

Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2021 (Japanese Standards)

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

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Company Code:	3002
Stock Market Listings:	Tokyo
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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (Scheduled):	November 13, 2020
Start of Distribution of Dividends (Scheduled):	—
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes
	(for institutional investors/analysts)

1. Consolidated results for the second quarter of FY2020 (April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended Sept. 2020	58,067	(18.2)	1,271	(61.4)	1,484	(55.8)
Six months ended Sept. 2019	71,027	3.6	3,290	1.0	3,355	(8.3)

	Net income attributable to owners of the parent		EPS	Diluted EPS
	¥ millions	%	¥	¥
Six months ended Sept. 2020	222	(89.7)	12.56	12.51
Six months ended Sept. 2019	2,159	(15.2)	119.67	119.07

Note: Comprehensive income

Six months ended September 2020: ¥2,597 million [104.8%]

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of September 30, 2020	161,113	109,832	67.2	6,090.99
As of March 31, 2020	166,633	109,139	64.6	6,061.10

Reference: Total equity

September 30, 2020: ¥108,277 million

March 31, 2020: ¥107,566 million

2. Dividends

	Annual dividends per share (¥)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
FY2019	—	—	—	115.00	115.00
FY2020	—	—	—	—	—
FY2020 (projected)	—	—	—	115.00	115.00

Note: Revisions to dividend projections most recently announced: No

3. Projected results for FY2020 (April 1, 2020 to March 31, 2021)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2020 full year	131,000	(6.6)	4,500	(33.3)	4,500	(34.5)

	Net income attributable to owners of the parent		EPS
	¥ millions	%	¥
FY2020 full year	2,100	(52.1)	118.19

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

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by changes in the scope of consolidation): No
- (2) Application of specific accounting practices for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement after error corrections
 - (a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - (b) Changes in accounting policies due to other reasons: No
 - (c) Changes in accounting estimates: No
 - (d) Restatement after error corrections: No
- (4) Number of shares issued and outstanding (common stock)
 - (a) Number of shares at the end of period (including treasury stock):
 - 2nd quarter of FY2020: 19,293,516 shares
 - FY2019: 19,293,516 shares
 - (b) Treasury stock at the end of period:
 - 2nd quarter of FY2020: 1,516,924 shares
 - FY2019: 1,546,409 shares
 - (c) Average number of shares during the period (cumulative quarterly period):
 - 2nd quarter of FY2020: 17,759,997 shares
 - 2nd quarter of FY2019: 18,043,690 shares

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

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

Notes regarding the use of projections of the results and other matters

Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and notes regarding the use of projections, see (3) "Description of Consolidated Financial Forecast" of "1. Qualitative Information on Quarterly Financial Results" on page 5 of attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Reviewing the economic conditions during the first six months of the current fiscal year (April 1 – September 30, 2020), the Japanese economy suffered from considerable reductions in personal spending and corporate activities, caused by the spread of COVID-19. This situation arose from the need to avoid going out in public, along with the Japanese government's requests for closures. Even after the state of emergency was lifted, the end of COVID-19 is still nowhere in sight, leading to expectations of a prolonged negative impact on the economy.

In the second phase of the GUNZE Group's "CAN 20" medium-term management plan, the Group has been promoting three pivotal strategies, based on the key concept of "Focus and Concentration." They are: implementation of segment-specific business strategies, creation of new businesses, and reinforcement of the management foundation. However, because of the heavy impact of the COVID-19 pandemic on the GUNZE Group's business, we have decided to place top priority on measures to minimize the impact of COVID-19 in fiscal 2020. As such, we are extending the period of the second phase of "CAN 20" up to the fiscal year ending March 31, 2022.

GUNZE's functional solutions business was adversely impacted by the spread of COVID-19, mainly for overseas sales. In the apparel business, although GUNZE worked hard to promote sales on the fast-growing e-commerce channel, the sales increase in this channel was not enough to offset the slump in in-store sales and the sales decline caused by the closure of stores. The lifestyle creation business was also adversely affected by the temporary closure of sports clubs.

Consequently, the GUNZE Group's consolidated net sales for the first six months of the current fiscal year amounted to ¥58,067 million (a year-over-year decrease of 18.2%). Consolidated operating income amounted to ¥1,271 million (a year-over-year decrease of 61.4%). Consolidated ordinary income amounted to ¥1,484 million (a year-over-year decrease of 55.8%). Consolidated net income attributable to owners of the parent was ¥222 million (a year-over-year decrease of 89.7%).

