



GSI Creos



Closer to you,
newer for you

Produce the Future

Business Report for Fiscal 2011

From April 1, 2011 to March 31, 2012

GSI Creos Corporation

Financial Performance for Fiscal 2011

Although the Japanese economy during fiscal 2011 was gradually recovering from the impact of the Great East Japan Earthquake, other factors including disruption in the supply chain caused by damage from the flooding in Thailand, a slowdown in global economic growth due to the debt crisis in Europe and the persistently strong yen caused it to remain weak.

Under these circumstances, during fiscal 2011, net sales increased by ¥5,703 million or 4.9% to ¥121,728 million compared with the previous year due to the expansion of overseas sales, particularly sales in Asia.

Gross profit grew by ¥364 million or 2.8% to ¥13,159 million due to the increase in net sales. Operating income grew by ¥56 million or 3.0% to ¥1,948 million. Thanks to changes in foreign exchange and investment on equity method from losses to gains, ordinary income grew by ¥247 million or 17.3% to ¥1,674 million. Net income grew by ¥298 million or 36.1% to ¥1,126 million due to a decrease in extraordinary losses.

Outlook for Fiscal 2012

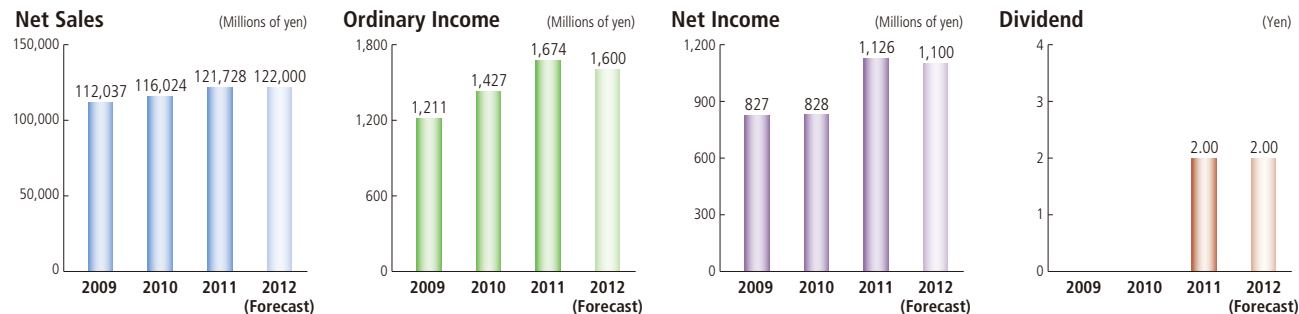
In our outlook of the future business environment, we anticipate downside risks for the global economy, mainly because of the debt crisis in Europe. Similarly, we expect that the situation for the Japanese economy will remain challenging because a number of factors for uncertainty remain, including delayed progress in measures to address deflation, the strong yen and the declining birthrate and aging society, as well as concerns about constricted electricity supplies due to the nuclear power plant accident.

Under such a business environment, with improving profitability and increasing overseas sales positioned as our key policies, the Group will strengthen our revenue-earning capability and improve our financial standing by putting priority on allocating business resources to our specialized business fields.

For fiscal 2012, we are forecasting net sales of ¥122,000 million, operating income of ¥1,900 million, ordinary income of ¥1,600 million and net income of ¥1,100 million.

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.

Consolidated Financial Performance



Textile Materials Division

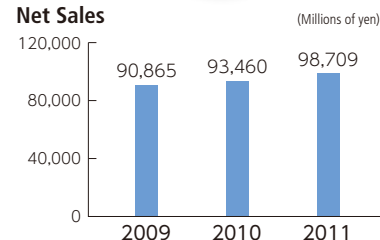
Principal merchandise: Textile materials, Textile fabrics, Legwear / Innerwear and Underwear, Outerwear, etc.



