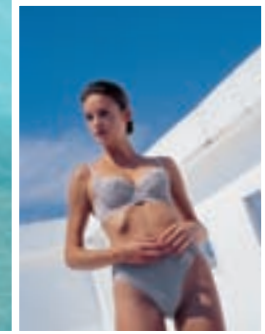


GSI Creos

Business Report for Fiscal 2008

From April 1, 2008, to March 31, 2009



GSI Creos Corporation

Consolidated Financial Review

■ Business Environment

The Japanese economy during fiscal 2008 entered a deep recession as the financial crisis originated in the US affected the real economy and resulted in the decline of corporate earnings and weak consumer spending.

■ Financial Performance

In order to achieve our target profits in this business environment, the Group had continued its efforts to improve profitability and to reduce costs by reviewing its operations based on the business operation restructuring implemented in the previous fiscal year. The Group had also undertaken initiatives to strengthen its business structure.

Net sales decreased ¥7,212 million or 6.3% to ¥107,719 million compared with the previous year. This was due to the concentration of business resources on promising business area and the impact of sluggish consumption, which could not be offset by the growth of sales in Asia. Gross profit declined ¥275 million or 2.0% to ¥13,329 million due to the decline in net sales, although gross profit ratio improved by 0.5 percentage points. However, operating income rose ¥174 million or 11.7% to ¥1,664 million as a result of continued efforts to reduce expenses. Ordinary income increased ¥516

million or 68.9% to ¥1,265 million because the balance of non-operating income and expenses improved by ¥341 million compared with the previous year due to the profit contribution from the equity-method companies. While the Group posted extraordinary gains of ¥106 million and tax expenses decreased, it posted extraordinary losses of ¥848 million including loss on allowance for bad debt and loss on devaluation of investments related to a US business partner, and loss on withdrawal related to the import brand business. As a result, net income amounted to ¥415 million, down ¥28 million or 6.5% compared with the previous year.

(Textile business)

While the sales of the yarn for inner wear increased, the sales of inner wear, socks and pantyhose and garments were slow suffering from weaker in-store sales, and we discontinued certain unprofitable transaction related to outer wear OEM business. As a result, sales decreased ¥4,319 million or 5.0% to ¥82,922 million compared with the previous year. Operating income increased ¥310 million or 33.0% to ¥1,250 million. This was due to the continued strong performance of women's foundation wear business, in which we have focused on making proposals of business plans, and the improved profitability in the women's apparel business, which

offset the adverse effects of the sluggish performance of the import brand business and the lower profitability in the piece goods export resulting from rapid appreciation of the yen.

(Non-textile business)

Sales decreased ¥2,893 million or 10.4% to ¥24,797 million compared with the previous year. This was due to the decreased sales of machinery, equipment and industrial raw materials such as resin resulting from the significant production cutbacks among manufacturers amid the economic recession, and the withdrawal from unprofitable businesses. Operating income decreased ¥271 million or 19.1% to ¥1,152 million due to the decrease in sales.

■Tasks for the Future

The Group will further improve its business and cost structures. Furthermore, the Group will strive to achieve short-term profit to resume dividend payment as early as possible, while simultaneously aiming to form a basis for medium-term business growth.

1. Improvement in profitability: The Group will promote functional cooperation among the Group companies aiming to build differentiating capabilities and position ourselves apart from the

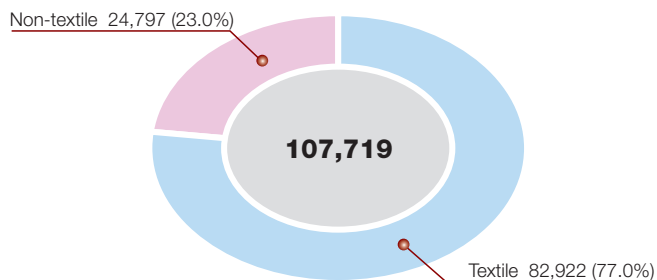
competitors. At the same time, the Group will discontinue unprofitable businesses and find new customers in order to improve its profitability.

2. Expansion of overseas markets: The Group will share marketing information on potential overseas markets and customers across the entire Group, and strengthen marketing functions of the overseas operational bases to develop a global supply chain system.
3. Enhancement of risk management: The Group will review all risk factors that may affect the achievement of the Group's profit plan. At the same time, the companies will enhance its risk management system and improve risk sense across the entire Group to ensure that the Group will be able to take appropriate actions according to the results of proper analysis and evaluation.

In the nanotechnology business, our materials development using "Carbere," which is proprietary cup-stacked carbon nanotubes, has been producing some positive results in the fields of composite materials and paint. We will speed up the pace of commercialization in closer cooperation with business partners.

