



GSI **Creos**

*Produce the Future*

**GSI Creos Corporation**

TSE Code: 8101

**Business Report for Fiscal 2018**

From April 1, 2018 to March 31, 2019

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### Corporate Philosophy

**Our corporate mission is to discover new value and crystallize it into value for society.**

**As a business producer that pursues lifestyle quality for the times, we create original, first-rate services compatible with the public good, and work to realize the happiness of all those who create value with GSI Creos.**

### Management Philosophy

#### With Employees

**At GSI Creos, human capital is the source for creation of corporate value.**

We invest generously in developing the professionals who create together with GSI Creos. We also conduct management in a way that enables all employees to take pleasure and pride in their work in proportion to their motivation and the ability they display, while also participating in the creation of corporate value.

#### With Shareholders

**Shareholders are a pillar of GSI Creos's ongoing growth and development.**

We believe that our greatest contribution to shareholders is maintaining continuous, stable growth in corporate value. We therefore concentrate fully on business activities that contribute to increasing corporate value, and practice open, interactive management toward shareholders.

#### With Business Associates

**At GSI Creos, our business associates are partners who grow with us.**

We practice creative management that fosters mutual growth by seeking the best partners while also continuing on our side to satisfy the conditions necessary to be chosen, and maintaining equal relationships based on market rationality.

#### With the Market

**GSI Creos's market consists of consumers who share our values.**

Based on these values, we seek out the best resources from around the world, take on the challenge of developing businesses, create expectations among consumers, and manage the company to meet those expectations.

#### For the Environment

**Protection of the environment shows our respect toward the places in which we live.**

We deal with environmental protection as part of our business activities, and participate in environmental activities with as many people and organizations as possible.

#### For the Company Organization

**At GSI Creos, we view the company organization as a tool for gathering and maximizing the potential of the sensibilities and intelligence of individuals.**

By clarifying individual roles and responsibility for results, and delegating authority to create a strong, self-determining organization, we enable judgments directly linked to the market and speedy decision-making, and management that responds dynamically to market changes.

### Financial Performance for Fiscal 2018

As for the Japanese economy during the year, corporate earnings stayed at a high level in spite of being somewhat bearish, and there was a gradual recovery trend that included ongoing improvements regarding the employment and income environments. Nevertheless, there continued to be a sense of uncertainty regarding the future direction of the economy due to factors such as economic slowdowns in China and Europe and prolonged trade frictions between the United States and China.

Amid this situation, the Company formulated a three-year mid-term management plan with Fiscal 2018 as the first year, and measures were implemented such as “Expanding overseas sales” and “Improving profitability.”

As for business results during the year, net sales increased by ¥4,760 million, or 3.6%, from the previous year to ¥138,487 million. Gross profit

increased by ¥41 million, or 0.3%, from the previous year to ¥13,165 million; operating profit increased by ¥110 million, or 7.0%, from the previous year to ¥1,683 million; ordinary profit increased by ¥158 million, or 10.6%, from the previous year to ¥1,661 million; and profit attributable to owners of parent increased by ¥238 million, or 26.1%, from the previous year to ¥1,152 million.

#### Financial Performance for Fiscal 2018

Net Sales	¥138,487 million	3.6% increase year on year
Operating Profit	¥1,683 million	7.0% increase year on year
Ordinary Profit	¥1,661 million	10.6% increase year on year
Profit Attributable to Owners of Parent	¥1,152 million	26.1% increase year on year

### Outlook for Fiscal 2019

While it seems that there will continue to be a sense of uncertainty regarding the future, the Company shall implement the measures set forth in its mid-term management plan (2018-2020) and continue working to strengthen its revenue base and financial standing.

