

Consolidated Financial Statements – Summary (Six months ended September 30, 2023)

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
Securities Code:	3002
Stock Market Listings:	Tokyo
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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (Scheduled):	November 13, 2023
Start of Distribution of Dividend (Scheduled):	–
Preparation of Supplementary Materials for Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (for institutional investors/analysts)

1. Consolidated Operating Results for the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(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	%
Six months ended September 30, 2023	65,153	(3.3)	3,230	15.1	3,280	6.3	2,657	20.4
September 30, 2022	67,350	13.4	2,806	(16.0)	3,087	(18.1)	2,206	(55.9)

Note: Comprehensive income

Six months ended September 30, 2023: ¥5,143 million [9.4%]

Six months ended September 30, 2022: ¥4,703 million [(0.8)%]

	EPS	Diluted EPS
Six months ended	¥	¥
September 30, 2023	155.85	155.49
September 30, 2022	127.68	127.38

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of September 30, 2023	164,745	120,353	71.9	6,936.93
As of March 31, 2023	165,927	117,691	69.8	6,789.78

Reference: Total equity

As of September 30, 2023: ¥118,386 million

As of March 31, 2023: ¥115,757 million

2. Dividends

	Annual dividends per share (¥)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	¥	¥	¥	¥	¥
FY2022	—	—	—	147.00	147.00
FY2023	—	—			
FY2023 (projected)			—	150.00	150.00

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

3. Projected results for FY2023 (April 1, 2023 to March 31, 2024)

	Net sales		Operating profit		Ordinary profit	
	¥ millions	%	¥ millions	%	¥ millions	%
FY2023 full year	140,000	2.9	7,500	29.0	7,500	24.6

	Profit attributable to owners of parent		EPS
	¥ millions	%	¥
FY2023 full year	4,800	6.6	281.37

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

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 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 September 30, 2023: 17,293,516 shares
 - As of March 31, 2023: 17,293,516 shares
 - (b) Treasury stock at the end of period:
 - As of September 30, 2023: 227,434 shares
 - As of March 31, 2023: 244,692 shares
 - (c) Average number of shares during the period:
 - Six months ended September 30, 2023: 17,053,657 shares
 - Six months ended September 30, 2022: 17,280,751 shares
- * This summary of quarterly consolidated results is exempt from the quarterly review procedures by certified public accountants or an audit corporation.
- * 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)
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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 six months ended September 30, 2023 (April 1, 2023 - September 30, 2023), the Japanese economy showed signs of a moderate recovery, as social and economic activities progressed toward normal primarily owing to the easing of restrictions on activities resulting from the downgrade of COVID-19 to the Category V. The economic outlook, however, remains unclear, with the continuing rise in prices associated with soaring raw material and energy prices against a backdrop of the yen's depreciation due to the differences in monetary policies in Japan and overseas, as well as concerns of a slowdown in the overseas economy and geopolitical problems.

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 second year of its new medium-term management plan, "VISION 2030 stage 1."

By segment, the functional solutions business was impacted by the slowdown in demand for films due to rising prices and the high prices of raw materials and fuels. In the medical business, while sales of new products of bioabsorbable medical materials were strong and sales expanded favorably in China, sales of medical lasers struggled. In the apparel business, with the ongoing recovery trend in sales, profitability improved as the Company proceeded with price revision including adding value to its products. The lifestyle creations business performed strongly thanks to the lifting of restrictions on activities. Consequently, for the period under review, net sales decreased by 3.3% year-on-year to ¥65,153 million, operating profit increased by 15.1% year-on-year to ¥3,230 million, ordinary profit increased by 6.3% year-on-year to ¥3,280 million, and profit attributable to owners of parent increased by 20.4% year-on-year to ¥2,657 million on a consolidated basis.

(Results by Business Segment)

Categories of the reportable segments have been changed starting from the first quarter of the fiscal year ending March 31, 2024. The following year-on-year comparison has been made using the figures for the corresponding period of the previous fiscal year that were reclassified based on the revised reportable segments.