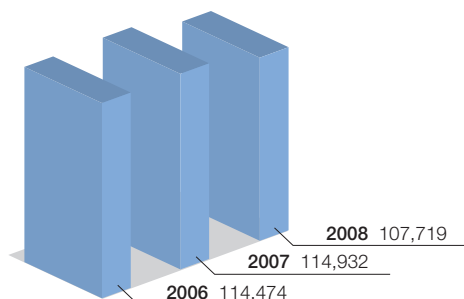
Composition of Sales (Consolidated)

(Millions of yen)

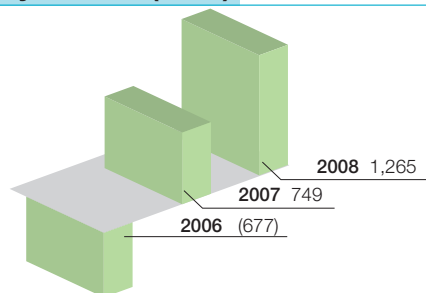


Financial Performance (Consolidated)

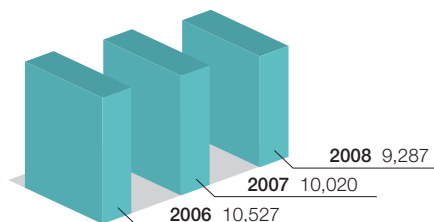
Net Sales (Millions of yen)



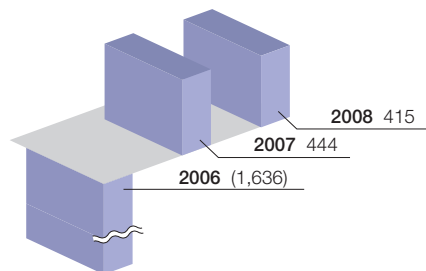
Ordinary Income (Loss) (Millions of yen)



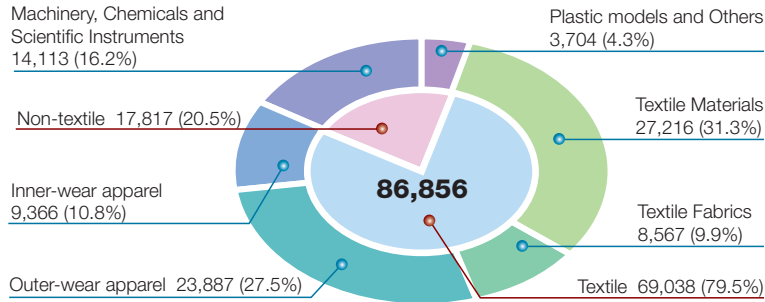
Net Assets (Millions of yen)



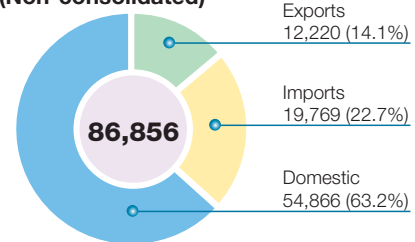
Net Income (Loss) (Millions of yen)



Composition of Sales (Non-consolidated)

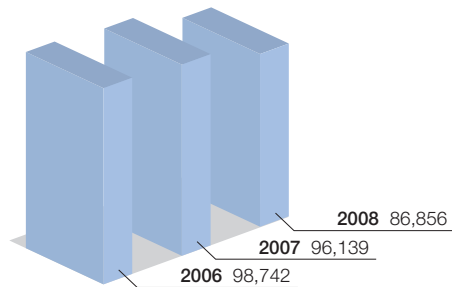


Sales by Type of Transaction (Non-consolidated)

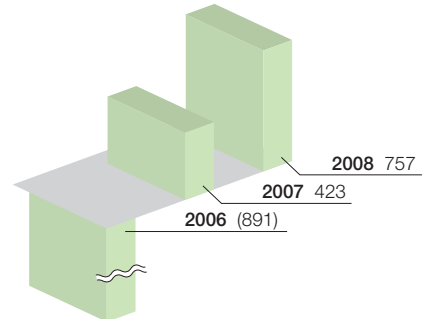


Financial Performance (Non-consolidated)

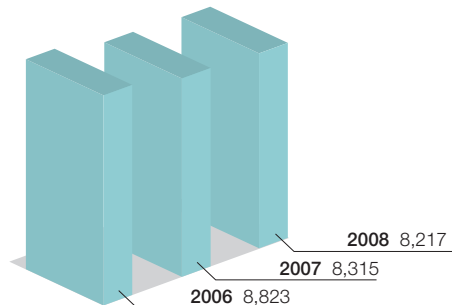
Net Sales (Millions of yen)