(Net sales ¥98,709 million 5.6% increase year on year)
 (Operating income ¥1,624 million 0.8% increase year on year)

- Sales of high-functional yarn and its textiles for innerwear increased greatly. Sales of lingerie and foundation, designed based on consumer needs were firm, despite the effects of rising production costs, primarily raw material costs and labor costs in China. On the other hand, although there was some special demand driven by the earthquake, clothing essentials for mass retailers struggled overall due to a decline in demand for pantyhose, among other factors.
- Exports of fabrics for outerwear to the US, Europe and Korea increased thanks to proposition-based sales of high-value-added products, despite the strong yen. In women's apparel, business with retail stores offset a slump in wholesale business for specialty stores, while OEM sales recovered, mainly through ladies' apparel products.

Net Sales



Industrial Products Division

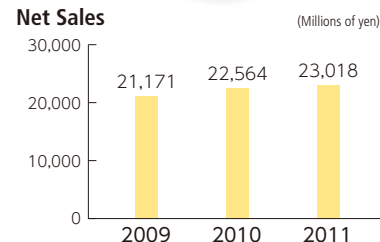
Principal merchandise: Chemical products, Industrial machinery / equipment and materials, Hobby and lifestyle goods, etc.



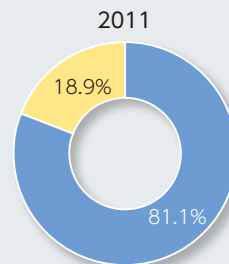
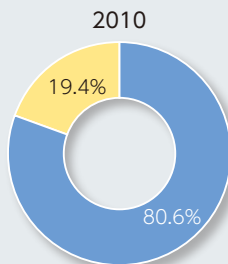
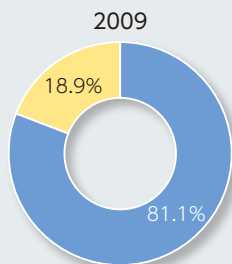
(Net sales ¥23,018 million 2.0% increase year on year)
 (Operating income ¥827 million 0.6% increase year on year)

- Sales of electronic-related materials increased, mainly driven by sales of semiconductor equipment to the Chinese market. In chemical products, additives for paints and resins for the US and European markets sold well. Film sales were about the level of the previous year, despite the impact of the earthquake.
- Regarding hobby goods, sales of plastic-model paints and painting implements were firm.

Net Sales



Composition of Sales



■ Textile Materials Division
 ■ Industrial Products Division

■ Exclusive distributor agreement concluded with a major German manufacturer of production equipment for composite materials for automobiles: Efforts to make lighter automobiles to reduce CO₂ emissions

In December 2011, the Company concluded an agreement with Dieffenbacher of Germany, Europe's leading manufacturer of production equipment for composite materials for automobiles, to be Dieffenbacher's exclusive distributor in Japan.

Dieffenbacher's production equipment produces automobile parts made of composite materials (reinforced plastics). A significant characteristic of their equipment is that it impregnates plastic resins with materials such as carbon fiber, speeding up the molding process, which utilizes heat and pressure. Since composite materials are lighter than metals such as iron, they can help reduce the weight of car bodies, thus reducing fuel consumption. For this reason, they are used in the manufacture of car bodies in Europe, ahead of Japan and the US.



Example of production equipment for composite materials for automobiles



Automobile part made of composite material

Going forward, we will make a contribution to the movement towards lighter automobiles in Japan by introducing and selling this equipment to Japanese manufacturers of such as automobiles and automobile parts, as our new environmentally-friendly business.

■ Reconstruction of core administration system

The Company completed and started operating its administration system, which is primarily for accounting, in March this year.

With the introduction of the new administration system, we optimized IT development and maintenance costs by adopting open source software and making efforts to streamline and standardize operations. This also helps us to realize reductions in operational costs. The new system enables us to respond promptly to changes in the environment both internal and external, such as changes in internal systems or revisions to laws. It also enables a more accurate understanding of business performance and, based on this, more precise decision making in the business. Going forward, we aim not only to utilize information from this new administration system effectively, but also to further strengthen the security management of the system. Also, in order to make the new sales system, scheduled to begin operations in 2014, the optimal system, we will work to strengthen coordination of information between the two systems and bring more solidity to our information infrastructure.

