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August 2, 2024

Consolidated Financial Statements – Summary **(Three months ended June 30, 2024)**

All financial information has been prepared in accordance with accounting principles generally accepted in Japan.

Company Name: GUNZE LIMITED
Securities Code: 3002
Stock Market Listings: Tokyo
URL: <https://www.gunze.co.jp/>
Representative: Toshiyasu Saguchi, President and Representative Director
Contact: Junko Nakashima, Corporate Officer, General Manager, Corporate Communications
Tel: +81 (6) 6348-1314
Start of Distribution of Dividend (Scheduled): –
Preparation of Supplementary Materials for Financial Results: No
Holding of Presentation of Financial Results: No

1. Consolidated Operating Results for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(Amounts less than one million yen are omitted)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended June 30, 2024	33,382	5.3	2,083	37.5	2,272	38.5	1,600	0.9
June 30, 2023	31,706	(0.5)	1,515	21.0	1,640	4.5	1,586	35.4

Note: Comprehensive income

Three months ended June 30, 2024: ¥2,657 million [2.7%]

Three months ended June 30, 2023: ¥2,587 million [(2.1)%]

	EPS	Diluted EPS
Three months ended June 30, 2024	¥ 95.98	¥ 95.75
June 30, 2023	93.05	92.84

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of June 30, 2024	165,028	120,565	71.9	7,114.32
As of March 31, 2024	161,971	120,467	73.2	7,112.73

Reference: Total equity

As of June 30, 2024: ¥118,665 million

As of March 31, 2024: ¥118,642 million

2. Dividends

	Annual dividends per share (¥)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
FY2023	—	—	—	153.00	153.00
FY2024	—	—	—	—	—
FY2024 (projected)	—	—	—	157.00	157.00

(Note) Revision to the projected dividends announced most recently: None

3. Projected results for FY2024 (April 1, 2024 to March 31, 2025)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2024 full year	140,000	5.4	9,000	32.8	9,000	32.9

	Profit attributable to owners of parent		EPS
	¥ millions	%	¥
FY2024 full year	7,500	46.8	449.64

(Note) Revision to the projected results announced most recently: None

Notes

- (1) Significant changes in the scope of consolidation during the period: No
 - (2) Application of an accounting method specific to the preparation of 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 other than (a) above: 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):
 - As of June 30, 2024: 17,293,516 shares
 - As of March 31, 2024: 17,293,516 shares
 - (b) Treasury stock at the end of period:
 - As of June 30, 2024: 613,644 shares
 - As of March 31, 2024: 613,226 shares
 - (c) Average number of shares during the period:
 - Three months ended June 30, 2024: 16,680,041 shares
 - Three months ended June 30, 2023: 17,048,701 shares
- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)
- * Notes regarding the proper use of projections of the results and other matters
Projections of results and future developments are based on information available to the Company at the current time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and notes regarding the use of projections, see “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” of “1. Qualitative Information on Quarterly Financial Results for the Period under Review” on page 3 of attached materials.

(Attachment)

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Statements of Income	6
For the three months ended June 30	6
Quarterly Consolidated Statements of Comprehensive Income	7
For the three months ended June 30	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes regarding assumptions of continuing operations)	8
(Notes in the case of significant changes in shareholders' equity)	8
(Application of an accounting method specific to the preparation of quarterly consolidated financial statements)	8
(Changes in accounting policies, changes in accounting estimates, and restatement after error corrections)	8
(Segment information, etc.)	9
(Notes regarding statements of cash flows)	10
(Significant subsequent events)	10
Independent Auditor's Interim Review Report on the Quarterly Consolidated Financial Statements	11

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

(Overview of Results for the Period under Review)

During the three months ended June 30, 2024 (April 1, 2024 - June 30, 2024), the Japanese economy was on a moderate recovery path due to the improvement in business sentiment, movement toward increasing income and other factors. The economic outlook, however, remains unclear due to factors including the rise in prices associated with soaring labor and logistics costs in addition to raw material prices, and rapid exchange rate fluctuations, as well as the globally unstable political situation. Amid this operating environment, the GUNZE Group continued to pursue the four basic strategies of “Creation of new value,” “Capital cost-focused management,” “Evolution of corporate constitution,” and “Environmentally responsible management” in the last year of its medium-term management plan, “VISION 2030 stage 1.”

