



GUNZE
a touch of *comfort*

Business Report

Consolidated Financial Results
for FY2021
(Ending March 31, 2022)

GUNZE LIMITED
(Company Code: 3002)



I. FY2021 Results Overview

I-1. Consolidated Financial Summary

Consolidated Results

*GUNZE has applied the "Accounting Standard for Revenue Recognition"(ASBJ Statement No.29, March 3, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year. As such, the figures for 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 for reference only. (Millions of yen, %)

	FY2021	FY2020	*Reference: YoY		FY2019	*Reference: FY2021/FY2019		Operating margin		
			Increase (Decrease)	Change		Increase (Decrease)	Change	FY2021	FY2020	FY2019
Net Sales	124,314	123,649	665	0.5%	140,311	(15,997)	(11.4%)	-	-	-
Operating Profit	4,880	4,673	206	4.4%	6,746	(1,866)	(27.7%)	3.9%	3.8%	4.8%
Ordinary Profit (loss)	5,399	5,094	304	6.0%	6,868	(1,469)	(21.4%)	4.3%	4.1%	4.9%
Net profit (loss) attributable to owners of the parent	2,939	2,147	791	36.9%	4,387	(1,448)	(33.0%)	2.4%	1.7%	3.1%

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.

Previous fiscal year Losses arising from COVID-19 (963)

Fiscal year	Gain on sale of fixed assets	5,447
	Impairment loss of fixed assets(Sports club)	(1,496)
	Impairment loss of fixed assets(Legwear)	(1,136)
	Impairment loss of the sale of commercial facilities	(881)
	Losses arising from COVID-19	(410)
	Business structure improvement expenses	(563)

I-2. FY2021 Segment Summary

We promoted cost-cutting through design improvement, etc. for the considerable adverse impacts of COVID-19, and the soaring raw materials and fuels prices, and other factors.

(Millions of yen)

Functional Solutions

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.

YoY Increase (Decrease)		Topics
Net Sales	6,465	The functional solutions business, all the divisions were on track.
		<ul style="list-style-type: none"> Plastic Films 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.
Operating Profit	3,180	<ul style="list-style-type: none"> Electronic Components 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.

Apparel

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.

YoY Increase (Decrease)		Topics
Net Sales	(5,442)	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.
		<ul style="list-style-type: none"> Inner wear 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.
Operating Profit	(2,864)	<ul style="list-style-type: none"> 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.

Lifestyle Creations

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.

YoY Increase (Decrease)		Topics
Net Sales	(400)	<ul style="list-style-type: none"> Real Estate 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.
Operating Profit	(28)	<ul style="list-style-type: none"> Sportsclub 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.