Results by Business Segment

<Functional Solutions>

In plastic film, sales of packaging films were strong because of increasing demand related to home cooking. However, shrink label films for beverage bottle applications experienced slow sales due to the need for avoiding outings or events to contain the spread of COVID-19. In engineering plastics, products for general industrial applications performed strongly, but COVID-19 negatively impacted products for office equipment, causing a significant drop in sales. In electronic components, touch screen sales decreased due to the stagnation of the supply chains in China. Medical materials suffered from a prolonged adverse impact from COVID-19, which caused restricted access to medical institutions. As a result, medical material sales decreased both inside and outside of Japan.

Consequently, the functional solutions business posted net sales of ¥23,623 million (a year-over-year decrease of 16.4%) and an operating income of ¥1,946 million (a year-over-year decrease of 30.3%).

<Apparel>

In innerwear, e-commerce and drugstore channels performed strongly. In legwear, opportunities to wear stockings decreased because people refrained from going out, which resulted in decreased sales. However, leggings generally performed well. The apparel business as a whole was heavily impacted by the slump of in-store sales caused by the closure of stores and people's avoidance of going out. However, after the lifting of the state of emergency, the apparel business is showing a recovery trend.

Consequently, the apparel business posted net sales of ¥29,257 million (a year-over-year decrease of 18.0%) and an operating income of ¥633 million (a year-over-year decrease of 60.9%).

<Lifestyle Creations>

In the real estate category, the shopping center business suffered from a decrease in the number of visitors, caused by the prolonged effects of COVID-19. However, the property leasing business enjoyed robust performance. The sports club business suffered from a slow recovery in members, even after closure requests by the government were cancelled.

Consequently, the lifestyle creation business recorded net sales of ¥5,490 million (a year-over-year decrease of 24.8%) and an operating income of ¥170 million (a year-over-year decrease of 61.8%).

(2) Description of Financial Position

As of September 30, 2020, total assets were ¥161,113 million, a decrease of ¥5,520 million compared to the end of the previous fiscal year. The main components of an increase in total assets included a ¥1,626 million increase in machinery, equipment and vehicles and a ¥1,539 million increase in buildings and structures, both resulting from the operation of the new plastic film production facility in Vietnam, as well as a ¥1,522 million increase in finished products and goods. The main components of the decrease were a ¥4,122 million decrease in the “other” category of property, plants and equipment due to the operation of the new factory, etc. (construction in progress, etc.), a ¥2,614 million decrease in investments in securities due to the sale of cross-held stocks, etc., a ¥1,812 million decrease in notes and accounts receivable, and a ¥1,166 million decrease in cash and cash equivalents.

Total liabilities were ¥51,280 million, a decrease of ¥6,214 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥2,761 million decrease in notes and accounts payable, and a ¥1,641 million decrease in long- and short-term debt including commercial paper.

Net assets were ¥109,832 million, an increase of ¥693 million compared to the end of the previous fiscal year. The main components of the increase included a ¥2,498 million decrease in unrealized loss on available-for-sale securities, and a net income attributable to the owners of the parent amounting to ¥222 million recorded for the period under review. The main components of a decrease were dividend payments of ¥2,042 million.

(Cash Flows)

As of September 30, 2020, cash and cash equivalents were ¥8,101 million, a decrease of ¥1,166 million compared to the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the first six months of the current fiscal year.

Net cash provided by operating activities during the period under review was ¥145 million, a decrease of ¥4,745 million compared to the same period of the previous fiscal year. The main components of cash inflows were income before income taxes amounting to ¥462 million, depreciation and amortization of ¥3,120 million, and a ¥1,684 million decrease in notes and accounts receivable. The main components of cash outflows included a ¥2,629 million decrease in notes and accounts payable and a ¥1,984 million increase in inventories.

Net cash provided by investing activities totaled ¥2,220 million, an increase of ¥7,808 million compared to the same period of the previous fiscal year. The main components of cash inflows included proceeds from the sale of investment securities

amounting to ¥5,561 million. The main components of cash outflows included payments for purchase of fixed assets amounting to ¥2,800 million.

