

GSI Creos

Produce the Future

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Business Report for Fiscal 2020

From April 1, 2020 to March 31, 2021

GSI Creos Corporation

TSE Code: 8101

Financial Performance for Fiscal 2020

As for the Japanese economy during the year, economic activities were restricted accompanying the spread of the infectious disease COVID-19, so conditions were extremely harsh. Furthermore, in the global economy, although there was a recovery trend with the exception of some industries, there was an ongoing situation in which the future direction was unclear.

In regard to the GSI Creos Group amid this situation, while transactions regarding textile raw materials and fabrics were sluggish, demand for medical and sanitary consumables was handled through collaboration between bases of the Textile Materials Division in Japan and overseas. In addition, in the area of hobby-related products, sales increased since measures aimed at developing and further cultivating overseas markets were successful, and there was domestic demand related to staying at home.

As a result, net sales rose by ¥826 million, or 0.7%, from the previous year to ¥116,375 million, and gross profit rose by ¥2,260 million, or 18.2%, from the previous year to ¥14,644 million; operating profit rose by ¥2,440 million, or 204.8%, from the previous year to ¥3,632 million; ordinary profit rose by ¥2,487 million, or 205.0%, from the previous year to ¥3,700 million; and profit attributable to owners of parent rose by ¥1,017 million, or 100.8%, from the previous year to reach a new record high of ¥2,026 million.

Financial Performance for Fiscal 2020

Net Sales	¥116,375 million	0.7% increase year on year
Operating Profit	¥3,632 million	204.8% increase year on year
Ordinary Profit	¥3,700 million	205.0% increase year on year
Profit Attributable to Owners of Parent	¥2,026 million	100.8% increase year on year

Outlook for Fiscal 2021

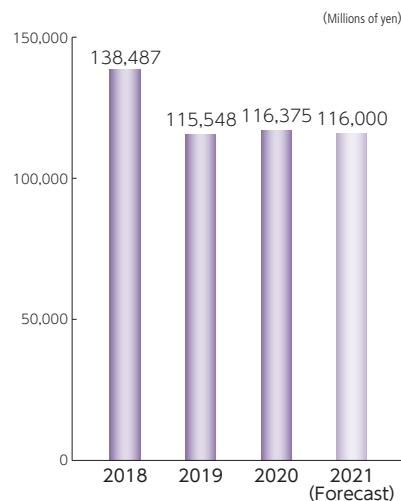
There are no signs that the situation regarding the infectious disease COVID-19 is coming to an end, so it seems that there will continue to be a situation in which it is difficult to predict the impact on the economy. Amid this situation, we shall aim for further “evolution and growth” of the GSI Creos Group, further strengthen group collaboration with a view to cultivating and expanding businesses in the fields of environment, life & health, and energy, and respond to new environmental changes following the end of the situation regarding COVID-19.

Earnings Forecast for Fiscal 2021

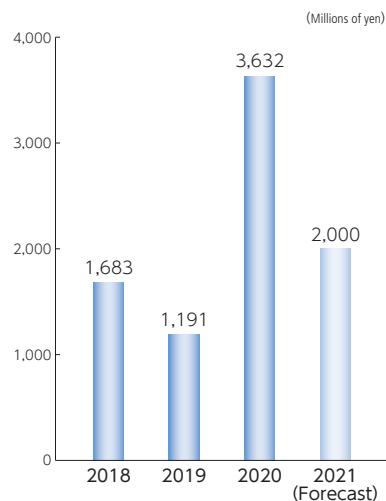
Net Sales	¥116,000 million
Operating Profit	¥2,000 million
Ordinary Profit	¥2,000 million
Profit Attributable to Owners of Parent	¥1,500 million

