

## Summary of Consolidated Financial Statements for the Third 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.

Company Name:	GUNZE LIMITED
Company Code:	3002
Stock Market Listings:	Tokyo
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Filing of Quarterly Securities Report ( <i>Shihanki hokokusho</i> ) (Scheduled):	February 12, 2021
Start of Distribution of Dividends (Scheduled):	—
Preparation of Supplementary Materials for the Quarterly Financial Results:	No
Holding of Presentation of Quarterly Financial Results:	No
	(for institutional investors/analysts)

### 1. Consolidated results for the third quarter of FY2020 (April 1, 2020 to December 31, 2021)

#### (1) Consolidated operating results (cumulative)

(Amounts less than one million yen are omitted)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended Dec. 2020	92,630	(14.0)	3,769	(38.1)	4,117	(35.5)
Nine months ended Dec. 2019	107,682	1.1	6,090	0.3	6,385	(2.0)

	Net income attributable to owners of the parent		EPS	Diluted EPS
	¥ millions	%	¥	¥
Nine months ended Dec. 2020	2,126	(52.8)	119.72	119.29
Nine months ended Dec. 2019	4,506	(1.6)	250.92	249.73

Note: Comprehensive income

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

Nine months ended December 2019: ¥4,905 million [147.2%]

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of December 31, 2020	163,762	112,475	67.7	6,238.49
As of March 31, 2020	166,633	109,139	64.6	6,061.10

Reference: Total equity

December 31, 2020: ¥110,897 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		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):
    - 3rd quarter of FY2020: 19,293,516 shares
    - FY2019: 19,293,516 shares
  - (b) Treasury stock at the end of period:
    - 3rd quarter of FY2020: 1,517,167 shares
    - FY2019: 1,546,409 shares
  - (c) Average number of shares during the period (cumulative quarterly period):
    - 3rd quarter of FY2020: 17,764,927 shares
    - 3rd quarter of FY2019: 17,960,787 shares

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

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

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

Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and notes regarding the use of projections, see (3) "Description of Consolidated Financial Forecast" of "1. Qualitative Information on Quarterly Financial Results" on page 4 of attached materials.

## Attached Materials

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Description of Results of Operations

Reviewing economic conditions during the first nine months of the current fiscal year (April 1 – December 31, 2020), the Japanese economy suffered from considerable restrictions on personal spending and corporate activities caused by the spread of COVID-19. This situation arose from the Japanese government's requests for business closures, and the resulting need for people to avoid going out in public. With the resurgence of COVID-19, the end 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. The lifestyle creation business was also adversely affected by the temporary closure of shopping centers and sports clubs.

Consequently, the GUNZE Group's consolidated net sales for the first nine months of the current fiscal year amounted to ¥92,630 million (a year-over-year decrease of 14.0%). Consolidated operating income amounted to ¥3,769 million (a year-over-year decrease of 38.1%). Consolidated ordinary income amounted to ¥4,117 million (a year-over-year decrease of 35.5%). Consolidated net income attributable to owners of the parent was ¥2,126 million (a year-over-year decrease of 52.8%).

## Results by Business Segment

### <Functional Solutions>

In plastic film, 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. However, sales of packaging films were strong because of increasing demand related to home cooking. In engineering plastics, products for the semiconductor market performed strongly, but products for office equipment suffered from a significant drop in sales. In electronic components, touch screen sales decreased due to discontinued production of existing products, and the postponed launch of new products. Medical materials sales were put on the recovery track, despite the ongoing negative impact from the decrease in surgical operations and restricted access to medical institutions.

Consequently, the functional solutions business posted net sales of ¥36,454 million (a year-over-year decrease of 14.1%) and an operating income of ¥3,365 million (a year-over-year decrease of 26.8%).

### <Apparel>

The apparel business as a whole was back on course for recovery, but suffered from slow in-store sales caused by the closure of stores and consumers' willingness to stay at home. In innerwear, e-commerce and drugstore channels performed strongly, helping basic products and women's innerwear to enjoy sales growth. In legwear, leggings performed well, but overall legwear sales were adversely affected by decreased opportunities to wear stockings as people refrained from going out.

Consequently, the apparel business posted net sales of ¥47,909 million (a year-over-year decrease of 12.2%) and an operating income of ¥2,339 million (a year-over-year decrease of 23.0%).

### <Lifestyle Creations>

In the real estate category, the shopping center business suffered from a decrease in the number of visitors, caused by the resurgence of COVID-19. However, revenues from new properties positively contributed to the performance of the property leasing business. 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 ¥8,741 million (a year-over-year decrease of 20.8%) and an operating income of ¥304 million (a year-over-year decrease of 63.9%).