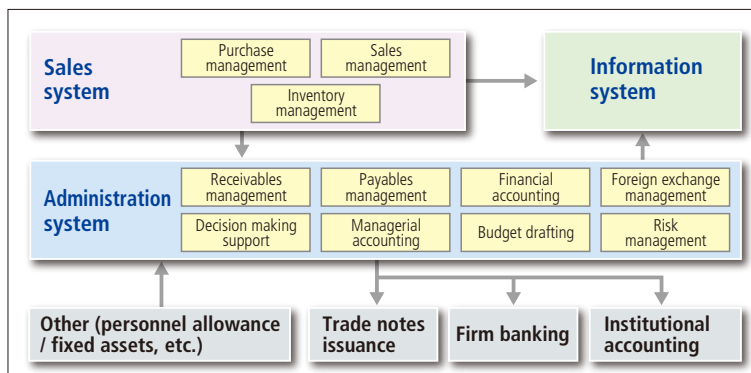


Diagram of new system

Consolidated Financial Statements

Consolidated Balance Sheets (Summary)

(Millions of yen)

Account title	2011	2010
	As of March 31, 2012	As of March 31, 2011
Current assets	46,163	44,388
Cash and cash equivalents	8,435	9,425
Trade notes and accounts receivable	27,640	25,792
Inventories	9,361	8,333
Other current assets	725	837
Fixed assets	10,931	10,642
Tangible fixed assets	5,402	5,590
Intangible fixed assets	321	116
Investments and other assets	5,207	4,935
Total assets	57,094	55,031
Current liabilities	40,481	38,303
Trade notes and accounts payable	20,056	18,828
Short-term loans payable	17,342	16,791
Other current liabilities	3,082	2,683
Long-term liabilities	4,779	5,798
Long-term loans payable	3,572	4,481
Other long-term liabilities	1,206	1,317
Total liabilities	45,261	44,102
Shareholders' equity	13,259	12,133
Common stock	7,186	7,186
Capital surplus	908	908
Retained earnings	5,219	4,092
Treasury stock	△55	△54
Accumulated other comprehensive income	△1,475	△1,277
Minority interests	48	72
Total net assets	11,832	10,928
Total liabilities and net assets	57,094	55,031

Consolidated Statements of Income (Summary)

(Millions of yen)

Account title	2011	2010
	From April 1, 2011 to March 31, 2012	From April 1, 2010 to March 31, 2011
Net sales	121,728	116,024
Cost of sales	108,568	103,228
Gross profit	13,159	12,795
Selling and general administrative expenses	11,211	10,903
Operating income	1,948	1,891
Non-operating income	211	279
Non-operating expenses	484	744
Ordinary income	1,674	1,427
Extraordinary gains	3	24
Extraordinary losses	181	354
Income before income taxes and minority interests	1,496	1,096
Total income taxes	368	267
Minority interests	0	1
Net income	1,126	828

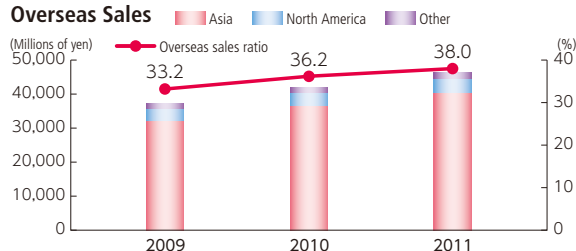
Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

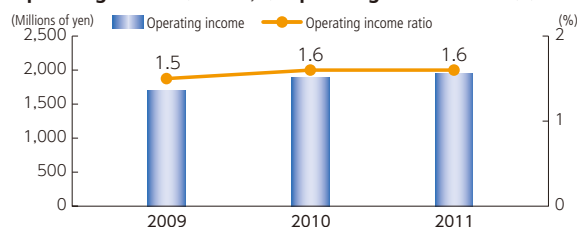
Account title	2011	2010
	From April 1, 2011 to March 31, 2012	From April 1, 2010 to March 31, 2011
Cash flows from operating activities	112	1,049
Cash flows from investing activities	△710	△178
Cash flows from financing activities	△386	△1,194
Cash and cash equivalents at the end of the year	8,435	9,425