I-3. FY2021 Performance by Segment

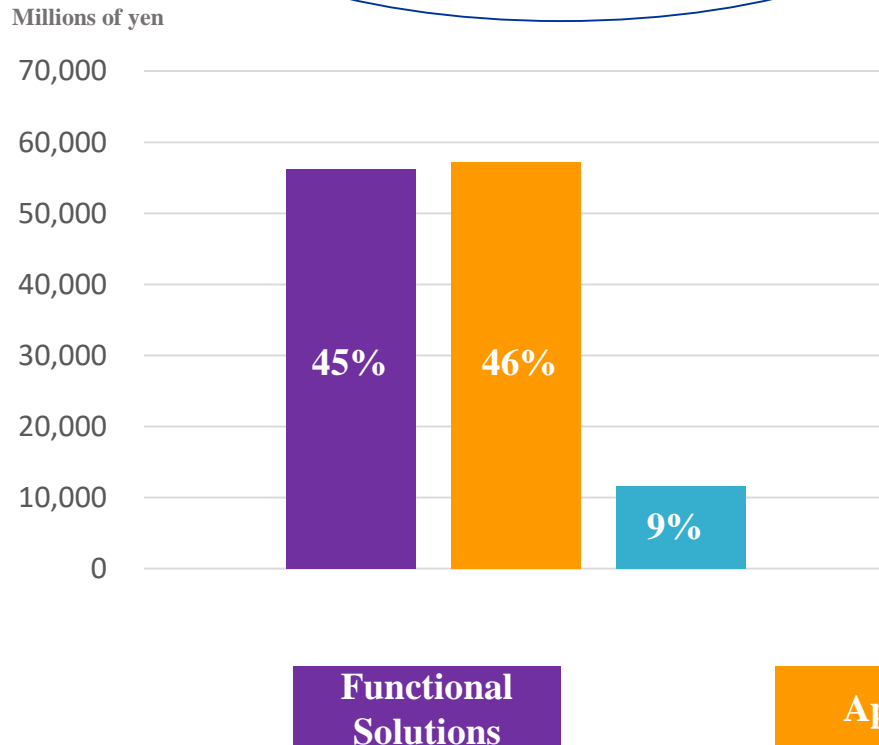
Consolidated Results

(Millions of yen)

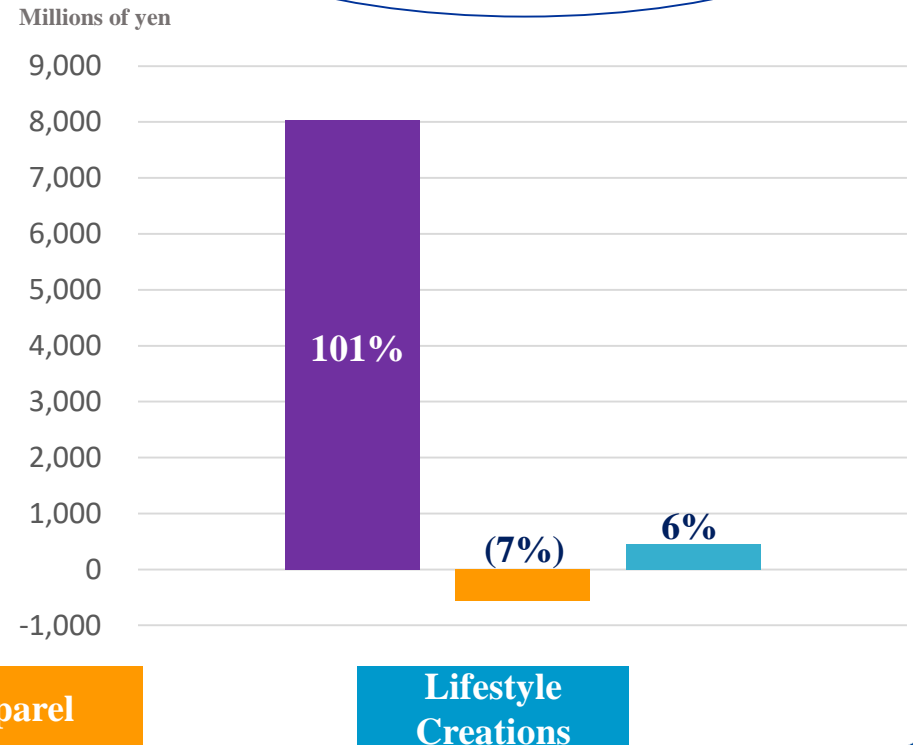
	Net Sales					Operating margin				
	FY2021	FY2020	*Reference: YoY Increase (Decrease)	FY2019	*Reference: FY2021/FY2019 InCrease (Decrease)	FY2021	FY2020	*Reference: YoY Increase (Decrease)	FY2019	*Reference: FY2021/FY2019 InCrease (Decrease)
Functional Solutions	56,138	49,673	13.0% 6,465	56,361	(0.4%) (223)	8,032 14.3%	4,852 9.8%	65.5% 3,180	6,120 10.9%	31.2% 1,912
Apparel	57,197	62,640	(8.7%) (5,442)	69,491	(17.7%) (12,294)	(557) (1.0%)	2,306 3.7%	— (2,864)	2,743 3.9%	— (3,300)
Lifestyle Creations	11,576	11,976	(3.3%) (400)	14,945	(22.5%) (3,369)	453 3.9%	482 4.0%	(6.0%) (28)	1,187 7.9%	(61.8%) (734)
Total	124,314	123,649	0.5% 665	140,311	(11.4%) (15,997)	4,880 3.9%	4,673 3.8%	4.4% 206	6,746 4.8%	(27.7%) (1,866)

