

Business Report for Fiscal 2014

From April 1, 2014 to March 31, 2015



Produce
The Future



GSI Creos Corporation

Financial Performance for Fiscal 2014

During fiscal 2014, the Japanese economy continued to be in a moderate recovery trend, with improvements in the employment situation and corporate earnings, among other factors. However, prospects remained uncertain, mainly because of a slowdown in the recovery in personal consumption and higher raw material prices resulting from further yen depreciation, along with concerns over economic decline overseas due to slower growth in China and emerging countries.

Under these circumstances, in fiscal 2014, net sales decreased by ¥4,055 million or 2.6% to ¥154,440 million compared with the previous year due to a decrease in sales related to textile materials business. Gross profit increased by ¥1 million or 0.0% to ¥14,248 million, operating income decreased by ¥502 million or 30.1% to ¥1,164 million, reflecting an increase in general and administrative expenses. Ordinary income decreased by ¥359 million or 26.2% to ¥1,011 million and net income decreased by ¥460 million or 45.0% to ¥563 million.

Financial Performance for Fiscal 2014

Net Sales	¥154,440 million	2.6% decrease year on year
Operating Income	¥1,164 million	30.1% decrease year on year
Ordinary Income	¥1,011 million	26.2% decrease year on year
Net Income	¥563 million	45.0% decrease year on year

Outlook for Fiscal 2015

Looking ahead to the future business environment, despite continued improvement in the Japanese economic situation, there are lingering concerns over the European debt issues and slower growth in emerging countries such as China. For these reasons, we anticipate that the business environment will remain uncertain.

Under such a business environment, the Group will strengthen its revenue-earning capability 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.

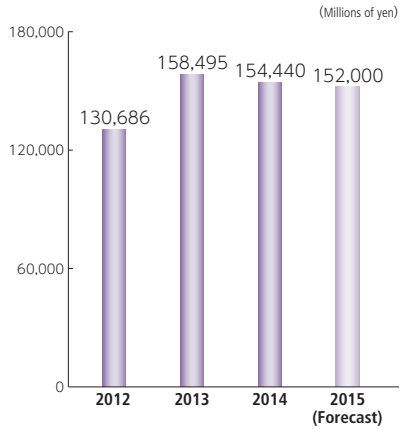
In the nanotechnology business, we will aim to promptly make the business profitable by focusing on the three fields of paints & coating materials, advanced composite materials and fuel cells.

Earnings Forecast for Fiscal 2015

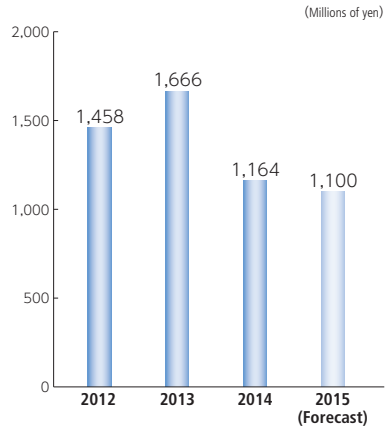
Net Sales	¥152,000 million
Operating Income	¥1,100 million
Ordinary Income	¥1,000 million
Net Income	¥700 million

