



GSI **Creos**

Produce the Future

GSI Creos Corporation

TSE Code: 8101

Business Report for Fiscal 2019

From April 1, 2019 to March 31, 2020

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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 2019

As for the Japanese economy during the year, amid a downward trend regarding exports, corporate earnings started to appear weakened centering on the manufacturing industry, and there was an ongoing situation in which the future direction of the economy was unclear due to factors such as prolonged trade frictions between the United States and China and growing tensions regarding the situation in the Middle East. Furthermore, the global spread of the infectious disease COVID-19 that started at the beginning of 2020, further increased the sense of deceleration regarding the global economy.

Amid this situation, the GSI Creos Group has been working on key measures that were set forth in the three-year mid-term management plan that has Fiscal 2020 as its final year, such as "Expanding overseas sales" and "Improving profitability." Nevertheless, our financial performance for Fiscal 2019 ended up being impacted by irregular weather, which included a warm winter, and the spread of the infectious disease COVID-19. The spread of this infectious disease mainly impacted the Textile Materials Division, and there were disruptions to supply chains,

Outlook for Fiscal 2020

As for the future, it is envisioned that due to the effects of the spread of the infectious disease COVID-19, there will be a global drop in consumption, a deceleration of production activities, and other outcomes, and it is thus expected that the global economy will significantly slow down and there will be an ongoing harsh business environment.

Amid this environment, we shall steadily implement measures for the achievement of the targets set forth in our mid-term management plan (2018-2020), and shall move forward with strengthening our revenue base and improving our financial standing. Nevertheless, amid the uncertainty regarding future trends related to the global economy, it will be difficult to forecast our business results.

Return to Shareholders

GSI Creos shall position the returning of profits to shareholders as a key policy for management. And we have basic policies of returning profits to shareholders in a steady and continuous manner, and aiming for a dividend payout ratio of 25% or more.

Based on these policies, at a meeting of the Board of Directors held on May 15, 2020, it was decided that the dividend for Fiscal 2019 would be made ¥45 per share (payout ratio of 28.2%), ¥5 higher than the dividend for Fiscal 2018.

which included production delays and the stalling of logistics in China.

As for business results during the year, net sales decreased by ¥22,938 million, or 16.6%, from the previous year to ¥115,548 million. Gross profit decreased by ¥780 million, or 5.9%, from the previous year to ¥12,384 million; operating profit decreased by ¥492 million, or 29.2%, from the previous year to ¥1,191 million; ordinary profit decreased by ¥447 million, or 26.9%, from the previous year to ¥1,213 million; and profit attributable to owners of parent decreased by ¥143 million, or 12.4%, from the previous year to ¥1,008 million.

Financial Performance for Fiscal 2019

Net Sales	¥115,548 million	16.6% decrease year on year
Operating Profit	¥1,191 million	29.2% decrease year on year
Ordinary Profit	¥1,213 million	26.9% decrease year on year
Profit Attributable to Owners of Parent	¥1,008 million	12.4% decrease year on year

As such, while in Fiscal 2020 we will aim to increase sales and profits relative to Fiscal 2019, we will promptly announce our forecast for consolidated results in Fiscal 2020 once it becomes possible to make a reasonable prediction.

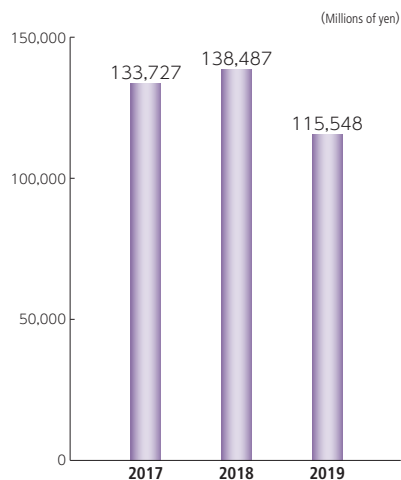
In regard to the COVID-19 infectious disease, the GSI Creos Group will place top priority on the safety of all employees and related personnel, and work hard to prevent the spread of the disease in accordance the policies and guidelines of governments. We will also continue to work on the formulation of measures to respond to prolonged spreading of the disease, and preparations for promptly taking action once the situation has come to an end.

As for the dividend in Fiscal 2020, the aim will be to make the dividend per share the same as or higher than that in Fiscal 2019, and an announcement of this together with a forecast of results will be made, once a reasonable consolidated forecast of results that can serve as a premise for the dividend has been determined.

