Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2022 (Japanese Standards)

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

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Company Code:	3002
Stock Market Listings:	Tokyo
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Filing of Quarterly Securities Report (*Shihanki hokokusho*) (Scheduled):	August 10, 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

1. Consolidated results for the first quarter of FY2021 (April 1, 2021 to June 30, 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	%
Three months ended June 2021	28,291	−	1,555	−	1,722	−
Three months ended June 2020	25,689	(24.8)	315	(80.1)	564	(67.6)

	Net income attributable to owners of the parent		EPS	Diluted EPS
	¥ millions	%	¥	¥
Three months ended June 2021	23	−	1.35	1.35
Three months ended June 2020	(287)	−	(16.21)	−

Note: Comprehensive income (loss)
Three months ended June 2021: (¥317 million) [−]
Three months ended June 2020: ¥464 million [648.4%]

Note 1: 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 under review. As such, the figures for the three months ended June 2021, shown above, represent amounts after the application of the said

accounting standard and other related standards.
Note 2: Diluted EPS for the first quarter of FY2020 (three months ended June 2020) is not presented although there were potentially dilutive shares, because a net loss per share was recorded in the period.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	(¥)
As of June 30, 2021	160,673	112,295	68.7	6,305.18
As of March 31, 2021	159,629	115,178	71.1	6,419.62

Reference: Total equity
June 30, 2021: ¥110,398 million March 31, 2021: ¥113,554 million

Note 1: 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 under review. As such, the figures for the three months ended June 2021, shown above, represent amounts after the application of the said accounting standard and other related standards.

2. Dividends

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

Note: Revisions to dividend projections most recently announced: No

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

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2021 full year	135,000	−	8,000	−	8,200	−

	Net income		EPS
	¥ millions	%	¥
FY2021 full year	5,600	−	319.33

Note:
Revisions to projections of consolidated financial results most recently announced: No
GUNZE has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the first quarter under review. As such, the projected results shown above represent amounts after the application of the said accounting standard and other related standards, and year-over-year increases/decreases (%) are not provided.

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by changes in the scope of consolidation): No

(2) Application of specific accounting practices for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement after error corrections

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(b) Changes in accounting policies due to other reasons: No

(c) Changes in accounting estimates: No

(d) Restatement after error corrections: No

Note: For details, refer to “(3) Notes to Quarterly Consolidated Financial Statements – Changes in Accounting Policies” in “2. Quarterly Consolidated Financial Statements and Main Notes” on page 11 and 12.

(4) Number of shares issued and outstanding (common stock)

(a) Number of shares at the end of period (including treasury stock):

1st quarter of FY2021: 19,293,516 shares

FY2020: 19,293,516 shares

(b) Treasury stock at the end of period:

1st quarter of FY2021: 1,784,412 shares

FY2020: 1,604,826 shares

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

1st quarter of FY2021: 17,598,878 shares

1st quarter of FY2020: 17,751,467 shares

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” in “1. Qualitative Information on Quarterly Financial Results” on page 5 of attached materials.

Attached Materials

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1. Qualitative Information on Quarterly Financial Results

GUNZE has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards effective from the beginning of the first quarter of the current fiscal year (April 1 – June 30, 2021). Because the accounting treatment for revenue for the period under review is different from that used for the first quarter of the previous fiscal year, year-over-year increases/decreases (%) compared to the same period of the previous fiscal year are not provided in the description of results of operations.

(1) Description of Results of Operations

(Results of operations during the first quarter under review)

Reviewing Japan's economic condition during the first three months of the current fiscal year (April 1 – June 30, 2021), the economy remained in a severe situation mainly due to the resurgence of COVID-19, which placed substantial restrictions on personal consumption and corporate activities. This situation arose out of the Japanese government's re-issuance of the declaration of the state of emergency and its adoption of semi-emergency COVID-19 control measures. Although the Japanese economy is on track for recovery in keeping with the progress of vaccinations, the effects of various policies, and the improvement of overseas economies, the outlook remains uncertain due to concerns over the spread of new variants.

