

Business Report for Fiscal 2015

From April 1, 2015 to March 31, 2016



Produce
The Future



GSI Creos Corporation

Financial Performance for Fiscal 2015

During fiscal 2015, the Japanese economy continued to be in a moderate recovery trend. However, prospects remained uncertain, mainly because of a lagging recovery in personal consumption, negative effects on corporate earnings due to the continued sharp appreciation of the yen after the turn of the year, and concerns over economic decline overseas due to slower growth in the emerging countries, notably China.

Under these circumstances, in fiscal 2015, net sales decreased by ¥2,800 million or 1.8% to ¥151,639 million compared with the previous year. Gross profit decreased by ¥590 million or 4.1% to ¥13,657 million, operating income increased by ¥64 million or 5.5% to ¥1,228 million. Ordinary income decreased by ¥36 million or 3.6% to ¥975 million and profit attributable to owners of parent increased by ¥185 million or 32.9% to ¥749 million.

Financial Performance for Fiscal 2015

Net Sales	¥151,639 million	1.8% decrease year on year
Operating Income	¥1,228 million	5.5% increase year on year
Ordinary Income	¥975 million	3.6% decrease year on year
Profit Attributable to Owners of Parent	¥749 million	32.9% increase year on year

Outlook for Fiscal 2016

Looking ahead to 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 by thoroughly securing profit margins and managing risks in all businesses, with expanding overseas business and improving profitability positioned as its key policies.

(Vision for 2020)

Aiming to move in the direction of growth, the Group has set the vision for 2020 as “We will contribute to society as a business-creating trading company that globally provides original functions to niche fields.”

Following this vision, we will accelerate our efforts to select and concentrate on core businesses while increasing our “worldwide earnings power.”

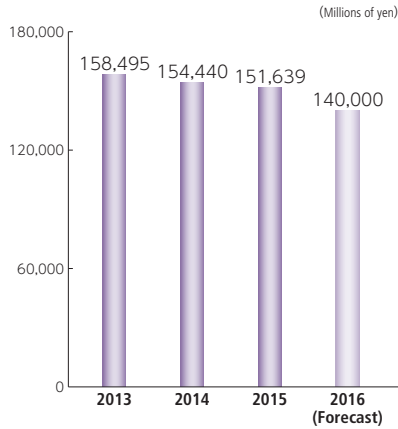
* Niche fields refers to the merchandise or the businesses that the Group is an unrivaled specialist in and that manufacturers find it difficult to be directly engaged in.

Earnings Forecast for Fiscal 2016

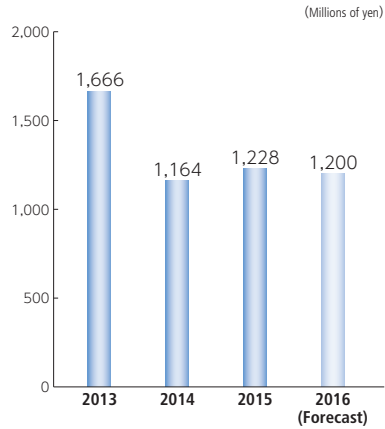
Net Sales	¥140,000 million
Operating Income	¥1,200 million
Ordinary Income	¥1,000 million
Profit Attributable to Owners of Parent	¥1,000 million