The GUNZE Group’s operating results for the period under review are as follows:

Net sales:	¥33,382 million	(up by 5.3% year-on-year)
Operating profit:	¥2,083 million	(up by 37.5% year-on-year)
Ordinary profit:	¥2,272 million	(up by 38.5% year-on-year)
Profit attributable to owners of parent:	¥1,600 million	(up by 0.9% year-on-year)

Net sales increased due to the strong performance of the functional solutions business where the materials category was on a recovery trend and the medical business where new products and products for China expanded. Operating profit and ordinary profit increased primarily owing to the profit increase in the functional solutions business and the medical business, as well as the restructuring in the sports club field. Profit attributable to owners of parent slightly increased mainly due to a decrease in gain on sale of investment securities

(Results by Business Segment)

[Functional Solutions]

The functional solutions business recorded net sales of ¥12,650 million (up by 11.7% year-on-year) and an operating profit of ¥1,665 million (up by 17.0% year-on-year).

<Major factors in the changes>

- In plastic films, sales in Japan remained strong, although the business was impacted by stagnant demand overseas.
- In engineering plastics, in addition to the recovery of the office equipment market, products for semiconductors performed strongly.

[Medical]

The medical business recorded net sales of ¥3,109 million (up by 28.5% year-on-year) and an operating profit of ¥594 million (up by 28.2% year-on-year).

<Major factors in the changes>

- Market penetration of new products including adhesion prevention agent progressed in Japan.
- Sales of products for China, with a focus on the tissue reinforcement felt, expanded.

[Apparel]

The apparel business recorded net sales of ¥14,795 million (up by 1.5% year-on-year). Operating profit was ¥563 million (up by 64.0% year-on-year) due to the effect of business restructuring and other factors, despite an unfavorable impact of exchange rates.

<Major factors in the changes>

- In the apparel business, although sales of products sold throughout the year stagnated, seasonal items performed strongly.
- Sales through the e-commerce and the Direct to Consumer channel of company-owned stores continued to perform strongly.

[Lifestyle Creations]

The lifestyle creation business recorded net sales of ¥3,024 million (down by 15.0% year-on-year) and an operating profit of ¥150 million (down by 13.0% year-on-year).

<Major factors in the changes>

- The real estate category recorded a decline in both revenue and profit due to the impact of sales of idle land redevelopment in the previous fiscal year and the increased burden of depreciation for shopping centers.
- The sports club business improved the profitability, although its sales decreased due to the re-examining of unprofitable stores.

(2) Explanation of Financial Position

As of June 30, 2024, total assets were ¥165,028 million, an increase of ¥3,057 million compared to the end of the previous fiscal year. The main components of the increase included a ¥2,111 million increase in other, net in property, plant and equipment (construction in progress, etc.) and a ¥749 million increase in merchandise and finished goods.

Total liabilities were ¥44,463 million, an increase of ¥2,959 million compared to the end of the previous fiscal year. The main components of the increase included a ¥4,007 million increase in long- and short-term borrowings including commercial papers, while the main components of a decrease included a ¥844 million decrease in provision for bonuses.

Net assets were ¥120,565 million, an increase of ¥98 million compared to the end of the previous fiscal year. The main components of the increase included the recording of profit attributable to owners of parent amounting to ¥1,600 million and a ¥1,117 million increase in foreign currency translation adjustment, while the main components of a decrease included dividends paid of ¥2,552 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Because the consolidated financial results for the period under review have been almost in line with expectations, the Company has decided not to change its earlier consolidated financial results forecast for the fiscal year ending March 31, 2025, which was announced on May 14, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,818	11,308
Notes and accounts receivable - trade, and contract assets	27,588	27,365
Merchandise and finished goods	24,706	25,456
Work in process	7,425	7,751
Raw materials and supplies	6,026	6,324
Other	4,245	4,129
Allowance for doubtful accounts	(13)	(13)
Total current assets	80,796	82,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,191	35,955
Machinery, equipment and vehicles, net	13,601	13,366
Land	10,479	10,509
Other, net	3,325	5,436
Total property, plant and equipment	63,597	65,268
Intangible assets	1,928	1,846
Investments and other assets		
Investment securities	6,833	6,525
Other	8,884	9,108
Allowance for doubtful accounts	(69)	(43)
Total investments and other assets	15,648	15,590
Total non-current assets	81,174	82,706
Total assets	161,971	165,028

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,286	8,547
Short-term borrowings	252	457
Commercial papers	–	4,200
Current portion of long-term borrowings	462	491
Income taxes payable	1,357	810
Provision for bonuses	1,405	560
Provision for business restructuring	1,783	1,603
Other	11,342	11,591
Total current liabilities	24,890	28,262
Non-current liabilities		
Long-term borrowings	8,230	7,805
Retirement benefit liability	3,937	3,920
Long-term leasehold and guarantee deposits received	3,986	4,018
Other	458	456
Total non-current liabilities	16,613	16,200
Total liabilities	41,503	44,463
Net assets		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,565	6,565
Retained earnings	81,576	80,624
Treasury shares	(2,974)	(2,976)
Total shareholders' equity	111,239	110,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,438	2,267
Deferred gains or losses on hedges	156	221
Revaluation reserve for land	(13)	(13)
Foreign currency translation adjustment	4,118	5,236
Remeasurements of defined benefit plans	702	667
Total accumulated other comprehensive income	7,403	8,380
Share acquisition rights	124	124
Non-controlling interests	1,700	1,775
Total net assets	120,467	120,565
Total liabilities and net assets	161,971	165,028