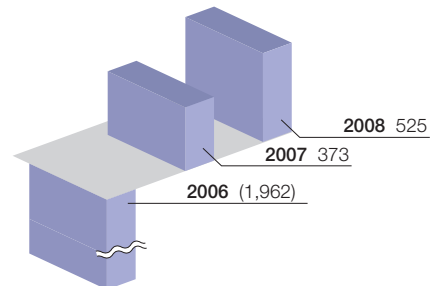
Ordinary Income (Loss) (Millions of yen)



Net Assets (Millions of yen)



Net Income (Loss) (Millions of yen)



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	2008 As of March 31, 2009	2007 As of March 31, 2008
Assets		
Current assets	42,710	44,095
Cash and cash equivalents	8,389	8,688
Trade notes and accounts receivable	24,359	25,948
Inventories	8,961	8,484
Other current assets	1,474	1,529
Allowance for doubtful accounts	(475)	(555)
Fixed assets	11,240	11,853
Tangible fixed assets	5,686	5,762
Land	3,634	3,634
Other tangible fixed assets	2,052	2,127
Intangible fixed assets	136	186
Goodwill	60	126
Other intangible assets	76	60
Investments and other assets	5,417	5,904
Investment securities	1,936	2,747
Other investments	3,481	3,157
Total assets	53,951	55,948
Liabilities		
Current liabilities	42,692	43,694
Trade notes and accounts payable	16,217	17,101
Short-term loans payable	23,341	23,775
Current portion of long-term loans payable	75	84
Income taxes payable	105	193
Reserve for bonuses	272	207
Reserve for extraordinary loss on withdrawal from business	298	—
Other current liabilities	2,381	2,331
Long-term liabilities	1,971	2,234
Long-term loans payable	528	539
Reserve for retirement benefits	1,297	1,270
Other long-term liabilities	145	424
Total liabilities	44,663	45,928
Net assets		
Shareholders' equity	10,480	10,069
Common stock	7,186	7,186
Capital surplus	908	908
Retained earnings	2,436	2,020
Treasury stock	(51)	(46)
Valuation and translation adjustments	(1,286)	(280)
Net unrealized gain on other securities	(714)	(16)
Deferred gains or losses on hedges	(15)	(95)
Foreign currency translation adjustment	(555)	(169)
Minority interests	93	231
Total net assets	9,287	10,020
Total liabilities and net assets	53,951	55,948

Consolidated Statements of Income

(Millions of yen)

	2008 From April 1, 2008, to March 31, 2009	2007 From April 1, 2007, to March 31, 2008
Net sales	107,719	114,932
Cost of sales	94,389	101,327
Gross profit	13,329	13,604
Selling and general administrative expenses	11,665	12,115
Operating income	1,664	1,489
Non-operating income	455	297
Non-operating expenses	854	1,037
Ordinary income	1,265	749
Extraordinary gains	106	366
Gain on sales of fixed assets	—	131
Gain on sales of investment securities	43	136
Other extraordinary gains	63	98
Extraordinary losses	848	447
Loss on bad debt and provision for doubtful accounts	63	293
Loss on devaluation of investment securities	352	40
Extraordinary loss on withdrawal from business	387	—
Other extraordinary losses	45	113
Income before income taxes	523	668
Income taxes-current	181	249
Income taxes-deferred	(167)	(53)
Minority interests	93	27
Net income	415	444

Consolidated Statements of Cash Flows

(Millions of yen)

	2008 From April 1, 2008, to March 31, 2009	2007 From April 1, 2007, to March 31, 2008
Cash flows from operating activities	573	332
Cash flows from investing activities	(612)	270
Cash flows from financing activities	(291)	(2,060)
Effect of exchange rate changes on cash and cash equivalents	(110)	(8)
Net increase (decrease) in cash and cash equivalents	(440)	(1,465)
Cash and cash equivalents at the beginning of the year	8,888	10,354
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	(58)	—
Cash and cash equivalents at the end of the year	8,389	8,888

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(Millions of yen)