#### Earnings Forecast for Fiscal 2019

Net Sales	¥123,000 million
Operating Profit	¥1,700 million
Ordinary Profit	¥1,700 million
Profit Attributable to Owners of Parent	¥1,200 million

### Return to Shareholders

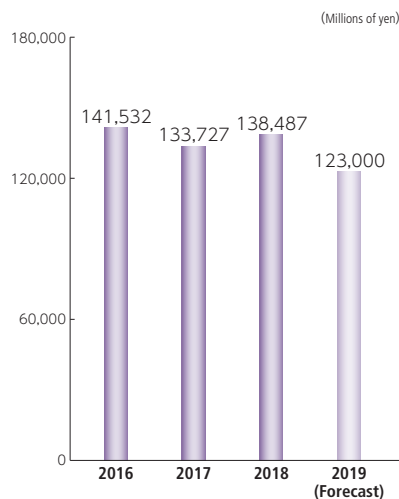
The Company’s basic policies are to return profits to shareholders in a steady and continuous manner, and to aim for a dividend payout ratio of 25% or more, with positioning the return of profits to shareholders as a key policy for management.

Based on these policies, the dividend for this year was made ¥40 per share. The dividend for the next year is set to be ¥45 per share.

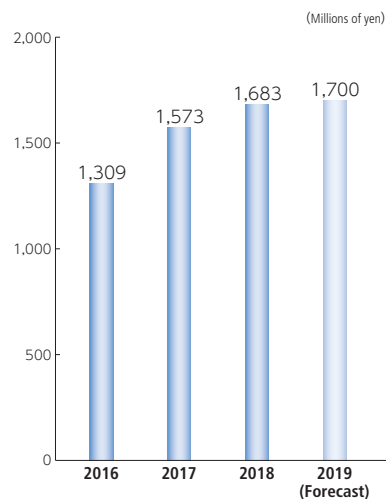
In addition, in March this year, the Company acquired about ¥153 million (134,800 shares) of treasury stock as a measure of return to shareholders.