Financial Performance

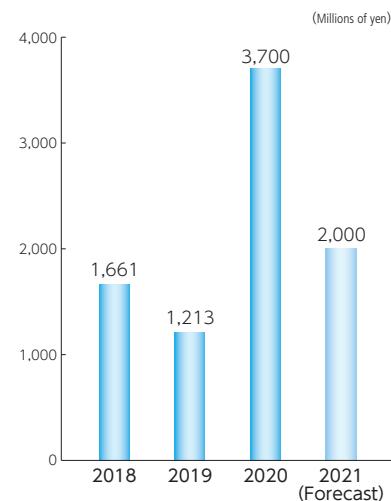
Net Sales (Note1)



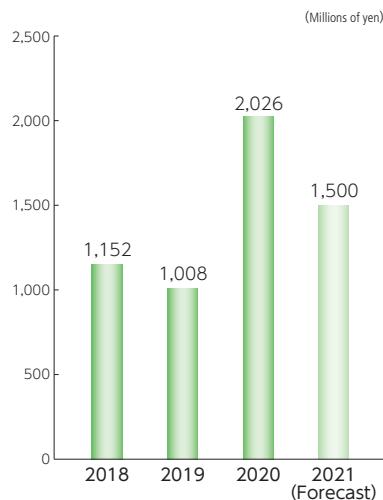
Operating Profit



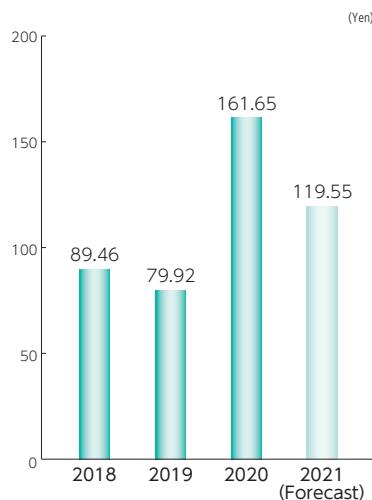
Ordinary Profit



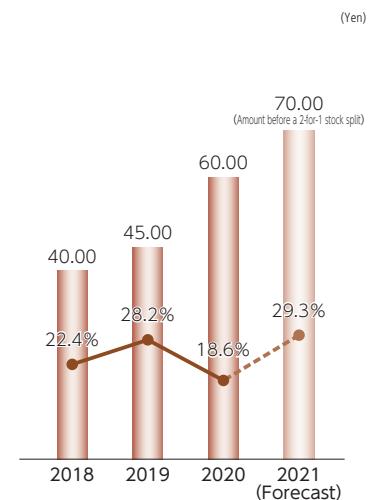
Profit Attributable to Owners of Parent



Net Income Per Share (Note2)



Dividends / Dividend Payout Ratio



(Notes) 1. "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), etc. have been applied at the beginning of Fiscal 2021, so in regard to "the forecast of net sales for Fiscal 2021", the amount after the application of such accounting standards, etc. is shown.

2. GSI Creos implemented a 2-for-1 stock split of common stock dated April 1, 2021, so "net income per share" is calculated assuming that the stock split was carried out at the beginning of Fiscal 2018.

Review of Mid-term Management Plan (2018-2020)

Our mid-term management plan (2018-2020) has ended with Fiscal 2020 as its final year, and we succeeded in achieving our revised numerical targets for performance (announcement on August 3, 2020 of net sales of ¥110,000 million, operating profit of ¥2,100 million, ordinary profit of ¥2,000 million, and profit attributable to owners of parent of ¥1,300 million). The main factor behind our achieving such was the fact that we improved profit ratio by

strengthening initiatives regarding high value-added products.

Comparing the results of Fiscal 2020 with those of the year prior to the first year of the plan (Fiscal 2017), ordinary profit ratio rose by 2.1 points, and as a result of this, ordinary profit increased by ¥2,198 million.

Our new mid-term management plan will be formulated during Fiscal 2021.

