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GSI Creos

Produce the Future

GSI Creos Corporation

Securities code: 8101

Business Report for Fiscal 2017

From April 1, 2017 to March 31, 2018

Financial Performance for Fiscal 2017

The Japanese economy in fiscal 2017 continued its moderate recovery against a backdrop of steady improvement in corporate earnings, employment conditions, and personal incomes, but concerns persisted over political and economic trends overseas and geopolitical risks, so the outlook remained uncertain.

In fiscal 2017, under such conditions, net sales decreased year on year by ¥7,805 million, or 5.5%, to ¥133,727 million. Gross profit decreased by ¥29 million, or 0.2%, to ¥13,123 million, operating profit increased by ¥263 million, or 20.1%, to ¥1,573 million, and ordinary profit increased by ¥395 million, or 35.7%, to ¥1,502 million. Profit attributable to owners of parent, however, decreased by ¥720 million, or 44.1%, to ¥913 million due to having recorded extraordinary income the previous year.

Financial Performance for Fiscal 2017

Net Sales	¥133,727 million	5.5% decrease year on year
Operating Profit	¥1,573 million	20.1% increase year on year
Ordinary Profit	¥1,502 million	35.7% increase year on year
Profit Attributable to Owners of Parent	¥913 million	44.1% decrease year on year

Outlook for Fiscal 2018

The uncertain outlook is likely to continue, but the Group will work to strengthen its revenue base and improve its financial standing with expanding the overseas business and increasing profitability as key policies.

Earnings Forecast for Fiscal 2018

Net Sales	¥130,000 million
Operating Profit	¥1,500 million
Ordinary Profit	¥1,500 million
Profit Attributable to Owners of Parent	¥1,000 million

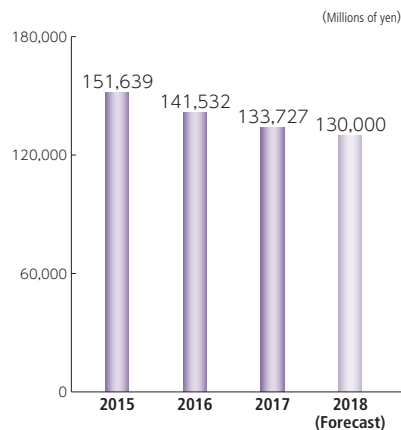
Dividends

Returning profits to shareholders is one of the Company's key management priorities. Its basic policy is to pay a stable dividend commensurate with financial performance while comprehensively taking into account business conditions, performance trends, payout ratios, and internal reserves for investment in future business expansion.

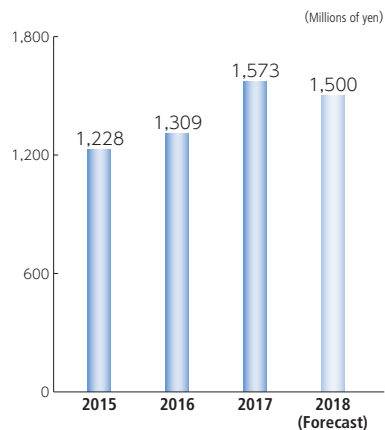
In accordance with this policy, the Company paid an annual dividend for fiscal 2017 of ¥35 per share. It plans to pay a dividend of ¥40 per share in fiscal 2018.