Net cash provided by financing activities decreased by ¥5,873 million compared to the same period of the previous fiscal year. As a result, net cash used in financing activities totaled ¥3,499 million. The main components of cash outflows were ¥2,034 million spent for dividend payments as well as a net decrease in short-term debt and commercial paper and repayment of long-term debt, amounting to ¥1,545 million in total.

(3) Description of Consolidated Financial Forecast

GUNZE has not revised its consolidated full-year forecast for the present fiscal year ending March 31, 2021 from the previous forecast announced on August 4, 2020, as the GUNZE Group's results recorded during the first six months of the present fiscal year remained within the assumed range.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2019 (As of Mar. 31, 2020)	End of FY2020 2nd quarter (As of Sept. 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	9,267	8,101
Notes and accounts receivable, trade	28,099	26,286
Finished products and goods	21,857	23,379
Work in process	6,672	6,667
Raw materials and supplies	4,487	4,838
Other current assets	3,997	3,146
Allowance for doubtful accounts	(5)	(4)
Total current assets	74,377	72,414
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	39,699	41,239
Machinery, equipment and vehicles (Net)	9,455	11,081
Land	12,287	12,279
Other (Net)	6,478	2,356
Total property, plants and equipment	67,921	66,956
Intangible fixed assets	1,774	1,626
Investments and other assets		
Investments in securities	15,591	12,976
Other assets	7,038	7,202
Allowance for doubtful accounts	(69)	(63)
Total investments and other assets	22,560	20,115
Total fixed assets	92,256	88,698
Total assets	166,633	161,113

(Millions of yen)

	End of FY2019 (As of Mar. 31, 2020)	End of FY2020 2nd quarter (As of Sept. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	10,271	7,510
Short-term debt	5,513	5,581
Commercial paper	6,600	5,400
Current portion of long-term debt	560	6,149
Accrued income taxes	635	328
Allowance for employees' bonuses	1,437	1,420
Other current liabilities	9,249	8,354
Total current liabilities	34,267	34,744
Long-term liabilities		
Long-term debt	11,973	5,874
Liabilities related to retirement benefits	5,446	5,110
Long-term deposits and guarantee deposits	4,965	4,915
Other long-term liabilities	840	635
Total long-term liabilities	23,227	16,536
Total liabilities	57,494	51,280
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	6,701	6,697
Retained earnings	84,351	82,532
Treasury stock	(6,727)	(6,566)
Total shareholders' equity	110,397	108,734
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(2,617)	(119)
Deferred gain (loss) on hedge	57	(3)
Revaluation difference on land	(45)	(45)
Foreign currency translation adjustments	507	209
Accumulated adjustments related to retirement benefits	(731)	(498)
Total accumulated other comprehensive income	(2,830)	(457)
Stock acquisition rights	187	187
Non-controlling interests	1,385	1,368
Total net assets	109,139	109,832
Total liabilities and net assets	166,633	161,113

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

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

(Millions of yen)

	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)	2nd quarter of FY2020 (Apr. 1, 2020 to Sept. 30, 2020)
Net sales	71,027	58,067
Cost of sales	49,718	40,380
Gross profit	21,308	17,687
Selling, general and administrative expenses	18,017	16,415
Operating income	3,290	1,271
Non-operating income		
Interest income	19	20
Dividend income	342	316
Rental income	195	180
Other	82	168
Total non-operating income	640	686
Non-operating expenses		
Interest expenses	110	70
Rental expenses	175	174
Exchange loss	117	11
Other	172	216
Total non-operating expenses	576	473
Ordinary income	3,355	1,484
Extraordinary income		
Gain on sale of fixed assets	9	1
Gain on sale of investment securities	1	1,309
Gain on negative goodwill	21	-
Settlement income	128	-
Gain on donation of fixed assets	-	34
Total extraordinary income	160	1,344
Extraordinary loss		
Loss on sale or disposal of fixed assets	89	47
Loss on sale of investment securities	0	1,304
Loss on valuation of investment securities	-	36
Loss on valuation of shares of affiliated companies	22	-
Reversal of provision for loss on guarantees	52	39
Loss arising from COVID-19	-	938
Total extraordinary loss	165	2,366
Income before income taxes	3,350	462
Income taxes	1,127	208
Net Income	2,222	253
Net income attributable to non-controlling interests	63	30
Net income attributable to owners of the parent	2,159	222

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

(Millions of yen)