[Functional Solutions]

In plastic films, sales of packaging films in the US remained strong, although the business was impacted by stagnant demand in Japan and Asia. In engineering plastics, despite the slowdown in sales to the office equipment market, products for semiconductors and general industries performed strongly. Electronic components bore the brunt of stagnant market conditions in its touch panel products for China.

As a result of the above, the functional solutions business recorded net sales of ¥24,251 million (down by 2.4% year-on-year) and operating profit of ¥2,937 million (down by 5.7% year-on-year).

[Medical]

In the medical business, although an adhesion prevention agent, a new product, and products for China performed strongly, orders for medical lasers decreased primarily due to the decreased number of openings of aesthetic and medical institutions and their reduced capital investments after the COVID-19 pandemic.

As a result of the above, the medical business recorded net sales of ¥5,492 million (down by 2.5% year-on-year) and operating profit of ¥907 million (down by 15.8 % year-on-year).

[Apparel]

In the apparel business, despite the growth of e-commerce and the channel for company-owned stores, which are being strengthened, the mass retailer channels struggled, while the business was also impacted by the delay in the rollout of autumn and winter items as a result of the record-breaking late-summer heat. The Company will

continue to pursue growth strategies through a shift to the Direct to Consumer channel and improve profits through price revisions. In innerwear, high value-added products that aligned with customer needs performed strongly. In legwear, the Company has been continuously advancing structural reforms in an effort to improve profitability.

As a result of the above, the apparel business recorded net sales of ¥29,373 million (down by 2.4% year-on-year) and operating profit of ¥775 million (up by 305.9% year-on-year).

[Lifestyle Creations]

The real estate category recorded a decline in revenue due to the recording of sales of idle land redevelopment in the previous fiscal year. Both the shopping center and the sports club businesses are back on the recovery track following the lifting of pandemic restrictions.

As a result of the above, the lifestyle creations business recorded net sales of ¥6,428 million (down by 10.4% year-on-year) and operating profit of ¥297 million (up by 49.4% year-on-year).

(2) Explanation of Financial Position

As of September 30, 2023, total assets were ¥164,745 million, a decrease of ¥1,181 million compared to the end of the previous fiscal year. The main components of the increase included a ¥2,142 million increase in merchandise and finished goods, while the main components of the decrease were a ¥2,047 million decrease in investment securities primarily due to sale of cross-shareholdings and a ¥1,914 million decrease in other current assets (accounts receivable-other, etc.).

Total liabilities were ¥44,392 million, a decrease of ¥3,843 million compared to the end of the previous fiscal year. The main components of the decrease included a ¥1,698 million decrease in long- and short-term borrowings including commercial papers, a ¥1,773 million decrease in other current liabilities (accounts payable - other, etc.), and a ¥1,221 million decrease in notes and accounts payable - trade.

Net assets were ¥120,353 million, an increase of ¥2,662 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 ¥2,657 million and a ¥1,470 million increase in foreign currency translation adjustment, while the main components of the decrease included dividends paid of ¥2,505 million.

(Cash Flows)

As of September 30, 2023, consolidated cash and cash equivalents were ¥10,886 million, a decrease of ¥660 million compared to the end of the previous fiscal year. Below is an overview of cash flows and reasons for changes during the period under review.

Net cash provided by operating activities for the period under review totaled ¥3,552 million, an increase of ¥5,600 million compared to the corresponding period of the previous year. The major components of cash inflows included profit before income taxes of ¥3,865 million, depreciation of ¥3,018 million, and income taxes refund of ¥1,225 million, while the main components of cash outflows included a ¥1,928 million increase in inventories and a ¥1,486 million decrease in trade payables.

Net cash used in investing activities was ¥63 million, an increase of ¥2,612 million compared to the corresponding period of the previous fiscal year. The main components of cash inflows included ¥4,595 million in proceeds from sale of investment securities, while the main components of outflows included purchase of non-current assets amounting to ¥3,626 million and purchase of investment securities amounting to ¥980 million.

