

# Business Report for Fiscal 2012

From April 1, 2012 to March 31, 2013



Produce  
The Future



**GSI Creos Corporation**

### Financial Performance for Fiscal 2012

During fiscal 2012, the Japanese economy showed some improvements following a change of the government in the latter half of the fiscal year, with bright signs including a correction in the appreciation of the yen and a recovery in stock prices. Nevertheless, prospects remained cloudy overall, with the prolonged debt crisis in Europe and slower growth in emerging countries causing global economic slowdown concern.

Under these circumstances, during fiscal 2012, net sales increased by ¥8,957 million or 7.4% to ¥130,686 million compared with the previous year thanks to expansion in sales related to textile materials business, but gross profit increased by ¥311 million or 2.4% to ¥13,471 million because of a decline in profitability. Operating income declined by ¥489 million or 25.1% to ¥1,458 million, reflecting an increase in selling, general and administrative expenses. Ordinary income decreased by ¥384 million or 22.9% to ¥1,290 million and net income declined by ¥210 million or 18.7% to ¥916 million.

#### Financial Performance for Fiscal 2012

Net Sales	¥130,686 million	7.4% increase year on year
Operating Income	¥1,458 million	25.1% decrease year on year
Ordinary Income	¥1,290 million	22.9% decrease year on year
Net Income	¥916 million	18.7% decrease year on year

### Outlook for Fiscal 2013

Looking ahead to the future business environment, although there are increasing signs of economic recovery under the policies of the current government, there are still causes for concern including the debt crisis in Europe and slower growth in emerging countries. 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 putting priority on allocating business resources to its specialized business fields, with improving profitability and increasing overseas sales positioned as its key policies.

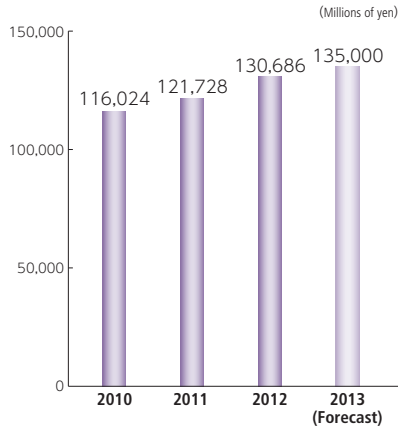
In the nanotechnology business, we will focus our business resources on the three fields of paints & coating materials, fuel cells, and advanced composite materials, with the aim of promptly making the business profitable.

#### Earnings Forecast for Fiscal 2013

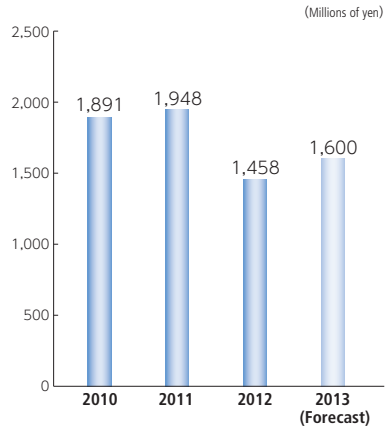
Net Sales	¥135,000 million
Operating Income	¥1,600 million
Ordinary Income	¥1,400 million
Net Income	¥1,000 million

