

Business Report for Fiscal 2016

From April 1, 2016 to March 31, 2017



Produce
The Future



GSI Creos Corporation

Financial Performance for Fiscal 2016

During fiscal 2016, the Japanese economy showed a moderate trend of recovery. However, various uncertainties have arisen regarding the future outlook, including fears of a downside impact on the overseas economy from slowdown in the Chinese and other emerging economies and from the UK's decision to leave the EU, and significant changes in the financial capital markets from expectations for the policies of the new U.S. administration.

Under these circumstances, in fiscal 2016, net sales decreased by ¥10,107 million or 6.7% to ¥141,532 million compared with the previous year. Gross profit decreased by ¥504 million or 3.7% to ¥13,153 million, operating income increased by ¥81 million or 6.6% to ¥1,309 million. Ordinary income increased by ¥131 million or 13.5% to ¥1,107 million and profit attributable to owners of parent increased by ¥885 million or 118.2% to ¥1,634 million.

Financial Performance for Fiscal 2016

Net Sales	¥141,532 million	6.7% decrease year on year
Operating Income	¥1,309 million	6.6% increase year on year
Ordinary Income	¥1,107 million	13.5% increase year on year
Profit Attributable to Owners of Parent	¥1,634 million	118.2% increase year on year

Outlook for Fiscal 2017

As for the future business environment, although anticipating the currently persisting economic uncertainty to continue, the Group will strengthen its revenue base and improve its financial standing with its key policies, aiming to expand overseas business and improve profitability.

Earnings Forecast for Fiscal 2017

Net Sales	¥135,000 million
Operating Income	¥1,400 million
Ordinary Income	¥1,200 million
Profit Attributable to Owners of Parent	¥800 million

Dividends

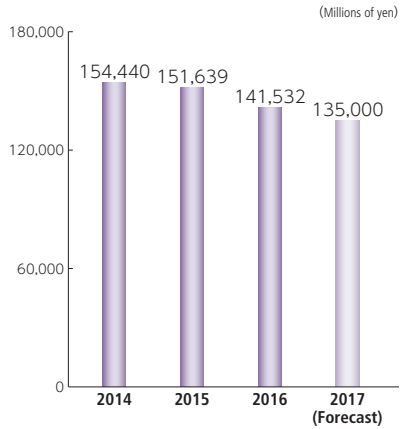
The Company, recognizing that the return of profit to its shareholders is a key management priority, maintains a basic policy of paying stable dividends based on financial performance while working to increase our internal reserves mainly for investment needed for future business expansion.

In accordance with this policy, the Company paid an annual dividend of ¥3 per share, which is ¥1 higher than for the previous fiscal year.

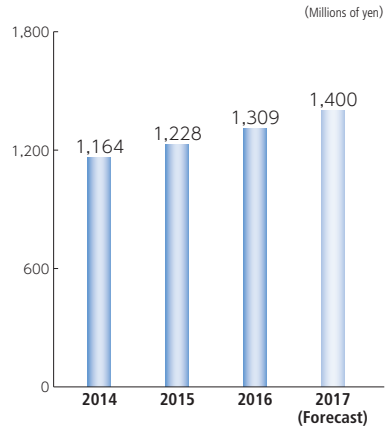
Also, regarding dividends in the next fiscal year, we are planning to offer an annual dividend of ¥3 per share.