Net cash used in financing activities totaled ¥4,822 million, a decrease of ¥4,462 million compared to the corresponding period of the previous fiscal year. The main components of cash outflows included ¥2,495 million spent for dividends paid and a ¥1,877 million decrease in short-term borrowings and commercial papers.

(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, 2024, which was announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,547	10,886
Notes and accounts receivable - trade, and contract assets	27,129	27,807
Merchandise and finished goods	24,114	26,257
Work in process	7,128	8,021
Raw materials and supplies	7,054	6,540
Other	6,622	4,708
Allowance for doubtful accounts	(16)	(17)
Total current assets	83,580	84,203
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,657	36,258
Machinery, equipment and vehicles, net	10,398	10,447
Land	10,446	10,489
Other, net	5,614	6,018
Total property, plant and equipment	63,117	63,213
Intangible assets	1,446	1,600
Investments and other assets		
Investment securities	11,698	9,650
Other	6,151	6,144
Allowance for doubtful accounts	(67)	(66)
Total investments and other assets	17,782	15,727
Total non-current assets	82,346	80,541
Total assets	165,927	164,745

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,010	8,788
Short-term borrowings	6,077	1,226
Commercial papers	–	3,500
Current portion of long-term borrowings	438	471
Income taxes payable	263	1,123
Provision for bonuses	1,353	1,383
Other	11,907	10,134
Total current liabilities	30,052	26,627
Non-current liabilities		
Long-term borrowings	8,638	8,258
Retirement benefit liability	4,494	4,618
Long-term leasehold and guarantee deposits received	4,220	4,082
Other	830	805
Total non-current liabilities	18,183	17,764
Total liabilities	48,235	44,392
Net assets		
Shareholders' equity		
Share capital	26,071	26,071
Capital surplus	6,566	6,568
Retained earnings	78,972	79,124
Treasury shares	(1,044)	(970)
Total shareholders' equity	110,566	110,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,464	3,060
Deferred gains or losses on hedges	(144)	166
Revaluation reserve for land	(13)	(13)
Foreign currency translation adjustment	2,941	4,411
Remeasurements of defined benefit plans	(56)	(33)
Total accumulated other comprehensive income	5,191	7,592
Share acquisition rights	124	124
Non-controlling interests	1,808	1,842
Total net assets	117,691	120,353
Total liabilities and net assets	165,927	164,745

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

Quarterly Consolidated Statements of Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	67,350	65,153
Cost of sales	47,336	44,640
Gross profit	20,013	20,513
Selling, general and administrative expenses	17,206	17,283
Operating profit	2,806	3,230
Non-operating income		
Interest income	22	41
Dividend income	268	251
Rental income from non-current assets	215	227
Foreign exchange gains	170	22
Other	154	78
Total non-operating income	831	621
Non-operating expenses		
Interest expenses	80	155
Rental expenses on non-current assets	208	219
Other	262	195
Total non-operating expenses	551	571
Ordinary profit	3,087	3,280
Extraordinary income		
Gain on sale of non-current assets	352	7
Gain on sale of investment securities	0	700
Other	7	–
Total extraordinary income	359	707
Extraordinary losses		
Loss on sale and retirement of non-current assets	135	122
Loss on sales of investments in capital	40	–
Loss on COVID	115	–
Other	11	–
Total extraordinary losses	301	122
Profit before income taxes	3,145	3,865
Income taxes	914	1,196
Profit	2,231	2,669
Profit attributable to non-controlling interests	24	11
Profit attributable to owners of parent	2,206	2,657

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	2,231	2,669
Other comprehensive income		
Valuation difference on available-for-sale securities	147	595
Deferred gains or losses on hedges	109	311
Foreign currency translation adjustment	2,211	1,543
Remeasurements of defined benefit plans, net of tax	4	23
Total other comprehensive income	2,472	2,473
Comprehensive income	4,703	5,143
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,518	5,058
Comprehensive income attributable to non-controlling interests	185	84