I-4. Breakdown by Business Segment

Net Sales
124,314 millions of yen



Operating Profit
4,880 millions of yen



I-5. Quarterly Segment Results

(Millions of yen, %)

	1Q					2Q					3Q					4Q				
	FY2021	*Reference YoY		*Reference FY2021/FY2019		FY2021	*Reference YoY		*Reference FY2021/FY2019		FY2021	*Reference YoY		*Reference FY2021/FY2019		FY2021	*Reference YoY		*Reference FY2021/FY2019	
		Increase (Decrease)	Change (%)	Increase (Decrease)	Change (%)		Increase (Decrease)	Change (%)	Increase (Decrease)	Change (%)		Increase (Decrease)	Change (%)	Increase (Decrease)	Change (%)		Increase (Decrease)	Change (%)	Increase (Decrease)	Change (%)
Net Sales	28,291	2,601	10.1	△ 5,877	△ 17.2	31,099	△ 1,278	△ 4.0	△ 5,758	△ 15.6	33,359	△ 1,203	△ 3.5	△ 3,295	△ 9.0	31,563	544	1.8	△ 1,065	△ 3.3
Functional Solutions	12,755	1,282	11.2	△ 299	△ 2.3	13,875	1,724	14.2	△ 1,324	△ 8.7	14,577	1,746	13.6	387	2.7	14,930	1,711	13.0	1,014	7.3
Apparel	12,879	1,041	8.8	△ 4,565	△ 26.2	14,566	△ 2,853	△ 16.4	△ 3,678	△ 20.2	16,029	△ 2,622	△ 14.1	△ 2,834	△ 15.0	13,722	△ 1,008	△ 6.8	△ 1,216	△ 8.1
Lifestyle Creations	2,793	275	11.0	△ 988	△ 26.1	2,804	△ 168	△ 5.7	△ 714	△ 20.3	2,891	△ 360	△ 11.1	△ 847	△ 22.7	3,087	△ 147	△ 4.5	△ 820	△ 21.0
Operating Profit(Loss)	1,555	1,240	393.7	△ 29	△ 1.8	1,784	828	86.6	78	4.6	2,108	△ 389	△ 15.6	△ 691	△ 24.7	-568	△ 1,472	-	△ 1,224	-
Functional Solutions	1,747	643	58.2	550	45.9	2,085	1,244	147.9	493	31.0	2,100	681	48.1	293	16.2	2,098	611	41.1	576	37.8
Apparel	407	631	-	△ 567	△ 58.2	355	△ 501	△ 58.6	△ 290	△ 45.0	579	△ 1,127	△ 66.1	△ 837	△ 59.1	-1,899	△ 1,867	-	△ 1,607	-
Lifestyle Creations	102	△ 40	△ 28.7	△ 91	△ 47.2	46	19	70.4	△ 205	△ 81.7	194	59	44.8	△ 201	△ 50.9	110	△ 66	△ 37.9	△ 236	△ 68.2
Ordinary profit	1,722	1,158	205.3	△ 18	△ 1.0	2,048	1,127	122.6	433	26.8	2,162	△ 471	△ 17.9	△ 868	△ 28.6	-534	△ 1,511	-	△ 1,016	-
Profit attributable to owners of parent	23	311	-	△ 975	△ 97.7	4,978	4,467	876.1	3,817	329.1	1,596	△ 307	△ 16.1	△ 751	△ 32.0	-3,659	△ 3,679	-	△ 3,539	-

※The impact amount of application of the Accounting Standard for Revenue Recognition

	Net Sales					Operating Profit(Loss)				
	1Q	2Q	3Q	4Q	計	1Q	2Q	3Q	4Q	計
Functional Solutions	(145)	(165)	(160)	(204)	(674)	(9)	(10)	(10)	29	0
Apparel	(562)	(847)	(700)	(813)	(2,922)	52	(35)	(10)	32	39
Lifestyle Creations	(43)	(47)	(51)	(31)	(172)	0	1	(2)	(2)	(3)
計	(750)	(1,060)	(911)	(1,049)	(3,770)	43	(43)	(24)	60	36