Financial Performance

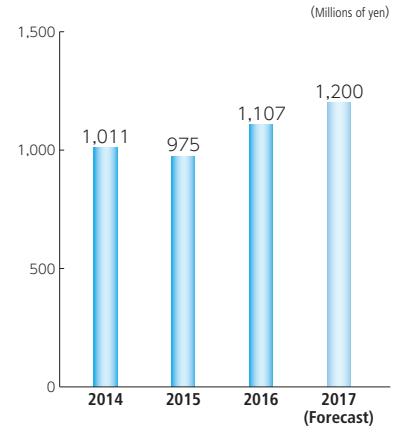
Net Sales



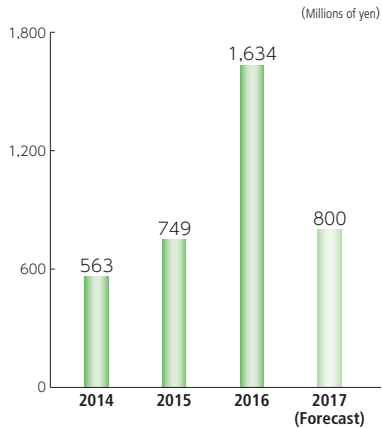
Operating Income



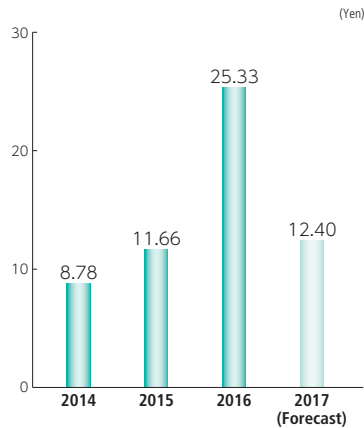
Ordinary Income



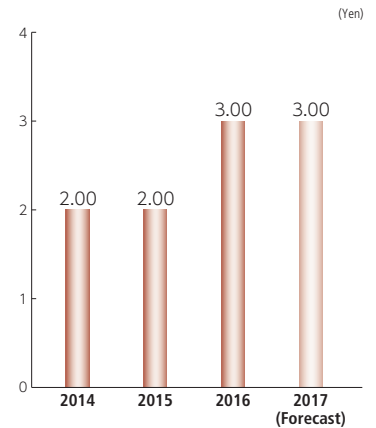
Profit Attributable to Owners of Parent



Net Income Per Share



Dividends



Review of Operations by Segment

Textile Materials Division

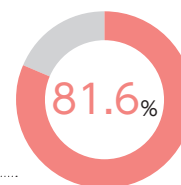
Principal merchandise:

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



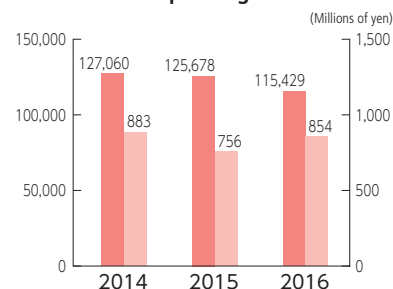
Net Sales	¥115,429 million
	8.2% decrease year on year
Operating Income	¥854 million
	13.0% increase year on year

Composition of Sales



- Sales of underwear and pantyhose, etc. declined significantly due to the transfer of part of its business at the end of September 2016. Sales of highly functional yarns and textiles for innerwear also dropped significantly owing to the strong yen. Regarding socks as well, sales reduced as a result of withdrawing from low margin transactions. On the other hand, sales of lingerie and foundation garments, which are originally designed, increased, and its profitability improved. Innerwear OEM business also increased sales.
- Exports of fabrics for outerwear to U.S., Europe and Asia declined, but outerwear OEM business was firm in ladies' products. The ladies' apparel business struggled to increase sales.

Net Sales / Operating Income



Industrial Products Division

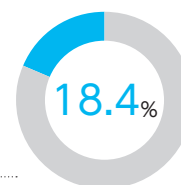
Principal merchandise:

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



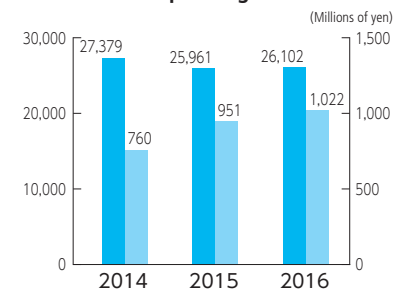
Net Sales	¥26,102 million
	0.5% increase year on year
Operating Income	¥1,022 million
	7.5% increase year on year

Composition of Sales



- Sales of additives for resins for U.S., Europe and Asia increased. Sales of films, however, decreased due to the depressed market, and sales of raw materials for cosmetics also declined.
- Hobby goods proceeded firmly.
- In the nanotechnology business, a new company has been incorporated jointly with Takenaka Seisakusho Co., Ltd. in the United Arab Emirates. This new company offers special coating services based on the well-advanced paint system having ultra-high anti-corrosion performance with tremendous mechanical properties on any kind of metallic parts for Oil and Gas plants in the Middle East countries.

Net Sales / Operating Income



■ Began sales of the U.S. underwear brand Robert P. Miller — Trademark acquisition by Amano Co., Ltd. —

Amano Co., Ltd., a consolidated subsidiary of the Company, acquired the trademark for the well-established underwear brand Robert P. Miller in January 2017 through the Company's U.S. subsidiary, and began designing, producing and selling products with the brand name in the Japanese market.

A feature of this brand is that it is carefully woven together with a unique manufacturing method called "panel rib," using thread made from high-quality U.S. cotton. Even in Japan, it is favored by many people because it is soft to the touch and comfortable to wear, and it is considered a mainstay of American casual fashion.

Amano Co., Ltd. is working to expand sales of the Robert P. Miller brand in cooperation with the Company's Textile Materials Division, and by designing, producing and distributing products that match the Japanese market.

