

# Business Report for Fiscal 2013

From April 1, 2013 to March 31, 2014



Produce  
The Future

**GSI Creos Corporation**

### Financial Performance for Fiscal 2013

During fiscal 2013, although the Japanese economy was recovering moderately on the back of expectations regarding monetary easing and economic measures by the government, prospects remained cloudy. This mainly reflected not only higher raw material prices resulting from yen depreciation but also slowness in the European economy's recovery and concerns of economic slowdown overseas due to slower growth in emerging countries.

Under these circumstances, during fiscal 2013, net sales increased by ¥27,809 million or 21.3% to ¥158,495 million compared with the previous year thanks to an increase in overseas sales. Gross profit increased by ¥775 million or 5.8% to ¥14,246 million, operating income increased by ¥208 million or 14.3% to ¥1,666 million, ordinary income increased by ¥80 million or 6.2% to ¥1,371 million and net income increased by ¥108 million or 11.8% to ¥1,024 million.

#### Financial Performance for Fiscal 2013

Net Sales	¥158,495 million	21.3% increase year on year
Operating Income	¥1,666 million	14.3% increase year on year
Ordinary Income	¥1,371 million	6.2% increase year on year
Net Income	¥1,024 million	11.8% increase year on year

### Outlook for Fiscal 2014

Looking ahead to the future business environment, although there is a tone of economic recovery, there are also concerns including the tapering of US monetary easing, slower growth in emerging countries and the impact of the consumption tax hike in Japan. 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 managing profits and risks in all businesses, with improving profitability and increasing overseas sales positioned as its key policies.

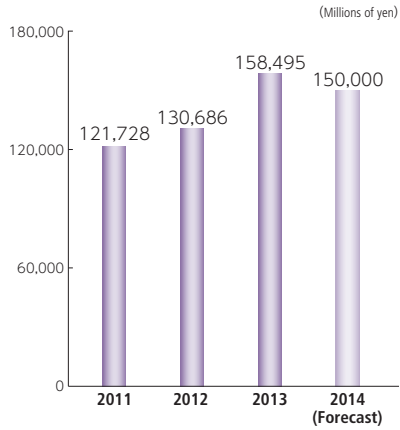
In the nanotechnology business, we will focus our business resources on the three fields of paints & coating materials, fuel cells, and advanced composite materials, with the aim of promptly making the business profitable.

#### Earnings Forecast for Fiscal 2014

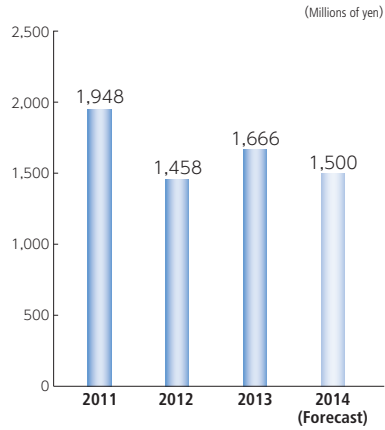
Net Sales	¥150,000 million
Operating Income	¥1,500 million
Ordinary Income	¥1,200 million
Net Income	¥1,000 million