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

Quarterly Consolidated Statements of Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	31,706	33,382
Cost of sales	21,708	22,636
Gross profit	9,997	10,745
Selling, general and administrative expenses	8,482	8,662
Operating profit	1,515	2,083
Non-operating income		
Interest income	18	8
Dividend income	218	135
Rental income from non-current assets	146	168
Foreign exchange gains	35	70
Other	36	46
Total non-operating income	456	429
Non-operating expenses		
Interest expenses	94	22
Rental expenses on non-current assets	140	161
Other	95	55
Total non-operating expenses	330	239
Ordinary profit	1,640	2,272
Extraordinary income		
Gain on sale of non-current assets	3	0
Gain on sale of investment securities	657	144
Total extraordinary income	661	145
Extraordinary losses		
Loss on sale and retirement of non-current assets	49	48
Total extraordinary losses	49	48
Profit before income taxes	2,252	2,369
Income taxes	646	726
Profit	1,606	1,642
Profit attributable to non-controlling interests	20	41
Profit attributable to owners of parent	1,586	1,600

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,606	1,642
Other comprehensive income		
Valuation difference on available-for-sale securities	462	(171)
Deferred gains or losses on hedges	253	65
Foreign currency translation adjustment	254	1,155
Remeasurements of defined benefit plans, net of tax	11	(34)
Total other comprehensive income	981	1,014
Comprehensive income	2,587	2,657
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,537	2,577
Comprehensive income attributable to non-controlling interests	49	79

(3) Notes to Quarterly Consolidated Financial Statements

(Notes regarding assumptions of continuing operations)

None applicable

(Notes in the case of significant changes in shareholders' equity)

None applicable

(Application of an accounting method specific to the preparation of quarterly consolidated financial statements)

(Calculation of income tax expenses)

The Company calculates income tax expenses by reasonably estimating the effective tax rate expected to be imposed on profit before income taxes for the fiscal year ending March 31, 2025 and then multiplying profit before income taxes for the three months ended June 30, 2024 by the effective tax rate thus estimated.

However, in cases where calculating tax expenses using the estimated effective tax rate yields a result that is notably lacking rationality, tax expenses will be calculated using the statutory effective tax rate.

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

None applicable

(Segment information, etc.)

[Segment Information]

Three Months Ended June 30, 2023 (April 1, 2023 - June 30, 2023)

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	Medical	Apparel	Lifestyle creations	Total		
Net sales							
Sales to customers	11,190	2,420	14,550	3,545	31,706	–	31,706
Intersegment sales and transfers	136	0	32	12	182	(182)	–
Total	11,326	2,420	14,583	3,557	31,888	(182)	31,706
Segment profit	1,423	463	343	172	2,403	(888)	1,515

Notes:

1. The ¥(888) 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 profit recorded on the Quarterly Consolidated Statements of Income.

Three Months Ended June 30, 2024 (April 1, 2024 - June 30, 2024)

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	Medical	Apparel	Lifestyle creations	Total		
Net sales							
Sales to customers	12,493	3,109	14,763	3,015	33,382	–	33,382
Intersegment sales and transfers	156	–	31	9	198	(198)	–
Total	12,650	3,109	14,795	3,024	33,580	(198)	33,382
Segment profit	1,665	594	563	150	2,973	(890)	2,083

Notes:

1. The ¥(890) 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 profit recorded on the Quarterly Consolidated Statements of Income.

(Notes regarding statements of cash flows)

The Company has not prepared the quarterly consolidated statements of cash flows for the three months ended June 30, 2024. Depreciation (including amortization for intangible assets) and amortization of goodwill for the three months ended June 30 are as follows:

	(Millions of yen)	
	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	1,486	1,673
Amortization of goodwill	26	11

(Significant subsequent events)

None applicable



Independent Auditor's Interim Review Report on the Quarterly Consolidated Financial Statements

August 1, 2024

To the Board of Directors of
GUNZE LIMITED

Kyoritsu Audit Corporation

Osaka Office

Representative Partner, Engagement Partner	Certified public accountant	Kiyoshi Asada
Engagement Partner	Certified public accountant	Tatsuya Teshima

Auditor's Conclusion

We have conducted an interim review of the quarterly consolidated financial statements of GUNZE LIMITED for the first quarter accounting period (from April 1, 2024 to June 30, 2024) and the cumulative first quarter (from April 1, 2024 to June 30, 2024) of the fiscal year from April 1, 2024 to March 31, 2025 included in the "Attachment" of the summary of quarterly consolidated results, namely, the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, and notes thereto.

