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Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2017 [Japan GAAP]

November 4, 2016

Stock Exchange Listing: Tokyo (First Section)

Company Name: GSI Creos Corporation

Code Number: 8101 URL <http://www.gsi.co.jp>

Representative: Koji Nakashima Representative Director, President and CEO

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Scheduled Date of Quarterly Report Filing: November 10, 2016

Scheduled Date of Dividend Payments Commencement: —

Supplementary Documents for Quarterly Financial Statements: Yes

Holding of Quarterly Financial Results Meeting: No

(Note: Amounts less than one million of yen have been rounded down.)

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (Cumulative Total) (Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second quarter ended September 30, 2016	66,001	(8.8)	583	36.9	241	(38.5)	460	52.9
Second quarter ended September 30, 2015	72,389	4.1	426	28.5	392	(16.3)	301	25.0

(Note) Comprehensive income Second quarter ended September 30, 2016: Δ 217 millions of yen —%
 Second quarter ended September 30, 2015: 406 millions of yen 30.2%

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter ended September 30, 2016	7.13	—
Second quarter ended September 30, 2015	4.69	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2016	63,473	15,685	24.7
March 31, 2016	68,206	15,908	23.3

(Reference) Equity capital September 30, 2016: 15,685 millions of yen
 March 31, 2016: 15,908 millions of yen

2. Dividends

	Annual dividend per share				
	1Q	2Q	3Q	Fiscal year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	—	—	2.00	2.00
Fiscal year ending March 31, 2017	—	—	—	2.00	2.00
Fiscal year ending March 31, 2017 (Forecast)	—	—	—	2.00	2.00

(Note) Revisions to the dividend forecast published most recently: No

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	135,000	(11.0)	1,200	(2.3)	700	(28.3)	1,500	100.2	23.25

(Note) Revisions to the consolidated results forecasts published most recently: Yes

*** Notes**

(1) Changes in Significant Subsidiaries During the Period

(Changes in Specified Subsidiaries Associated with Changes in the Scope of Consolidation): No

(2) Application of Special Accounting Methods to the Preparation of Quarterly Financial Statements: No

(3) Changes in Accounting Policies and Estimates, and Retrospective Restatement

i Changes in accounting policies due to revisions of accounting standards and other regulations: No

ii Changes in accounting policies other than in (i): Yes

iii Changes in accounting estimates: No

iv Retrospective restatement: No

(4) Number of Shares Issued and Outstanding (Common Stock)

i Number of shares issued and outstanding at the end of period (including treasury stock)

September 30, 2016	64,649,715 shares	March 31, 2016	64,649,715 shares
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ii Number of treasury stock at the end of period

September 30, 2016	120,214 shares	March 31, 2016	119,618 shares
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iii Average number of shares during the period

September 30, 2016	64,529,798 shares	September 30, 2015	64,223,361 shares
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*** Status of Implementation of Quarterly Review Procedure**

This quarterly report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act.

Furthermore, quarterly consolidated financial statements were undergoing the review procedure process at the time of the release of this report.

*** Cautionary Statement with Respect to Forecasts of Consolidated Business Results and Special Notes**

Earning forecasts presented in this report are based on information available and assumptions deemed reasonable at the time.

Therefore, they do not constitute a guarantee that they will be realized. Actual results could differ significantly from forecasts due to a variety of factors.

Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (March 31, 2016)	Second quarter, current fiscal year (September 30, 2016)
Assets		
Current assets		
Cash and deposits	9,037	12,560
Notes and accounts receivable-trade	35,683	29,683
Merchandise	9,947	8,436
Goods in transit	270	46
Other	4,284	3,803
Allowance for doubtful accounts	(1,156)	(1,057)
Total current assets	58,066	53,472
Non-current assets		
Property, plant and equipment	3,646	3,792
Intangible assets	813	800
Investments and other assets	5,680	5,407
Total non-current assets	10,140	10,000
Total assets	68,206	63,473
Liabilities		
Current liabilities		
Notes and accounts payable-trade	30,621	26,167
Short-term loans payable	16,698	16,317
Current portion of long-term loans payable	163	196
Income taxes payable	95	117
Provision	387	485
Other	3,026	3,246
Total current liabilities	50,992	46,530
Non-current liabilities		
Long-term loans payable	768	774
Net defined benefit liability	142	145
Other	394	337
Total non-current liabilities	1,305	1,257
Total liabilities	52,297	47,788
Net assets		
Shareholders' equity		
Capital stock	7,186	7,186
Capital surplus	855	855
Retained earnings	7,696	8,151
Treasury stock	(20)	(20)
Total shareholders' equity	15,718	16,172
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(163)	(179)
Deferred gains or losses on hedges	(164)	(139)
Foreign currency translation adjustment	522	(175)
Remeasurements of defined benefit plans	(2)	6
Total accumulated other comprehensive income	190	(487)
Total net assets	15,908	15,685
Total liabilities and net assets	68,206	63,473