## Financial Performance

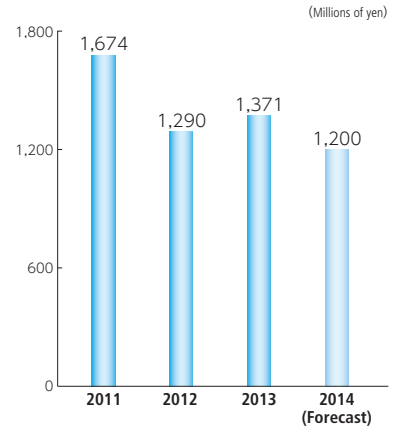
### Net Sales



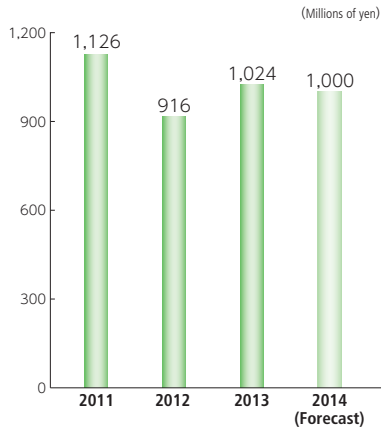
### Operating Income



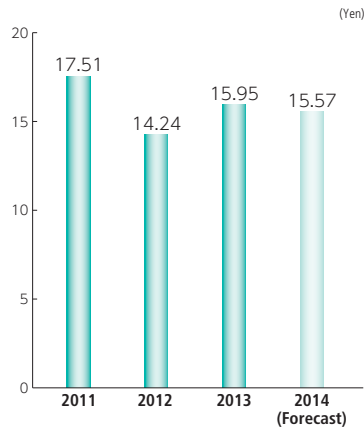
### Ordinary Income



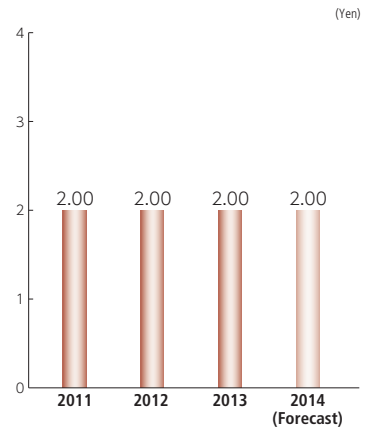
### Net Income



### Net Income Per Share



### Dividends



## Review of Operations by Segment

### Textile Materials Division

#### Principal merchandise:

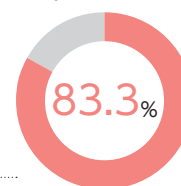
Textile materials,  
Textile fabrics, Legwear /  
Innerwear and Underwear,  
Outerwear, etc.



**Net Sales** ¥132,082 million  
23.3% increase year on year

**Operating Income** ¥1,308 million  
30.3% increase year on year

#### Composition of Sales



- There was considerable growth in sales of high-functional yarns and textiles for innerwear in Asia. OEM business of lingerie and foundation designed based on consumer needs saw a decline in profitability, with higher production costs mainly due to yen depreciation. Retail operations at select shops, which primarily handle innerwear and legwear, struggled as a result of weak growth in sales.
- Exports of fabrics for outerwear increased, particularly to the US but also to Europe and Asia, and yen depreciation led to a favorable swing in profitability. There was also growth in outerwear product OEM business in the fields of ladies' products and outdoor wear.

#### Net Sales / Operating Income



### Industrial Products Division

#### Principal merchandise:

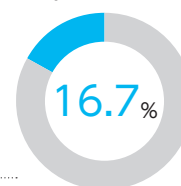
Chemical products,  
Industrial machinery /  
equipment and materials,  
Hobby and lifestyle goods, etc.



**Net Sales** ¥26,412 million  
12.1% increase year on year

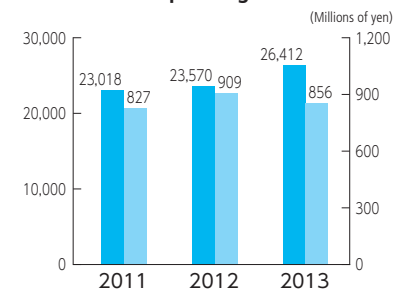
**Operating Income** ¥856 million  
5.8% decrease year on year

#### Composition of Sales



- Exports of additives for paints and resins to the US, Europe and Asia showed strong growth, while US sales of chemical products for application in semiconductors increased due to yen depreciation. On the other hand, sales of films were about level with those of the previous year and in the field of machinery, sales of large molding machinery for composite materials declined. In addition, there was a decline in profitability for imported products such as semiconductor parts, scientific instruments and raw materials for cosmetics resulting from yen depreciation.
- Regarding hobby goods related to plastic-model paints, although sales of painting implements declined, export sales of paints and sales of water-based paints led by new products increased.

#### Net Sales / Operating Income



## ■ Sports and Outdoor Wear Exhibited at “ISPO” International Sporting Goods Trade Show — Aiming for ODM Supply to US and European Manufacturers —

The Company exhibited sports and outdoor wear at “ISPO,” the world’s largest international sporting goods trade show, which was held in Munich, Germany in January 2014.

At the trade show, the Company exhibited sports and outdoor wear products that offer a high level of comfort and exercise functionality, such as optimal compression, heat retention and support for muscles and joints. In pursuit of these features, the products use Japanese-made functional synthetic fabrics, which have attracted great acclaim in the US and Europe for their functions, and are cut, sewn and specially treated based on ergonomics, kinesiology and biomechanics.