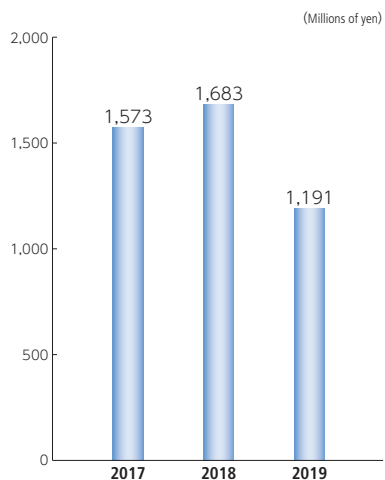
In February this year, GSI Creos acquired 64,700 shares of treasury stock at an acquisition cost of about ¥79 million as part of shareholder return.

Financial Performance

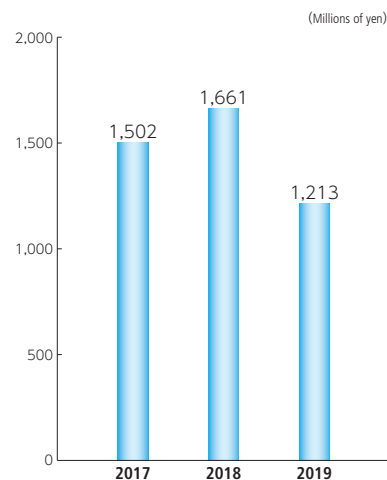
Net Sales



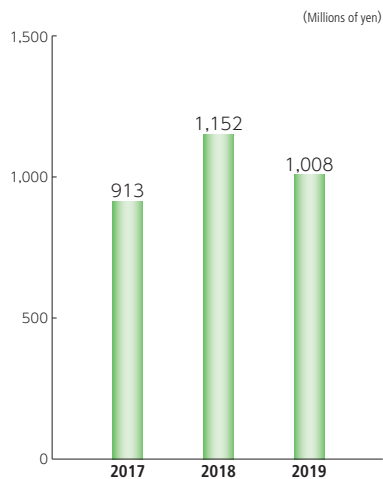
Operating Profit



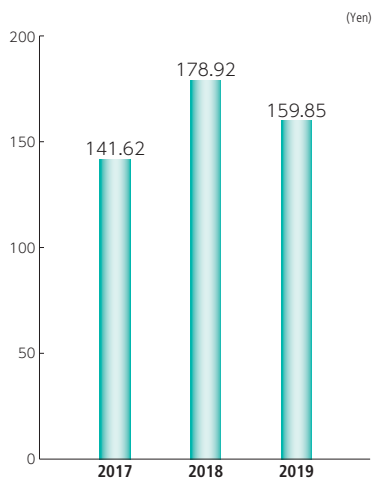
Ordinary Profit



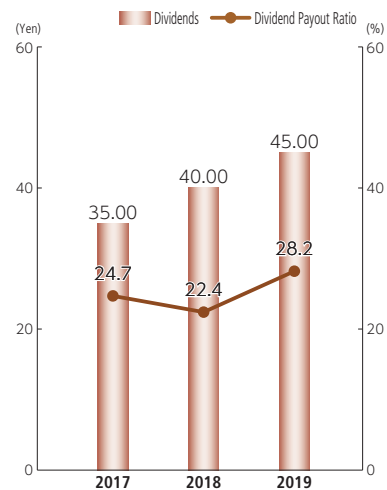
Profit Attributable to Owners of Parent



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 Fiscal 2019 (the second year of the plan) is covered below.

As for “Expand overseas sales,” collaboration between GSI Creos bases across the world was further deepened, and in both the Textile Materials Division and the Industrial Products Division, an effort was made to strengthen sales structures throughout the group. An example in this regard is the business of “fabrics for outerwear,” which makes use of high value-added materials made in Japan, and GSI Creos has been focusing on this business in recent years while targeting the Chinese market. In this business, GSI Creos and multiple companies of the group in China have been collaborating, and have been steadily moving forward with developing products, carrying out production and sales, and building business foundations for sales expansion.

In regard to “Improve profitability,” the Textile Materials Division has been continuing to steadily carry 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 companies of the GSI Creos Group and business partner companies in Japan and overseas. The Industrial Products Division has been carrying out business partnerships and capital partnerships aimed at boosting business value, and has been implementing initiatives such as the commercialization of biodegradable plastic with the aim of “expanding environment-related businesses.” The Nanotechnology Department has been deepening collaboration with business partners in Japan and overseas, and has been 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,” education and training systems have been organized with the aim of cultivating global human resources and professional human resources, and systems have been developed that make it possible to carry out human-resource education and development more

thoroughly than in the past. In addition, the efficiency of operations is being increased based on the introduction of IT, and an ongoing effort is being made to strengthen management foundation through the utilization of IT.

