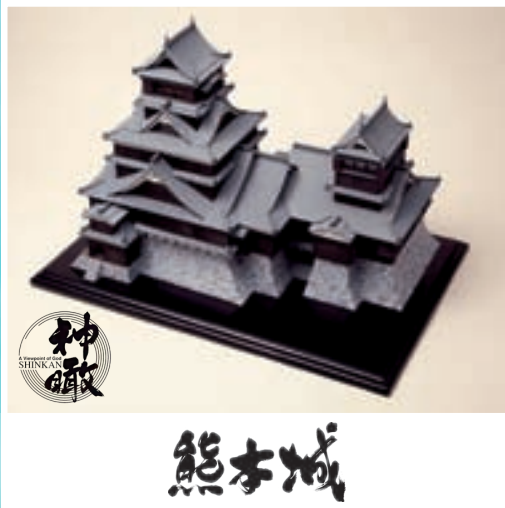


# GSI Creos

## Business Report for Fiscal 2009

From April 1, 2009, to March 31, 2010



## GSI Creos Corporation

# Consolidated Financial Review

## ■ Business Environment

Although the Japanese economy during fiscal 2009 showed some signs of recovery, including progress in inventory adjustments and recovery of exports, the situation remained challenging with continued slump in consumer spending.

## ■ Financial Performance

Under these circumstances, our Group had worked to achieve its target profits and strengthen its business structure, based on its policy of improving profitability and increasing overseas sales.

Net sales increased ¥4,317 million or 4.0% to ¥112,037 million compared with the previous year due to the continued growth of sales in Asia despite the impact of the global economic recession.

Gross profit fell ¥567 million or 4.3% to ¥12,761 million due to the decline in gross profit ratio by 1.0 percentage points resulting from weak consumer spending and stronger price awareness by consumers. Thanks to a decrease in selling and general administrative expenses, operating income grew by ¥30 million or 1.8% to ¥1,694 million.

Ordinary income declined ¥53 million or 4.2% to ¥1,211 million due to the lower equity in earnings of affiliates. Net income increased ¥411 million, or 99.0%, to ¥827 million.

(Textile business)

- Sales of highly functional yarn and its textiles for inner wear increased greatly. Additionally, although sales of inner wear, socks and pantyhose were extremely slow due to slumping consumption, sales have remained strong for our proposals of lingerie and foundation designs based on consumer needs.
- The women's apparel business faced challenges: although we enhanced our retail business in order to improve revenues, we were unable to escape the effects of the weaker demand. Similarly, revenues from outer wear OEM business remained low, due to falling consumer confidence. Export sales of piece goods for outer wear to Europe and Korea also remained low, due to the continued poor market conditions and strong yen.

As a result of the above, overall net sales for the Textile business increased ¥7,943 million or 9.6% to ¥90,865 million compared with the previous year, and operating income increased ¥408 million or 32.7% to ¥1,658 million.

(Non-textile business)

- Sales of machinery and equipment, and industrial materials such as resin, continued to be low due to continued production adjustments and slumping capital investment. Additionally, sales of chemical

products in the US declined due to the delayed recovery of the semiconductor market. Meanwhile, sales of raw materials highly differentiated in function for cosmetics remained strong.

- Although sales of products related to plastic-model paints remained strong, sales of toys and furniture fell.

As a result of the above, overall net sales for the Non-textile business decreased ¥3,626 million or 14.6% to ¥21,171 million compared with the previous year, and operating income decreased ¥340 million or 29.5% to ¥812 million.

### ■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. Such efforts include the development of original products, and offering unique functionality, including cost reductions.

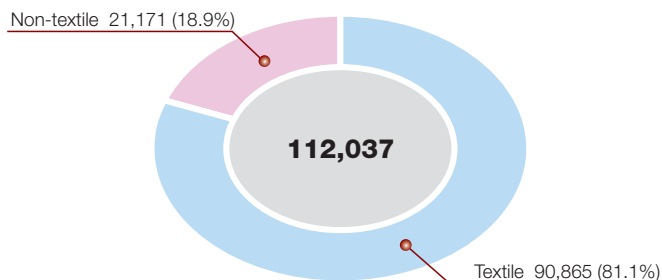
At the same time, the Group will discontinue unprofitable businesses and find new customers in order to improve its profitability.