	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)	2nd quarter of FY2020 (Apr. 1, 2020 to Sept. 30, 2020)
Net income	2,222	253
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(912)	2,498
Deferred gain (loss) on hedge	(13)	(60)
Foreign currency translation adjustments	(297)	(327)
Adjustments related to retirement benefits	268	233
Total other comprehensive income	(954)	2,343
Comprehensive income	1,268	2,597
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,211	2,596
Comprehensive income attributable to non-controlling interests	57	1

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)	2nd quarter of FY2020 (Apr. 1, 2020 to Sept. 30, 2020)
Cash flows from operating activities		
Income before income taxes	3,350	462
Depreciation and amortization	3,187	3,120
Amortization of goodwill	66	66
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in liabilities related to retirement benefits	48	(3)
Increase (decrease) in allowance for employees' bonuses	(2)	(15)
Increase (decrease) in provision for loss on guarantees	52	39
Interest and dividend income	(362)	(337)
Interest expenses	110	70
Exchange loss (gain)	5	(8)
Loss (gain) on sale or disposal of fixed assets	80	46
Loss (gain) on sale or valuation of investments in securities	(0)	31
Loss arising from COVID-19	-	938
Loss on valuation of shares of affiliated companies	22	-
Settlement income	(128)	-
Gain on negative goodwill	(21)	-
Other losses (gains)	(32)	(3)
Decrease (increase) in notes and accounts receivable	1,703	1,684
Decrease (increase) in inventories	(1,142)	(1,984)
Decrease (increase) in other current assets	92	388
Increase (decrease) in notes and accounts payable	(1,280)	(2,629)
Increase (decrease) in deposits and guarantee deposits	538	(109)
Increase (decrease) in other current liabilities	(186)	(335)
Increase (decrease) in other long-term liabilities	(64)	(23)
Subtotal	6,037	1,399
Interest and dividends received	362	338
Interest paid	(117)	(70)
Settlement received	128	-
Loss arising from COVID-19 paid	-	(858)
Income tax refund (paid)	(1,520)	(663)
Net cash provided by (used in) operating activities	4,890	145

(Millions of yen)

	2nd quarter of FY2019 (Apr. 1, 2019 to Sept. 30, 2019)	2nd quarter of FY2020 (Apr. 1, 2020 to Sept. 30, 2020)
Cash flows from investing activities		
Payments for purchase of fixed assets	(4,238)	(2,800)
Proceeds from sale of fixed assets	12	3
Payments for disposition of fixed assets	(50)	(43)
Payments for acquisition of investment securities	(788)	(474)
Proceeds from sale of investment securities	482	5,561
Payments for purchase of investments in subsidiaries	(84)	-
Net decrease (increase) in loans	35	(28)
Payments for acquisition of subsidiaries' shares accompanied by changes in scope of consolidation	(1,080)	-
Other	124	2
Net cash provided by (used in) investing activities	(5,588)	2,220
Cash flows from financing activities		
Net increase in short-term debt and commercial paper	5,545	(1,065)
Repayments of long-term debt	(396)	(479)
Payments for acquisition of treasury stock	(953)	(2)
Proceeds from sale of treasury stock	294	158
Cash dividends paid	(1,987)	(2,034)
Cash dividends paid to holders of non-controlling interests	(33)	(18)
Other	(94)	(57)
Net cash provided by (used in) financing activities	2,374	(3,499)
Effect of exchange rate changes on cash & cash equivalents	(107)	(32)
Net increase (decrease) in cash and cash equivalents	1,569	(1,166)
Cash and cash equivalents at beginning of period	8,102	9,267
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	744	-
Cash and cash equivalents at end of period	10,417	8,101

(4) Notes to Quarterly Consolidated Financial Statements

[Notes Regarding Assumptions of Continuing Operations]

None applicable.

[Notes in the Event of Significant Changes in Shareholders' Equity]

None applicable.

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

(Calculation of taxes)

For the current consolidated fiscal year ending March 31, 2021, after the application of tax effect accounting for the earnings before taxes, taxes are calculated by multiplying earnings before taxes posted in the first six months of the current consolidated fiscal year by the reasonably estimated effective tax rate. However, if the calculation of taxes using the estimated effective tax rate would result in a significant loss of rationality, the statutory tax rate will be used instead.

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

None applicable.

[Segment Information, etc.]

