

Business Report

**Consolidated Financial Statements
for the Third Quarter of FY2024
(Ending March 31, 2025)**

February 06, 2025
GUNZE LIMITED
TSE Prime (Code:3002)

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I. Financial Statements for the Third Quarter of FY2024 (Ending March 31, 2025)

I-1. Consolidated Financial Statements for FY2024 N3Q

Consolidated operating results

(Millions of yen)

	FY2024 N3Q Bottom profit margin	FY2023 N3Q Bottom profit margin	Y on Y	
			Increase (Decrease)	Change (%)
Net sales	102,916	101,450	1,466	1.4
Operating profit	6,377 6.2%	6,168 6.1%	209	3.4
Ordinary profit	6,508 6.3%	6,085 6.0%	422	7.0
Profit attributable to owners of parent	4,441 4.3%	3,985 3.9%	456	11.4

(Main extraordinary income/losses)
 Gain on sales of securities 1,072
 Restructuring costs (1,154)

Consolidated financial position

	FY2024 N3Q	End of FY2023	Increase (Decrease)
Total assets	168,857	161,971	6,886
Net assets	118,562	118,642	(80)
Equity ratio	70.2%	73.2%	(3.0%)
Interest-bearing debt	16,481	9,004	7,476
BPS (JPY)	7,223.19	7,112.73	110.46

I-2-(1). FY2024 N3Q Segment Summary

(April 1, 2024 - December 31, 2024)

Net sales increased due to strong performance in the Functional Solutions business, where sales of materials-related products are increasing, and the Medical business, where sales of new products and products for the Chinese market expanded.

Operating profit and ordinary profit increased overall due to factors such as profit expansion in the Functional Solutions and Medical businesses and the structural reform of sports clubs, despite a decrease in profit in the Apparel business due to factors such as increased costs and a decrease in sales volume.

Net profit attributable to owners of the parent increased due to factors such as the recording of gains on sales of investment securities from the sale of shares held for policy reasons, despite the recording of expenses for business structure improvement due to factors such as the discontinuation of electronic components and additional losses from the transfer of subsidiaries.

I-2-(2). FY2024 N3Q Segment Summary

(April 1, 2024 - December 31, 2024)

Highlights of segment performance	
Functional Solutions	<p><u>Increase in sales and profit</u></p> <p>Plastic films were affected by sluggish demand overseas, but domestic sales remained strong. In addition to a recovery in the market for Engineering plastics for office automation equipment, demand for semiconductor-related products remained strong.</p>
Medical	<p><u>Increase in sales and profit</u></p> <p>In Japan, sales of absorbable adhesion barrier sheets and bone fixation devices increased. Medical Laser market is gradually recovering, but faces increasing competition. Overseas, sales to China increased, particularly for bioabsorbable reinforcement felt.</p>
Apparel	<p><u>Slight increase in sales and decrease in profit</u></p> <p>Apparel sales through EC channels are increasing, but men's innerwear sales are sluggish due to the shift to private label products in mass retail. In addition to the impact of the weak yen since the beginning of the year, profits declined due to high production costs as a result of reduced production and the impact of higher production costs and higher labor costs.</p>
Lifestyle Creations	<p><u>Decrease in sales and increase in profit</u></p> <p>The Real Estate business, sales decreased due to the impact of sales from the underutilized land redevelopment project in the previous period. The Sports Club business, sales declined due to the closure of underperforming stores, but profitability improved.</p>