Financial Performance

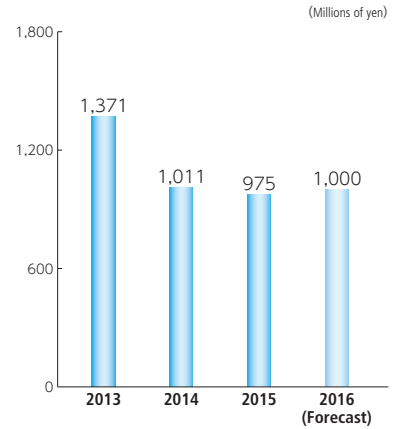
Net Sales



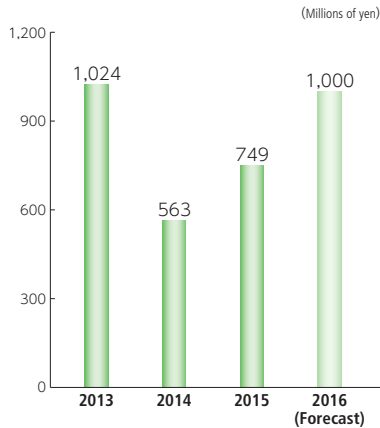
Operating Income



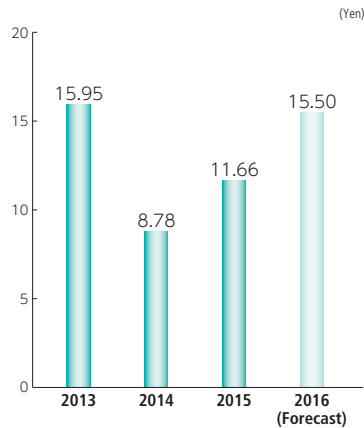
Ordinary Income



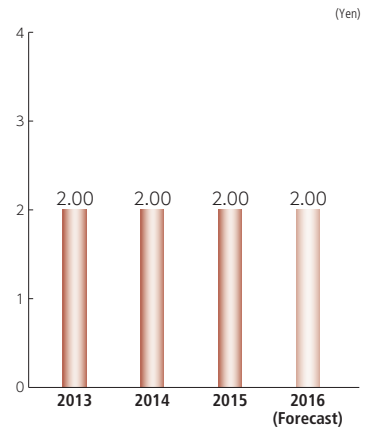
Profit Attributable to Owners of Parent



Net Income Per Share



Dividends



Review of Operations by Segment

Textile Materials Division

Principal merchandise:

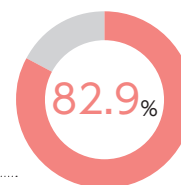
Textile materials,
Textile fabrics, Legwear /
Innerwear and Underwear,
Outerwear, etc.



Net Sales ¥125,678 million
1.1% decrease year on year

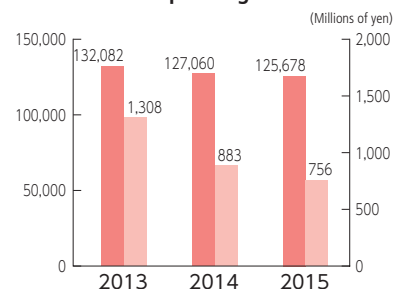
Operating Income ¥756 million
14.5% decrease year on year

Composition of Sales



- In the innerwear business, although sales increased for highly functional yarn and textiles, the profit margin for them dropped. OEM business of lingerie and foundation garments, which are originally designed, declined. Regarding socks as well, imports reduced as a result of withdrawing from low margin transactions.
- In the outerwear business, fabrics exports for US apparel proceeded firmly and OEM trade of textile products grew for both outdoor and ladies. On the other hand, the ladies' apparel business struggled to increase sales.

Net Sales / Operating Income



Industrial Products Division

Principal merchandise:

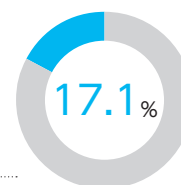
Chemical products,
Industrial machinery /
equipment and materials,
Hobby and lifestyle goods, etc.



Net Sales ¥25,961 million
5.2% decrease year on year

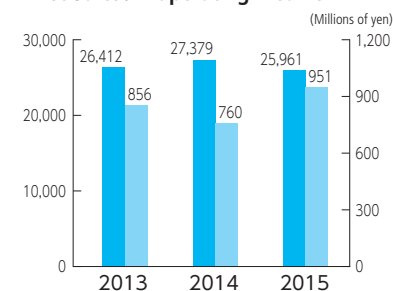
Operating Income ¥951 million
25.1% increase year on year

Composition of Sales



- Regarding semiconductor parts, the volume of wafers sales declined due to the depressed market. Sales of scientific instruments were at the same level as the previous fiscal year.
- Exports of additives for coatings and resins for the US, Europe, and Asia were strong while trade for chemical products for application in semiconductors in the US and sales of raw materials for cosmetics were firm. Sales of films, however, decreased due to intensified competition.
- Regarding hobby goods, paints and painting implements for plastic models proceeded firmly.
- In the nanotechnology business, we will aim to promptly make the business profitable in the fields of paint & coatings materials, advanced composite materials, and fuel cells.