I-6. Extraordinary income (losses)

(Millions of yen, %)

	FY2021	FY2020	Increase (Decrease)
Gain on sale of fixed assets	5,447	170	5,276
Impairment loss	(3,513)	(402)	(3,111)
Loss on sale or disposal of fixed assets	(805)	(172)	(632)
Business structure improvement expenses	(563)	0	(563)
Losses arising from COVID-19	(410)	(963)	553
others	11	(371)	383
Total	167	(1,738)	1,906

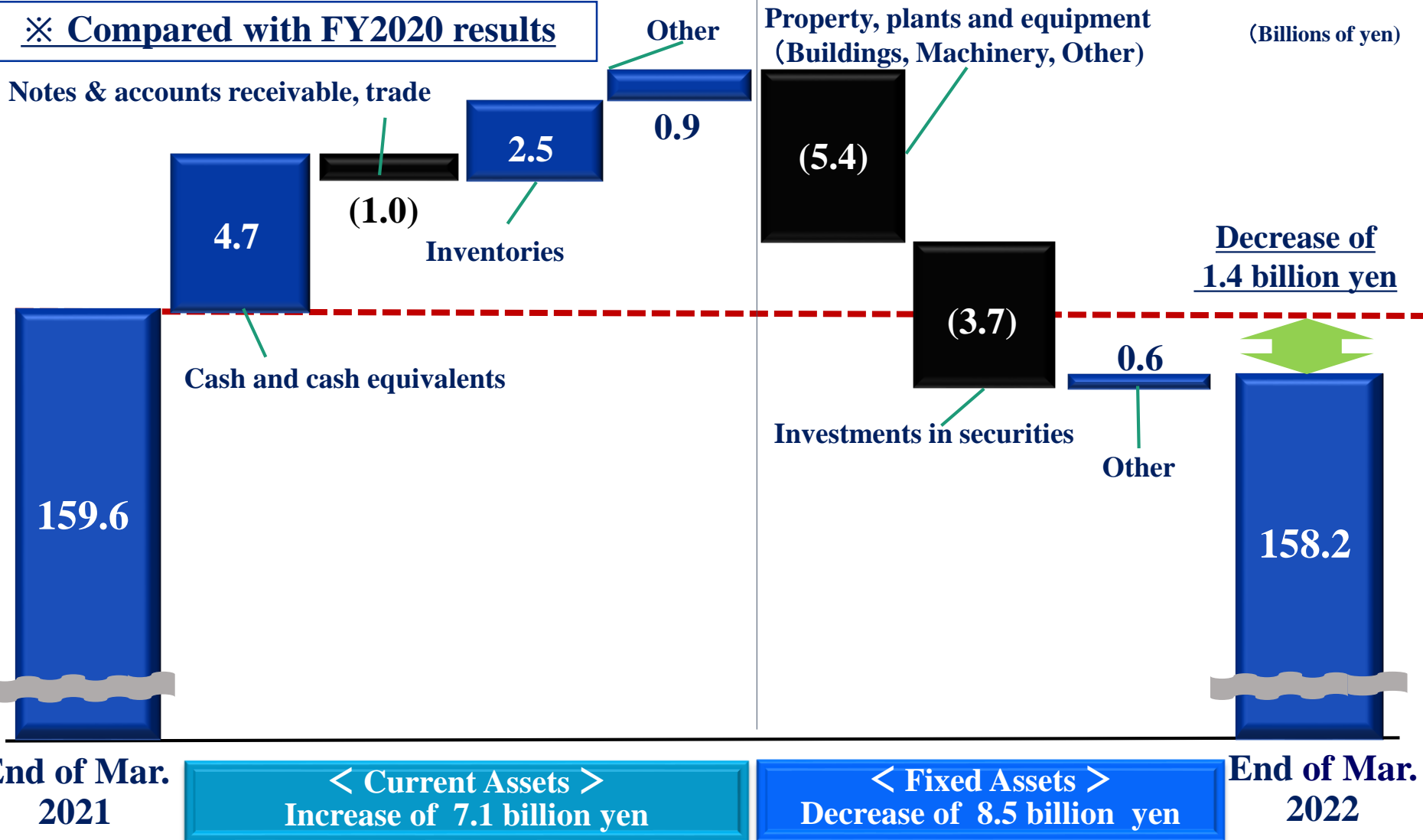
I-7. Key Financial Indicators (Consolidated)