In regard to “Strengthen the internal control system and the risk management,” the audit system for the GSI Creos Group that was improved in Fiscal 2018 and the internal control system of GSI Creos are being appropriately operated, and an effort is being made to strengthen the governance and the risk management.

Vision

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



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:

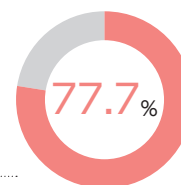
Textile materials,
Textile fabrics, Legwear /
Innerwear and Underwear,
Outerwear, etc.



Net Sales ¥89,782 million
18.2% decrease year on year

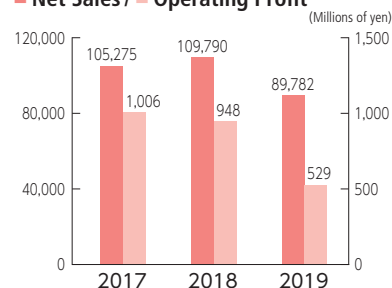
Operating Profit ¥529 million
44.2% decrease year on year

Composition of Net Sales



- Overseas sales of highly functional yarns and textiles for innerwear, and sales of processed yarns for pantyhose and tights decreased.
- OEM sales of innerwear slightly decreased in China, and sales of ladies' lingerie and foundation garments were sluggish.
- Export sales of fabrics for outerwear for Europe and the United States, and sales of outerwear increased.

Net Sales / Operating Profit



Industrial Products Division

Principal merchandise:

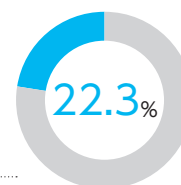
Chemical products,
Industrial machinery /
equipment and materials,
Hobby and lifestyle goods, etc.



Net Sales ¥25,766 million
10.2% decrease year on year

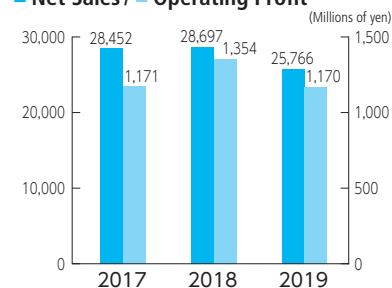
Operating Profit ¥1,170 million
13.6% decrease year on year

Composition of Net Sales



- While sales of coating materials increased, sales of film-related products and sales of chemical products in the United States were sluggish.
- Business of biodegradable plastic, which was started in Fiscal 2018 with a view to "expanding environment-related business," was firm.
- Sales of semiconductor wafers made in China, and machinery and equipment decreased.
- Sales of hobby goods increased centering on export sales, and sales of cosmetic raw materials were firm.
- In the nanotechnology business, GSI Creos 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



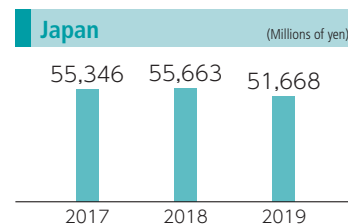
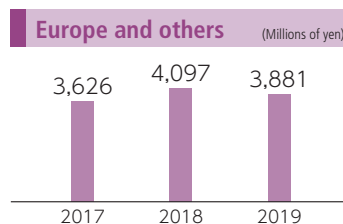
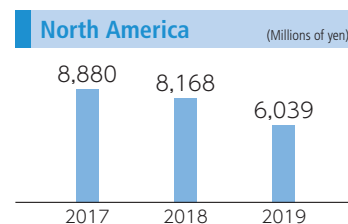
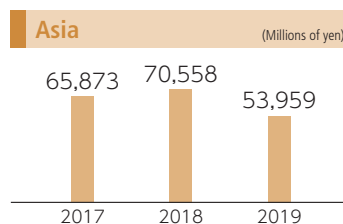
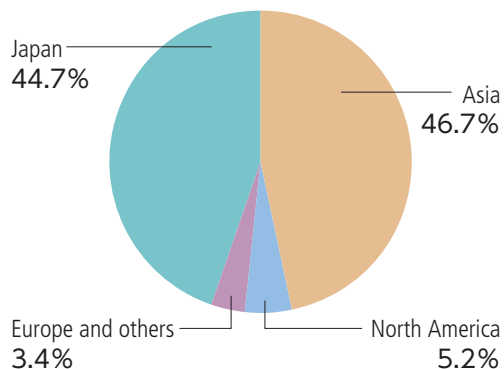
Net Sales by Region

Global Network



Composition of Net Sales by Region

Overseas Sales Ratio **55.3%**



Consolidated Financial Statements

Balance Sheets (Summary)

(Millions of yen)