## Financial Performance

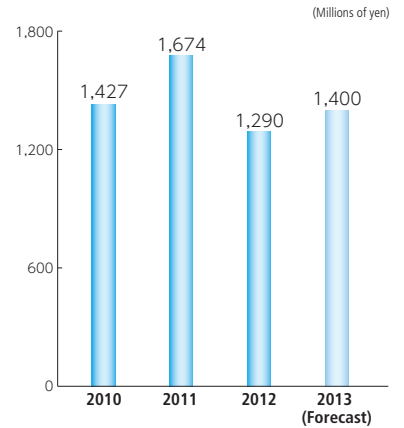
### Net Sales



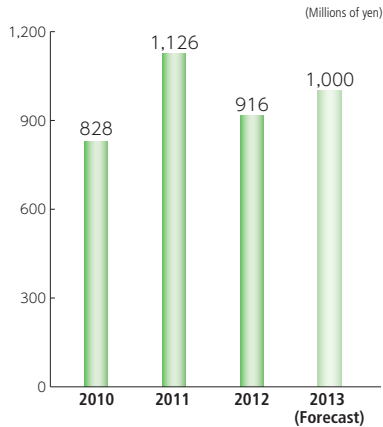
### Operating Income



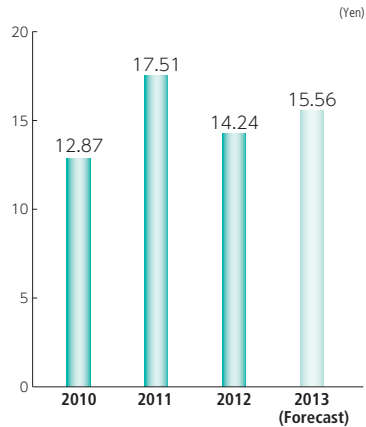
### Ordinary Income



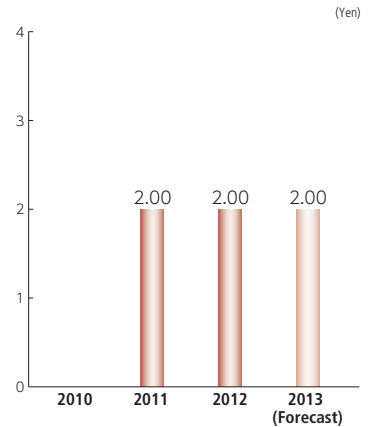
### Net Income



### Net Income Per Share



### Dividends



## Consolidated Review of Operations by Segment

### Textile Materials Division

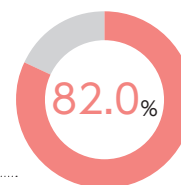
#### Principal merchandise:

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



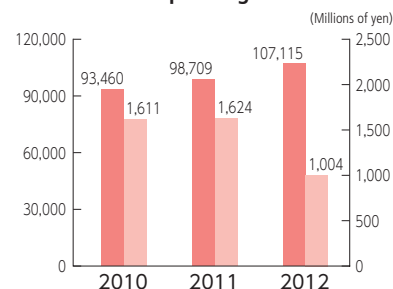
Net Sales	¥107,115 million
	8.5% increase year on year
Operating Income	¥1,004 million
	38.2% decrease year on year

#### Composition of Sales



- Although sales of high-functional yarns and textiles for innerwear increased greatly, the profit margin on these products fell because of intensified competition. Sales of other synthetic yarns and textiles for innerwear were weak due to worsened market conditions. Furthermore, sales of innerwear struggled, except originally designed lingerie and foundation. In retail operations at select shops, which handle innerwear and legwear mainly, upfront expenses related to opening new stores mounted up.
- Exports of fabrics for outerwear to Korea and China declined. In product OEM business, there were sales increases to some partners in the field of ladies' products as well as in the outdoor wear field. On the other hand, the ladies' apparel business struggled due to weak growth in sales of retail stores.

#### Net Sales / Operating Income



### Industrial Products Division

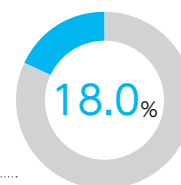
#### Principal merchandise:

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



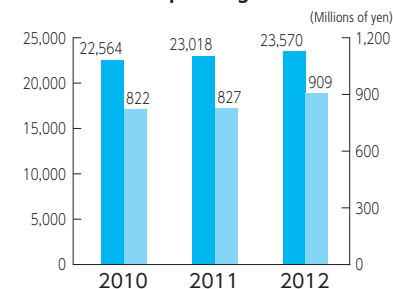
Net Sales	¥23,570 million
	2.4% increase year on year
Operating Income	¥909 million
	10.0% increase year on year

#### Composition of Sales



- In the field of semiconductor-related products, sales of parts including wafers made in China increased, but sales of equipments declined. Although sales of films dropped after receiving a boost from special demand in the previous year due to the 2011 earthquake disaster, sales of additives for paints and resins were solid. In the field of composite materials, the Company started sales of large molding machinery.
- Regarding hobby goods, sales of plastic-model paints and painting implements were firm.

#### Net Sales / Operating Income



## Management Company Established in Shanghai as Regional Headquarters

The Company is pressing ahead with development of its operational base and business structure in China with the slogan “Focus on Asia” under its policy of “Expand Overseas Business.” As part of these efforts, in March 2013, the Company increased its capital in GSI (Shanghai) Limited, its trading company in

Shanghai, and established a management company by reorganizing GSI (Shanghai) Limited and upgrading its status. In line with this change, its name was changed to GSI Creos China Co., Ltd.

While the new company is continuing the selling and importing and exporting operations it has carried out hitherto as a trading company, it has also been given the status of headquarters in China. As regional headquarters, the company will support administrative operations at GSI Creos (Beijing) Co., Ltd. and GSI (Shenzhen) Limited, including their cash

### Outline of Management Company

Company Name	GSI Creos China Co., Ltd.
Capital	US\$6.20 million

management functions, credit control and legal operations, and personnel management. It is hoped that this support will strengthen risk management functions and enhance governance in the Chinese operation.