	Unit	FY2021	FY2020	Increase (Decrease)
ROA	%	3.1	2.9	0.2
ROE	%	2.6	1.9	0.7
Total assets	millions of yen	158,216	159,629	(1,413)
Total equity	millions of yen	112,903	113,554	(651)
Equity ratio	%	71.4	71.1	0.3
Interest-bearing debt	millions of yen	11,029	17,613	(6,584)
BPS: Book-value per share	yen	6,535.42	6,419.62	115.80

*GUNZE has applied the "Accounting Standard for Revenue Recognition"(ASBJ Statement No.29, March 3, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year. As such, the figures for 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 for reference only.

I-8. Changes in Total Assets

※ Compared with FY2020 results



I-9. Cash Flows

Cash Flows

(Millions of Yen)

	FY2021	FY2020	Increase/ Decrease△
Operating Activities	9,155	8,595	560
Investing Activities	6,806	1,169	5,637
Free Cash Flow	15,961	9,764	6,197
Financing Activities	(12,358)	(9,335)	(3,022)
Cash and Cash Equivalents (End of Period)	14,469	9,717	4,752

■ Breakdown of Major Operating CF

Income before income taxes	5,566
Depreciation and amortization	6,058
Impairment loss	3,513
Decrease in trade receivables	1,699
Loss (gain) on sale and retirement of non-current assets	(4,641)
Increase in inventories	(2,004)

■ Breakdown of Major Investing CF

Proceeds from sale of non-current assets	9,405
Proceeds from sale of investment securities	3,810
Purchase of non-current assets	(4,741)

■ Breakdown of Major Financing CF

Repayments of long-term borrowings	(7,335)
Dividends paid	(2,027)
Purchase of treasury shares	(1,919)

I-10. Capital Investment & Depreciation and Amortization

◆ Y o Y

(Millions of yen)

	Capital investment			Depreciation and amortization		
	FY2021	FY2020	Increase (Decrease)	FY2021	FY2020	Increase (Decrease)
Functional Solutions	1,721	6,386	(4,665)	2,653	2,575	78
Apparel	2,244	814	1,430	1,367	1,275	91
Lifestyle Creations	867	414	452	1,698	1,962	(263)
Others	1,114	230	884	472	476	(3)
Total	5,947	7,845	(1,899)	6,191	6,289	(97)



■ Major investments in FY2021

Innerwear production equipment

Plastic film production equipment

Engineering Plastics production equipment



II. Business Summary

II-1. Business Summary by Subsector

◆ Functional Solutions (1)

■ 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.

◆ Category	Topics
Shrink Films	<ul style="list-style-type: none"> Impacted by reduced production for bottled beverage applications due to COVID-19. New products were launched to address environmental issues.
Flexible packaging	<ul style="list-style-type: none"> In Japan, demand for use in home cooking became firmly established. Demand in the U.S. was strong as market conditions recovered.
Industrial packaging	<ul style="list-style-type: none"> Strong performance due to booming semiconductor market.
OPP Films	<ul style="list-style-type: none"> Demand for individual meals and for eating at home has taken hold. Price increases in raw material prices were passed on to products.
Global	<ul style="list-style-type: none"> In China, orders after COVID-19 were strong. In Vietnam, orders were steady in response to environmental needs.



■ Nylon Film

■ Engineering Plastics

For OA-related products, ensure to capture the recovery demand from the COVID-19 disaster and strengthen products for the semiconductor market, which continues to be booming.