Account title	2018	2019	
	As of March 31, 2019	As of March 31, 2020	
Assets	Current assets	51,577	48,258
	Non-current assets	10,041	10,273
	Property, plant and equipment	4,466	4,425
	Intangible assets	520	463
	Investments and other assets	5,054	5,384
Total assets	61,618	58,532	
Liabilities	Current liabilities	41,834	38,599
	Non-current liabilities	791	739
	Total liabilities	42,626	39,339
Net assets	Shareholders' equity	18,862	19,550
	Accumulated other comprehensive income	129	△357
Total net assets	18,991	19,193	
Total liabilities and net assets	61,618	58,532	

Point ①
Total assets

Decreased by ¥3,085 million from the previous year-end due to a decline in notes and accounts receivable-trade, etc.

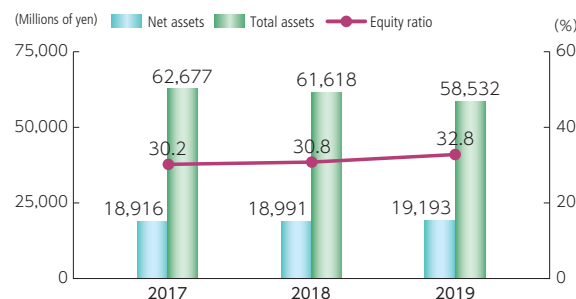
Point ②
Liabilities

Decreased by ¥3,287 million from the previous year-end due to a decline in notes and accounts payable-trade, etc.

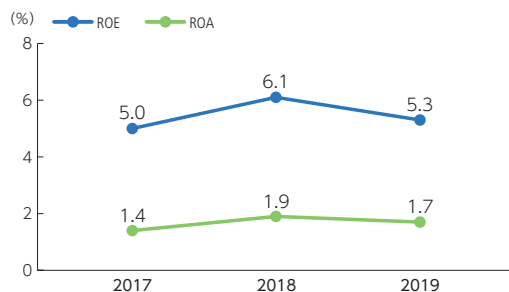
Point ③
Net assets

Increased by ¥201 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

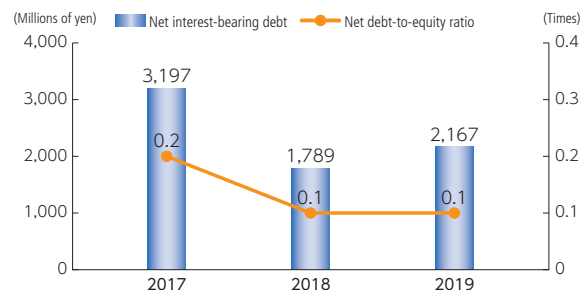
Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



ROE (%) / ROA (%)



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



Statements of Income (Summary)

(Millions of yen)

Account title	2018	2019
	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020
Net sales	138,487	115,548
Cost of sales	125,322	103,164
Gross profit	13,165	12,384
Selling, general and administrative expenses	11,481	11,193
Operating profit	1,683	1,191
Non-operating income	244	297
Non-operating expenses	267	275
Ordinary profit	1,661	1,213
Extraordinary income	52	42
Extraordinary losses	112	11
Income before income taxes	1,600	1,245
Total income taxes	448	236
Profit attributable to owners of parent	1,152	1,008

Statements of Cash Flows (Summary)

(Millions of yen)

Account title	2018	2019
	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020
Cash flows from operating activities	2,199	913
Cash flows from investing activities	△196	△828
Cash flows from financing activities	△2,131	△577
Cash and cash equivalents at the end of period	12,437	11,899

Point④ Net sales

Decreased by ¥22,938 million from the previous year due to irregular weather, which included a warm winter, and the spread of the infectious disease COVID-19

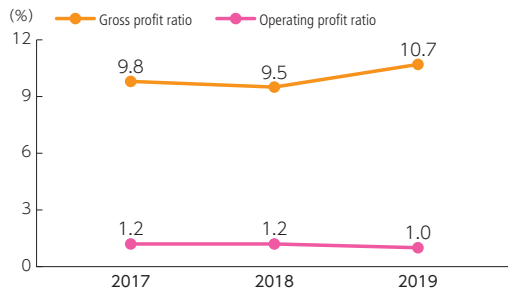
Point⑤ Operating profit

Decreased by ¥492 million from the previous year due to decrease in net sales

Point⑥ Profit attributable to owners of parent

Decreased by ¥143 million from the previous year mainly due to decrease in operating profit, and in spite of improvement regarding extraordinary income and losses, and decrease in tax expenses

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



Start of supply of medical gowns and protective suits, and masks to administrative organs and local governments – Aiming to quickly bring end to spread of COVID-19 infectious disease –

With a view to helping bring an end to the spread of the infectious disease COVID-19 as soon as possible, GSI Creos started supplying medical gowns and protective suits, and KN95 masks to administrative organs and local governments in May this year.