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.

Faced with the lingering impact of COVID-19, GUNZE's functional solutions business showed signs of recovery in all its divisions. In the apparel business, while in-store sales remained sluggish, sales on the fast-growing e-commerce channel grew steadily. The lifestyle creation business was heavily affected by temporary closures of shopping centers and sports clubs.

Consequently, the GUNZE Group's consolidated net sales for the first three months of the current fiscal year amounted to ¥28,291 million (compared to ¥25,689 million recorded for the same period of the previous fiscal year); consolidated operating income amounted to ¥1,555 million (compared to ¥315 million recorded for the same period of the previous fiscal year), and consolidated ordinary income amounted to ¥1,722 million (compared to ¥564 million recorded for the same period of the previous fiscal year). In addition, due to the posting of an extraordinary loss of ¥881 million in respect of impairment losses on fixed assets that the company had decided to assign to other parties, GUNZE's consolidated net income attributable to owners of the parent amounted to ¥23 million yen (compared to a loss of ¥287 million yen recorded for the same period of the previous fiscal year).

As a result of the application of the Accounting Standard for Revenue Recognition and other related standards for the first quarter of the current fiscal year, net sales decreased by ¥750 million, while operating income, ordinary income, and net income before income and other taxes each increased by ¥43 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, shrink label films for beverage bottle applications and plastic films for export and industrial applications also performed well. In engineering plastics, sales for the semiconductor market strengthened and demand for office equipment recovered. In electronic components, recovery has been delayed due to difficulties in procuring parts caused by global semiconductor shortages and to the impact of postponements in shipping of received orders. Medical materials, as a whole, exhibited a robust performance thanks to the recovery of the Chinese market, despite an ongoing negative impact from the postponement of surgeries and restricted access to medical institutions in Japan and Europe.

As a result of the above, the functional solutions business recorded net sales of ¥12,755 million (compared to ¥11,472 million for the same period of the previous year) and an operating income of ¥1,747 million (compared to ¥1,104 million for the same period of the previous year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥145 million and operating income to decrease by ¥9 million.

<Apparel>

In the apparel business, overall, in-store sales were impacted by weekend closures of large-scale stores imposed in response to the redeclared state of emergency. However, in innerwear, continuing from the previous fiscal year, sales of the e-commerce and mail order catalog channels remained robust. Among the various product categories, women's innerwear, centered on the highly differentiated foundation lines that clearly set GUNZE apart from its competitors, enjoyed expanded sales, while legwear sales were adversely affected by decreased opportunities for wearing stockings as people refrained from venturing out or attending events following the redeclared state of emergency.

As a result of the above, the apparel business recorded net sales of ¥12,879 million (compared to ¥11,873 million for the same period of the previous year) and an operating income of ¥407 million (compared to an operating loss of ¥223 million for the same period of the previous year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥561 million and operating income to increase by ¥52 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 continuing closures and shortened business hours in response to the state of emergency redeclared by the Japanese government. 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 ¥2,793 million (compared to ¥2,517 million for the same period of the previous fiscal year) and an operating income of ¥102 million (compared to ¥143 million for the same period of the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition and other related standards caused net sales in this segment to decrease by ¥42 million, while the impact on operating income was minor.

(2) Description of Financial Position

As of June 30, 2021, total assets were ¥160,673 million, an increase of ¥1,043 million compared to the end of the previous fiscal year. The main components of the increase in total assets included a ¥1,839 million increase in cash and deposits, a ¥1,774 million increase in finished products and goods, a ¥1,186 million increase in other current assets caused by the recognition of claims relating to chargeable subcontracting (accounts receivable - other). The main components of a decrease were a ¥2,002 million decrease in notes and accounts receivable and a ¥1,767 million decrease in investments in securities caused by a drop in the market value of cross-held shares.