2. Expansion of overseas markets: The Group will share marketing information across the entire Group on potential markets primarily in the emerging economies of Asia with outstanding growth, as well as markets in the Americas and Europe, and strengthen marketing functions of the overseas operational bases in each region 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 Group will enhance its risk management system and improve risk awareness 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.

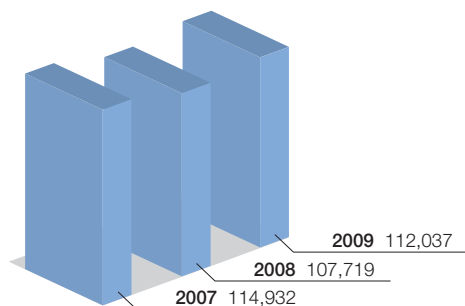
## Composition of Sales (Consolidated)

(Millions of yen)

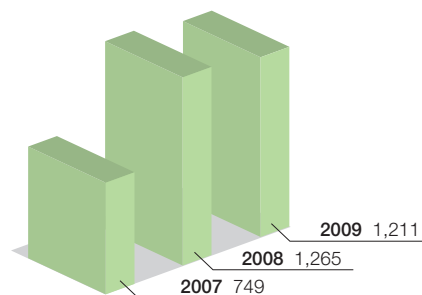


## Financial Performance (Consolidated)

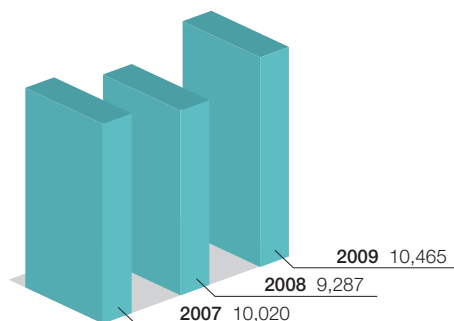
### Net Sales (Millions of yen)



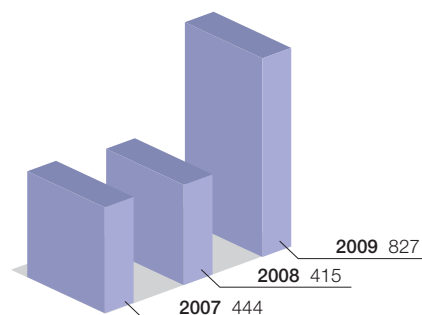
### Ordinary Income (Millions of yen)



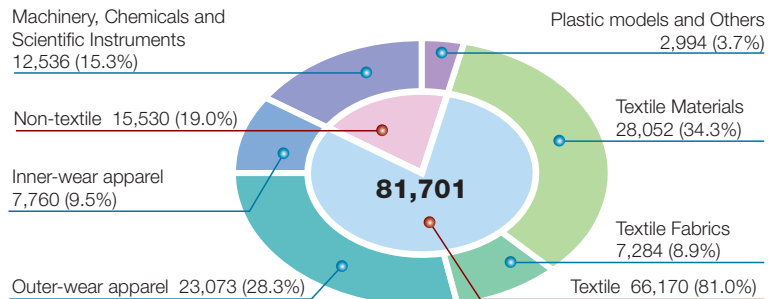
### Net Assets (Millions of yen)



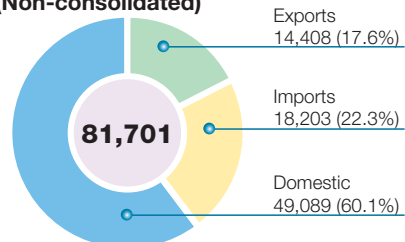
### Net Income (Millions of yen)