Status of Implementation of Key Measures

1. Expansion of overseas sales

- Establishment of two new bases (China and United States)
- Strengthening of collaboration among domestic and overseas group companies
 - Handling of demand regarding medical and sanitary consumables amid COVID-19 crisis
 - Cultivation of Chinese domestic sales business regarding fabrics for outerwear
 - Expansion of sales in overseas hobby-goods market

2. Improvement of profitability

- Strengthening of textile-product business based on strength regarding materials, and the utilization of extensive production bases
- Promotion of "environment-related businesses"
 - Entry into biodegradable plastic market
 - Starting of apparel brand for realizing a circular economy in the apparel field

- Enhancement of our company's brands and our company's EC websites

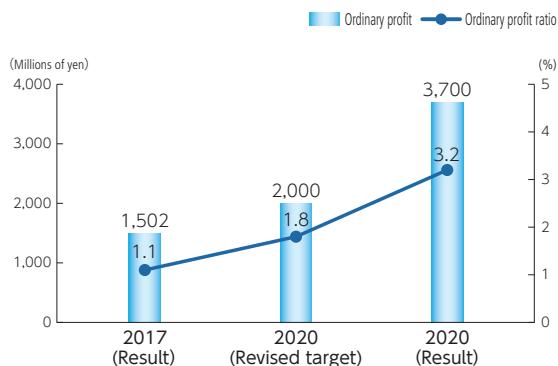
3. Developing and securing of human resources, and corresponding to work style reform

- Structuring of education and training systems
- Improvement of operational efficiency based on ICT introduction
- Promotion of working from home, etc.
- Introduction of "telework system" (April 1 this year)

4. Strengthening internal control system and thoroughly managing risks

- Improvement of group audit system
- Strengthening of corporate governance systems
 - Strengthening of business-execution functions and supervisory functions

Transition Regarding Ordinary Profit Ratio and Ordinary Profit



Return to Shareholders

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

Based on this policy, the dividend per share for this year was increased by ¥15 from the previous year to ¥60. Furthermore, the dividend per share for the next year is set to be a total of ¥35 based on adding a ¥5 "dividend for commemorating the 90th anniversary of GSI Creos" to the ordinary dividend of ¥30.

GSI Creos implemented a 2-for-1 stock split of common stock dated April 1, 2021. For the dividend for the next year, an amount is stated that takes into consideration this stock split. Converting the amount to the standard prior to the implementation of the stock split, the amount is ¥70 per share (ordinary dividend of ¥60 and commemorative dividend of ¥10).

As for the acquisition of treasury stock, acquisition and cancellation will be implemented during Fiscal 2021 with an upper limit of 300,000 shares.

Review of Operations by Segment

Textile Materials Division

Principal merchandise:

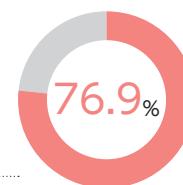
Textile materials,
Textile fabrics, Legwear /
Innerwear and Underwear,
Outerwear, etc.



Net Sales ¥89,488 million
0.3% decrease year on year

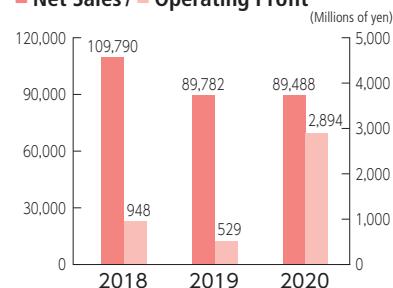
Operating Profit ¥2,894 million
446.5% increase year on year

Composition of Net Sales



- Overseas sales of functional yarns and fabrics for innerwear, and transactions related to processed yarns for pantyhose and tights decreased.
- Transactions related to ladies' lingerie and foundation increased.
- Transactions related to fabrics for outerwear for Europe and the United States, and transactions related to outerwear were sluggish.
- Demand for medical and sanitary consumables was handled through collaboration between group companies in Japan and overseas.