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Cumulative Second Quarter)

(Millions of yen)

	Cumulative second quarter, previous fiscal year (April 1, 2015- September 30, 2015)	Cumulative second quarter, current fiscal year (April 1, 2016- September 30, 2016)
Net sales	72,389	66,001
Cost of sales	65,671	59,384
Gross profit	6,717	6,617
Selling, general and administrative expenses	6,291	6,033
Operating income	426	583
Non-operating income		
Interest income	10	18
Dividends income	44	51
Foreign exchange gains	77	—
Other	21	28
Total non-operating income	153	98
Non-operating expenses		
Interest expenses	150	105
Foreign exchange losses	—	301
Other	36	33
Total non-operating expenses	187	441
Ordinary income	392	241
Extraordinary income		
Gain on sales of non-current assets	68	—
Gain on sales of investment securities	1	0
Gain on transfer of business	—	250
State subsidy income	4	4
Other	—	56
Total extraordinary income	73	310
Extraordinary loss		
Loss on retirement of non-current assets	15	3
Loss on reduction of non-current assets	4	4
Loss on sales of investments in capital	—	1
Extraordinary loss on business liquidation	18	—
Provision for loss on litigation	—	100
Total extraordinary loss	37	109
Income before income taxes	428	442
Income taxes-current	117	143
Income taxes-deferred	9	(161)
Total income taxes	127	(17)
Profit	301	460
Profit attributable to non-controlling interests	0	—
Profit attributable to owners of parent	301	460

(Quarterly Consolidated Statements of Comprehensive Income)
(Cumulative Second Quarter)

(Millions of yen)

	Cumulative second quarter, previous fiscal year (April 1, 2015- September 30, 2015)	Cumulative second quarter, current fiscal year (April 1, 2016- September 30, 2016)
Profit	301	460
Other comprehensive income		
Valuation difference on available-for-sale securities	135	(15)
Deferred gains or losses on hedges	(73)	25
Foreign currency translation adjustment	51	(697)
Remeasurements of defined benefit plans, net of tax	(7)	9
Total other comprehensive income	105	(678)
Comprehensive income	406	(217)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	406	(217)
Comprehensive income attributable to non-controlling interests	(0)	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative second quarter, previous fiscal year (April 1, 2015- September 30, 2015)	Cumulative second quarter, current fiscal year (April 1, 2016- September 30, 2016)
Cash flows from operating activities		
Income before income taxes	428	442
Depreciation	168	132
Increase (decrease) in allowance for doubtful accounts	15	(166)
Increase (decrease) in net defined benefit liability	(85)	(11)
Interest and dividends income	(54)	(70)
Interest expenses	150	105
Foreign exchange losses (gains)	0	10
Loss (gain) on sales of property, plant and equipment	(68)	—
Loss on retirement of property, plant and equipment	15	3
Loss (gain) on sales of investment securities	(1)	(0)
Loss on sales of investments in capital	—	1
Gain on transfer of business	—	(250)
Extraordinary loss on business liquidation	18	—
Decrease (increase) in notes and accounts receivable-trade	(433)	3,144
Decrease (increase) in inventories	(22)	319
Decrease (increase) in other assets	(63)	915
Increase (decrease) in notes and accounts payable-trade	3,759	(1,573)
Increase (decrease) in other liabilities	(272)	322
Other, net	(85)	81
Subtotal	3,469	3,409
Interest and dividends income received	52	69
Interest expenses paid	(151)	(106)
Payments for loss on liquidation of subsidiaries and associates	—	(423)
Income taxes paid	(91)	(116)
Cash flows from operating activities	3,280	2,832
Cash flows from investing activities		
Purchase of property, plant and equipment	(56)	(256)
Proceeds from sales of property, plant and equipment	237	1,064
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	45	1
Proceeds from sales of investments in capital	—	31
Payments of loans receivable	(10)	(124)
Collection of loans receivable	25	14
Proceeds from transfer of business	—	447
Other, net	10	(34)
Cash flows from investing activities	250	1,142
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(580)	(115)
Proceeds from long-term loans payable	100	400
Repayments of long-term loans payable	(758)	(316)
Repayments of lease obligations	(140)	(148)
Cash dividends paid	(128)	(129)
Payments for additional purchase from non-controlling interests	(109)	—
Dividends paid to non-controlling interests	(0)	—
Other, net	(0)	(0)
Cash flows from financing activities	(1,619)	(309)
Effect of exchange rate change on cash and cash equivalents	17	(274)
Net increase (decrease) in cash and cash equivalents	1,929	3,389
Cash and cash equivalents at the beginning of period	8,423	9,037
Increase in cash and cash equivalents from newly consolidated subsidiary	36	157
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(24)
Cash and cash equivalents at the end of period	10,389	12,560