Net Sales / Operating Income



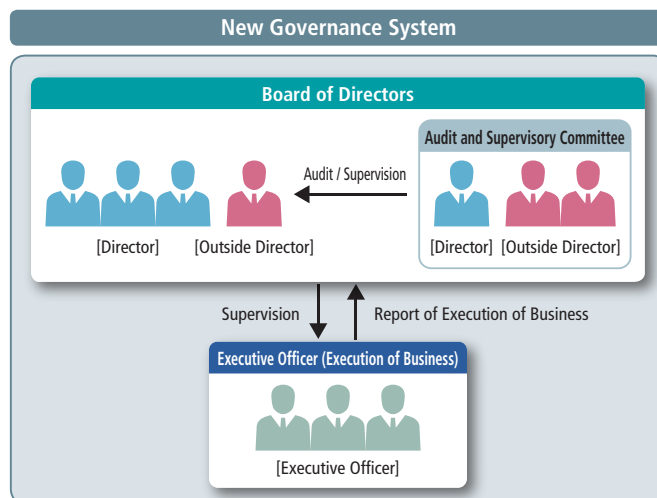
Transition to a Company with an Audit and Supervisory Committee and Introduction of the Executive Officer System — Toward further strengthening of the corporate governance system —

On June 29 this year, the Company, aiming to further strengthen the corporate governance system, transitioned to a “Company with an Audit and Supervisory Committee” and introduced the “Executive Officer System.”

Under this new governance system, the Company will realize “speedy and efficient decision making” and “a flexible and strategic management structure” by further strengthening the supervisory function of the Board of Directors, which will be accomplished by appointing Audit and Supervisory Committee Members who are Directors, in addition to separating the business execution function from the decision making and supervisory functions as a result of introducing the Executive Officer System.

Key features of a Company with an Audit and Supervisory Committee

- The Audit and Supervisory Committee consists of three or more Directors who are Audit and Supervisory Committee Members (term of office: 2 years; the majority of members are Outside Directors).
- The committee has the right to state opinions concerning the nomination and remuneration, etc. of Directors at the General Meeting of Shareholders.
- The committee can delegate the decision for important business execution to Directors.



Exhibited at the “Neo Functional Material 2016,” a Comprehensive Exhibition of Functional Materials — Aiming to be the top of the global niche market in the field of additives for coatings, inks, and adhesives —

This January, the Company exhibited European and US additives for coatings, inks, and adhesives at the “Neo Functional Material 2016,” a comprehensive exhibition of functional materials held at Tokyo Big Sight.



The Company's exhibition booth

Visitors responded well, as expected, to various products that performed superior functions such as improved anticorrosive and water-repellent properties. In particular, the US additives received much attention. These additives improve adhesion properties of coatings on various substrates (wood, metal or plastic, etc.).

The Company, which has focused on the export of Japanese additives up until now, plans to deepen ties with its overseas subsidiaries to accelerate the expansion of sales channels to the world market. At the same time, the Company aims to be the top of the global niche market in the field of additives for coatings, inks, and adhesives by expanding sales of innovative products from all over the world in the Japanese market.



Spotlighted products:
Additives manufactured by Chartwell International, Inc. (US)

Consolidated Financial Statements

Balance Sheets (Summary)

(Millions of yen)

Account title	2015	2014
	As of March 31, 2016	As of March 31, 2015
Assets		
Current assets	58,066	54,331
Non-current assets	10,140	11,553
Property, plant and equipment	3,646	4,696
Intangible assets	813	899
Investments and other assets	5,680	5,958
Total assets	68,206	65,885
Liabilities		
Current liabilities	50,992	48,199
Non-current liabilities	1,305	1,624
Total liabilities	52,297	49,823
Net assets		
Shareholders' equity	15,718	15,282
Accumulated other comprehensive income	190	729
Non-controlling interests	—	49
Total net assets	15,908	16,061
Total liabilities and net assets	68,206	65,885

Main Points of Balance Sheets (Summary)

Assets

Assets increased by ¥2,320 million from the previous fiscal year-end mainly due to an increase in notes and accounts receivable-trade.

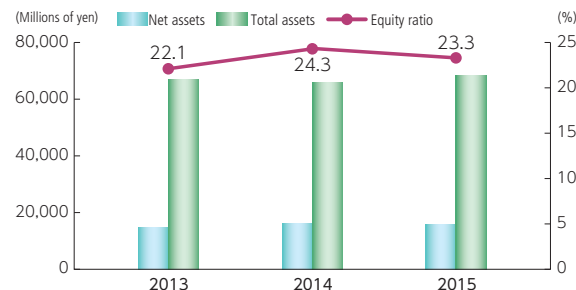
Liabilities

Liabilities increased by ¥2,473 million from the previous fiscal year-end mainly due to an increase in notes and accounts payable-trade.