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,145	3,865
Depreciation	2,895	3,018
Amortization of goodwill	66	37
Increase (decrease) in allowance for doubtful accounts	(6)	0
Increase (decrease) in retirement benefit liability	(499)	(172)
Increase (decrease) in provision for bonuses	(23)	23
Interest and dividend income	(291)	(293)
Interest expenses	80	155
Foreign exchange losses (gains)	3	6
Loss (gain) on sale and retirement of non-current assets	(217)	115
Loss (gain) on sale and valuation of investment securities	(0)	(700)
Loss on COVID	115	—
Other loss (gain)	(6)	(6)
Decrease (increase) in notes and accounts receivable - trade and contract assets	(1,683)	(266)
Decrease (increase) in inventories	(2,124)	(1,928)
Decrease (increase) in other current assets	65	611
Increase (decrease) in trade payables	(799)	(1,486)
Increase (decrease) in leasehold and guarantee deposits received	(127)	(194)
Increase (decrease) in other current liabilities	(664)	(546)
Increase (decrease) in other non-current liabilities	(65)	(3)
Subtotal	(136)	2,234
Interest and dividends received	282	285
Interest paid	(99)	(193)
Payments for loss on COVID	(96)	—
Income taxes refund (paid)	(1,998)	1,225
Net cash provided by (used in) operating activities	(2,048)	3,552
Cash flows from investing activities		
Purchase of non-current assets	(2,311)	(3,626)
Proceeds from sale of non-current assets	553	25
Payments for retirement of non-current assets	(121)	(98)
Purchase of investment securities	(1,525)	(980)
Proceeds from sale of investment securities	619	4,549
Decrease (increase) in loans receivable	(0)	(18)
Other, net	109	85
Net cash provided by (used in) investing activities	(2,676)	(63)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	2,489	(1,877)
Repayments of long-term borrowings	(438)	(456)
Purchase of treasury shares	(1)	(2)
Proceeds from sale of treasury shares	71	78
Dividends paid	(2,406)	(2,495)
Dividends paid to non-controlling interests	(65)	(50)
Other, net	(8)	(17)
Net cash provided by (used in) financing activities	(360)	(4,822)
Effect of exchange rate change on cash and cash equivalents	443	672
Net increase (decrease) in cash and cash equivalents	(4,641)	(660)
Cash and cash equivalents at beginning of period	14,469	11,547
Cash and cash equivalents at end of period	9,828	10,886

(4) 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, 2024 and then multiplying profit before income taxes for the six months ended September 30, 2023 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 or restatement of accounting estimates)

None applicable

(Segment information, etc.)

[Segment Information]

Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

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	24,588	5,629	29,998	7,133	67,350	–	67,350
Intersegment sales and transfers	248	1	83	38	372	(372)	–
Total	24,836	5,631	30,082	7,172	67,722	(372)	67,350
Segment profit	3,114	1,078	190	198	4,582	(1,775)	2,806

Notes:

1. The ¥(1,775) 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.

Six Months Ended September 30, 2023 (April 1, 2023 - September 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	23,968	5,491	29,294	6,398	65,153	–	65,153
Intersegment sales and transfers	283	0	78	30	392	(392)	–
Total	24,251	5,492	29,373	6,428	65,546	(392)	65,153
Segment profit	2,937	907	775	297	4,918	(1,687)	3,230

Notes:

1. The ¥(1,687) 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.

2. Matters on Changes in Reportable Segments, etc.

To clarify its position as a growth driver in the ongoing medium-term management plan, “VISION 2030 stage 1,” the medical business, which was previously included in the “Functional solutions” segment, has become a separate the “Medical” segment starting from the first quarter of the fiscal year ending March 31, 2024. As a result, the reportable segments of the GUNZE Group comprise “Functional solutions,” “Medical,” “Apparel,” and “Lifestyle creations.”

Segment information for the six months ended September 30, 2022 has been prepared based on the revised reportable segments.