GSI Creos China Co., Ltd.

## Railway Vehicle Composite Panel Business Expanding in Asia

GSI Exim America, Inc., a subsidiary of the Company in the US, is expanding sales of the products of Milwaukee Composites, Inc., North America’s top maker of composite panels for use in transit vehicles, into Asia.

The panels of Milwaukee Composites, Inc. are made from composite materials in which a special lightweight core is coated with phenol resin and glass fiber. In addition to being lightweight and long-lasting, the panels provide a high level of safety in the case of fire (Note). Because of these qualities, railway companies and builders of railway vehicles in major countries have started to use the panels for floor of vehicle and other purposes.

GSI Exim America, Inc. procures the base materials for the panels. Having won the contract to supply the panels to a major Chinese builder of railway vehicles in January 2013, it is also making ongoing efforts to expand sales in Asia.

Looking ahead, we intend to strengthen ties within the Group further and make sales to builders of railway vehicles not only in China but also in Japan.



A Chinese railway vehicle for which the composite panels are used

(Note) The panels have passed the assessment criteria of various fire standards in the US and Europe (NFPA 130, etc.) by considerable margins. The standards are based on assessment materials that provide numerical measurements of the speed at which a fire spreads and the quantity of smoke it produces, as well as analysis of the toxic gas produced by a fire.



A composite panel for railway vehicle use

# Consolidated Financial Statements

## Balance Sheets (Summary)

(Millions of yen)

Account title	2012	2011
	As of March 31, 2013	As of March 31, 2012
<b>Current assets</b>	<b>48,283</b>	<b>46,163</b>
<b>Noncurrent assets</b>	<b>11,623</b>	<b>10,931</b>
Property, plant and equipment	5,446	5,402
Intangible assets	553	321
Investments and other assets	5,624	5,207
<b>Total assets</b>	<b>59,906</b>	<b>57,094</b>
<b>Current liabilities</b>	<b>42,727</b>	<b>40,481</b>
<b>Noncurrent liabilities</b>	<b>4,178</b>	<b>4,779</b>
<b>Total liabilities</b>	<b>46,906</b>	<b>45,261</b>
<b>Shareholders' equity</b>	<b>13,903</b>	<b>13,259</b>
Accumulated other comprehensive income	△952	△1,475
Minority interests	49	48
<b>Total net assets</b>	<b>13,000</b>	<b>11,832</b>
<b>Total liabilities and net assets</b>	<b>59,906</b>	<b>57,094</b>

## Main Points of Balance Sheets (Summary)

### Assets

Despite of a decrease in cash and deposits, there were also increases in notes and accounts receivable-trade and investment securities. As a result, assets increased by ¥2,812 million from the previous fiscal year-end.

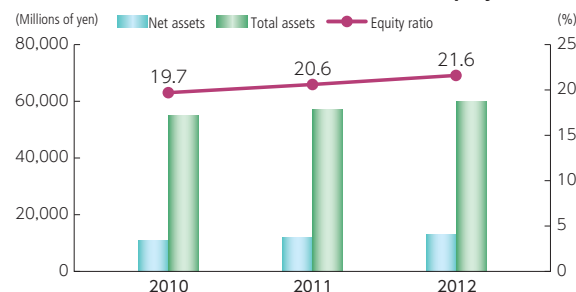
### Liabilities

Despite of a decrease in loans payable, there was also an increase in notes and accounts payable-trade. As a result, liabilities increased by ¥1,644 million from the previous fiscal year-end.

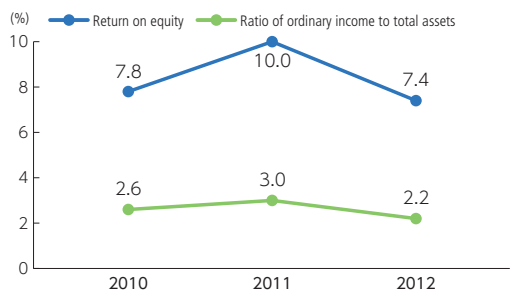
### Net assets

Net assets increased by ¥1,167 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.