Financial Performance

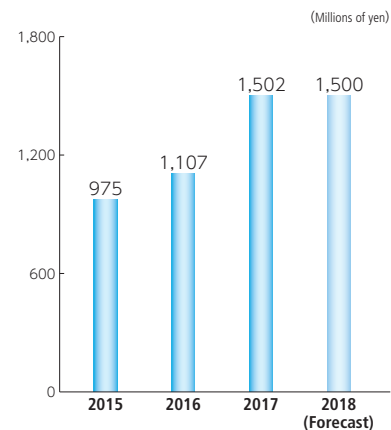
Net Sales



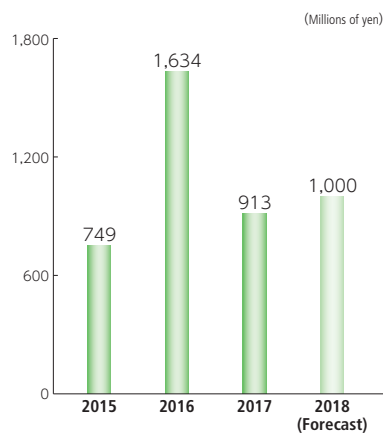
Operating Profit



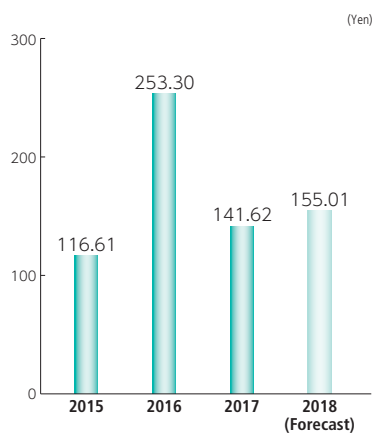
Ordinary Profit



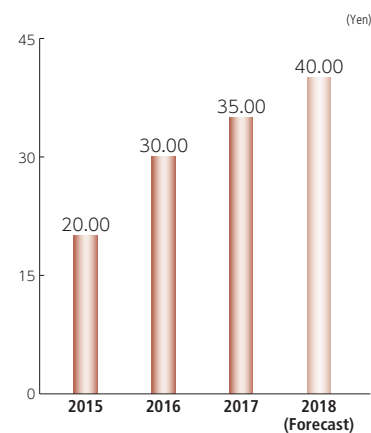
Profit Attributable to Owners of Parent



Net Income Per Share ※



Dividends ※



※The Company executed a consolidation of common stock (ten shares of common stock consolidated into one share) as of October 1, 2017. Net income per share and dividend figures are calculated on the assumption that the consolidation of common stock was conducted at the beginning of fiscal 2015.

Review of Operations by Segment

Textile Materials Division

Principal merchandise:

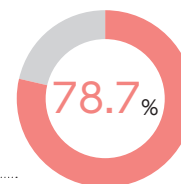
Textile materials,
Textile fabrics, Legwear /
Innerwear and Underwear,
Outerwear, etc.



Net Sales ¥105,275 million
8.8% decrease year on year

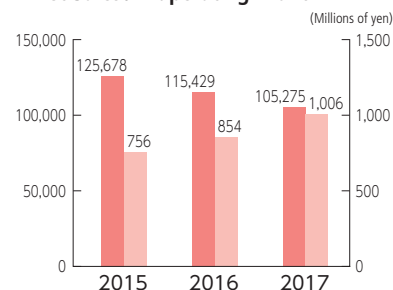
Operating Profit ¥1,006 million
17.9% increase year on year

Composition of Sales



- Sales of lingerie and foundation garments, which are originally designed, were firm, but overseas sales of highly functional yarns and textiles declined. Sales of socks, underwear, hosiery, etc. decreased due in part to transfer of a portion of the business to another company at the end of September 2016.
- There was growth in exports of outerwear fabrics to the U.S., and OEM sales of women's outerwear was firm.

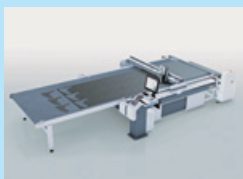
■ Net Sales / ■ Operating Profit



Industrial Products Division

Principal merchandise:

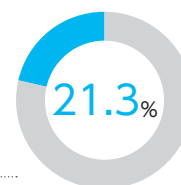
Chemical products,
Industrial machinery /
equipment and materials,
Hobby and lifestyle goods, etc.



Net Sales ¥28,452 million
9.0% increase year on year

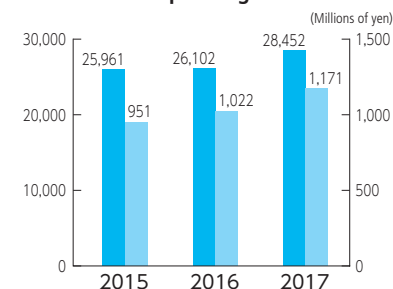
Operating Profit ¥1,171 million
14.6% increase year on year

Composition of Sales



- Sales of paint materials for the U.S., Europe, and Asia were steady. There was also sales growth from Chinese-made semiconductor wafers, domestic films, and chemicals for the U.S.
- Sales of paints and painting implements for plastic models were at the same level as the previous year.
- In the nanotechnology business, the Company is working to commercialize products in areas such as composite materials and paints by utilizing the characteristics of Carbere®, a cup-stacked carbon nanotube.

■ Net Sales / ■ Operating Profit



Representative Office Established in Hanoi, Vietnam — Toward Expansion of OEM Business for Textile Products Made in Vietnam —

A representative office of GSI Trading Hong Kong Limited, an overseas affiliate of the Company, was established in Hanoi, the capital city of the Socialist Republic of Vietnam. In March of this year, the office started operations to expand the OEM business for textile products made in the country.

To strengthen the Group's raw material procurement and production functions in Vietnam, the new office will be utilized with a view to boost fabric and product exports from the country to thereby meet the varied needs of customers inside and outside of Vietnam.