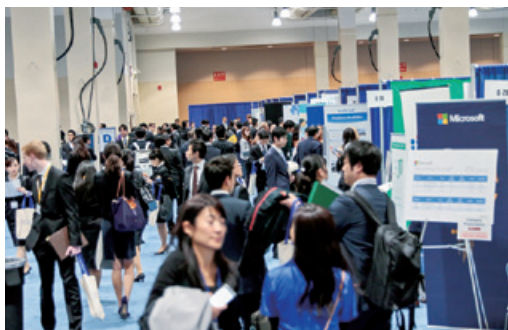
Amano Co., Ltd. is selling items for men such as T-shirts, which the brand is well known for, boxer shorts and socks. They plan to expand the line-up to include casual innerwear and products for women.



Licensed products from the Robert P. Miller brand

■ Participated in the Boston Career Forum, a career fair geared toward Japanese-English bilinguals — Committed to recruiting global personnel —

In November 2016, the Company participated in the Boston Career Forum, one of the world's largest career fair geared toward Japanese-English bilinguals, which is held in Boston, and gave a presentation about the Company.



At Boston Career Forum

Under the policy of thoroughly increasing "worldwide earnings power," the Company, which is promoting expansion of overseas business, has participated in this event for two consecutive years since 2015, and is engaged in hiring activities targeting Japanese students studying abroad. The Company is committed to recruiting global personnel through mid-career recruitment not limited to Japanese, the aforementioned hiring activities and by hiring new graduates in Japan.



At the Company's booth during a presentation about the Company

Consolidated Financial Statements

Balance Sheets (Summary)

(Millions of yen)

Account title	2016	2015
	As of March 31, 2017	As of March 31, 2016
Assets		
Current assets	54,308	58,066
Non-current assets	11,168	10,140
Property, plant and equipment	4,237	3,646
Intangible assets	742	813
Investments and other assets	6,189	5,680
Total assets	65,476	68,206
Liabilities		
Current liabilities	46,292	50,992
Non-current liabilities	1,220	1,305
Total liabilities	47,513	52,297
Net assets		
Shareholders' equity	17,346	15,718
Accumulated other comprehensive income	616	190
Total net assets	17,963	15,908
Total liabilities and net assets	65,476	68,206

Main Points of Balance Sheets (Summary)

Assets

Assets decreased by ¥2,729 million from the previous fiscal year-end mainly due to decreases in notes and accounts receivable-trade and merchandise.

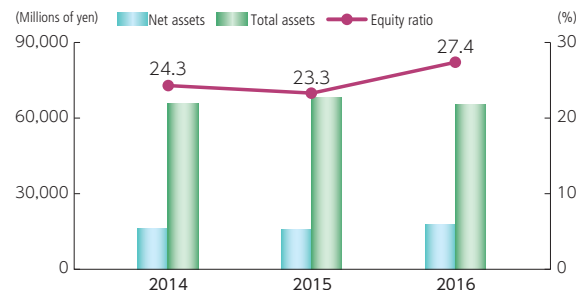
Liabilities

Liabilities decreased by ¥4,783 million from the previous fiscal year-end mainly due to a decrease in notes and accounts payable-trade.

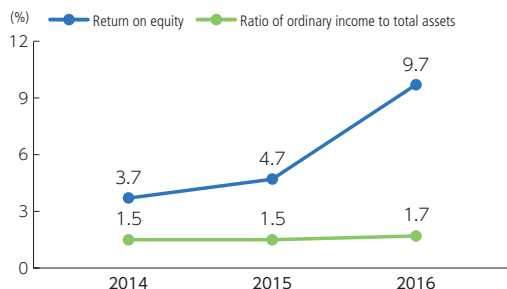
Net assets

Net assets increased by ¥2,054 million from the previous fiscal year-end mainly due to an increase in shareholders' equity as a result of recognition of profit attributable to owners of parent.

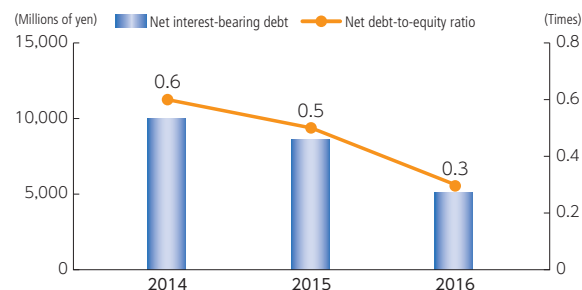
Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



Return on Equity (%) / Ratio of Ordinary Income to Total Assets (%)



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



Statements of Income (Summary)

(Millions of yen)