## **(2) Description of Financial Position**

As of December 31, 2020, total assets were ¥163,762 million, a decrease of ¥2,871 million compared to the end of the previous fiscal year. The main components of an increase in total assets included a ¥2,430 million increase in notes and accounts receivable, a ¥1,272 million increase in machinery, equipment and vehicles, and a ¥1,032 million increase in buildings and structures, both resulting from the operation of the new plastic film production facility in Vietnam. The main components of the decrease were a ¥3,982 million decrease in the “other” category of property, plants and equipment due to the operation of the new factory, etc. (construction in progress, etc.), and a ¥2,584 million decrease in investments in securities due to the sale of cross-held stocks, etc.

Total liabilities were ¥51,287 million, a decrease of ¥6,207 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥2,636 million decrease in notes and accounts payable, a ¥1,053 million decrease in long- and short-term debt including commercial paper, and a ¥1,024 million decrease in allowance for employees’ bonuses.

Net assets were ¥112,475 million, an increase of ¥3,336 million compared to the end of the previous fiscal year. The main components of the increase included a ¥3,044 million increase in unrealized gain on available-for-sale securities, and a net income attributable to owners of the parent amounting to ¥2,126 million recorded in the period under review. The main components of a decrease were dividend payments of ¥2,042 million.

## **(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 nine 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 3rd quarter (As of Dec. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	9,267	9,992
Notes and accounts receivable, trade	28,099	30,530
Finished products and goods	21,857	21,480
Work in process	6,672	6,295
Raw materials and supplies	4,487	4,370
Other current assets	3,997	3,237
Allowance for doubtful accounts	(5)	(5)
Total current assets	74,377	75,900
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	39,699	40,732
Machinery, equipment and vehicles (Net)	9,455	10,727
Land	12,287	12,271
Other (Net)	6,478	2,496
Total property, plants and equipment	67,921	66,227
Intangible fixed assets	1,774	1,562
Investments and other assets		
Investments in securities	15,591	13,006
Other assets	7,038	7,127
Allowance for doubtful accounts	(69)	(63)
Total investments and other assets	22,560	20,071
Total fixed assets	92,256	87,861
<b>Total assets</b>	<b>166,633</b>	<b>163,762</b>



(Millions of yen)

	End of FY2019 (As of Mar. 31, 2020)	End of FY2020 3rd quarter (As of Dec. 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	10,271	7,635
Short-term debt	5,513	5,435
Commercial paper	6,600	6,200
Current portion of long-term debt	560	6,119
Accrued income taxes	635	300
Allowance for employees' bonuses	1,437	413
Other current liabilities	9,249	8,837
Total current liabilities	34,267	34,942
Long-term liabilities		
Long-term debt	11,973	5,837
Liabilities related to retirement benefits	5,446	5,000
Long-term deposits and guarantee deposits	4,965	4,898
Other long-term liabilities	840	607
Total long-term liabilities	23,227	16,344
Total liabilities	57,494	51,287
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	6,701	6,697
Retained earnings	84,351	84,435
Treasury stock	(6,727)	(6,567)
Total shareholders' equity	110,397	110,637
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(2,617)	426
Deferred gain (loss) on hedge	57	(12)
Revaluation difference on land	(45)	(45)
Foreign currency translation adjustments	507	273
Accumulated adjustments related to retirement benefits	(731)	(381)
Total accumulated other comprehensive income	(2,830)	260
Stock acquisition rights	187	187
Non-controlling interests	1,385	1,390
Total net assets	109,139	112,475
Total liabilities and net assets	166,633	163,762

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

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

(Millions of yen)

	3rd quarter of FY2019 (Apr. 1, 2019 to Dec. 31, 2019)	3rd quarter of FY2020 (Apr. 1, 2020 to Dec. 31, 2020)
Net sales	107,682	92,630
Cost of sales	74,747	64,053
Gross profit	32,934	28,577
Selling, general and administrative expenses	26,844	24,807
Operating income	6,090	3,769
Non-operating income		
Interest income	31	28
Dividend income	506	421
Rental income	267	229
Exchange gain	22	-
Other	98	343
Total non-operating income	927	1,022
Non-operating expenses		
Interest expenses	165	101
Rental expenses	241	225
Exchange loss	-	76
Other	224	271
Total non-operating expenses	631	674
Ordinary income	6,385	4,117
Extraordinary income		
Gain on sale of fixed assets	296	2
Gain on sale of investment securities	58	1,444
Settlement income	128	-
Gain on donation of fixed assets	-	34
Other	21	-
Total extraordinary income	505	1,481
Extraordinary loss		
Loss on sale or disposal of fixed assets	142	63
Loss on sale of investment securities	50	1,428
Loss on valuation of investment securities	0	36
Loss on change of a construction plan	75	-
Reversal of provision for loss on guarantees	63	39
Loss arising from COVID-19	-	961
Other	33	58
Total extraordinary loss	365	2,588
Income before income taxes	6,525	3,011
Income taxes	1,944	824
Net Income	4,580	2,186
Net income attributable to non-controlling interests	73	60
Net income attributable to owners of the parent	4,506	2,126