In the future, the office will be positioned as an ASEAN region site for the industrial products business as well, and it will work toward further expansion and cultivation of Group businesses in Vietnam.



Building housing the Hanoi Office

Overview of the New Office

Name	GSI Trading Hong Kong Limited Hanoi Office
Location	Unit 304, 3rd Fl., V-Tower, 649 Kim Ma Street, Ba Dinh District, Hanoi, Vietnam

Exhibiting at Automotive Engineering Exposition 2018 Yokohama — For Promotion of Automotive Lightweighting in Japan —

The Company exhibited at Automotive Engineering Exposition 2018 Yokohama held at Pacifico Yokohama in May of this year, one of Japan's largest trade shows for automotive technologies.



The Company's booth at the exposition

The Company sells cutting-edge European equipment for composite material molding and processing to Japan's automobile and automotive parts manufacturers in response to demand for automotive lightweighting that meet environmental requirements. At the exposition, the Company conducted presentations mainly on a German-made injection molding machine and Swiss-made high-speed cutting machine.

The injection molding machine in particular earned strong reviews from booth visitors for its ability to efficiently reduce weights at low costs.

Going forward, the Company will continue to ascertain trends in weight-saving technologies at an early stage and over a broad range, centering on composite material processing equipment and including peripheral devices and materials, and make comprehensive proposals on this basis.



German-made injection molding machine

Consolidated Financial Statements

Balance Sheets (Summary)

(Millions of yen)

Account title	2016	2017	
	As of March 31, 2017	As of March 31, 2018	
Assets	Current assets	54,308	52,446
	Non-current assets	11,168	10,518
	Property, plant and equipment	4,237	4,407
	Intangible assets	742	620
	Investments and other assets	6,189	5,490
Total assets	65,476	62,964	
Liabilities	Current liabilities	46,292	42,907
	Non-current liabilities	1,220	1,140
	Total liabilities	47,513	44,048
Net assets	Shareholders' equity	17,346	18,090
	Accumulated other comprehensive income	616	826
Total net assets	17,963	18,916	
Total liabilities and net assets	65,476	62,964	

Point 1
Current assets

Decreased by ¥1,861 million from the previous year-end mainly due to a decline in notes and accounts receivable-trade

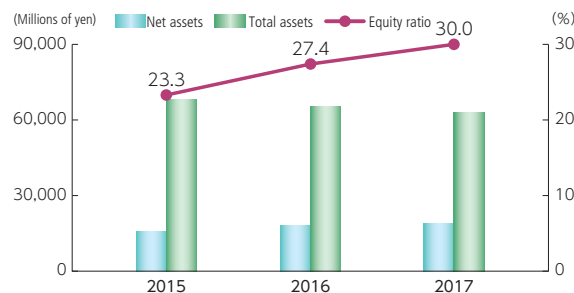
Point 2
Current liabilities

Decreased by ¥3,385 million from the previous year-end mainly due to declines in notes and accounts payable-trade and short-term loans payable

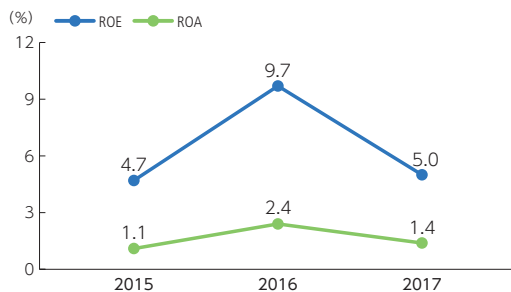
Point 3
Net assets

Increased by ¥953 million from the previous year-end mainly due to an increase in shareholders' equity resulting from recognition of profit attributable to owners of parent

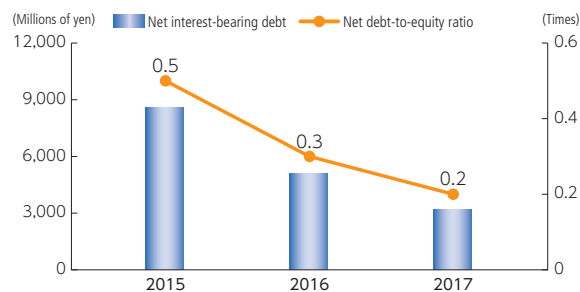
Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



ROE (%) / ROA (%)



Net Interest-Bearing Debt (Millions of yen) / Net Debt-to-Equity Ratio (Times)



Statements of Income (Summary)

(Millions of yen)