The reaction to these products from attendees was very positive, while stylish exhibits displayed by the Company under the name “NANOGRAF” to provide an image of the new generation of clothing and pamphlets also attracted acclaim.

Going forward, the Company will strive to become a supplier to major US and European sports and outdoor goods manufacturers as an ODM (an original design manufacturer for a counterparty’s brand) by supplementing material functions with the Company’s product development capabilities.



Exhibition at “ISPO”

## ■ Water-Based Model Paint “Water-Based Color Acrycion” Launched — Safe and Environmentally Friendly Paint Developed —

The Company launched “Water-Based Color Acrycion,” a water-based model paint, as a new product under the Mr. HOBBY brand, in December 2013.

The major feature of this product is that it can now be used safely without users having to worry about their surroundings. This has been made possible with an 80% reduction in the use of organic solvents (in comparison with the Company’s previous water-based paints) and by deodorizing the paint.

Furthermore, although the product is water-based, the strength of coating and drying speed it offers are almost equal to those of the Company’s solvent-based paints. For this reason, the product would also be satisfactory to users of solvent-based paints.

This product is deemed a “non-hazardous material (\*)” and can be used with most materials used in hobby crafts, such as wood, paper, clay, plaster and polystyrene foam. Consequently, the Company aims to market it in sales channels other than those for models, including for application in craftworks and handicrafts.

(\*) A material that is not categorized as “hazardous” pursuant to the Fire Service Act.



A coating of the product on a wooden hobby craft piece



Water-Based Color Acrycion

## Balance Sheets (Summary)

(Millions of yen)

Account title	2013	2012
	As of March 31, 2014	As of March 31, 2013
<b>Current assets</b>	<b>54,769</b>	<b>48,283</b>
<b>Non-current assets</b>	<b>12,060</b>	<b>11,623</b>
Property, plant and equipment	5,414	5,446
Intangible assets	974	553
Investments and other assets	5,671	5,624
<b>Total assets</b>	<b>66,829</b>	<b>59,906</b>
<b>Current liabilities</b>	<b>48,913</b>	<b>42,727</b>
<b>Non-current liabilities</b>	<b>3,123</b>	<b>4,178</b>
<b>Total liabilities</b>	<b>52,036</b>	<b>46,906</b>
<b>Shareholders' equity</b>	<b>14,793</b>	<b>13,903</b>
Accumulated other comprehensive income	△50	△952
Minority interests	49	49
<b>Total net assets</b>	<b>14,792</b>	<b>13,000</b>
<b>Total liabilities and net assets</b>	<b>66,829</b>	<b>59,906</b>

## Main Points of Balance Sheets (Summary)

### Assets

Assets increased by ¥6,923 million from the previous fiscal year-end, due to increases in notes and accounts receivable-trade and merchandise.

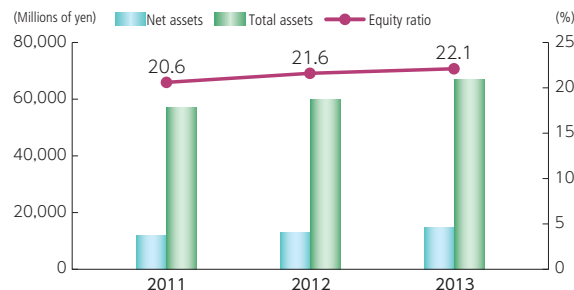
### Liabilities

Despite a decrease in loans payable, there was also an increase in notes and accounts payable-trade. As a result, liabilities increased by ¥5,130 million from the previous fiscal year-end.

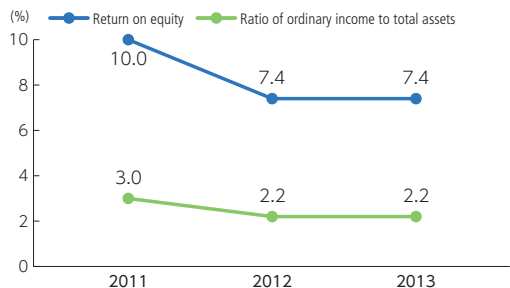
### Net assets

Net assets increased by ¥1,792 million from the previous fiscal year-end, due to increases in shareholders' equity and accumulated other comprehensive income as a result of an increase in net income.