## Financial Performance

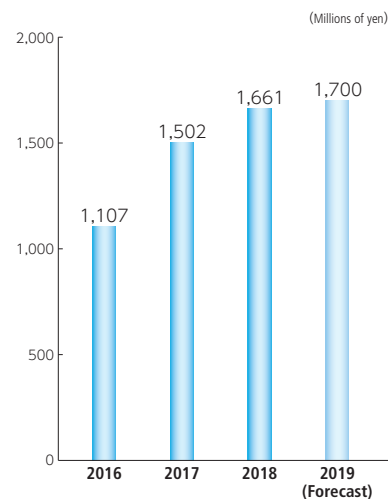
### Net Sales



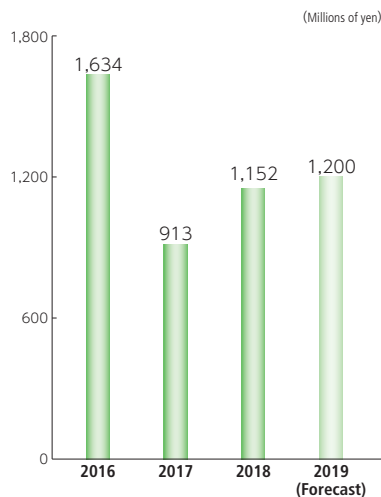
### Operating Profit



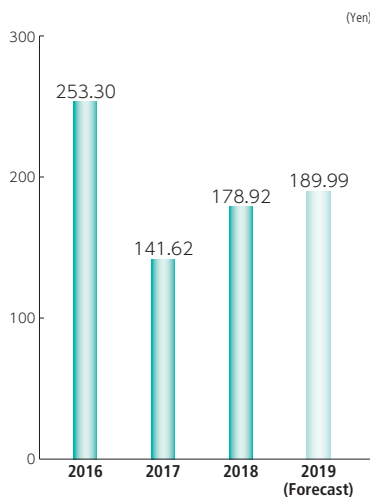
### Ordinary Profit



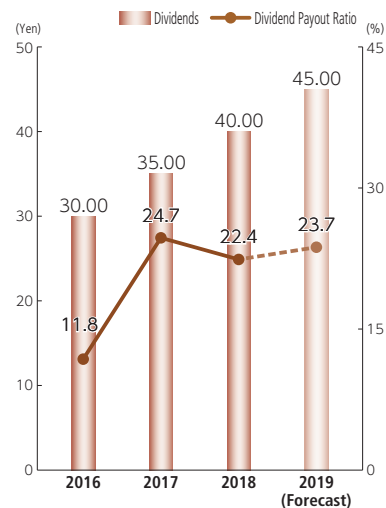
### Profit Attributable to Owners of Parent



### Net Income Per Share ※



### Dividends ※ / Dividend Payout Ratio



## Progress of Mid-Term Management Plan (2018-2020)

The progress of the four key measures set forth in the mid-term management plan (2018-2020) in the first year of this plan is covered below.

As for “Expand overseas sales,” collaboration between overseas offices across the world was further deepened and the sales structure of the whole group was strengthened, and as a result, overseas sales increased. Furthermore, new offices were established in North America (GSI Exim America, Inc., Texas Office) and China (GSI Creos China Co., Ltd., Pinghu Office), and an effort is being made to expand sales and supply networks. In regard to “Improve profitability,” the Textile Materials Division has been steadily carrying out the “strengthening of value chains from planning through development, manufacturing, and sales, centering on the fields of yarn and fabric” based on collaboration with partner and affiliated companies in Japan and overseas. The Industrial Products Division has been strengthening initiatives regarding new business with

the aim of boosting profitability, and this has included full-fledged entry into the biodegradable plastic market and the launching of the Company’s own nail-related brand. The Nanotechnology Division has been collaborating with business partners in Japan and overseas, and promoting market cultivation and business development on a global level.

As for “Develop and secure of human resources and correspond to the work style reform,” further focus has been placed on nurturing internationally active human resources. Also the “project for promoting the adoption of IT” has been launched, and the efficiency of operations is being increased based on the introduction of IT.

In regard to “Strengthen the internal control system and the risk management,” an audit system for the Group has been developed, and business management is being strengthened at the group level.

### Vision

As a business-creating trading company, we provide original services in niche fields globally to make a social contribution.

Net Sales ¥140,000 million	Net Profit ¥1,500 million	ROE 8%
ROA 3%	Equity Ratio 30% or more	Dividend Payout Ratio 25% or more



### Key Measures

1. Expand overseas sales
2. Improve profitability
3. Develop and secure of human resources and correspond to the work style reform
4. Strengthen the internal control system and the risk management

## Review of Operations by Segment

### Textile Materials Division

**Principal merchandise:**

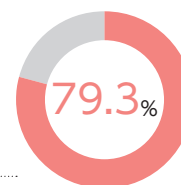
Textile materials,  
Textile fabrics, Legwear /  
Innerwear and Underwear,  
Outerwear, etc.



**Net Sales** ¥109,790 million  
4.3% increase year on year

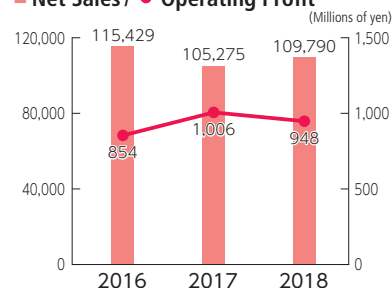
**Operating Profit** ¥948 million  
5.8% decrease year on year

#### Composition of Net Sales



- Overseas sales of highly functional yarns and textiles increased significantly.
- While the business of lingerie and foundation garments was sluggish, OEM sales of innerwear in China increased.
- Exports of fabrics for apparel for the United States and OEM sales of outerwear increased. Meanwhile, import sales of ladies' knit products decreased.