In the interim review that we conducted, we found no instances that would lead us to believe that the above quarterly consolidated financial statements were not prepared in all material respects in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange's Standards for Preparation of Quarterly Financial Statements and accounting standards for quarterly financial statements that are generally accepted in Japan (however, omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements apply).

Basis for Auditor's Conclusion

We conducted our interim review in accordance with the interim review standards that are generally accepted in Japan. Our responsibilities under the interim review standards are described in "Auditor's Responsibilities in Interim Review of Quarterly Consolidated Financial Statements." Pursuant to the rules on professional ethics in Japan, we are independent from the Company and its consolidated subsidiaries, and have fulfilled our other ethical responsibilities as an auditor. We believe that we have obtained the evidence to form a basis for our conclusion.

Responsibility of Management, Corporate Auditors and the Board of Corporate Auditors with Respect to Quarterly Consolidated Financial Statements

The responsibility of management is to prepare quarterly financial statements in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange's Standards for Preparation of Quarterly Financial Statements and accounting standards for quarterly financial statements that are generally accepted in Japan (however, omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements apply). This includes designing and operating internal controls that management deems necessary in order to prepare quarterly consolidated financial statements free of material misstatements, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for evaluating whether it is appropriate to prepare the quarterly consolidated financial statements based on the premise of a going concern, and for disclosing matters relating to going concern if required based on Article 4, Paragraph 1 of the Tokyo Stock Exchange's Standards for Preparation of Quarterly Financial Statements and accounting standards for quarterly financial statements that are generally accepted in Japan (however, omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements apply).

The Corporate Auditors and Board of Corporate Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibilities in the Interim Review of Quarterly Consolidated Financial Statements

The auditor's responsibility is to express a conclusion with respect to the quarterly consolidated financial statements from an independent standpoint in an interim review report based on the interim review it has performed.

The auditor shall exercise professional judgment throughout the interim review process in accordance with interim review standards generally accepted in Japan, and perform the following while maintaining professional skepticism:

- Primarily, make inquiries of management, persons responsible for financial and accounting matters, and others, and perform analytical procedures and other interim review procedures. Interim review procedures are limited procedures relative to audits of annual financial statements conducted in accordance with auditing standards generally accepted in Japan.
- If it is determined that there is material uncertainty regarding events or circumstances that would raise substantial doubts about factors relating to the premise of a going concern, the auditor shall conclude, based on the evidence obtained, whether there are any factors that lead the auditor to believe that the quarterly consolidated financial statements have not been prepared in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange's Standards for Preparation of Quarterly Financial Statements and the accounting standards for quarterly financial statements that are generally accepted in Japan (however, omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements apply). Moreover, if there is material uncertainty regarding the premise of a going concern, the auditor is required to call attention to the notes to the quarterly consolidated financial statements in the interim review report, or to express a qualified or negative conclusion on the quarterly consolidated financial statements if the notes to the quarterly consolidated financial statements regarding material uncertainty are not adequate. The auditor's conclusion is based on evidence obtained up to the date of the interim review report, but future events or circumstances may prevent the company from continuing as a going concern.
- Evaluate whether there are any matters that lead the auditor to believe that the presentation and notes of the quarterly consolidated financial statements have not been prepared in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange's Standards for Preparation of Quarterly Financial Statements and accounting standards for quarterly financial statements generally accepted in Japan (however, omissions set out in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements apply).
- Obtain evidence regarding financial information of the Company and its consolidated subsidiaries that forms the basis for expressing conclusions about the quarterly consolidated financial statements. The auditor is responsible for directing, supervising, and reviewing of the interim review of the quarterly consolidated financial statements. The auditor is solely responsible for the auditor's conclusions.

The auditor shall report to the Corporate Auditors and of Board of Corporate Auditors on the planned scope of the interim review, its timing, and any significant findings from the interim review.

The auditor shall report to the Corporate Auditors and of Board of Corporate Auditors regarding the compliance with provisions related to professional ethics in Japan regarding independence, as well as on any matters that are reasonably considered to affect the auditor's independence, and details of any measures that are taken to remove impediments, or any safeguards adopted to reduce impediments to an acceptable level.

Conflicts of Interest

There are no special interests between the audit corporation or its engagement partners and the Company or its consolidated subsidiaries that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

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- Notes
1. The original copy of the above interim review report is kept separately by the Company (the company disclosing the quarterly consolidated financial statements).
 2. XBRL data and HTML data are not included within the scope of the interim review report.