Financial Performance

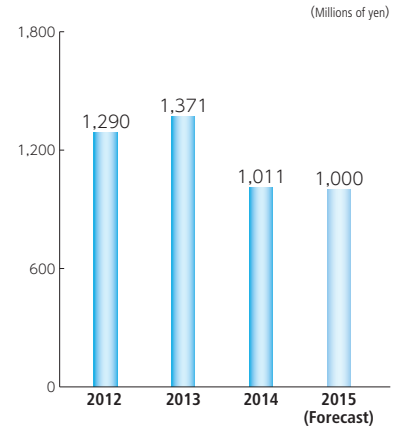
Net Sales



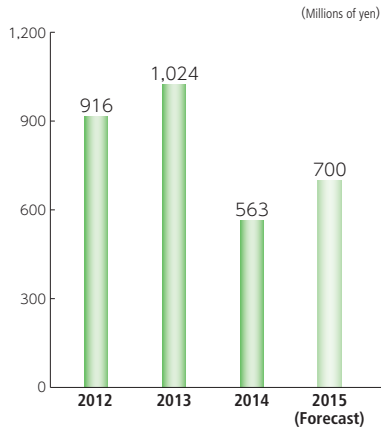
Operating Income



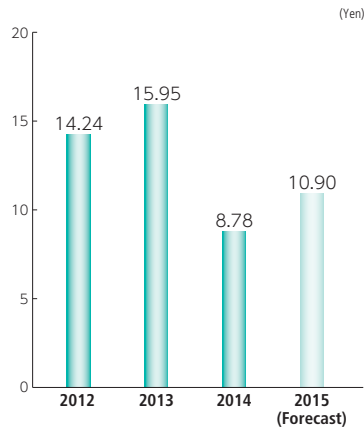
Ordinary Income



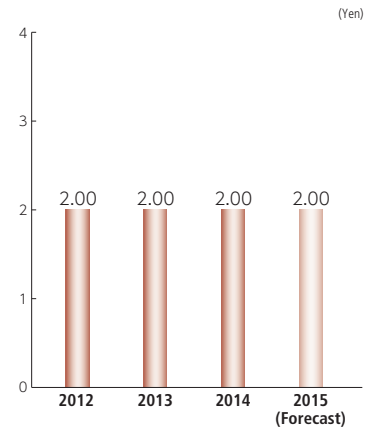
Net Income



Net Income Per Share



Dividends



Review of Operations by Segment

Textile Materials Division

Principal merchandise:

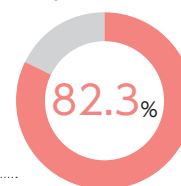
Textile materials,
Textile fabrics, Legwear /
Innerwear and Underwear,
Outerwear, etc.



Net Sales ¥127,060 million
3.8% decrease year on year

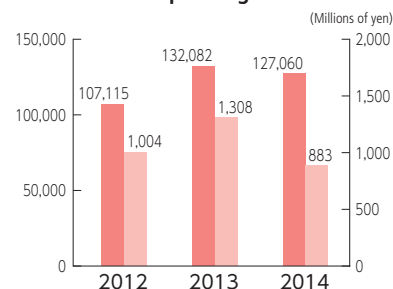
Operating Income ¥883 million
32.4% decrease year on year

Composition of Sales



- Sales of highly functional yarns and textiles for innerwear declined severely due to the prolonged slump in consumer sentiment. OEM business of lingerie and foundation garments, which are originally designed, declined as a result of the rise in raw material costs due to yen depreciation.
- Exports of fabrics for outerwear were boosted by yen depreciation, with exports to the US showing strong growth and those to Europe and Asia also increasing. However, the outerwear products OEM business declined severely in both ladies' and men's products for the same reason as innerwear. The ladies' apparel business also suffered from lower sales volume.

Net Sales / Operating Income



Industrial Products Division

Principal merchandise:

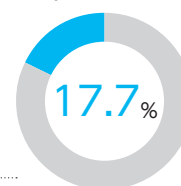
Chemical products,
Industrial machinery /
equipment and materials,
Hobby and lifestyle goods, etc.



Net Sales ¥27,379 million
3.7% increase year on year

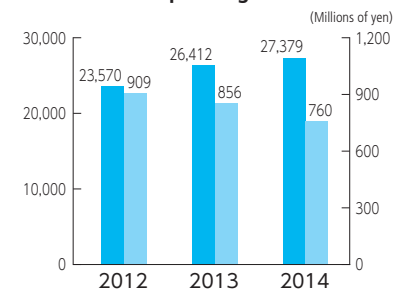
Operating Income ¥760 million
11.2% decrease year on year

Composition of Sales



- Exports of additives for paints and resins to the US, Europe and Asia grew, while sales of semiconductor parts also performed well. Sales of chemical products for application in semiconductors in the US also increased, partly because of the impact of yen depreciation. On the other hand, sales of films were about level with those of the previous fiscal year, and there was a decrease in business for imported products such as scientific instruments and raw materials for cosmetics, as well as a decline in their profitability, resulting from the impact of further yen depreciation.
- Regarding hobby goods, exports of plastic model paints to Asia increased.

Net Sales / Operating Income



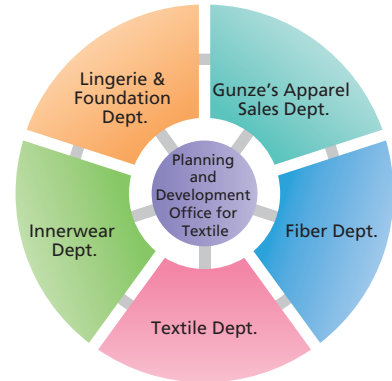
Reorganization of the Textile Materials Division

—Strengthening the expertise and sales capabilities in the organization to provide even higher quality service—

The Company reorganized the departments of the Textile Materials Division on April 1, 2015, to align and integrate the knowledge and expertise they have accumulated.