#### Net Sales / Operating Profit



### Industrial Products Division

**Principal merchandise:**

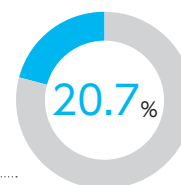
Chemical products,  
Industrial machinery /  
equipment and materials,  
Hobby and lifestyle goods, etc.



**Net Sales** ¥28,697 million  
0.9% increase year on year

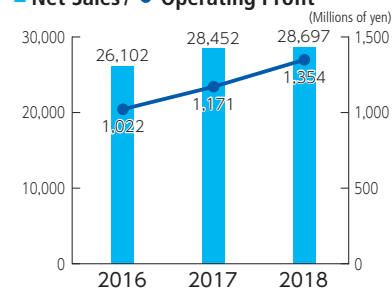
**Operating Profit** ¥1,354 million  
15.6% increase year on year

#### Composition of Net Sales



- Sales of film-related products increased, and sales of coating materials and chemicals for the United States were at about the same level as in the previous year.
- Sales of semiconductor wafers made in China and machinery and equipment were firm.
- Sales of hobby goods and raw materials for cosmetics increased.
- 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



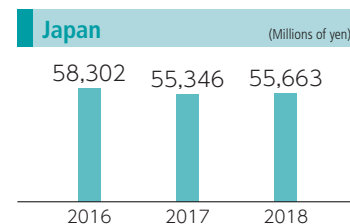
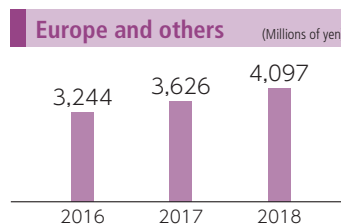
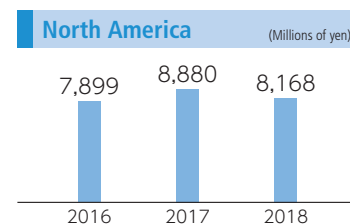
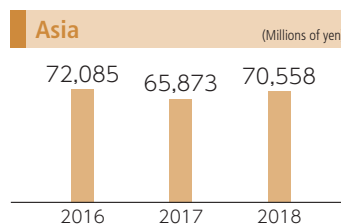
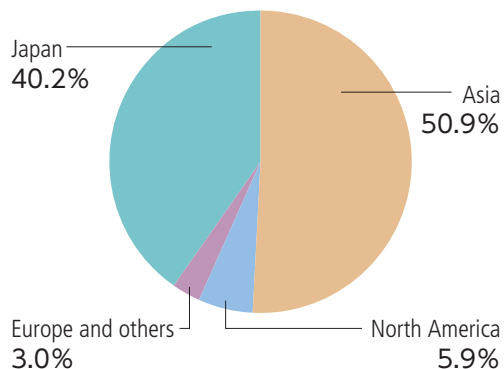
## Net Sales by Region

### Global Network



### Composition of Net Sales by Region

Overseas Sales Ratio **59.8%**



## Balance Sheets (Summary)\*\*

(Millions of yen)

Account title	2017	2018	
	As of March 31, 2018	As of March 31, 2019	
<b>Assets</b>	<b>Current assets</b>	<b>52,087</b>	<b>51,577</b>
	<b>Non-current assets</b>	<b>10,589</b>	<b>10,041</b>
	Property, plant and equipment	4,407	4,466
	Intangible assets	620	520
	Investments and other assets	5,562	5,054
<b>Total assets</b>	<b>62,677</b>	<b>61,618</b>	
<b>Liabilities</b>	<b>Current liabilities</b>	<b>42,895</b>	<b>41,834</b>
	<b>Non-current liabilities</b>	<b>865</b>	<b>791</b>
	<b>Total liabilities</b>	<b>43,760</b>	<b>42,626</b>
<b>Net assets</b>	<b>Shareholders' equity</b>	<b>18,090</b>	<b>18,862</b>
	<b>Accumulated other comprehensive income</b>	<b>826</b>	<b>129</b>
<b>Total net assets</b>	<b>18,916</b>	<b>18,991</b>	
<b>Total liabilities and net assets</b>	<b>62,677</b>	<b>61,618</b>	