I-3. FY2024 N3Q Performance by Segment

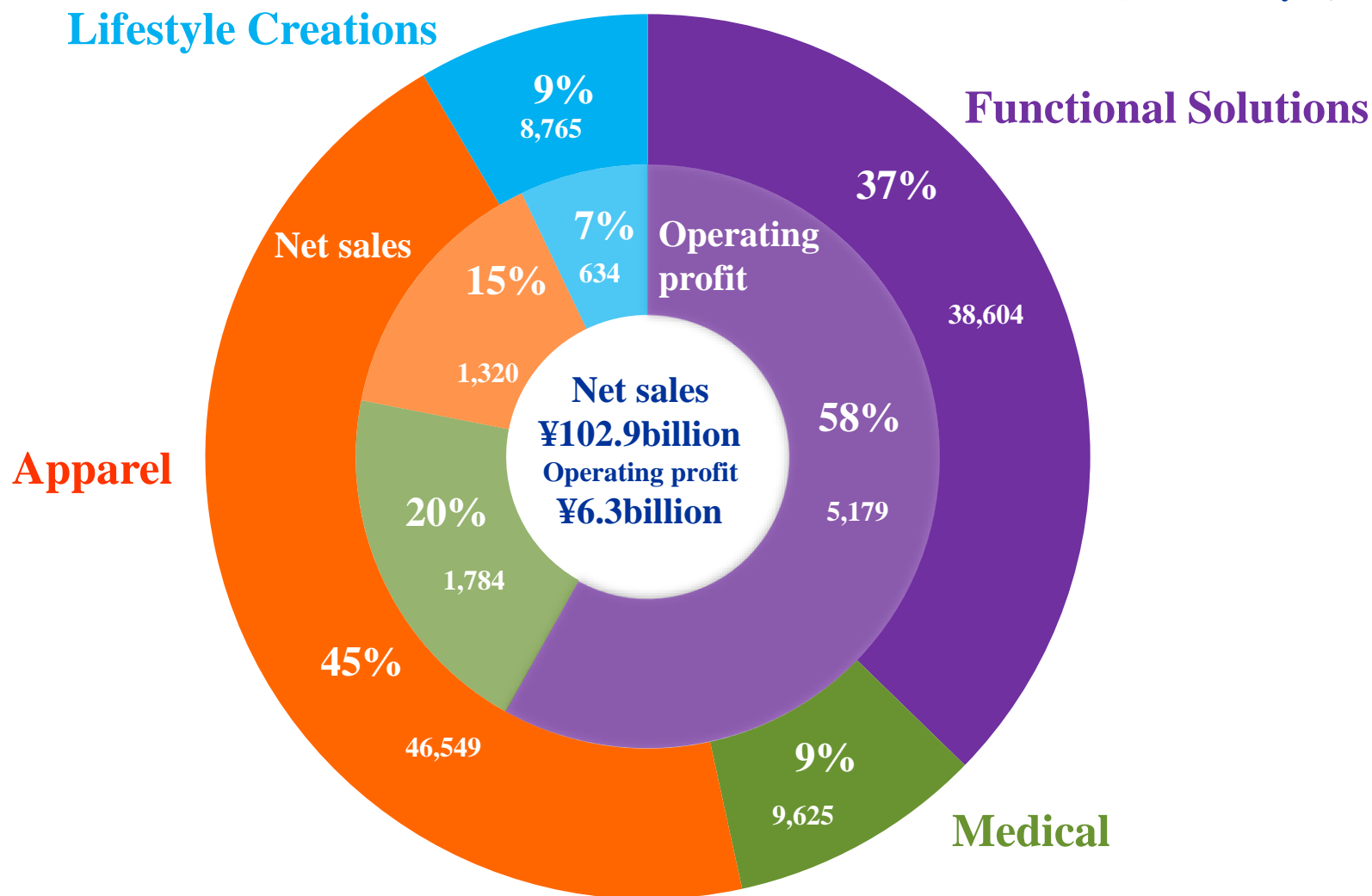
Consolidated Results

(Millions of yen)

	Net sales			Operating profit Bottom: profit margin		
	FY2024 N3Q	FY2023 N3Q	YoY	FY2024 N3Q	FY2023 N3Q	YoY
Functional Solutions	38,604	37,348	3.4% 1,255	5,179 13.4%	4,506 12.1%	14.9% 673
Medical	9,625	8,768	9.8% 857	1,784 18.5%	1,627 18.6%	9.6% 156
Apparel	46,549	46,444	0.2% 104	1,320 2.8%	2,017 4.3%	(34.5%) (696)
Lifestyle Creations	8,765	9,454	(7.3%) (688)	634 7.2%	552 5.8%	14.8% 81
Total	102,916	101,450	1.4% 1,466	6,377 6.2%	6,168 6.1%	3.4% 209

I-4. Consolidated Financial Statements for FY2024 N3Q by Segment

(Millions of yen)



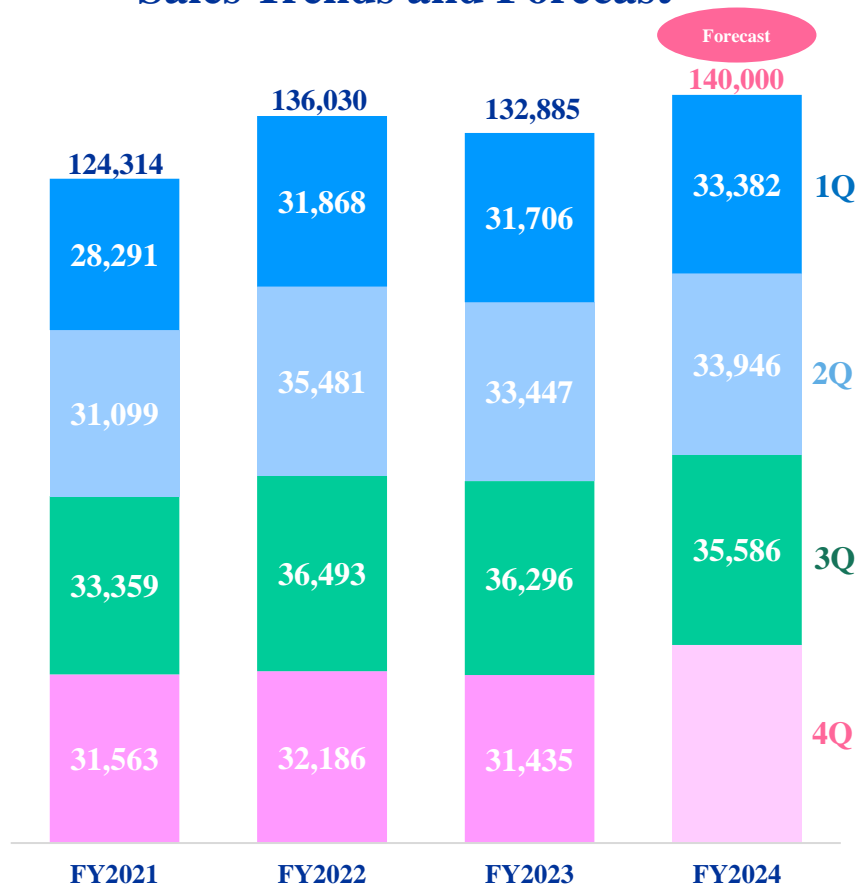
Total includes corporate expenses not included in segment profit.