The new organization has been reorganized around the business domains into six departments: the Gunze's Apparel Sales Department, the Fiber Department, the Textile Department, the Innerwear Department, the Lingerie & Foundation Department and the Planning and Development Office for Textile. With this new organization, the Company will offer higher quality services and respond to customers' needs even more rapidly than before.

Moreover, the Company will strive to strengthen the sales capabilities of each organization and take the lead in controlling transactions to expand our businesses and increase profitability.



New organization of the Textile Materials Division

Exhibition at the International Toy Trade Fair "Spielwarenmesse®"

—Aiming to be the top of the global niche market in the field of plastic model paints—

The Company exhibited its Mr. HOBBY brand plastic model paints and painting tools at Spielwarenmesse®, the world's largest international toy trade fair, which was held in Nuremberg, Germany from January 28 to February 2, 2015.



At Spielwarenmesse®

At the fair, we conducted a presentation for sales agencies from every country, where we showcased the outstanding quality of our products. Visitors reacted positively, and showed especially strong interest in our highly safe water-based paints.

The Company has recently expanded sales of its plastic model paints to global markets, and their sales are increasing in Europe, North America and China. Looking ahead, we plan to deepen our ties with our overseas subsidiaries, and to strengthen our sales activities in each region in an effort to be the top of the global niche market in this field.



Water-based paints for overseas sale

Consolidated Financial Statements

Balance Sheets (Summary)

(Millions of yen)

Account title	2014	2013
	As of March 31, 2015	As of March 31, 2014
Assets		
Current assets	54,331	54,769
Non-current assets	11,553	12,060
Property, plant and equipment	4,696	5,414
Intangible assets	899	974
Investments and other assets	5,958	5,671
Total assets	65,885	66,829
Liabilities		
Current liabilities	48,199	48,913
Non-current liabilities	1,624	3,123
Total liabilities	49,823	52,036
Net assets		
Shareholders' equity	15,282	14,793
Accumulated other comprehensive income	729	△50
Minority interests	49	49
Total net assets	16,061	14,792
Total liabilities and net assets	65,885	66,829

Main Points of Balance Sheets (Summary)

Assets

Assets decreased by ¥944 million from the previous fiscal year-end mainly due to a decrease in notes and accounts receivable-trade.

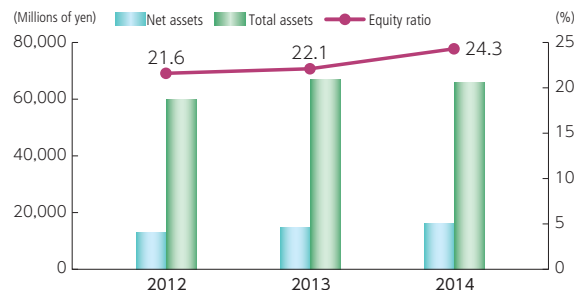
Liabilities

Liabilities decreased by ¥2,213 million from the previous fiscal year-end mainly due to a decrease in loans payable.

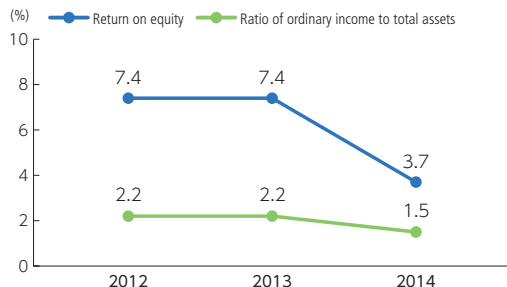
Net assets

Net assets increased by ¥1,269 million from the previous fiscal year-end due to an increase in shareholders' equity as a result of net income and an increase in accumulated other comprehensive income.