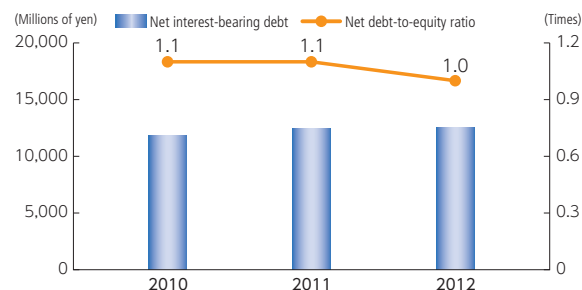
## Net Assets (Millions of yen) / Total Assets (Millions of yen) / Equity Ratio (%)



## 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)

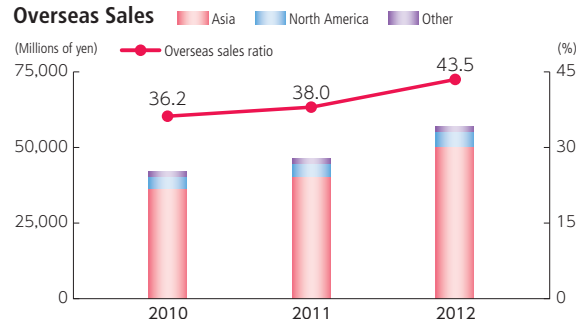
Account title	2012	2011
	From April 1, 2012 to March 31, 2013	From April 1, 2011 to March 31, 2012
<b>Net sales</b>	<b>130,686</b>	<b>121,728</b>
Cost of sales	117,214	108,568
<b>Gross profit</b>	<b>13,471</b>	<b>13,159</b>
Selling, general and administrative expenses	12,012	11,211
<b>Operating income</b>	<b>1,458</b>	<b>1,948</b>
Non-operating income	405	211
Non-operating expenses	572	484
<b>Ordinary income</b>	<b>1,290</b>	<b>1,674</b>
Extraordinary income	25	3
Extraordinary loss	98	181
<b>Income before income taxes and minority interests</b>	<b>1,217</b>	<b>1,496</b>
Total income taxes	300	368
Minority interests in income	0	0
<b>Net income</b>	<b>916</b>	<b>1,126</b>

## Statements of Cash Flows (Summary)

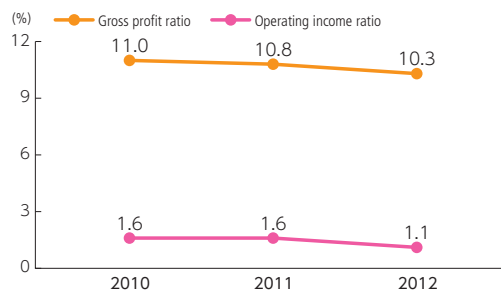
(Millions of yen)

Account title	2012	2011
	From April 1, 2012 to March 31, 2013	From April 1, 2011 to March 31, 2012
<b>Cash flows from operating activities</b>	<b>711</b>	<b>112</b>
<b>Cash flows from investing activities</b>	<b>△514</b>	<b>△710</b>
<b>Cash flows from financing activities</b>	<b>△802</b>	<b>△386</b>
<b>Cash and cash equivalents at the end of period</b>	<b>7,970</b>	<b>8,435</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 ¥711 million mainly due to income before income taxes and minority interests.

#### Cash flows from investing activities

Cash flows used in investing activities was ¥514 million mainly due to payments of loans receivable.

#### Cash flows from financing activities

Cash flows used in financing activities was ¥802 million mainly due to repayment of loans payable.

## Company's Profile

### Company's Profile (as of March 31, 2013)

Company Name	GSI Creos Corporation	
Head Office	2-3-1, Kudan Minami, Chiyoda-ku, Tokyo	
Established	October 31, 1931	
Capital	¥7,186 million	
Employees	569 (Consolidated)	
Offices	8 domestic	14 overseas
Consolidated Subsidiaries	7 domestic	5 overseas
Website	<a href="http://www.gsi.co.jp/en/">http://www.gsi.co.jp/en/</a>	

### Directors and Auditors (as of June 27, 2013)

Representative Director, President	Yoshihiro Fukase
Representative Director, Executive Managing Director	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, 2013)

Total number of shares authorized to be issued:	200,000,000 shares
Total number of shares issued:	64,649,715 shares (including 379,465 shares of treasury stock)
Number of shareholders:	6,723

### Major Shareholders (Top 10)

Shareholder's name	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	9,321	14.50
Mizuho Bank, Ltd.	3,182	4.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,172	4.94
Nippon Life Insurance Company	2,586	4.02
Toray Industries, Inc.	1,982	3.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,545	2.40
Japan Securities Finance Co., Ltd.	1,280	1.99
NIPPONKOA Insurance Company, Limited	1,119	1.74
Japan Trustee Services Bank, Ltd. (Trust Account)	722	1.12
State Street Bank and Trust Company 505103	640	1.00

Note: Shareholding is calculated by excluding 379,465 shares of treasury stock and rounded off to two decimal places.

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