Total liabilities were ¥48,377 million, an increase of ¥3,925 million compared to the end of the previous fiscal year. The main components of the increase included a ¥4,911 million increase in long- and short-term debt including commercial paper. The main components of a decrease included a ¥912 million decrease in allowance for employees' bonuses.

Net assets were ¥112,295 million, a decrease of ¥2,882 million compared to the end of the previous fiscal year. The main components of an increase included an ¥807 million increase in foreign currency translation adjustments. The main components of the decrease were dividend payments of ¥2,034 million and a ¥1,211 million decrease in unrealized gain on available-for-sale securities. Due to the application of the Accounting Standard for Revenue Recognition and other related standards, the balance of retained earnings at the beginning of the first quarter under review decreased by ¥149 million, which also caused a decrease in net assets.

(3) Description of Consolidated Financial Forecast

GUNZE has not revised its consolidated full-year forecast for the present fiscal year ending March 31, 2022 from the previous forecast announced on May 14, 2021, as the GUNZE Group's performance during the first three months of the current fiscal year remained within the assumed range.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	End of FY2020 (As of Mar. 31, 2021)	**End of FY2021 1st quarter** (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	9,717	11,556
Notes and accounts receivable, trade	27,715	25,713
Finished products and goods	21,094	22,868
Work in process	5,714	6,075
Raw materials and supplies	4,302	4,958
Other current assets	3,564	4,750
Allowance for doubtful accounts	(17)	(6)
Total current assets	72,090	75,915
Fixed assets		
Property, plants and equipment		
Buildings and structures (Net)	39,689	38,471
Machinery, equipment and vehicles (Net)	10,727	10,566
Land	12,173	11,940
Other (Net)	2,332	2,452
Total property, plants and equipment	64,923	63,430
Intangible fixed assets	1,612	1,492
Investments and other assets		
Investments in securities	15,638	13,870
Other assets	5,437	6,034
Allowance for doubtful accounts	(71)	(71)
Total investments and other assets	21,004	19,834
Total fixed assets	87,539	84,757
Total assets	159,629	160,673

(Millions of yen)

	End of FY2020 (As of Mar. 31, 2021)	End of FY2021 1st quarter (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	7,830	7,891
Short-term debt	4,913	5,264
Commercial paper	500	6,000
Current portion of long-term debt	7,301	6,649
Accrued income taxes	397	400
Allowance for employees' bonuses	1,436	524
Other current liabilities	8,484	8,585
Total current liabilities	30,863	35,316
Long-term liabilities		
Long-term debt	4,581	4,294
Liabilities related to retirement benefits	3,645	3,455
Long-term deposits and guarantee deposits	4,750	4,755
Other long-term liabilities	610	555
Total long-term liabilities	13,587	13,060
Total liabilities	44,451	48,377
Net assets		
Shareholders' equity		
Common stock	26,071	26,071
Capital surplus	6,674	6,674
Retained earnings	84,456	82,517
Treasury stock	(6,904)	(7,669)
Total shareholders' equity	110,298	107,593
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	2,321	1,110
Deferred gain on hedge	16	7
Revaluation difference on land	(45)	(45)
Foreign currency translation adjustments	389	1,196
Accumulated adjustments related to retirement benefits	575	535
Total accumulated other comprehensive income	3,256	2,804
Stock acquisition rights	158	158
Non-controlling interests	1,465	1,738
Total net assets	115,178	112,295
Total liabilities and net assets	159,629	160,673

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

Consolidated Statements of Income

(for the three months from April 1 to June 30)

(Millions of yen)