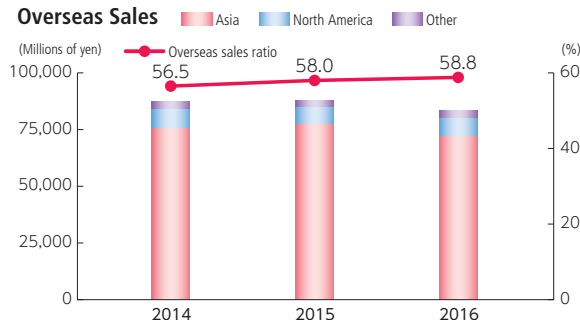
Account title	2016	2015
	From April 1, 2016 to March 31, 2017	From April 1, 2015 to March 31, 2016
Net sales	141,532	151,639
Cost of sales	128,379	137,982
Gross profit	13,153	13,657
Selling, general and administrative expenses	11,843	12,428
Operating income	1,309	1,228
Non-operating income	203	161
Non-operating expenses	405	414
Ordinary income	1,107	975
Extraordinary income	1,954	636
Extraordinary loss	710	658
Income before income taxes	2,351	953
Total income taxes	716	203
Profit attributable to non-controlling interests	—	0
Profit attributable to owners of parent	1,634	749

Statements of Cash Flows (Summary)

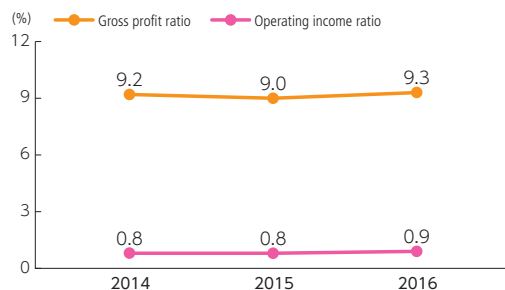
(Millions of yen)

Account title	2016	2015
	From April 1, 2016 to March 31, 2017	From April 1, 2015 to March 31, 2016
Cash flows from operating activities	165	1,344
Cash flows from investing activities	3,428	611
Cash flows from financing activities	△264	△1,261
Cash and cash equivalents at the end of period	12,371	9,037

Overseas Sales



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



Main Points of Statements of Cash Flows (Summary)

Cash flows from operating activities

Cash flows provided by operating activities was ¥165 million mainly due to a decrease in notes and accounts receivable-trade.

Cash flows from investing activities

Cash flows provided by investing activities was ¥3,428 million mainly due to proceeds from sales of property, plant and equipment.

Cash flows from financing activities

Cash flows used in financing activities was ¥264 million mainly due to repayments of lease obligations.

Company's Profile

Company's Profile (as of March 31, 2017)

Company Name	GSI Creos Corporation	
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo	
Established	October 31, 1931	
Capital	¥7,186 million	
Employees	569 (Consolidated)	
Offices	7 domestic	17 overseas
Consolidated Subsidiaries	8 domestic	8 overseas
Website	http://www.gsi.co.jp/en	

Directors and Executive Officers (as of June 29, 2017)

Directors

Representative Director, President and CEO	Koji Nakashima
Managing Director, Managing Executive Officer	Yasuhiko Matsushita
Managing Director, Managing Executive Officer	Tadaaki Yoshinaga
Managing Director, Managing Executive Officer	Masateru Nakayama
Director, Executive Officer	Yasushi Araki
Director, Executive Officer	Kazuo Niimi
Director, Executive Officer	Fumihiro Onishi
Outside Director	Noriyoshi Iwata

<Audit and Supervisory Committee Members>

Director	Mikio Asano
Outside Director	Hiroyoshi Kanai
Outside Director	Yoshihiro Goto

(Note) Mikio Asano is a Full-time Audit and Supervisory Committee Member.

Executive Officers

Koichi Miyazaki	Nobuaki Matsuo	Hiroki Nishimura
Koji Ohga	Masahiko Morita	Keita Suzuki

Shares (as of March 31, 2017)

Total number of shares authorized to be issued:	200,000,000 shares
Total number of shares issued:	64,649,715 shares (including 123,824 shares of treasury stock)
Number of shareholders:	5,623

Major Shareholders (Top 10)

Shareholder's name	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	9,321	14.45
Mizuho Bank, Ltd.	3,182	4.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,172	4.92
Nippon Life Insurance Company	2,328	3.61
Toray Industries, Inc.	1,982	3.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,594	2.47
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,084	1.68
Japan Trustee Services Bank, Ltd. (Trust Account)	1,067	1.65
Japan Trustee Services Bank, Ltd. (Trust Account 1)	919	1.42
Japan Trustee Services Bank, Ltd. (Trust Account 5)	890	1.38

(Note) Shareholding is calculated by excluding 123,824 shares of treasury stock and rounded off to two decimal places.

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