(Significant subsequent events)

None applicable

3. Supplementary Information

Overview of Consolidated Results

<Overview of Results>

- The functional solutions business was impacted by the slowdown in demand for films due to rising prices and the high prices of raw materials and fuels.
- The medical business saw strong sales of new products of bioabsorbable medical materials and favorable sales expansion in China but sales of lasers struggled.
- The apparel business, with the ongoing recovery trend in sales, saw profitability improve as the Company proceeded with price revision including adding value to its products.
- The lifestyle creation business performed strongly thanks to the lifting of restrictions on activities.

<Main Extraordinary Income or Losses>

- Gain on sale of investment securities: ¥0.7 billion

<Forecasts for the Fiscal Year Ending March 31, 2024>

- Because the consolidated financial results for the six months ended September 30, 2023, have been almost in line with expectations, the Company has decided not to change its previously announced consolidated financial results forecast.
- Annual dividend payment is scheduled to be ¥150 per share. (¥147 per share in the previous fiscal year)

(1) Operating Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022	Change <Upper figures in brackets %>
Net sales	65,153	67,350	<(3.3)> (2,196)
Operating profit	3,230	2,806	<15.1> 423
Ordinary profit	3,280	3,087	<6.3> 193
Profit attributable to owners of parent	2,657	2,206	<20.4> 451
Financing income/expenses	137	210	(72)
Interest/Dividends received	293	291	2
Interest expenses	(155)	(80)	(75)
Capital expenditures	1,765	3,326	(1,561)
Depreciation	3,056	2,962	94
	As of September 30, 2023	As of March 31, 2023	Change <Upper figures in brackets %>
Total assets	164,745	165,927	<(0.7)> (1,181)
Inventories	40,818	38,927	<4.9> 2,521
Non-current assets	80,541	82,346	<(2.2)> (1,804)
Net assets	120,353	117,691	<2.3> 2,662

Acquisition of treasury shares, etc.

(Thousands of shares)

(Amount)

Treasury shares acquired	0	¥2 million
Treasury shares disposed	17	¥76 million
Treasury shares held at the end of the previous fiscal year	244	¥1,044million
Treasury shares held at the end of the period	227	¥970 million

(2) Results by Business Segment

(Millions of yen)

Segment		Six months ended September 30, 2023		Six months ended September 30, 2022		Change	
		Amount	Weight	Amount	Weight	Amount	%
Net sales	Functional Solutions	24,251	37.0	24,836	36.7	(584)	(2.4)
	Medical	5,492	8.4	5,631	8.3	(138)	(2.5)
	Apparel	29,373	44.8	30,082	44.4	(709)	(2.4)
	Lifestyle Creations	6,428	9.8	7,172	10.6	(743)	(10.4)
	Subtotal	65,546	100.0	67,722	100.0	(2,175)	(3.2)
	Elimination	(392)		(372)		(20)	–
	Consolidated	65,153		67,350		(2,196)	(3.3)
Operating profit	Functional Solutions	2,937	59.7	3,114	68.0	(176)	(5.7)
	Medical	907	18.5	1,078	23.5	(170)	(15.8)
	Apparel	775	15.8	190	4.1	584	305.9
	Lifestyle Creations	297	6.0	198	4.4	98	49.4
	Subtotal	4,918	100.0	4,582	100.0	335	7.3
	Elimination	(1,687)		(1,775)		87	–
	Consolidated	3,230		2,806		423	15.1

(3) Significant Financial Indicators

Item		Six months ended September 30, 2023	Six months ended September 30, 2022	Change
Operating profit to total assets ratio	%	2.0	1.7	0.3
Ordinary profit to total assets ratio	%	2.0	1.9	0.1
Operating profit to net sales ratio	%	5.0	4.2	0.8
Ordinary profit to net sales ratio	%	5.0	4.6	0.4
Equity ratio	%	71.9	70.1	1.8
ROE	%	2.3	1.9	0.4
Earnings per share	¥	155.85	127.68	28.17
Diluted earnings per share	¥	155.49	127.38	28.11
Net assets per share	¥	6,936.93	6,654.01	282.92

(4) Cash Flows

(Millions of yen)

