(102)	-
	Consolidated	136,000		124,314		11,686	9.4
Operating profit	Functional solutions	9,000	92.8	8,032	101.3	968	12.1
	Apparel	(300)	(3.1)	(557)	(7.0)	257	-
	Lifestyle creations	1,000	10.3	453	5.7	547	120.8
	Subtotal	9,700	100.0	7,929	100.0	1,771	22.3
	Elimination	(3,700)		(3,049)		(651)	-
	Consolidated	6,000		4,880		1,120	23.0