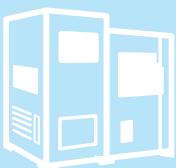
Net Sales / Operating Profit



Industrial Products Division

Principal merchandise:

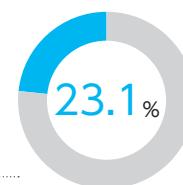
Chemical products,
Industrial machinery /
equipment and materials,
Hobby and lifestyle goods, etc.



Net Sales ¥26,886 million
4.3% increase year on year

Operating Profit ¥1,433 million
22.4% increase year on year

Composition of Net Sales



- While transactions related to films were sluggish, transactions related to coating materials and transactions related to chemicals in the United States increased.
- Transactions regarding machinery and equipment decreased.
- Transactions regarding hobby-related products significantly increased both domestically and for overseas.
- As for transactions related to biodegradable plastic for "expanding environment-related business," applications have been increasing, and these include straws.
- 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



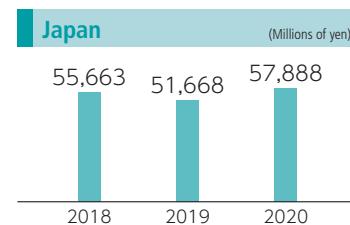
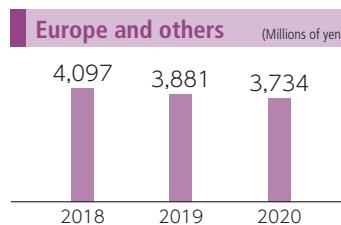
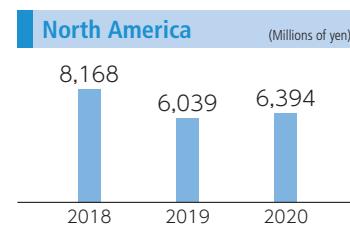
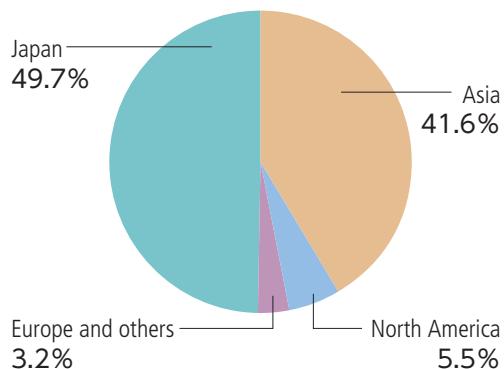
Net Sales by Region

Global Network



Composition of Net Sales by Region

Overseas Sales Ratio **50.3%**



Launch of apparel brand “BIOLOGIC PHILOSOPHY” – Seeking to realize circular economy in apparel field –



In March this year, GSI Creos launched the apparel brand “BIOLOGIC PHILOSOPHY,” and started sales through an online shopping website.

Based on the concept of “connecting various people and companies, and giving thought to ‘green fashion’ in order to realize a circular economy (see note) together with customers and partners,” the brand mainly offers ladies’ outerwear, accessories, and so on. A characteristic of the brand is the fact that it has adopted materials that help reduce waste and decrease pollution, and these include yarns and fabrics made from recycled cutting wastage, and denim fabrics regarding which the minimal amount of water is used for dyeing.

The brand has been garnering attention due to factors such as its

being introduced on the official websites of women’s fashion magazines, and its participating in an event based on the concept of sustainability at Ginza Loft. Going forward, GSI Creos will continue to carry out proactive promotion, and raise the level of recognition of the brand.

(Note) This is an economic structure in which products, raw materials, and so on that were previously being discarded are viewed as new resources, and such resources are circulated (used continuously) without the generation of waste or pollution.

Official website of “BIOLOGIC PHILOSOPHY”: <https://biologicphilosophy.jp/>

Opening of dialysis clinic in Brazil – Aiming for expansion of South American dialysis-machine business –

In February this year, GSI Creos opened the dialysis clinic “Fenix Praiamar-Serviços Médicos Ltda” in Santos, a suburb of São Paulo, jointly with a local company of Brazil that has an extensive track record regarding hospital management.