I-5. Net Sales Trend for FY2024 N3Q

(Millions of yen)

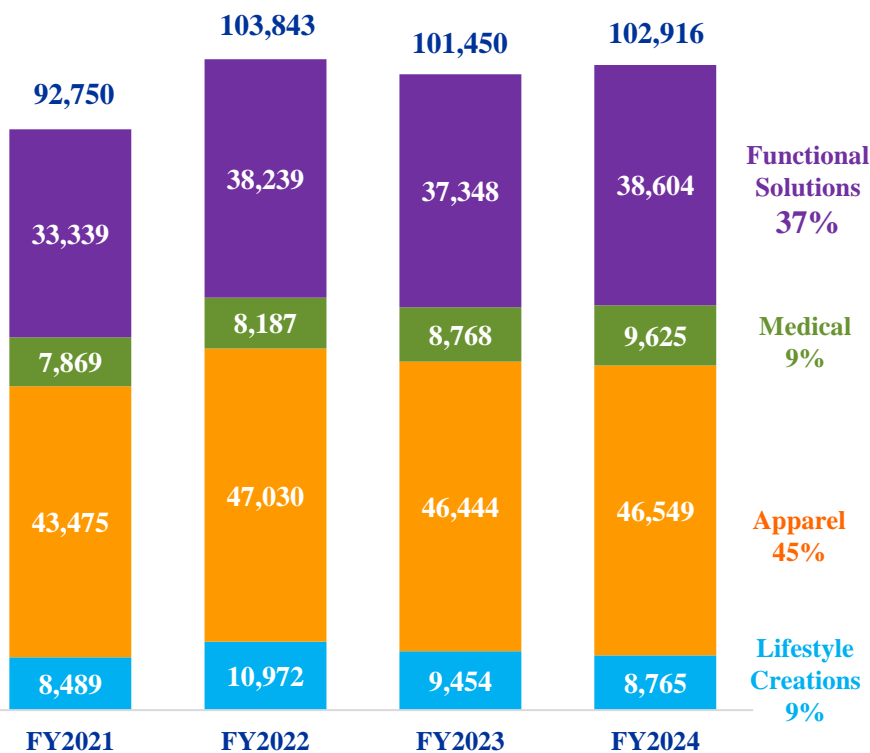
Net sales **102,916** YoY +1.4%

Sales Trends and Forecast



Total net sales in N3Q increased by JPY 1,466 million.

Sales by Business Segment



Total includes corporate expenses not included in segment profit.

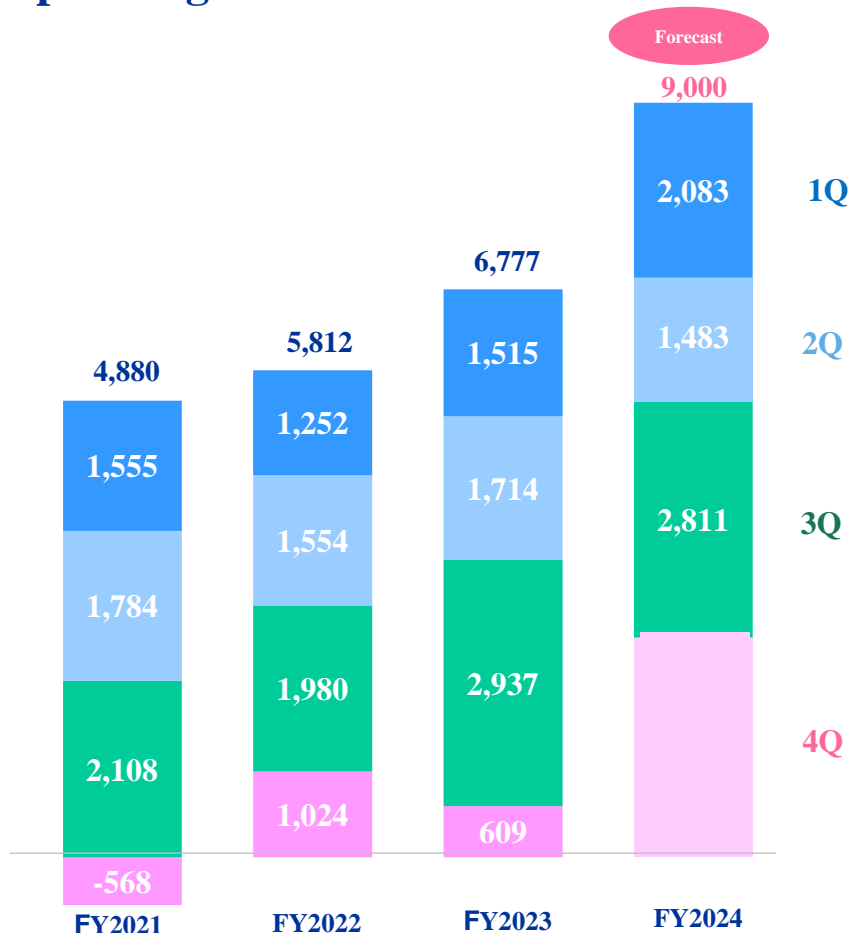
Sales growth in Functional Solutions and Medical.