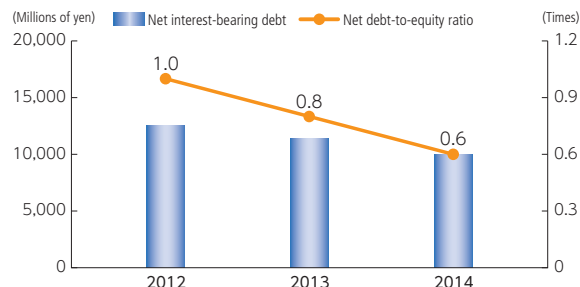
Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



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



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

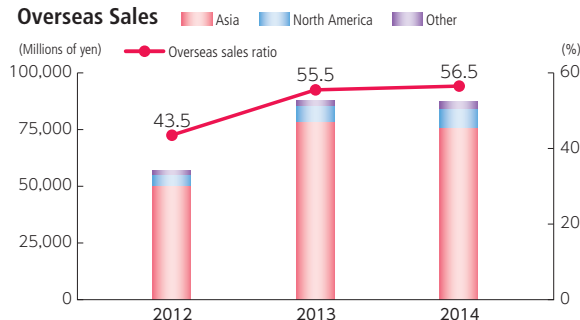


Statements of Income (Summary)

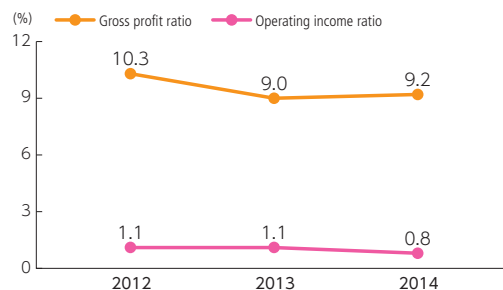
(Millions of yen)

Account title	2014	2013
	From April 1, 2014 to March 31, 2015	From April 1, 2013 to March 31, 2014
Net sales	154,440	158,495
Cost of sales	140,191	144,248
Gross profit	14,248	14,246
Selling, general and administrative expenses	13,083	12,579
Operating income	1,164	1,666
Non-operating income	280	278
Non-operating expenses	433	574
Ordinary income	1,011	1,371
Extraordinary income	517	8
Extraordinary loss	460	114
Income before income taxes and minority interests	1,069	1,265
Total income taxes	504	240
Minority interests in income	0	0
Net income	563	1,024

Overseas Sales



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



Statements of Cash Flows (Summary)

(Millions of yen)

Account title	2014	2013
	From April 1, 2014 to March 31, 2015	From April 1, 2013 to March 31, 2014
Cash flows from operating activities	2,178	1,494
Cash flows from investing activities	△7	△279
Cash flows from financing activities	△2,151	△1,462
Cash and cash equivalents at the end of period	8,423	8,130

Main Points of Statements of Cash Flows (Summary)

Cash flows from operating activities

Cash flows provided by operating activities was ¥2,178 million mainly due to income before income taxes and minority interests and a decrease in notes and accounts receivable-trade.

Cash flows from investing activities

Cash flows used in investing activities was ¥7 million mainly due to purchase of investment securities.

Cash flows from financing activities

Cash flows used in financing activities was ¥2,151 million mainly due to repayment of loans payable.

Company's Profile

Company's Profile (as of March 31, 2015)

Company Name	GSI Creos Corporation	
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo	
Established	October 31, 1931	
Capital	¥7,186 million	
Employees	606 (Consolidated)	
Offices	8 domestic	17 overseas
Consolidated Subsidiaries	7 domestic	8 overseas
Website	http://www.gsi.co.jp/en	

Directors and Auditors (as of June 26, 2015)

Representative Director, President	Koji Nakashima
Managing Director	Yasuhiko Matsushita
Managing Director	Tadaaki Yoshinaga
Managing Director	Masateru Nakayama
Director	Yasushi Araki
Director	Masanori Tomita
Director	Kazuo Niimi
Director	Fumihiro Onishi
Outside Director	Yoshihiro Goto
Executive Auditor	Mikio Asano
Auditor	Hitoshi Ishikawa
Outside Auditor	Noriyoshi Iwata
Outside Auditor	Hiroyoshi Kanai

Shares (as of March 31, 2015)

Total number of shares authorized to be issued:	200,000,000 shares
Total number of shares issued:	64,649,715 shares (including 423,123 shares of treasury stock)
Number of shareholders:	6,065

Major Shareholders (Top 10)

Shareholder's name	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	9,321	14.51
Mizuho Bank, Ltd.	3,182	4.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,172	4.94
Nippon Life Insurance Company	2,328	3.63
Toray Industries, Inc.	1,982	3.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,353	2.11
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	952	1.48
Japan Securities Finance Co., Ltd.	835	1.30
Japan Trustee Services Bank, Ltd. (Trust Account)	699	1.09
Masahiro Uchida	593	0.92

Note: Shareholding is calculated by excluding 423,123 shares of treasury stock and rounded off to two decimal places.

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