	2008 As of March 31, 2009	2007 As of March 31, 2008
Assets		
Current assets	34,408	37,077
Cash and cash equivalents	6,906	7,195
Trade notes and accounts receivable	20,162	22,530
Inventories	6,438	6,423
Other current assets	1,344	1,478
Allowance for doubtful accounts	(443)	(550)
Fixed assets	12,260	12,145
Tangible fixed assets	4,236	4,273
Land	2,960	2,960
Other tangible fixed assets	1,275	1,312
Intangible fixed assets	28	29
Deposits and concession money	28	29
Investments and other assets	7,995	7,842
Investment securities	1,693	2,040
Stocks of subsidiaries and affiliates	2,555	2,367
Other investments	3,746	3,433
Total assets	46,669	49,223
Liabilities		
Current liabilities	37,249	39,728
Trade notes and accounts payable	13,606	15,120
Short-term loans payable	21,314	22,380
Income taxes payable	38	34
Reserve for bonuses	168	132
Reserve for extraordinary loss on withdrawal from business	298	—
Other current liabilities	1,823	2,061
Long-term liabilities	1,202	1,179
Reserve for retirement benefits	1,186	1,173
Other long-term liabilities	15	5
Total liabilities	38,451	40,908
Net assets		
Shareholders' equity	8,947	8,427
Common stock	7,186	7,186
Capital surplus	913	913
Retained earnings	899	373
Treasury stock	(51)	(46)
Valuation and translation adjustments	(729)	(112)
Net unrealized gain on other securities	(714)	(17)
Deferred gains or losses on hedges	(15)	(95)
Total net assets	8,217	8,315
Total liabilities and net assets	46,669	49,223

Non-consolidated Statements of Income

(Millions of yen)

	2008 From April 1, 2008, to March 31, 2009	2007 From April 1, 2007, to March 31, 2008
Net sales	86,856	96,139
Cost of sales	77,019	85,774
Gross profit	9,836	10,365
Selling and general administrative expenses	8,973	9,488
Operating income	863	877
Non-operating income	708	405
Interest income	70	77
Dividends income	535	240
Other non-operating income	101	87
Non-operating expenses	813	859
Interest expenses	480	509
Other non-operating expenses	333	349
Ordinary income	757	423
Extraordinary gains	214	363
Reversal of allowance for doubtful	156	—
Gain on sales of fixed assets	—	128
Gain on sales of investment securities	43	136
Other extraordinary gains	14	98
Extraordinary losses	476	438
Loss on bad debt and provision for doubtful accounts	63	293
Loss on devaluation of investment securities	—	36
Extraordinary loss on withdrawal from business	387	—
Other extraordinary losses	24	107
Income before income taxes	495	349
Income taxes-current	27	21
Income taxes-deferred	(57)	(46)
Net income	525	373

Corporate Overview (as of March 31, 2009)

Principal Businesses

In addition to the principal textile businesses handling products ranging from yarn to garments, the Group is engaged in non-textile businesses including machinery, chemicals and other merchandise.

Business segment	Principal merchandise
Textile business	Natural yarn and synthetic fiber, textile, inner wear, socks, women's wear, men's wear, etc.
Non-textile business	Machinery, chemicals, scientific instruments, paper tubes, plastic models and related products, fireworks, property management services, etc.

Offices

Head Office	3-1, Kudan-minami 2-chome, Chiyoda-ku, Tokyo
Osaka Branch	OMM Bldg., 7-31, Otemae 1-chome, Chuo-ku, Osaka
Offices	Yanagibashi (Taito-ku, Tokyo), Gotanda (Shinagawa-ku, Tokyo), Nakameguro (Meguro-ku, Tokyo), Fukuoka (Hakata-ku, Fukuoka), Hokuriku (Fukui-shi, Fukui), Nano Bio Development Center (Kawasaki-ku, Kawasaki)
Overseas office	Shanghai
Overseas subsidiaries and affiliates	Subsidiaries in New York, Dusseldorf, Sao Paulo, Hong Kong, Beijing, Shanghai, Shenzhen and Seoul; joint venture companies elsewhere

Major Creditors

Creditor	Balances of borrowings (Millions of yen)
The Mizuho Bank, Ltd.	7,532
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,532
The Norinchukin Bank	3,000
Sumitomo Mitsui Banking Corporation	1,700

Shares

- (1) Total number of shares authorized to be issued: 200,000,000 shares
 (2) Total number of shares issued and outstanding: 64,385,569 shares (excluding 264,146 treasury stocks)
 (3) Number of shareholders: 8,094
 (4) Major shareholders

Shareholder's name	Investment in the Company by the Shareholders	
	Number of shares (Thousand shares)	Shareholding (%)
Gunze Ltd.	9,321	14.48
The Mizuho Bank, Ltd.	3,182	4.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,172	4.93
Nippon Life Insurance Company	2,586	4.02
Japan Trustee Services Bank, Ltd. (trust account 4G)	2,178	3.38
Toray Industries, Inc.	1,982	3.08
Japan Securities Finance Co., Ltd.	1,426	2.21
The Master Trust Bank of Japan, Ltd. (trust account)	1,416	2.20
Nipponkoa Insurance Co., Ltd.	1,119	1.74
JPMorgan Chase Bank 385107	702	1.09

Notes: Shareholding is calculated by excluding 264,146 treasury stocks and rounded off to two decimal places.