I-6. Net Operating profit Trend for FY2024 N3Q

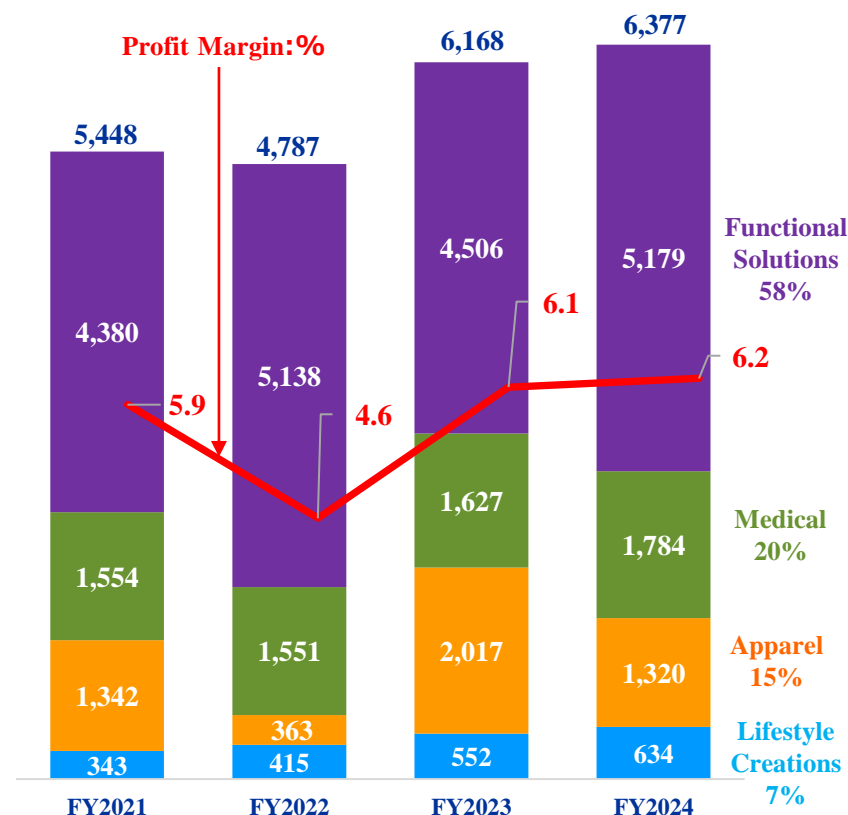
Operating profit 6,377 YoY +3.4%

(Millions of yen)

Operating Profit Trends and Forecast



Operating profit by Business Segment



Total includes corporate expenses not included in segment profit.

Total operating profit in N3Q increased by JPY 209 million.

Apparel was impacted by a deterioration in profit due to currency effects.

I-7. Quarterly Financial Results

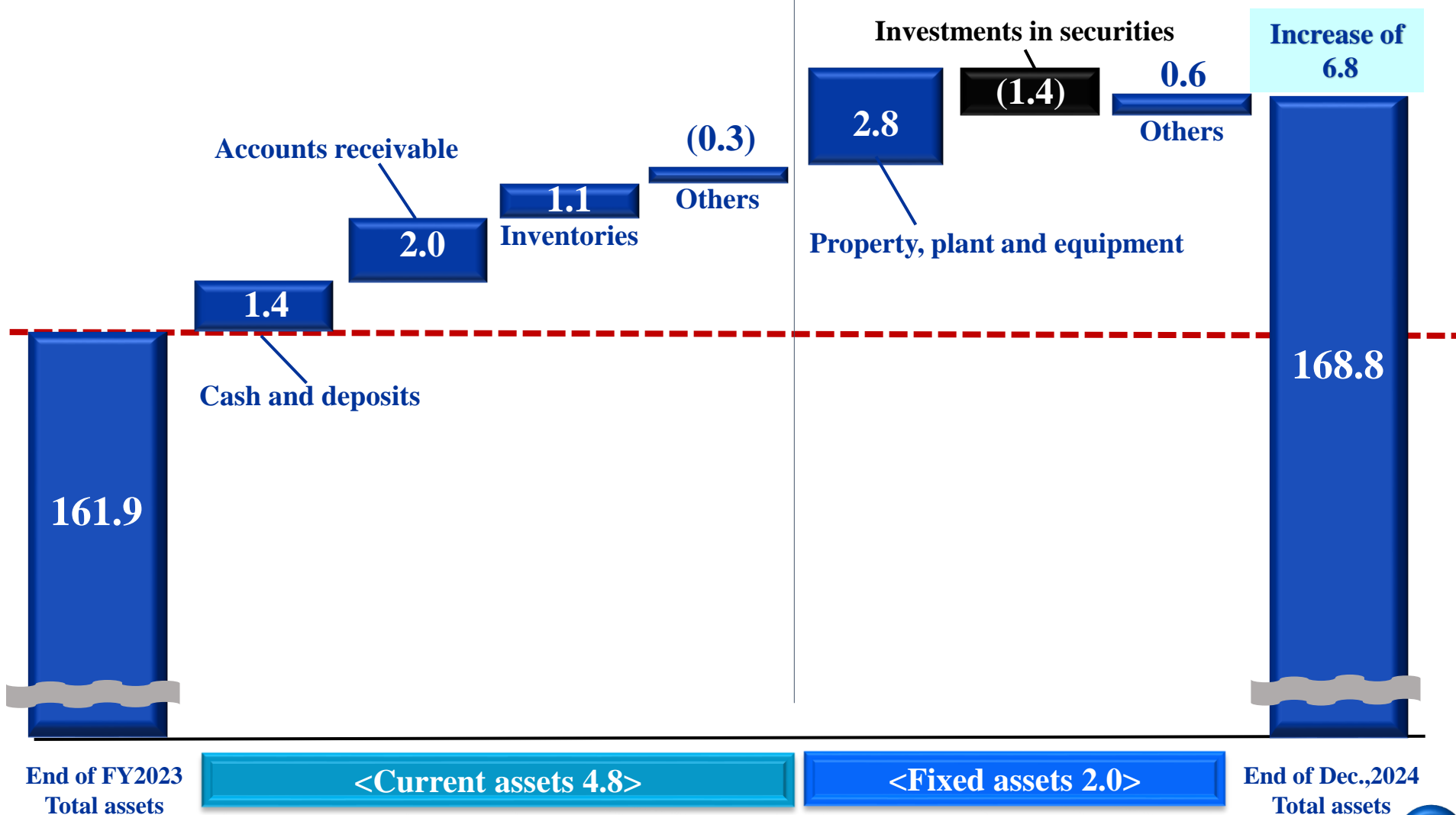
(Millions of yen)