All of these products are produced in China in accordance with standards for quality. GSI Creos has been securing factories that are licensed for the production of medical products in China by making use of its expansive network in the country, and know-how that has been accumulated at the Textile Materials Division is being utilized in order to offer products that have high quality and functionality.

In the time up to September this year, there are plans to supply 10 million medical gowns, 50,000 medical protective suits, and 100,000 KN95 masks, and through these activities, GSI Creos will help to eliminate shortages of medical goods.



Medical gowns (left) and KN95 masks (right) that GSI Creos has been supplying

Joint development of biodegradable-plastic shopping bags, etc. by GSI Creos and Toppan Printing – Aiming for reduction of plastic waste –



Shopping bags, garbage bags, and cutlery that were developed on this occasion

In December last year, GSI Creos and Toppan Printing Co., Ltd. (hereinafter “Toppan Printing”) developed shopping bags made from biodegradable plastic that are decomposed into water and carbon dioxide by microorganisms when buried underground, and thus are expected to be effective for curbing the generation of waste.

The material of these bags is “Mater-Bi” (see note), a resin that is supplied by GSI Creos and has outstanding biodegradability. Success in commercializing this material was achieved by utilizing the information of GSI Creos regarding materials and the manufacturing-technology capabilities and development capabilities of Toppan Printing related to film manufacturing and molding. The aim will be to replace conventional plastic shopping bags, which are made from oil, with the new shopping bags that are easily decomposed in the natural environment, and to make the new bags commonplace at convenience stores and so on.

Going forward, in order to contribute to the reduction of plastic waste, GSI Creos will continue to focus on the development of various products made with Mater-Bi, while strengthening collaboration with domestic production partners.

(Note) This is produced by the major European biodegradable plastic manufacturer Novamont S.p.A. (Italy). It is the most commonly used biodegradable plastic in Europe and the United States.

Company Profile

Company Profile (as of March 31, 2020)

Company Name	GSI Creos Corporation		
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo		
Established	October 31, 1931		
Capital	¥7,186 million		
Employees	656 (Consolidated)		
Offices	7 domestic	20 overseas	
Consolidated Subsidiaries	8 domestic	7 overseas	
Website	http://www.gsi.co.jp/en		

Directors and Executive Officers (as of June 26, 2020)

Directors

Representative Director	Tadaaki Yoshinaga*	<Audit and Supervisory Committee Members>	
Director	Masateru Nakayama*	Director,	
Director	Fumihiro Onishi*	Full-time Audit and	Yasushi Araki
Director	Hiroki Nishimura*	Supervisory Committee	Member
Outside Director	Kazunori Hattori	Outside Director,	Takafumi Hayano
		Audit and Supervisory	Committee Member
		Outside Director,	Yoshie Kato
		Audit and Supervisory	Committee Member

*Concurrently serve as Executive Officers

Executive Officers

President and CEO	Tadaaki Yoshinaga	Executive Officer	Kunihiro Ono
Senior Managing Executive Officer	Masateru Nakayama	Executive Officer	Tsutomu Hada
Managing Executive Officer	Fumihiro Onishi	Executive Officer	Yuichi Tamura
Managing Executive Officer	Kazuo Niimi	Executive Officer	Hiroaki Takebuchi
Executive Officer	Hiroki Nishimura	Executive Officer	Akinori Hamano
		Executive Officer	Takashi Yanagisawa
		Executive Officer	Taijiro Uemura
		Executive Officer	Koji Ohga

Shares (as of March 31, 2020)

Total number of shares authorized to be issued:	20,000,000 shares
Total number of shares issued:	6,464,971 shares (including 204,402 shares of treasury stock)
Number of shareholders:	5,436

Major Shareholders (Top 10)

Shareholder	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	932	14.89
Nippon Life Insurance Company	232	3.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	226	3.62
Toray Industries, Inc.	198	3.17
MUFG Bank, Ltd.	189	3.03
Mizuho Bank, Ltd.	189	3.03
DFA INTL SMALL CAP VALUE PORTFOLIO	143	2.30
The Hokkoku Bank, Ltd.	136	2.17
Japan Trustee Services Bank, Ltd. (Trust Account)	118	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	100	1.61

(Note1) The Company owns 204,402 shares of treasury stock, but is excluded from the Major Shareholders above.

(Note2) Shareholding is calculated by excluding 204,402 shares of treasury stock and is rounded off to two decimal places.

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