◆ Category	Topics
Functional products for office equipment	<ul style="list-style-type: none"> In addition to the recovery trend from COVID-19, sales increased significantly due to demand for telework and growth in China and emerging markets.
Products for non-office equipment applications	<ul style="list-style-type: none"> Continuing from the previous fiscal year, varieties for semiconductors continued to perform well.



■ Support materials for filters used in semiconductor

II-2. Business Summary by Subsector

◆ Functional Solutions (2)

Electronic Components

Improvement of differentiation technologies and muscular management to improve profits.

◆ Category	Topics
Touch Screens	<ul style="list-style-type: none"> • Growth in medical applications has run its course, but industrial applications have recovered.
Film products	<ul style="list-style-type: none"> • OCA was affected by the shortage of semiconductors.
Others	<ul style="list-style-type: none"> • Contract processing exceeded the previous year due to an increase in requests.



■ Touch panel

Medical Materials

In addition to strengthening sales in the U.S. and China as important overseas business bases and expanding sales in Japan by utilizing Medical U&A Co. Aiming to launch the next major new product

◆ Category	Topics
Bioabsorbable Reinforcement Felt	<ul style="list-style-type: none"> • Japan : Sales increased due to a recovery in the number of surgeries. • China : Sales were strong due to an increase in the number of facilities hiring.
Bone Fixation Devices	<ul style="list-style-type: none"> • Japan : Sales increased due to new product sales for thoracic applications and a recovery in the number of surgeries. • China : Sales remained steady due to an increase in new hires.
Artificial Dermis	<ul style="list-style-type: none"> • Japan: Sales focused on areas such as emergency response. • China: In addition to burns and trauma, sales expanded due to the adoption of products for difficult-to-heal ulcers.
Medical U&A Inc.	<ul style="list-style-type: none"> • Medical Lasers: Growth was driven by the change in the external environment, which was triggered by the COVID-19.



■ NEOVEIL®

New product: anti-adhesion material launched in February 2022

II-3. Business Summary by Subsector

◆ Apparel

Further strengthen sales in the e-commerce channel, where growth is accelerating in step with changes in consumer behavior. We will also promote reforms to digital sales in order to coexist with COVID-19.

Innerwear

Consumer needs are returning to natural materials, and we will introduce new materials and new products under the YG and BODYWILD brands, etc., to meet casual and health-oriented needs. In addition, we will expand sales of ladies' innerwear by strengthening sales of differentiated foundation products.

● Sales of ladies' innerwear, e-commerce, and mail-order channels were strong, but over-the-counter sales struggled. In addition, sales were affected by the lockdown of the Vietnam factory due to the COVID-19.

Men's

- BODYWILD: Molded Boxer "3D Boxer" and new series "EZX" performed well.
- YG: "In-T" series performed well, but 100% cotton products struggled due to the lockdown of the Vietnam factory.

Women's

- KIREILABO: The new "Fitte" series using organic cotton, half-tops, and inner wear with cups performed well.
- Tuché: Differentiated brassieres that combine comfort and body-shaping functions, as well as shapers, performed well.



EZX
BOOST BOXER

BODYWILD



Fitte
ORGANIC COTTON MIX
KIREILABO

Legwear

We will strengthen our ability to respond to the market based on changing consumer needs and aggressively develop new products in the bottom and leggings categories. And we will promote business structure reforms to strengthen our constitution.

● Voluntary restraint from going out and events was affected in the stocking category.

- Stockings: Impacted by sluggish sales in drugstores and convenience stores and department store channels
- Socks: Sales of leggings and stylish bottoms expanded.



Tuche



ADVANCE
LABEL

II-4. Business Summary by Subsector

◆ Lifestyle Creations

Real Estate

Promote profitability improvement of commercial facilities and strengthen property-specific management with an emphasis on investment efficiency.

● Status of the shopping center business

- *TSUKASHiN* : Both sales and visitor numbers fell short of the previous year's levels due to intermittent closures and shortened operating hours.