	N1Q				N2Q				N3Q			
	FY 2024	FY 2023	Increase/Decrease		FY 2024	FY 2023	Increase/Decrease		FY 2024	FY 2023	Increase/Decrease	
Net sales	33,382	31,706	1,676	5.3	33,946	33,447	499	1.5	35,586	36,296	(710)	(2.0)
Functional Solutions	12,650	11,326	1,323	11.7	12,984	12,925	59	0.5	12,968	13,096	(127)	(1.0)
Medical	3,109	2,420	689	28.5	3,358	3,072	285	9.3	3,157	3,275	(118)	(3.6)
Apparel	14,795	14,583	211	1.5	15,074	14,789	284	1.9	16,680	17,071	(391)	(2.3)
Lifestyle	3,024	3,557	(532)	(15.0)	2,712	2,871	(158)	(5.5)	3,028	3,025	2	0.1
Operating profit	2,083	1,515	568	37.5	1,483	1,714	(231)	(13.5)	2,811	2,937	(126)	(4.3)
Functional Solutions	1,665	1,423	242	17.0	1,585	1,514	71	4.7	1,928	1,568	359	23.0
Medical	594	463	130	28.2	685	444	241	54.3	505	719	(214)	(29.8)
Apparel	563	343	219	64.0	-146	431	(577)	-	903	1,241	(338)	(27.2)
Lifestyle	150	172	(22)	(13.0)	152	124	28	22.6	331	255	75	29.8
Ordinary profit	2,272	1,640	631	38.5	1,394	1,639	(245)	(14.9)	2,840	2,804	36	1.3
Profit attributable to owners of parent	1,600	1,586	14	0.9	1,536	1,071	285	26.6	1,484	1,327	157	11.8

I-8. Details of Changes in Assets

*Difference from the end of the previous period

(Unit: Billions of yen)



II. Business Summary for the Third Quarter

II-1. Business Review for the Third Quarter



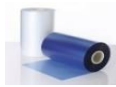

◆ Functional Solutions 1

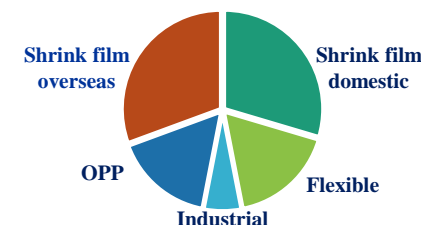
Plastic films

The excess inventory caused by sluggish consumption has run its course, and demand is on the rise. The company is pushing ahead with the full operation of its resource recycling plant and the completion of its recycling center.

Position

Profit
increased

Category	Main Products	Topics
Shrink film domestic	<p>Hybrid styrene shrink film is made by coextrusion of PET and PS. It has both well shrinkage and shrink characteristics. Olefin shrink film has a low specific gravity and easy to recycle.</p> 	<p>The Beverages business was impacted by a decline in consumer spending due to price increases from October, but maintained its performance at the prior year level by taking market share from competitors in the hot beverage segment. The company is aiming to expand the use of the new most lightweight shrink film “GEOPLAS®”.</p>
Flexible packaging	<p>The products have excellent gas barrier and pinhole resistance for food industry.</p> 	<p>In Japan, sales of barrier packaging for frozen foods are strong. Exports increased as demand for balloon recovered.</p>
Industrial Packaging	<p>For semiconductor manufacturing, EV batteries, and wallpaper industry etc.</p> 	<p>Demand for semiconductors is strong as the PC and smartphone markets recover.</p>
OPP film	<p>Excellent anti-fog characteristic for food package.</p> 	<p>Strong sales of bagged vegetables like bean sprouts and cut vegetables. Shift to higher value-added products to improve profitability.</p>
Shrink film overseas	<p>Shrink films can be supplied world wide. The company has three production site in USA, China, and Vietnam.</p>	<p>USA: Amid growing demand for environmentally friendly films, the company has been proposing recyclable materials. Vietnam: In addition to responding to the market's demand for lower prices, the company has been striving to make proposals in the beverage and food markets. China: Maintaining volumes through cost actions despite the impact of the economic slowdown.</p>



II-2. Business Review for the Third Quarter

◆ Functional Solutions 2

■ Engineering plastics

While building on the foundation of products for the OA market, strive to strengthen non-OA categories such as semiconductors and medical markets to achieve business growth.