Employees

Number of employees of GSI Creos Group

Business segment	Number of employees	Change from the end of the previous fiscal year
Textile business	214	(23)
Non-textile business	172	10
Corporate (common)	102	4
Total	488	(9)

Notes:

- Figures shown above exclude employees transferred from the Group to outside the Group, but include employees transferred to the Group from outside the Group.
- Figures shown above exclude 118 persons of contract workers, foreign national employees overseas, and employees transferred outside the Group.
- "Corporate (common)" figures denote the number of employees who do not belong to any specific business segment.

Principal Subsidiaries

Company name	Location	Common stock	Percentage of equity participation (including indirect holdings)	Principal business
Central Scientific Commerce, Inc.	Taito-ku, Tokyo	100 million yen	100.00 %	Sales of scientific instruments
Daisan Shika Kogyo Co., Ltd.	Koshigaya, Saitama	50 million yen	92.50	Manufacturing and sales of paper tubes
Office-Mate Corporation	Chiyoda-ku, Tokyo	40 million yen	100.00	Property leasing, management and brokerage
G-Mark, Inc.	Chiyoda-ku, Tokyo	46 million yen	100.00	Import and sales of fireworks
Izumi Corporation	Chuo-ku, Osaka	45 million yen	100.00	Design, production and sales of inner-apparel for women
Maruichi Sangyo Co., Ltd.	Taito-ku, Tokyo	85 million yen	100.00	Sales of twisted yarn as well as processing yarn into twisted yarn for stockings and socks
GSI Holding Corporation	New York, the U.S.	1,010 thousand U.S. dollars	100.00	U.S. holding company
GSI Exim America, Inc.	New York, the U.S.	2,000 thousand U.S. dollars	100.00	Import, export and domestic distribution
GSI Trading Hong Kong Ltd.	Hong Kong, China	13,865 thousand HK dollars	100.00	Import, export and domestic distribution
GSI (Shanghai) Ltd.	Shanghai, China	4,139 thousand renminbi	100.00	Import, export and domestic distribution

Notes:

1. Of the percentage of equity participation in Office-Mate Corporation, 20.62% is an indirect holding.
2. The percentage of equity participation in GSI Exim America, Inc. and that in GSI (Shanghai) Ltd. are indirect holdings.

Directors, Auditors and Corporate Officers (as of June 26, 2009)

Directors

Chairman of the board	Motonobu Kato
Representative Director President	Yoshihiro Fukase
Managing Director	Koji Nakashima
Managing Director	Mitsuru Miyazaki
Director	Yasuhiko Matsushita
Director	Tadaaki Yoshinaga
Director	Masamichi Tanaka
Director	Masateru Nakayama

Auditors

Executive Auditor	Hitoshi Ishikawa
Auditor	Eiichi Anezaki
Auditor	Kenji Yamaguchi
Auditor	Noriyoshi Iwata

Corporate Officers

Hiroshi Urayama	Yasushi Araki
Mikio Asano	Yoji Okita

Notes: Of auditors, Kenji Yamaguchi and Noriyoshi Iwata are outside auditors as provided for in Article 2, Paragraph 16 of the Company Law.

Implementation of our “China plus one” strategy

— A new representative office established in Bangkok, Thailand

GSI Trading Hong Kong Ltd., the Company's Hong Kong subsidiary, established a representative office in Bangkok, Thailand, in February 2009, in order to further expand the textile business.

In the subsidiary's yarn and textile business, which has previously been operated primarily in the South China region, the geographical scope of operations such as raw material yarn procurement, knitting of textiles and sewing is rapidly expanding and diversifying into ASEAN countries.

In response to this expansion, with consideration for accessibility to ASEAN countries, it was decided to establish a new representative office in Bangkok, Thailand, which is located in the center of Southeast Asia. The representative office is designed to help strengthen business base by supporting the delivery operations of raw materials and textiles in Thailand and neighboring countries, and by collecting information on raw material yarns.



The representative office will serve as a strategic base of the Group in the Southeast Asia region. With the utilization of the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement in mind, the representative office will gather information on neighboring emerging markets with massive potential and distribute such information to Group companies, helping to expand not only the textile business but also chemicals, machinery and other businesses.

GSI *Creos*