● Status of the real estate rental business

- Commercial facilities: Sales were affected by the COVID-19, but remained generally firm.
- Rental housing: Revenue decreased due to the sale of properties (Rental buildings: Niigata City, Hamamatsu City, Shizuoka Prefecture; Rental housing: Takarazuka City, Hyogo Prefecture).



■ Commercial facilities in Ayabe, Kyoto

Sports Club

With the prolonged impact of the covid-19, we will take measures to expand membership in accordance with the characteristics of each region and store, while taking all possible measures to prevent infection.

- Domestic: Temporary closures and shortened operating hours were implemented in response to requests from local governments, etc. Efforts were made to expand membership numbers in accordance with the characteristics of each region and store, but there was no recovery.

- Fitness enrollment temporarily turned to a recovery trend, but stagnated again due to the re-spread of infection by a new mutant strain.

- Swimming schools worked to strengthen the adult program and expand the number of events.

- Cambodia: The suspension order was lifted and reopened in November. We are differentiating ourselves through meticulous efforts in accordance with Japanese guidelines.



■ Swimming School

Landscaping and Greening

We will contribute to creating a green environment and addressing environmental issues by taking advantage of the SDGs and green infrastructure trends.

- Tree sales: Affected by the decrease in planting work due to the impact of COVID-19
- Flower sales: Gift sales continued to be favorable.



■ Mizu-temarin®



III. Outlook for FY2022

III- 1 . Outlook for FY2022

Functional Solutions

- **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,
- **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.

Apparel

- 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.

Lifestyle Creations

- 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.

III-2. Financial Forecast for FY2022

Units: Millions of yen, %

Item	FY2022		FY2021		YoY	
	Forecast	Margin Ratio	Results	Margin Ratio	Increase (Decrease)	Change(%)
Net Sales	136,000		124,314		11,686	9.4%
Operating Profit	6,000	4.4%	4,880	3.9%	1,120	23.0%
Ordinary Profit	6,000	4.4%	5,399	4.3%	601	11.1%
Net Profit attributable to owners of the parent	3,700	2.7%	2,939	2.4%	761	25.9%

III-3. FY2022 Financial Forecast by Segment

Year-on-year change by segment

Units: Millions of yen, %

	Net Sales			Operating Profit (margin, %)		
	FY2022 Forecast	FY2021 Results	Increase (Decrease)	FY2022 Forecast	FY2021 Results	Increase (Decrease)
Functional Solutions	59,300	56,138	5.6% 3,162	9,000 15.2%	8,032 14.3%	12.1% 968
Apparel	61,400	57,197	7.3% 4,203	(300) (0.5%)	(557) (1.0%)	- 257
Lifestyle Creations	16,000	11,576	38.2% 4,424	1,000 6.3%	453 3.9%	120.8% 547
Total	136,000	124,314	9.4% 11,686	6,000 4.4%	4,880 3.9%	23.0% 1,120

III-4. Outlook for FY2022

FY2022 implementation plan

(Millions of yen)