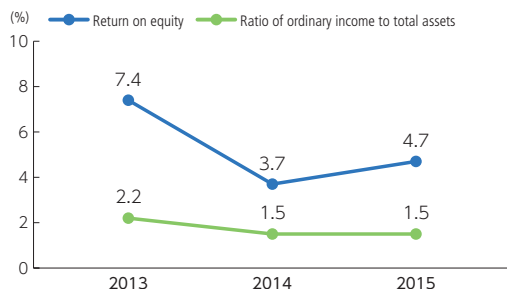
Net assets

Net assets decreased by ¥152 million from the previous fiscal year-end due to a decrease in accumulated other comprehensive income despite an increase in shareholders' equity which was mainly a result of profit attributable to owners of parent.

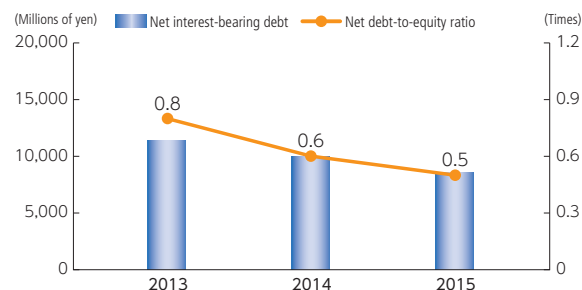
Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



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)

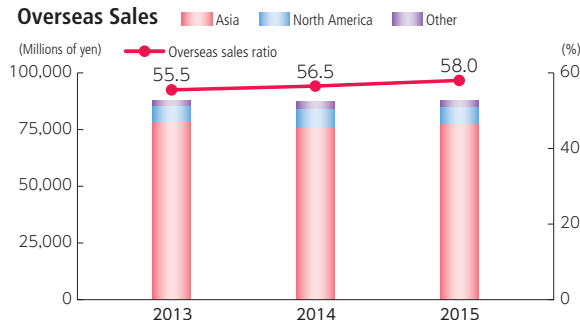
Account title	2015	2014
	From April 1, 2015 to March 31, 2016	From April 1, 2014 to March 31, 2015
Net sales	151,639	154,440
Cost of sales	137,982	140,191
Gross profit	13,657	14,248
Selling, general and administrative expenses	12,428	13,083
Operating income	1,228	1,164
Non-operating income	161	280
Non-operating expenses	414	433
Ordinary income	975	1,011
Extraordinary income	636	517
Extraordinary loss	658	460
Income before income taxes	953	1,069
Total income taxes	203	504
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	749	563

Statements of Cash Flows (Summary)

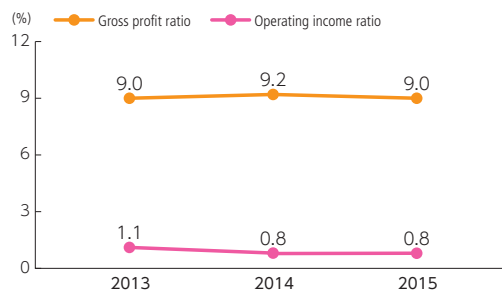
(Millions of yen)

Account title	2015	2014
	From April 1, 2015 to March 31, 2016	From April 1, 2014 to March 31, 2015
Cash flows from operating activities	1,344	2,178
Cash flows from investing activities	611	△7
Cash flows from financing activities	△1,261	△2,151
Cash and cash equivalents at the end of period	9,037	8,423

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 ¥1,344 million mainly due to income before income taxes and an increase in notes and accounts payable-trade.

Cash flows from investing activities

Cash flows provided by investing activities was ¥611 million mainly due to proceeds from sales of property, plant and equipment.

Cash flows from financing activities

Cash flows used in financing activities was ¥1,261 million mainly due to repayments of loans payable.

Company's Profile

Company's Profile (as of March 31, 2016)

Company Name	GSI Creos Corporation	
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo	
Established	October 31, 1931	
Capital	¥7,186 million	
Employees	603 (Consolidated)	
Offices	7 domestic	18 overseas
Consolidated Subsidiaries	8 domestic	8 overseas
Website	http://www.gsi.co.jp/en	

Directors and Executive Officers (as of June 29, 2016)

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, 2016)

Total number of shares authorized to be issued:	200,000,000 shares
Total number of shares issued:	64,649,715 shares (including 119,618 shares of treasury stock)
Number of shareholders:	5,614

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
SBI SECURITIES Co., Ltd.	2,099	3.25
Toray Industries, Inc.	1,982	3.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,547	2.40
Japan Trustee Services Bank, Ltd. (Trust Account)	1,098	1.70
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	833	1.29
ML INTL EQUITY DERIVATIVES	740	1.15

(Note) Shareholding is calculated by excluding 119,618 shares of treasury stock and rounded off to two decimal places.

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