GSI Creos has set up dialysis machines made by Toray Medical Co., Ltd. that are sold in South America, and has provided high-level medical treatment. Furthermore, GSI Creos will expand its South American dialysis-machine business based on having the clinic function as a showroom for the machines for healthcare workers of Brazil and elsewhere.

Going forward, GSI Creos plans to additionally open a dialysis clinic in Tatuapé in the eastern part of São Paulo, and will contribute to the enhancement of the medical-treatment base in Brazil.



View of dialysis room

Balance Sheets (Summary)

(Millions of yen)

Account title	2019	2020	
	As of March 31, 2020	As of March 31, 2021	
Assets	Current assets	48,258	47,387
	Non-current assets	10,273	13,077
	Property, plant and equipment	4,425	4,148
	Intangible assets	463	357
	Investments and other assets	5,384	8,572
Total assets	58,532	60,465	
Liabilities	Current liabilities	38,599	35,875
	Non-current liabilities	739	1,350
	Total liabilities	39,339	37,225
Net assets	Shareholders' equity	19,550	21,301
	Accumulated other comprehensive income	△357	1,938
Total net assets	19,193	23,239	
Total liabilities and net assets	58,532	60,465	

Point ① Total assets

Increased by ¥1,932 million from the previous year-end due to an increase in investment securities, etc.

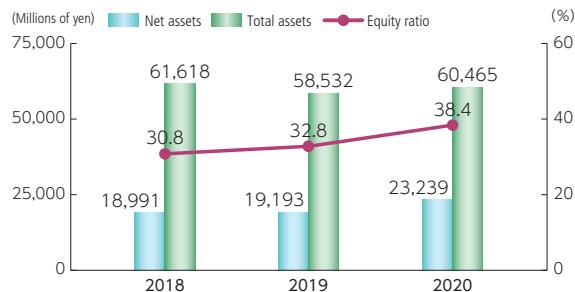
Point ② Liabilities

Decreased by ¥2,113 million from the previous year-end due to a decline in notes and accounts payable-trade, etc.

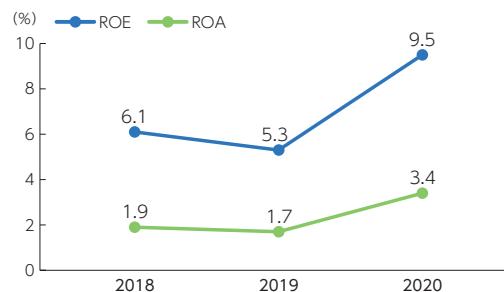
Point ③ Net assets

Increased by ¥4,046 million from the previous year-end due to factors such as an increase in shareholders' equity resulting from the recording of profit attributable to owners of parent, and an increase in valuation differences on available-for-sale securities accompanying the listing of the National Silicon Industry Group Co., Ltd., a semiconductor-related investment location of GSI Creos

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



ROE (%) / ROA (%)



Statements of Income (Summary)

(Millions of yen)

Account title	2019	2020
	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Net sales	115,548	116,375
Cost of sales	103,164	101,730
Gross profit	12,384	14,644
Selling, general and administrative expenses	11,193	11,012
Operating profit	1,191	3,632
Non-operating income	297	314
Non-operating expenses	275	246
Ordinary profit	1,213	3,700
Extraordinary income	42	—
Extraordinary losses	11	369
Income before income taxes	1,245	3,331
Total income taxes	236	1,305
Profit attributable to owners of parent	1,008	2,026

Statements of Cash Flows (Summary)

(Millions of yen)

Account title	2019	2020
	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Cash flows from operating activities	913	5,379
Cash flows from investing activities	△828	△115
Cash flows from financing activities	△577	△2,438
Cash and cash equivalents at the end of period	11,899	14,594