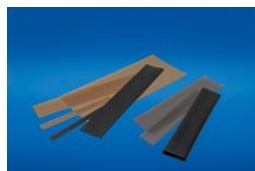
Position

Profit
increased

◆ Category	Main Products	Topics
OA Functional products	Fluorine thin film tubes for fusing belts/rolls. The intermediate transfer belt has the top share in the global market.	For multifunction equipment, although demand for consumables is declining, demand for new models is steady. For printers, the market is recovering and demand is stable.
Non-OA products	Functional parts used in manufacturing processes in the industrial market.	Sales of industrial and medical equipment were steady. Sales of semiconductor-related products continued to be strong, with high demand for high-value-added products.



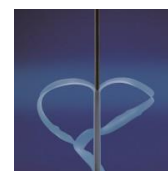
■ Seamless belt



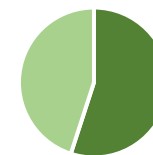
■ Fluorine thin-walled tubing



■ Filter support materials



■ Tear-resistant fluoropolymer tubing



■ OA ■ Non OA

II-3. Business Review for the Third Quarter

◆ Medical





■ Medical

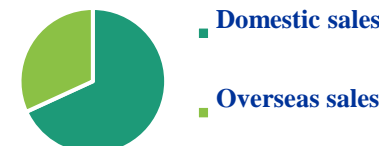
Aim to provide innovative "biomaterials × devices".

Expand the ratio of overseas sales of in-house products, the ratio of domestic in-house products, and the ratio of domestic sales of new products.

Position

Growth
&
expansion

◆ category	Main products	Topics
Bioabsorbable reinforcement felt	<p>Suitable for reinforcing sutures and preventing air leakage during surgery. Effective as a scaffold material for tissue regeneration.</p> 	<p>Japan: Although competitors have introduced similar products, the impact has been minimal and sales are good.</p> <p>China: Sales are progressing well, with increased cooperation with distributors and increased use in hospitals.</p>
Bone fixation devices	<p>Bioabsorbable bone grafting material with special processing.</p> 	<p>Japan: Market share is increasing due to the introduction of new products with early decomposition.</p> <p>China: Affected by the impact of people's reluctance to spend due to high medical costs.</p>
Artificial dermis	<p>Absorbable artificial skin using collagen.</p> 	<p>USA: New business development is progressing and sales are increasing.</p>
Absorbable adhesion barrier sheet	<p>Absorbable anti-adhesion material consisting of gelatin in film form with an uneven surface.</p> 	<p>Increased local sales in Japan.</p> <p>Respond to increased competition from our competitors and strengthen sales in the Tokyo metropolitan area.</p>
Purchased products like medical laser and others	<p>Medical devices for cosmetics, plastic surgery, wound care and other products.</p>	<p>Human amniotic membrane skin prosthesis: Expanding into the treatment of recalcitrant ulcers.</p> <p>Medical Lasers: Recovery driven by replacement demand.</p>



II-4. Business Review for the Third Quarter

◆ Apparel

Promote a comprehensive brand strategy through a cross-industry organizational restructuring aimed at improving competitiveness and attracting new customers with products that meet customer needs in addition to the D to C business.
Strengthen the production system to support the growth of differentiated technologies and expand automation efforts.

Position

Profit
increased

Innerwear

- Significant drop in profit due to increase in costs caused by yen depreciation and deterioration in profitability caused by production cutbacks, etc.
- Men's innerwear was sluggish due to a shift to PB products in mass merchandisers and weak sales of fall and winter products due to the lingering summer heat, despite strong sales in EC and company owned stores.
- **ASEDORON**: Promotion has been strengthened as a functional brand specializing in sweat.

Men's

YG: "in/T", , innerwear specially designed for T-shirts, maintained strong sales in the lingering summer heat.
BODYWILD: Recovery through the promotion of retail space based on a comprehensive brand strategy in the fall/winter season.
Basics for the fall/winter season, such as long sleeves, are sluggish, resulting in lower unit prices.

Women's

KIREILABO: Differentiation items such as seamless seasonal innerwear and innerwear with cups are performing well.
Tuché: The Foundation, which differentiates itself through e-commerce channels, performed well, but mass merchandisers were sluggish.



ASEDORON



YG



KIREILABO



Tuché

Legwear

- Structural reforms have been completed, but sales have declined due to the effects of global warming.

Pantyhose: Sales of warm-weather products such as tights struggled in the fall/winter season.

Mainstay product "SABRINA": Strengthen sales expansion as a total legwear brand.



SABRINA
foot-cover



Collaboration Leggings
(Ballelite)

II-5. Business Review for the Third Quarter

◆ Lifestyle Creations

■ Real estate business

Promote improved profitability of commercial facilities and strengthen property-specific management with a focus on investment efficiency.

Position

Profit
improve
ment

● Shopping center business

Tsukashin (Amagasaki, Hyogo): The number of visitors is recovering due to the recovery of the flow of people and the effects of the renovations.



Tsukashin shopping center

● Real estate leasing business

Decrease due to sales of the Nagai City Station Development Project (Yamagata) recorded in the previous fiscal year.

Turn around underperforming stores and restore profitability by growing the school business and differentiating the fitness business.

■ Sports club business

Although sales decreased due to the consolidation and closure of unprofitable stores, profit improved. In the school business, sales increased as the number of members grew due to increased sales promotion. In the fitness business, the company is working to improve the attractiveness of its programs to increase membership.