### Point ① Assets

Decreased by ¥1,058 million from the previous year-end mainly due to a decline in notes and accounts-receivable-trade

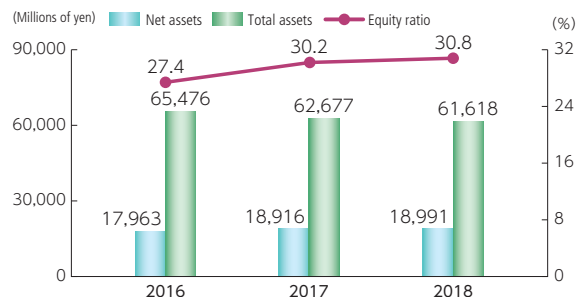
### Point ② Liabilities

Decreased by ¥1,134 million from the previous year-end mainly due to a decline in loans payable

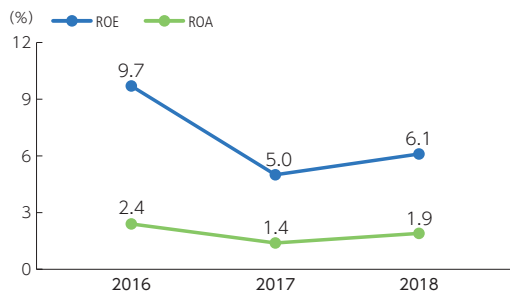
### Point ③ Net assets

Increased by ¥75 million from the previous year-end due to an increase in shareholders' equity resulting from recognition of profit attributable to owners of parent, and in spite of decrease in accumulated other comprehensive income

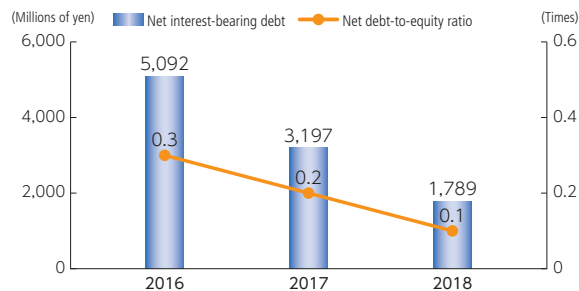
## Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)\*\*



## ROE (%) / ROA (%)\*\*



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



\*\* The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant guidances from Fiscal 2018. The figures for Fiscal 2017 are those after retrospective application.



## Statements of Income (Summary)

(Millions of yen)

Account title	2017	2018
	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019
<b>Net sales</b>	<b>133,727</b>	<b>138,487</b>
Cost of sales	120,603	125,322
<b>Gross profit</b>	<b>13,123</b>	<b>13,165</b>
Selling, general and administrative expenses	11,550	11,481
<b>Operating profit</b>	<b>1,573</b>	<b>1,683</b>
Non-operating income	223	244
Non-operating expenses	294	267
<b>Ordinary profit</b>	<b>1,502</b>	<b>1,661</b>
Extraordinary income	474	52
Extraordinary losses	452	112
<b>Income before income taxes</b>	<b>1,524</b>	<b>1,600</b>
Total income taxes	610	448
<b>Profit attributable to owners of parent</b>	<b>913</b>	<b>1,152</b>

## Statements of Cash Flows (Summary)

(Millions of yen)

Account title	2017	2018
	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019
<b>Cash flows from operating activities</b>	<b>1,394</b>	<b>2,199</b>
<b>Cash flows from investing activities</b>	<b>697</b>	<b>△196</b>
<b>Cash flows from financing activities</b>	<b>△1,846</b>	<b>△2,131</b>
<b>Cash and cash equivalents at the end of period</b>	<b>12,636</b>	<b>12,437</b>

### Point④ Net sales

Increased by ¥4,760 million from the previous year due to a significant increase in overseas sales in Textile Materials Division