Point④ Net sales

Increased by ¥826 million from the previous year due to factors such as the handling of demand for medical and sanitary consumables, and an increase in net sales regarding hobby-related products, and in spite of a slump in transactions regarding textile raw materials and fabrics

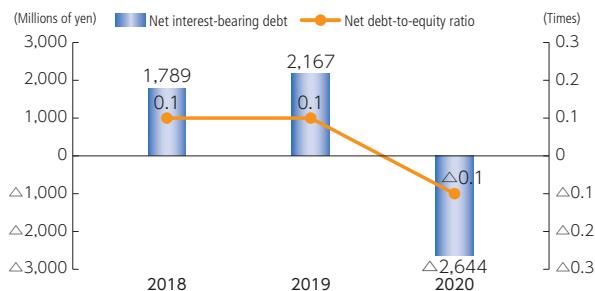
Point⑤ Operating profit

Increased by ¥2,440 million from the previous year due to an improvement in gross profit ratio, and a decrease in selling, general, and administrative expenses

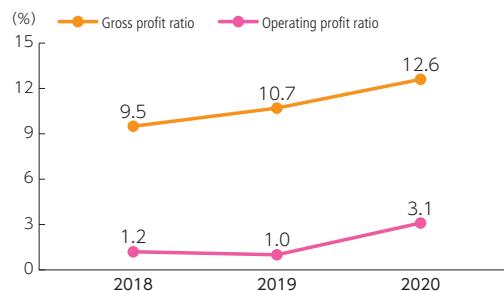
Point⑥ Profit attributable to owners of parent

Increased by ¥1,017 million from the previous year due to an increase in operating profit, and in spite of the recording of an impairment loss on subsidiary assets as extraordinary losses, and thus reached a new record high

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



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



Company Profile & Stock Information

Company Profile (as of March 31, 2021)

Company Name	GSI Creos Corporation		
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo		
Established	October 31, 1931		
Capital	¥7,186 million		
Employees	691 (Consolidated)		
Offices	7 domestic	20 overseas	
Consolidated Subsidiaries	9 domestic	7 overseas	
Website	https://www.gsi.co.jp/en		

Directors and Executive Officers (as of June 25, 2021)

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,	
		Audit and Supervisory	Takafumi Hayano
		Committee Member	
		Outside Director,	
		Audit and Supervisory	Yoshie Kato
		Committee Member	

*Concurrently serve as a Executive Officer

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	Hiroki Nishimura	Executive Officer	Hiroaki Takebuchi
Managing Executive Officer	Kazuo Niimi	Executive Officer	Akinori Hamano
		Executive Officer	Daisuke Sato
		Executive Officer	Takashi Yanagisawa
		Executive Officer	Taijiro Uemura
		Executive Officer	Koji Ohga

Stock Information (as of March 31, 2021)

Total number of shares authorized to be issued:	20,000,000 shares
Total number of shares issued:	6,464,971 shares (including 191,443 shares of treasury stock)
Number of shareholders:	6,479

(Note) The Company implemented a 2-for-1 stock split of common stock dated April 1, 2021, so "total number of shares authorized to be issued" increased to 40,000,000 shares and "total number of shares issued" increased to 12,929,942 shares as of April 1, 2021.

Major Shareholders (Top 10)

Shareholder	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	932	14.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	296	4.72
Nippon Life Insurance Company	232	3.71
Toray Industries, Inc.	198	3.16
MUFG Bank, Ltd.	189	3.02
Mizuho Bank, Ltd.	189	3.02
The Hokkoku Bank, Ltd.	136	2.17
Custody Bank of Japan, Ltd. (Trust Account)	107	1.72
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	92	1.48
Custody Bank of Japan, Ltd. (Trust Account 5)	75	1.20

(Note1) The Company owns 191,443 shares of treasury stock, but is excluded from the Major Shareholders above.

(Note2) Shareholding is calculated by excluding 191,443 shares of treasury stock and is rounded off to two decimal places.

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