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

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

(Millions of yen)

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

Note:

1. The - (minus) ¥1,564 million segment profit adjustment consists of overall costs not allocated to reportable segments.
Overall costs refer to SG&A expenses not allocated to reportable segments.
2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

Second quarter of FY2020 (Six months ended September 30, 2020)

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

(Millions of yen)

	Reportable segments				Adjustment (note 1)	Consolidated (note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	23,478	29,162	5,426	58,067	—	58,067
Intersegment sales and transfers	144	94	63	302	(302)	—
Total	23,623	29,257	5,490	58,370	(302)	58,067
Segment profit	1,946	633	170	2,750	(1,478)	1,271

Note:

1. The - (minus) ¥1,478 million segment profit adjustment consists of overall costs not allocated to reportable segments.
Overall costs refer to SG&A expenses not allocated to reportable segments.
2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

3. Supplementary Materials for Quarterly Financial Results

(1) FY2020 2nd Quarter Operating Results (Apr. 1, 2020 to Sept. 30, 2020)

(Millions of yen)

	FY2020 2nd Quarter (Six months ended Sept. 30, 2020)	FY2019 2nd Quarter (Six months ended Sept. 30, 2019)	Change
			<Upper figures in brackets %>
Net Sales	58,067	71,027	<(18.2)> (12,959)
Operating Income	1,271	3,290	<(61.4)> (2,019)
Ordinary Income	1,484	3,355	<(55.8)> (1,870)
Net Income Attributable to Owners of the Parent	222	2,159	<(89.7)> (1,936)
Total Assets	161,113	173,999	<(7.4)> (12,885)
Inventories	34,885	33,436	<4.3> 1,448
Fixed Assets	88,698	95,396	<(7.0)> (6,997)
Net Assets	109,832	109,521	<0.3> 310
Financing Income/Expenses	266	252	14
Interest/Dividends Received	337	362	(25)
Interest Expenses	(70)	(110)	39
Capital Expenditures	6,174	1,932	4,242
Depreciation and Amortization	3,187	3,253	(66)

<Overview of Results>

- All business segments were heavily impacted by COVID-19, posting decreases in sales and profits.
- The functional solutions business recorded decreases in sales and profits, mainly with the considerable drop in overseas sales caused by COVID-19.
- The apparel business also posted decreases in sales and profits. Although the high-growth EC channel enjoyed considerable sales expansion, it was not enough to offset sales declines due to the closure of stores and the slump of in-store sales.
- The lifestyle creation business was heavily impacted by temporary closures of sports clubs and stores in shopping centers, resulting in decreases in sales and profits.

<Main extraordinary income/loss>

- Loss arising from COVID-19: ¥900 million
(Fixed costs incurred during the closure of sports clubs and commercial facilities (labor costs, rent, depreciation, etc.))

<FY2020 Forecast>

- As operating income during the first half of the current fiscal year remained roughly within the assumed range, GUNZE has not revised its previously announced full-year forecast for fiscal 2020.
- Scheduled dividend for fiscal 2020 is ¥115 per share (¥115 per share in fiscal 2019).

[Acquisition of treasury stock, etc.]

	Thousands of shares	Amount
Treasury stock acquired	0	¥200 million
Treasury stock disposed	30	¥162 million
Treasury stock held at the end of the previous fiscal year	1,546	¥6,727 million
Treasury stock held at the end of the period	1,516	¥6,566 million

(2) Results by Business Segment

(Millions of yen)

		FY2020 2nd Quarter		FY2019 2nd Quarter		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net Sales	Functional Solutions	23,623	40.5	28,253	39.7	(4,630)	(16.4)
	Apparel	29,257	50.1	35,688	50.1	(6,431)	(18.0)
	Lifestyle Creations	5,490	9.4	7,300	10.2	(1,810)	(24.8)
	Subtotal	58,370	100.0	71,243	100.0	(12,872)	(18.1)
	Elimination	(302)		(216)		(86)	-
	Consolidated	58,067		71,027		(12,959)	(18.2)
Operating Income	Functional Solutions	1,946	70.8	2,790	57.5	(844)	(30.3)
	Apparel	633	23.0	1,619	33.3	(986)	(60.9)
	Lifestyle Creations	170	6.2	445	9.2	(274)	(61.8)
	Subtotal	2,750	100.0	4,855	100.0	(2,105)	(43.4)
	Elimination	(1,478)		(1,564)		86	-
	Consolidated	1,271		3,290		(2,019)	(61.4)