Consolidated Performance Indicators

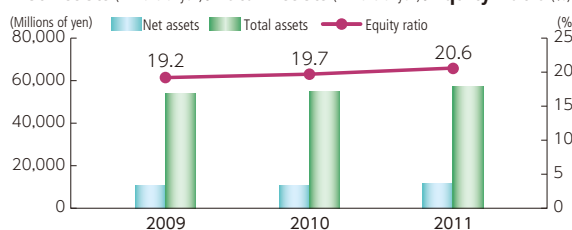
Overseas Sales



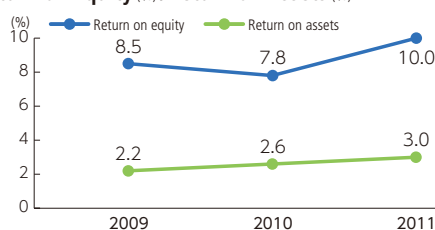
Operating Income (Millions of yen) / Operating Income Ratio (%)



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



Return on Equity (%) / Return on Assets (%)



Non-consolidated Financial Statements

Non-consolidated Balance Sheets (Summary) (Millions of yen)

Account title	2011	2010
	As of March 31, 2012	As of March 31, 2011
Current assets	36,166	34,963
Fixed assets	11,731	11,400
Total assets	47,897	46,363
Current liabilities	34,149	31,984
Long-term liabilities	4,125	5,178
Total liabilities	38,274	37,162
Total net assets	9,623	9,200
Total liabilities and net assets	47,897	46,363

Non-consolidated Statements of Income (Summary) (Millions of yen)

Account title	2011	2010
	From April 1, 2011 to March 31, 2012	From April 1, 2010 to March 31, 2011
Net sales	86,600	84,331
Gross profit	8,230	8,722
Selling and general administrative expenses	7,478	8,068
Operating income	752	654
Ordinary income	622	841
Net income	550	342

Company's Profile

Company's Profile (as of March 31, 2012)

Company Name	GSI Creos Corporation
Head Office	3-1, Kudan-minami 2-chome, Chiyoda-ku, Tokyo
Established	October 31, 1931
Capital	¥7,186 million
Employees	523 (Consolidated)
Offices	Head Office (Chiyoda-ku, Tokyo) Osaka Branch (Chuo-ku, Osaka) Yanagibashi Office (Taito-ku, Tokyo) Gotanda Office (Shinagawa-ku, Tokyo) Fukuoka Office (Hakata-ku, Fukuoka) Hokuriku Office (Fukui-shi, Fukui) Nano Carbon Development Center (Kawasaki-ku, Kawasaki) Tokyo Bay Distribution Center (Funabashi-shi, Chiba)
Overseas Operational Bases	13 (Subsidiaries and representative offices)

Consolidated Subsidiaries

(as of March 31, 2012)

<u>Domestic</u>
Central Scientific Commerce, Inc.
Daisan Shika Kogyo Co., Ltd.
Office-Mate Corporation
G-Mark, Inc.
Izumi Corporation
Maruichi Sangyo Co., Ltd.
Creos Apparel Corporation
<u>Overseas</u>
GSI Holding Corporation
GSI Exim America, Inc.
GSI Trading Hong Kong Limited
GSI (Shanghai) Limited

Directors and Auditors

(as of June 28, 2012)

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	Hitoshi Ishikawa
Executive Auditor	Mikio Asano
Outside Auditor	Noriyoshi Iwata
Outside Auditor	Hiroyoshi Kanai

Shares (as of March 31, 2012)

Total number of shares authorized to be issued:	200,000,000 shares
Total number of shares issued and outstanding:	64,350,663 shares (excluding 299,052 shares of treasury stock)
Number of shareholders:	6,927

Major Shareholders (Top 10) (as of March 31, 2012)

Shareholder's name	Number of shares (Thousand shares)	Shareholding (%)
GUNZE LIMITED	9,321	14.49
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
Toray Industries, Inc.	1,982	3.08
Japan Trustee Services Bank, Ltd. (Trust Account)	1,783	2.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,391	2.16
NIPPONKOA Insurance Company, Limited	1,119	1.74
Japan Securities Finance Co., Ltd.	942	1.46
State Street Bank and Trust Company 505103	702	1.09

Note: Shareholding is calculated by excluding 299,052 shares of treasury stock and rounded off to two decimal places.