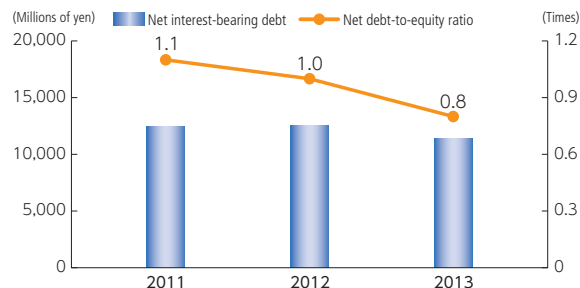
## Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



## 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)

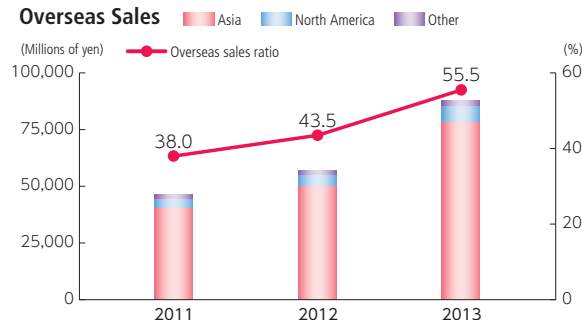
Account title	2013	2012
	From April 1, 2013 to March 31, 2014	From April 1, 2012 to March 31, 2013
<b>Net sales</b>	<b>158,495</b>	<b>130,686</b>
Cost of sales	144,248	117,214
<b>Gross profit</b>	<b>14,246</b>	<b>13,471</b>
Selling, general and administrative expenses	12,579	12,012
<b>Operating income</b>	<b>1,666</b>	<b>1,458</b>
Non-operating income	278	405
Non-operating expenses	574	572
<b>Ordinary income</b>	<b>1,371</b>	<b>1,290</b>
Extraordinary income	8	25
Extraordinary loss	114	98
<b>Income before income taxes and minority interests</b>	<b>1,265</b>	<b>1,217</b>
Total income taxes	240	300
Minority interests in income	0	0
<b>Net income</b>	<b>1,024</b>	<b>916</b>

## Statements of Cash Flows (Summary)

(Millions of yen)

Account title	2013	2012
	From April 1, 2013 to March 31, 2014	From April 1, 2012 to March 31, 2013
<b>Cash flows from operating activities</b>	<b>1,494</b>	<b>711</b>
<b>Cash flows from investing activities</b>	<b>△279</b>	<b>△514</b>
<b>Cash flows from financing activities</b>	<b>△1,462</b>	<b>△802</b>
<b>Cash and cash equivalents at the end of period</b>	<b>8,130</b>	<b>7,970</b>

### 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 ¥1,494 million mainly due to income before income taxes and minority interests.

#### Cash flows from investing activities

Cash flows used in investing activities was ¥279 million mainly due to payments of loans receivable.

#### Cash flows from financing activities

Cash flows used in financing activities was ¥1,462 million mainly due to repayment of loans payable.

## Company's Profile

### Company's Profile (as of March 31, 2014)

Company Name	GSI Creos Corporation	
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo	
Established	October 31, 1931	
Capital	¥7,186 million	
Employees	592 (Consolidated)	
Offices	8 domestic	15 overseas
Consolidated Subsidiaries	7 domestic	6 overseas
Website	http://www.gsi.co.jp/en	

### Directors and Auditors (as of June 27, 2014)

Representative Director, President	Koji Nakashima
Managing Director	Mitsuru Miyazaki
Managing Director	Yasuhiko Matsushita
Managing Director	Tadaaki Yoshinaga
Director	Masamichi Tanaka
Director	Masateru Nakayama
Director	Yasushi Araki
Director	Masanori Tomita
Director	Kazuo Niimi
Executive Auditor	Mikio Asano
Auditor	Hitoshi Ishikawa
Outside Auditor	Noriyoshi Iwata
Outside Auditor	Hiroyoshi Kanai

## Shares (as of March 31, 2014)

Total number of shares authorized to be issued:	200,000,000 shares
Total number of shares issued:	64,649,715 shares (including 413,027 shares of treasury stock)
Number of shareholders:	6,253

### 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	2,457	3.83
Toray Industries, Inc.	1,982	3.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,531	2.38
NIPPONKOA Insurance Company, Limited	1,041	1.62
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	917	1.43
Japan Securities Finance Co., Ltd.	688	1.07
Japan Trustee Services Bank, Ltd. (Trust Account)	574	0.89

Note: Shareholding is calculated by excluding 413,027 shares of treasury stock and rounded off to two decimal places.

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