(3) Significant Financial Indicators

Item		FY2020 2nd Quarter	FY2019 2nd Quarter	Change
Operating Income to Total Assets Ratio	%	0.8	1.9	(1.1)
Ordinary Income to Total Assets Ratio	%	0.9	2.0	(1.1)
Operating Income to Net Sales Ratio	%	2.2	4.6	(2.4)
Ordinary Income to Net Sales Ratio	%	2.6	4.7	(2.1)
Equity Ratio	%	67.2	62.1	5.1
ROE	%	0.2	2.0	(1.8)
Earnings per Share	¥	12.56	119.67	(107.11)
Diluted Earnings per Share	¥	12.51	119.07	(106.56)
Net Assets per Share	¥	6,090.99	6,027.10	63.89

(4) Cash Flows

(Millions of yen)

Cash Flow Activity	FY2020 2nd Quarter	FY2019 2nd Quarter	Change	Breakdown of Major Components
Operating Activities	145	4,890	(4,745)	Income before income and other taxes: 462; Depreciation and amortization: 3,120; Decrease in notes and accounts receivable: 1,684; Decrease in notes and accounts payable: (2,629); Inventories: (1,984)
Investing Activities	2,220	(5,588)	7,808	Sale of investment securities: 5,561; Purchase of fixed assets: (2,800)
Financing Activities	(3,499)	2,374	(5,873)	Dividends paid: (2,034); Decrease in commercial paper: (1,200)
Foreign Currency Translation Adjustments	(32)	(107)	74	
Increase (Decrease) in Cash and Cash Equivalents	(1,166)	1,569	(2,735)	
Increase (Decrease) due to Change in Scope of Consolidation	-	744	(744)	
Cash and Cash Equivalents - End of Period	8,101	10,417	(2,315)	

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

Item	FY2020 Plan			FY2019		Y-over-Y Change
	Amount	Weight	2nd Quarter (cumulative)	Amount	Weight	
Capital Expenditures * Incl. intangible fixed assets	[International]	[3,600]		[3,153]	[256]	
	Functional Solutions	7,800	73.6	5,539	1,683	31.3
	[International]	[500]		[168]	[578]	
	Apparel	1,700	16.0	329	1,046	19.4
	Lifestyle Creations	700	6.6	213	2,297	42.7
	Corporate	400	3.8	91	352	6.5
	[International]	[4,100]		[3,322]	[835]	
	Total	10,600	100.0	6,174	5,380	100.0
Depreciation and Amortization * Incl. amortization of goodwill	Functional Solutions	2,700	41.5	1,268	2,408	37.0
	Apparel	1,400	21.5	627	1,378	21.2
	Lifestyle Creations	1,900	29.2	936	2,152	33.1
	Corporate	500	7.8	355	562	8.7
	Total	6,500	100.0	3,187	6,502	100.0

[Main Investment Plans for FY2020]

- Plastic film production equipment: ¥4,200 million
- Engineering plastics production equipment: ¥2,600 million
- Innerwear production equipment: ¥1,100 million

(6) FY2020 Forecast

(Millions of yen)

	FY2020 forecast	FY 2019 results	Change	
			Amount	Change (%)
Net Sales	131,000	140,311	(9,311)	(6.6)
Operating Income	4,500	6,746	(2,246)	(33.3)
Ordinary Income	4,500	6,868	(2,368)	(34.5)
Net income attributable to owners of the parent	2,100	4,387	(2,287)	(52.1)

(7) FY2020 Forecast by Segment

(Millions of yen)

		FY2020 forecast	FY 2019 results	Change
Net Sales	Functional Solutions	52,200	56,361	(4,161)
	Apparel	67,000	69,491	(2,491)
	Lifestyle Creations	12,300	14,945	(2,645)
	Subtotal	131,500	140,798	(9,298)
	Elimination	(500)	(487)	(13)
	Consolidated	131,000	140,311	(9,311)
Operating Income	Functional Solutions	5,000	6,120	(1,120)
	Apparel	2,400	2,743	(343)
	Lifestyle Creations	400	1,187	(787)
	Subtotal	7,800	10,052	(2,252)
	Elimination	(3,300)	(3,306)	6
	Consolidated	4,500	6,746	(2,246)

Note:

GUNZE has not revised its full-year forecast for fiscal 2020 from the previous forecast announced on August 4, 2020.