School business

Aggressive efforts to increase fixed volume to meet greening demand for Osaka Expo and other events and reduce CO2 emissions.

■ Green business

Sales of trees are progressing with large-scale deliveries for the Osaka Expo and the Umekita (Osaka Station Area Redevelopment) project and others.



Ginkgo trees on Midosuji that Gunze donated last year

III. Outlook for FY2024

III-1. FY2024 Forecast

No revision of forecast

(Millions of yen)

Item	FY2024		FY2023		Change	
	Forecast	Profit ratio	Results	Profit ratio	Amount	%
Net sales	140,000		132,885		7,115	5.4%
Operating profit	9,000	6.4%	6,777	5.1%	2,223	32.8%
Ordinary profit	9,000	6.4%	6,774	5.1%	2,226	32.9%
Profit attributable to owners of parent	7,500	5.4%	5,109	3.8%	2,391	46.8%

III-2. FY2024 Forecast by Segment

No revision of forecast

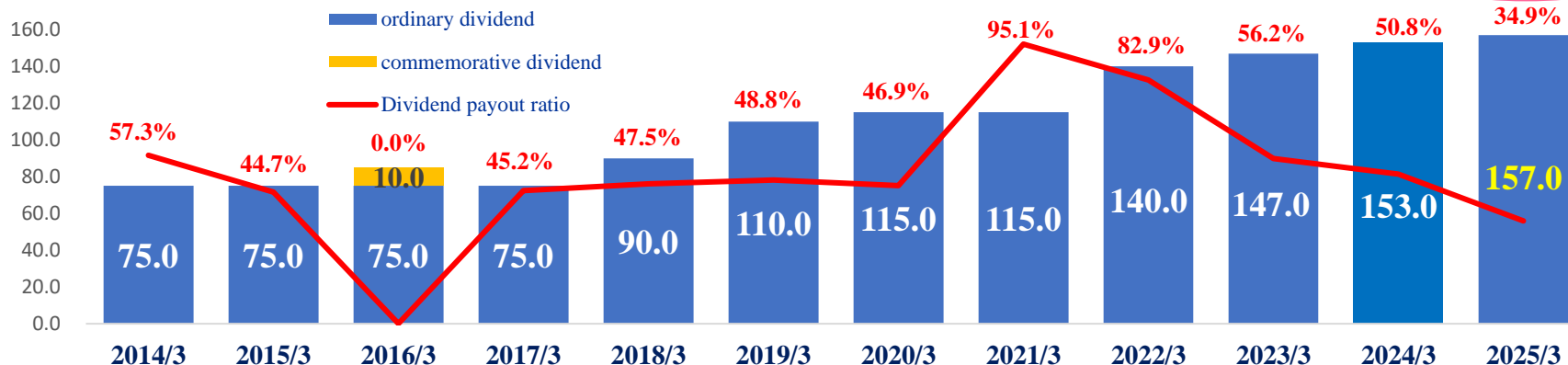
(Millions of yen)

	Net sales			Operating Profit Bottom: Profit margin		
	FY2024	FY2023	Change	FY2024	FY2023	Change
Functional Solutions	49,700	48,975	725 1.5%	7,200 14.5%	6,028 12.3%	1,172 19.4%
Medical	13,000	11,697	1,303 11.1%	2,500 19.2%	1,991 17.0%	509 25.6%
Apparel	65,200	60,114	5,086 8.5%	1,900 2.9%	1,465 2.4%	435 29.7%
Lifestyle Creations	12,900	12,826	74 0.6%	1,100 8.5%	833 6.5%	267 32.1%
Total	140,000	132,885	7,115 5.4%	9,000 6.4%	6,777 5.1%	2,223 32.8%

III-3. Shareholder returns

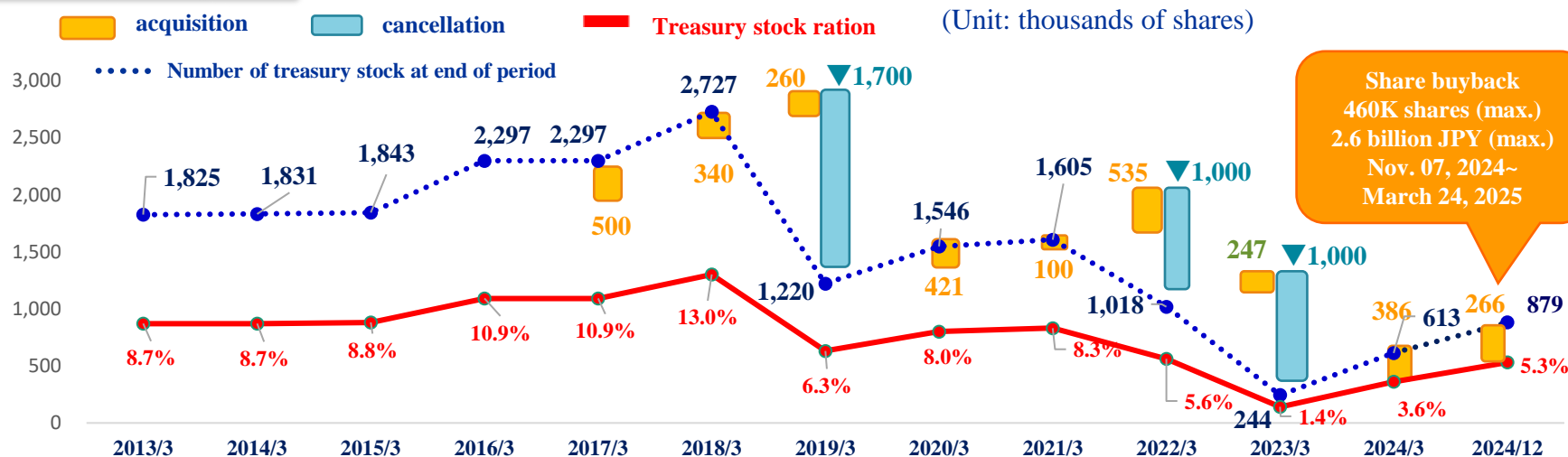
Dividend per share and dividend payout ratio