	1st quarter of FY2020 (Apr. 1, 2020 to June 30, 2020)	1st quarter of FY2021 (Apr. 1, 2021 to June 30, 2021)
Net sales	25,689	28,291
Cost of sales	17,528	18,924
Gross profit	8,161	9,367
Selling, general and administrative expenses	7,845	7,811
Operating income	315	1,555
Non-operating income		
Interest income	11	9
Dividend income	291	200
Rental income	121	113
Exchange gain	13	1
Other	61	50
Total non-operating income	500	375
Non-operating expenses		
Interest expenses	40	23
Rental expenses	114	91
Expenses related to closures of factories, stores, etc.	—	42
Other	97	50
Total non-operating expenses	252	208
Ordinary income	564	1,722
Extraordinary income		
Gain on sale of fixed assets	0	19
Gain on sale of investment securities	659	—
Total extraordinary income	659	19
Extraordinary loss		
Loss on sale or disposal of fixed assets	3	58
Loss on sale of investment securities	658	—
Impairment loss	—	*1 881
Loss arising from COVID-19	*2 836	*2 271
Other	71	59
Total extraordinary loss	1,570	1,271
Income (loss) before income and other taxes	(346)	471
Income and other taxes	(84)	405
Net income (loss)	(262)	65
Net income attributable to non-controlling interests	25	42
Net income (loss) attributable to owners of the parent	(287)	23

Consolidated Statements of Comprehensive Income
(for the three months from April 1 to June 30)

(Millions of yen)

	1st quarter of FY2020 (Apr. 1, 2020 to June 30, 2020)	1st quarter of FY2021 (Apr. 1, 2021 to June 30, 2021)
Net income (loss)	(262)	65
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	919	(1,211)
Deferred gain (loss) on hedge	(26)	(8)
Foreign currency translation adjustments	(283)	876
Adjustments related to retirement benefits	116	(39)
Total other comprehensive income	726	(383)
Comprehensive income	464	(317)
(Breakdown)		
Comprehensive income attributable to owners of the parent	478	(418)
Comprehensive income attributable to non-controlling interests	(14)	100

(3) Notes to Quarterly Consolidated Financial Statements

[Notes Regarding Assumptions of Continuing Operations]

None applicable.

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

None applicable.

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

(Calculation of taxes)

For the current consolidated fiscal year ending March 31, 2022, after the application of tax effect accounting for the earnings before taxes, taxes are calculated by multiplying earnings before taxes posted in the first three 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]

(Application of Accounting Standard for Revenue Recognition)

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

1. Transactions relating to chargeable subcontracting

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

2. Revenue recognition for principal and agent transactions

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

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

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

4. Considerations payable to customers

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

The application of the Accounting Standard for Revenue Recognition and other related standards is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The aggregate amount of the impact on retroactive application of the new accounting policy prior to the beginning of the first quarter under review has been added to or subtracted from the retained earnings at the beginning of the first quarter under review, and the new accounting policy has been applied from the balance at the beginning of the first quarter under review; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all revenue amounts for periods prior to the beginning of the first quarter 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 first quarter 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 first quarter 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 first quarter under review, net sales decreased by ¥750 million, with cost of sales decreasing by ¥689 million and SG&A expenses decreasing by ¥104 million. Operating income, ordinary income, and net income before income and other taxes each increased by ¥43 million. The balance of retained earnings at the beginning of the first quarter under review decreased by ¥149 million.

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

(Application of Accounting Standard for Fair Value Measurement)

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

[Changes in Accounting Estimates and Restatement after Error Corrections]

None applicable.

[Additional Information]

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

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

(COVID-19 impact on accounting estimates)

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

[Notes regarding Quarterly Consolidated Statements of Income]

*1 Impairment loss

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

First quarter of FY2020 (April 1 – June 30, 2020)

None applicable.

First quarter of FY2021 (April 1 - June 30, 2021)

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

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

Buildings and structures	880
Others	0
Total	881

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

*2 Loss arising from COVID-19

First quarter of FY2020 (April 1 – June 30, 2020)

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

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

Segment	Amount (¥ millions)	Description
Functional solutions	35	Fixed expenses incurred during closures of factories in Japan and overseas
Apparel	136	Fixed expenses incurred during closures of factories in Japan and overseas and stores
Lifestyle creations	664	Fixed expenses incurred during closures of sports clubs and commercial facilities and support for tenants
Total	836	

First quarter of FY2021 (April 1 - June 30, 2021)

The GUNZE Group closed down sports clubs, commercial facilities, and stores 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.