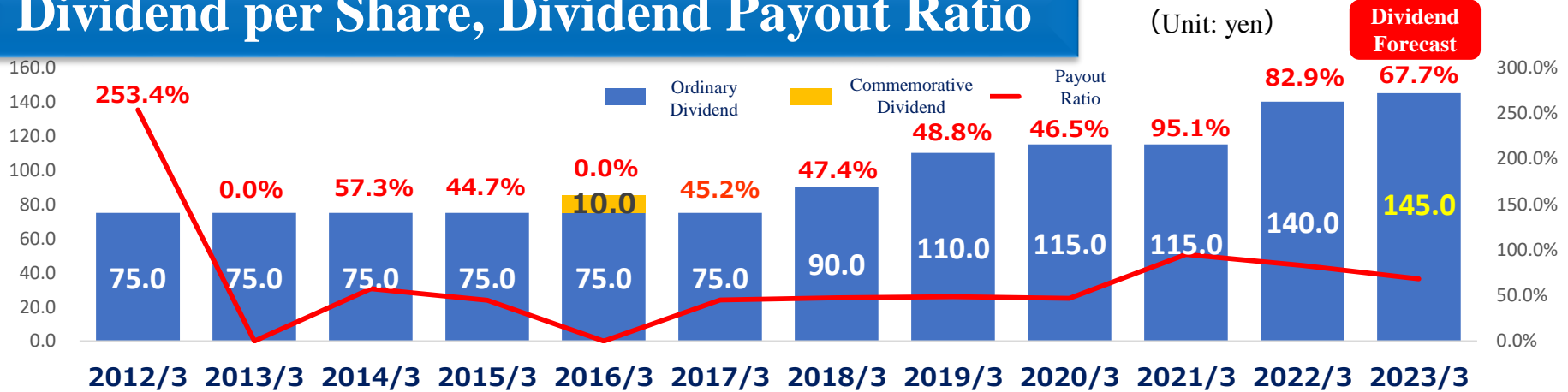
	Capital investment			Depreciation and amortization		
	FY2022	FY2021	Increase/ Decrease	FY2022	FY2021	Increase/ Decrease
Functional Solutions	7,200	1,721	5,479	3,000	2,653	347
Apparel	2,700	2,244	456	1,400	1,367	33
Lifestyle Creations	1,100	867	233	1,500	1,698	(198)
Others	900	1,114	(214)	400	472	(72)
Total	11,900	5,947	5,953	6,300	6,191	109

■ Major investment plan for FY2022

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

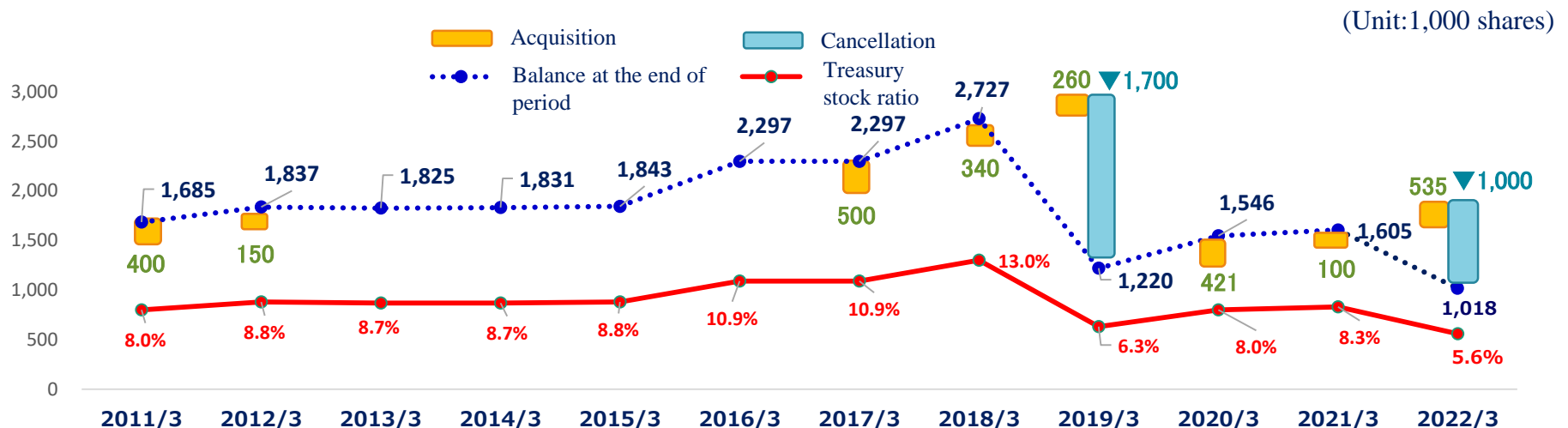
III-5. Distribution of Earnings to Shareholders

Dividend per Share, Dividend Payout Ratio



Treasury Stock

※ GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, dividends before the end of March 2017 are converted by reflecting this share consolidation.



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.

GUNZE

a touch of *comfort*

Forward-looking statements such as earnings forecasts and other projections contained in this report are based on information available at this time and assumptions that management believes to be reasonable, and do not constitute guarantees of future performance. Actual results may differ materially from those expectations due to various factors.