Cash Flow Activity	Six months ended September 30, 2023	Six months ended September 30, 2022	Change	Breakdown of Major Components
Operating activities	3,552	(2,048)	5,600	Profit before income taxes: 3,865; Depreciation: 3,018; Income taxes refund: 1,225; Increase in inventories: (1,928); Decrease in trade payables: (1,486)
Investing activities	(63)	(2,676)	2,612	Proceeds from sale of investment securities: 4,549; Purchase of non-current assets: (3,626); Purchase of investment securities: (980)
Financing activities	(4,822)	(360)	(4,462)	Dividends paid: (2,495); Decrease in short-term borrowings and commercial papers: (1,877)
Effect of exchange rate change on cash and cash equivalents	672	443	229	
Net increase (decrease) in cash and cash equivalents	(660)	(4,641)	3,980	
Cash and cash equivalents at end of period	10,886	9,828	1,058	

(5) Capital Expenditures and Depreciation and Amortization by Segment

(Millions of yen)

Item		FY2023 Plan			FY2022		YoY Change
		Amount	Weight	Results for six months ended September 30, 2023	Amount	Weight	
Capital expenditures *Incl. intangible assets	Functional Solutions	5,400	49.1	753	4,816	50.1	584
	Medical	1,000	9.1	107	553	5.8	447
	Apparel	2,100	19.1	433	1,493	15.6	607
	Lifestyle Creations	1,700	15.5	314	2,053	21.4	(353)
	Corporate	800	7.2	158	680	7.1	120
	Total	11,000	100.0	1,765	9,597	100.0	1,403
Depreciation * Incl. amortization of goodwill	Functional Solutions	2,600	40.0	1,203	2,423	41.2	177
	Medical	500	7.7	201	371	6.3	129
	Apparel	1,400	21.5	646	1,250	21.2	150
	Lifestyle Creations	1,500	23.1	673	1,370	23.2	130
	Corporate	500	15.4	333	478	8.1	22
	Total	6,500	100.0	3,056	5,894	100.0	606

Main Investment Plans for FY2023

- Plastic film production resource-circulating factory and equipment: ¥3,000 million
- Expansion of the medical factory/automation of production facilities: ¥300 million
- Renewal of the apparel SCM system: ¥600 million
- Renovation of the commercial facilities: ¥600 million

(6) FY2023 Forecast

(Millions of yen)

Item	FY2023 Forecast	FY2022 Results	Change	
			Amount	Change (%)
Net sales	140,000	136,030	3,970	2.9
Operating profit	7,500	5,812	1,688	29.0
Ordinary profit	7,500	6,021	1,479	24.6
Profit attributable to owners of parent	4,800	4,501	299	6.6

(7) Forecast of Results by Segment

(Millions of yen)

Item		FY2023 Forecast		FY2022 Results		Change	
		Amount	Weight	Amount	Weight	Amount	Change (%)
Net sales	Functional Solutions	51,800	36.8	49,555	36.2	2,245	4.5
	Medical	12,000	8.5	10,957	8.0	1,043	9.5
	Apparel	63,300	44.9	60,986	44.6	2,314	3.8
	Lifestyle Creations	13,800	9.8	15,327	11.2	(1,527)	(10.0)
	Subtotal	140,900	100.0	136,827	100.0	4,073	3.0
	Elimination	(900)		(797)		(103)	–
	Consolidated	140,000		136,030		3,970	2.9
Operating profit	Functional Solutions	7,100	61.2	6,835	72.8	265	3.9
	Medical	2,300	19.8	2,082	22.1	218	10.5
	Apparel	1,400	12.1	(222)	(2.4)	1,622	–
	Lifestyle Creations	800	6.9	705	7.5	95	13.5
	Subtotal	11,600	100.0	9,401	100.0	2,199	23.4
	Elimination	(4,100)		(3,588)		(512)	–
	Consolidated	7,500		5,812		1,688	29.0

The above figures remain unchanged from the financial results forecast for the fiscal year ending March 31, 2024, which was announced on May 12, 2023.