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

Segment	Amount (¥ millions)	Description
Functional solutions	—	
Apparel	22	Fixed expenses incurred during closures of stores
Lifestyle creations	249	Fixed expenses incurred during closures of sports clubs and commercial facilities
Total	271	

［Segment Information, etc.］

First quarter of FY2020 (April 1 - June 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	11,403	11,795	2,490	25,689	—	25,689
Intersegment sales and transfers	69	42	26	138	(138)	—
Total	11,472	11,837	2,517	25,827	(138)	25,689
Segment profit (loss)	1,104	(223)	143	1,024	(708)	315

Note:
1. The - (minus) ￥708 million segment profit (loss) 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 (loss) total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

First quarter of FY2021 (April 1 – June 30, 2021)

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

(Millions of yen)

	Reportable segments				Adjustment (note 1)	Consolidated (note 2)
	Functional solutions	Apparel	Lifestyle creations	Total		
Net sales						
Sales to customers	12,688	12,833	2,770	28,291	—	28,291
Intersegment sales and transfers	66	46	23	136	(136)	—
Total	12,755	12,879	2,793	28,427	(136)	28,291
Segment profit	1,747	407	102	2,258	(702)	1,555

Note:
1. The - (minus) ￥702 million segment profit adjustment consists of overall costs not allocated to reportable segments. Overall costs refer to SG&A expenses not allocated to reportable segments.
2. Segment profit total was adjusted to be consistent with the operating income recorded on the Consolidated Statements of Income.

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

(Significant impairment loss relating to fixed assets)

In the lifestyle creation business segment, an impairment loss was posted along with a decision on the sale of fixed assets. The impairment loss posted for the first quarter under review amounted to ¥881 million.

3. Matters relating to the Change of Reportable Segments

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

The change of calculation method, compared to the conventional calculation method, has caused net sales for the functional solutions business to decrease by ¥145 million, with the segment profit decreasing by ¥9 million; net sales for the apparel business to decrease by ¥561 million, with the segment profit increasing by ¥52 million; and net sales for the lifestyle creation business to decrease by ¥42 million, with the segment profit remaining the same.

[Significant Subsequent Events]

(Assignment of Fixed Assets)

At the meeting of Board of Directors held on August 4, 2021, GUNZE resolved to assign and transfer fixed assets owned by GUNZE and its consolidated subsidiary GUNZE Development Co., Ltd.

1. Reasons for assignment

The GUNZE Group has adopted capital cost-based management as one of its key strategies, and to improve GUNZE Value Added* (GVA) value by reducing invested capital, a decision was made to assign and transfer certain assets.

*Gunze's own indicator to measure economic added value, calculated by subtracting the capital cost incurred for the use of invested capital from earnings after tax.

2. Assets to be assigned and transferred

Name	Gunze Nihonbashi Building (presently Tokyo Office)	SK Building No. 2
Location	Nihonbashi 2-chome, chou-ku, Tokyo	Nihonbashi 2-chome, chou-ku, Tokyo
Land area	295.62m^2	152.91m^2
Total floor area	2,994.37m^2	1,233.04m^2
Current use	Office	Rental building
Gain on transfer	Approx. ¥4 billion	
Schedule	Date of signing contract: August 27, 2021 (tentative)	
	Date of transfer: September 30, 2021 (tentative)	

Note: Reflecting the strong wishes expressed by the assignee, the outline of the assignee, the transfer price, and the book value of the said assets are not disclosed. The assignee is a Japanese business corporation, but has no capital, human, or business relationship with GUNZE.

3. Future outlook

GUNZE plans to record a gain in respect of the transfer of fixed assets of approximately ¥4 billion as extraordinary income in the consolidated financial statements for the second quarter of the fiscal year ending March 2022.