(Unit: Yen)



Treasury Stock

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



Under the new medium-term management plan “VISION 2030 Stage 1”, the company will 100% total return ratio (until ROE exceeds cost of shareholders' equity). Dividend on Equity Ratio (DOE): Policy of returning profit to shareholders with a target of 2.2% or more.

III-4. Reduction of investment amount due to stock split

(Announced on February 6, 2025)

By reducing the amount per investment unit of the company's stock, the company aims to create an environment in which investors can invest more easily and to expand population of the company's potential investors.

(Method of the stock split)

With a record date of Monday, March 31, 2025, common stock held by shareholders listed or recorded in the final shareholder s' register on that date will be split as a ratio of 2-for-1.

Record date : Monday, March 31, 2025

Effective date: Tuesday, April 1, 2025



Our goal is the expansion of our investor base and the improvement of the liquidity of our shares.

[Additional information]

1.Key Considerations for the Next Mid-Term Management Plan


2.Business Initiatives in Key Sectors

1-.Key Considerations for the Next Mid-Term Management Plan


Direction of the next medium-term management plan

Basic strategy	Major Initiatives	Outline of initiatives, Strategy promotion method
Growth & expansion	Investing in growing businesses	Expansion into new markets and areas of Medical and Engineering plastics.
	Strengthen global sales strategy	Responding to population decline in Japan through existing business strategies in Japan and overseas.
	New products/services with enhanced sustainability	Developing new technologies, products and services that address sustainability issues. Product development that clarifies competitive advantage and problem solving.
	Creation of new businesses	M&A research and target search. Encourage internal entrepreneurship.
Profit improvement	Strategic allocation of management resources	Achieving GVA profitability in all businesses. Promote the strengthening of the constitution and structural reform of all businesses.
PBR reform	Achieve a positive GVA through the pursuit of capital efficiency	Set ROE targets that meet shareholders' expectations; and maximize equity spread. Review dividend levels in line with profit growth. Early realization of PBR above 1.

2.-(1) Business Initiatives in Key Sectors

Key sectors	Items to be implemented
<p>Plastic films</p>	<p><u>Shrink film:</u> Attract new beverage customers with environmentally friendly “GEOPLAS® HCX1” Shrink film for label.</p> <p><u>Nylon film:</u> Expand distribution channels for commodity products and drive penetration of differentiated barrier products.</p> <p><u>Shrink film overseas:</u> Strengthen pricing capabilities and refocus growth expansion strategy. Targeting the hybrid thin shrink film market for global manufacturers.</p> <div data-bbox="1352 328 1835 642">  </div> <div data-bbox="1255 656 1893 749"> <p>Social: Circulating raw materials, easily recyclable Economy: Thinner film, direct input of printing scraps</p> </div> <div data-bbox="1526 749 1642 806">  </div> <div data-bbox="1333 813 1835 921"> <p><u>Shrink film's</u> developed on the basis of the GEOPLAS® HCX series</p> </div>
<p>Engineering plastics</p>	<p><u>For office automation equipment:</u> Continue to increase production in response to the recovery of the printer market. Promote the installation of our products in new models of office multifunction equipment.</p> <p><u>For semiconductors:</u> Strengthen our ability to respond to future expansion even as the market continues to recover.</p> <div data-bbox="1342 971 1864 1270">  </div> <p data-bbox="1381 1285 1787 1320">Image of the new Konan plant</p>

2.-(2) Business Initiatives in Key Sectors

Key sectors	Items to be implemented
Medical	<p><u>Construction of the Third Plant and Interactive Center (completed in Feb. 2025)</u></p> <ul style="list-style-type: none"> -Absorbable adhesion barrier sheet: Increase production by introducing a continuous processing line. -Strengthen R&D facilities: Strengthen development capabilities for next-generation products. -Interactive Center: Promote the exchange of technical personnel. <p>We are working to reduce CO2 emissions through the use of high-efficiency air conditioning and solar power generation, and we aim to achieve an environmental performance of B+ or higher in CASBEE (Comprehensive Assessment System for Building Environmental Efficiency).</p> <div data-bbox="1367 444 1870 825">  </div> <p>Exterior view of the new factory (under construction) and image of the office</p>
Apparel	<p><u>Responding to structural changes in distribution channels</u></p> <ul style="list-style-type: none"> -Further accelerate growth by strengthening DtoC channels. -Expand sales of national brands through a comprehensive brand strategy. e.g. BODYWILD, Tuche -Expand market share for seasonal products by strengthening the functions of the "ASEDORON" brand.

GUNZE

Comfort Solutions for Life

The information contained in this document, including profit forecasts, is based on judgments made in accordance with information currently available, and does not guarantee any future planned figures or measures.