Account title	2016	2017
	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Net sales	141,532	133,727
Cost of sales	128,379	120,603
Gross profit	13,153	13,123
Selling, general and administrative expenses	11,843	11,550
Operating profit	1,309	1,573
Non-operating income	203	223
Non-operating expenses	405	294
Ordinary profit	1,107	1,502
Extraordinary income	1,954	474
Extraordinary losses	710	452
Income before income taxes	2,351	1,524
Total income taxes	716	610
Profit attributable to owners of parent	1,634	913

Statements of Cash Flows (Summary)

(Millions of yen)

Account title	2016	2017
	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Cash flows from operating activities	165	1,394
Cash flows from investing activities	3,428	697
Cash flows from financing activities	△264	△1,846
Cash and cash equivalents at the end of period	12,371	12,636

Point④ Net sales

Decreased by ¥7,805 million year on year due to lower sales from the textile materials business, despite an increase from the industrial products business

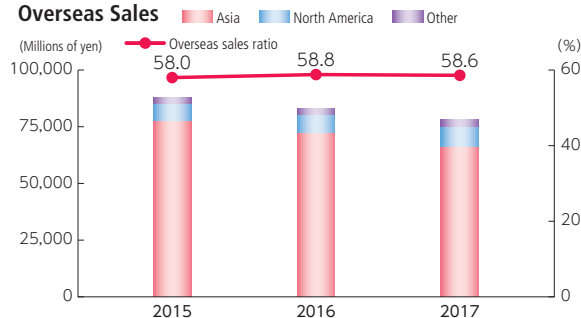
Point⑤ Operating profit

Increased by ¥263 million year on year due to higher profit ratio from increased profitability and lower logistics costs and other selling expenses

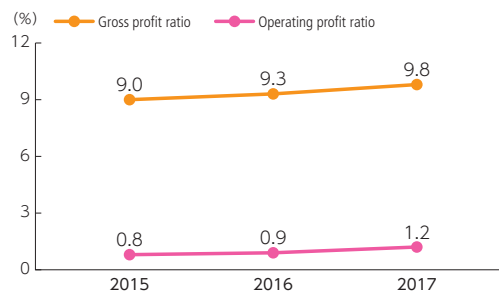
Point⑥ Profit attributable to owners of parent

Decreased by ¥720 million year on year from recognition of gain on sales of non-current assets (¥1,634 million) in extraordinary income the previous year

Overseas Sales



Gross Profit Ratio (%) / Operating Profit Ratio (%)



Company Profile

Company Profile (as of March 31, 2018)

Company Name	GSI Creos Corporation	
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo	
Established	October 31, 1931	
Capital	¥7,186 million	
Employees	560 (Consolidated)	
Offices	7 domestic	18 overseas
Consolidated Subsidiaries	8 domestic	7 overseas
Website	http://www.gsi.co.jp/en	

Directors and Executive Officers (as of June 28, 2018)

Directors

Representative Director, President and CEO	Tadaaki Yoshinaga
Managing Director, Managing Executive Officer	Masateru Nakayama
Managing Director, Managing Executive Officer	Yasushi Araki
Director, Executive Officer	Kazuo Niimi
Director, Executive Officer	Fumihiko Onishi
Director, Executive Officer	Hiroki Nishimura
Outside Director	Kazunori Hattori

<Audit and Supervisory Committee Members>

Director	Yasuhiko Matsushita
Outside Director	Yoshihiro Goto
Outside Director	Takafumi Hayano

(Note) Yasuhiko Matsushita is a Full-time Audit and Supervisory Committee Member.

Executive Officers

Mitsuru Kubota	Koji Ohga	Masahiko Morita
Keita Suzuki	Yuichi Tamura	

Shares (as of March 31, 2018)

Total number of shares authorized to be issued:	20,000,000 shares
Total number of shares issued:	6,464,971 shares (including 13,593 shares of treasury stock)
Share unit:	100 shares
Number of shareholders:	5,415

(Note) The share unit was changed from 1,000 shares to 100 shares as of October 1, 2017; accordingly, ten shares of common stock were consolidated into one share.

Major Shareholders (Top 10)

Shareholder	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	932	14.45
Mizuho Bank, Ltd.	318	4.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	317	4.92
Japan Trustee Services Bank, Ltd. (Trust Account)	268	4.16
Nippon Life Insurance Company	232	3.61
Toray Industries, Inc.	198	3.07
DFA INTL SMALL CAP VALUE PORTFOLIO	164	2.56
The Master Trust Bank of Japan, Ltd. (Trust Account)	127	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	99	1.55
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	96	1.49

(Note) Shareholding is calculated by excluding 13,593 shares of treasury stock and is rounded off to two decimal places.

Composition of Shareholders (Ratio of Shares Owned by Type of Owner)