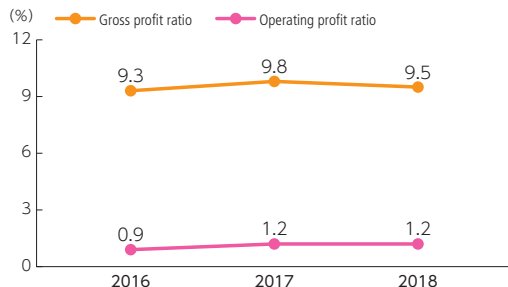
### Point⑤ Operating profit

Increased by ¥110 million from the previous year due to higher gross profit in Industrial Products Division and a decline in selling, general and administrative expenses (logistics costs, personnel expenses, etc.) , and in spite of lower gross profit ratio in Textile Materials Division

### Point⑥ Profit attributable to owners of parent

Increased by ¥238 million from the previous year mainly due to a decline in interest expenses resulting from repayments of loans payable

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



## ■ First-time participation in briefing event for individual investors (“Nomura IR Asset Management Fair 2019”) – Spotlighting growth potential of the Company –

In January this year, the Company participated in the “Nomura IR Asset Management Fair 2019,” which was held at Tokyo International Forum, for the first time.

At the Company’s booth, briefings were given on its company profile, the strengths of its businesses, future business development, dividend policies, and so on. Many individual investors and shareholders visited and questions were received regarding the financial performance and business content of the Company, etc., and as such, the event served as a valuable forum for communication.

Going forward, the Company will continue to proactively develop IR activities and provide investors with information on its growth potential.



At the Company’s booth during a briefing about the Company

## ■ Entry into nail-related market – Start of sales under Company’s own nail-related brand “CON’CELECT” –



Nailbrushes of “CON’CELECT”

The Company launched its own nail-related brand “CON’CELECT” in November last year, and started sales of tools for nail stylist.

For the brand’s first products, nailbrushes, the Company is using silicon for the grips, and this is an industry first. The nailbrushes have been receiving high ratings from nail stylists, who have been providing comments such as, “They are easy to hold,” and “With these nailbrushes, I don’t get tired even when working on nails for long periods of time.”

The Company has been strengthening activities for the expansion of sales, and in April this year, made a decision for product development based on collaboration with Britney TOKYO, a Japanese nail artist who has been garnering much attention in the United States. Going forward, an effort will be made to develop nail polishes and products for individual consumers.

## Company Profile

### Company Profile (as of March 31, 2019)

Company Name	GSI Creos Corporation
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo
Established	October 31, 1931
Capital	¥7,186 million
Employees	561 (Consolidated)
Offices	7 domestic 20 overseas
Consolidated Subsidiaries	8 domestic 7 overseas
Website	<a href="http://www.gsi.co.jp/en">http://www.gsi.co.jp/en</a>

### Directors and Executive Officers (as of June 26, 2019)

#### 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, 2019)

Total number of shares authorized to be issued:	20,000,000 shares
Total number of shares issued:	6,464,971 shares (including 148,875 shares of treasury stock)
Number of shareholders:	5,143

### Major Shareholders (Top 10)

Shareholder	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	932	14.76
MUFG Bank, Ltd.	310	4.92
Japan Trustee Services Bank, Ltd. (Trust Account)	296	4.69
Nippon Life Insurance Company	232	3.69
Toray Industries, Inc.	198	3.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	197	3.13
Mizuho Bank, Ltd.	189	3.00
DFA INTL SMALL CAP VALUE PORTFOLIO	172	2.73
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	118	1.87
Japan Trustee Services Bank, Ltd. (Trust Account 5)	101	1.61

(Note1) The Company owns 148,875 shares of treasury stock, but is excluded from the Major Shareholders above.

(Note2) Shareholding is calculated by excluding 148,875 shares of treasury stock and is rounded off to two decimal places.

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