## Composition of Sales (Non-consolidated)

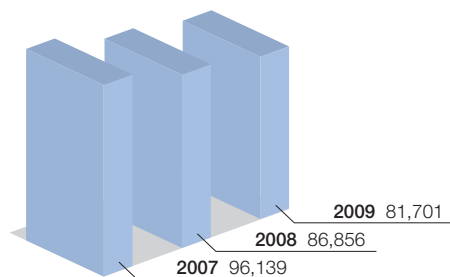


## Sales by Type of Transaction (Non-consolidated)

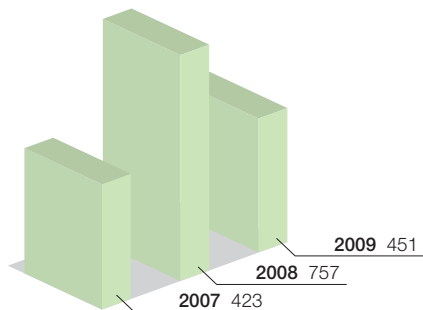


## Financial Performance (Non-consolidated)

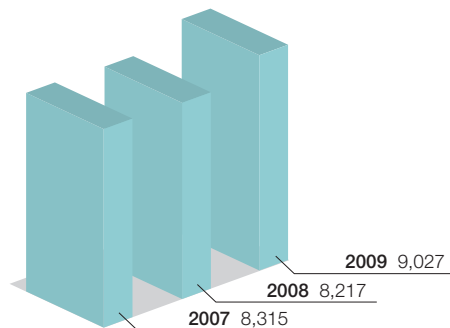
### Net Sales (Millions of yen)



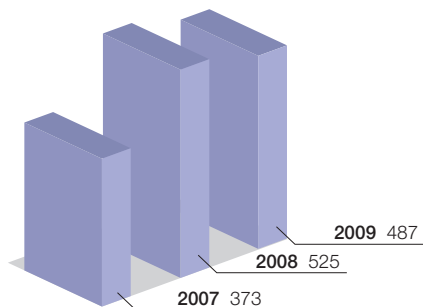
### Ordinary Income (Millions of yen)



### Net Assets (Millions of yen)



### Net Income (Millions of yen)



# Consolidated Financial Statements

## Consolidated Balance Sheets

(Millions of yen)

	2009 As of March 31, 2010	2008 As of March 31, 2009
<b>Assets</b>		
<b>Current assets</b>	<b>42,968</b>	<b>42,710</b>
Cash and cash equivalents	9,838	8,389
Trade notes and accounts receivable	24,709	24,359
Inventories	7,777	8,961
Other current assets	1,104	1,474
Allowance for doubtful accounts	(461)	(475)
<b>Fixed assets</b>	<b>11,001</b>	<b>11,240</b>
<b>Tangible fixed assets</b>	<b>5,688</b>	<b>5,686</b>
Land	3,615	3,634
Other tangible fixed assets	2,072	2,052
<b>Intangible fixed assets</b>	<b>81</b>	<b>136</b>
Goodwill	—	60
Other intangible assets	81	76
<b>Investments and other assets</b>	<b>5,232</b>	<b>5,417</b>
Investment securities	2,189	1,936
Other investments	3,042	3,481
<b>Total assets</b>	<b>53,970</b>	<b>53,951</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>41,448</b>	<b>42,692</b>
Trade notes and accounts payable	16,869	16,217
Short-term loans payable	21,747	23,341
Current portion of long-term loans payable	122	75
Income taxes payable	236	105
Reserve for bonuses	324	272
Reserve for extraordinary loss on withdrawal from business	49	298
Other current liabilities	2,096	2,381
<b>Long-term liabilities</b>	<b>2,056</b>	<b>1,971</b>
Long-term loans payable	582	528
Reserve for retirement benefits	1,318	1,297
Other long-term liabilities	155	145
<b>Total liabilities</b>	<b>43,504</b>	<b>44,663</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>11,306</b>	<b>10,480</b>
Common stock	7,186	7,186
Capital surplus	908	908
Retained earnings	3,264	2,436
Treasury stock	(52)	(51)
Valuation and translation adjustments	(932)	(1,286)
Net unrealized gain on other securities	(407)	(714)
Deferred gains or losses on hedges	3	(15)
Foreign currency translation adjustment	(528)	(555)
Minority interests	90	93
<b>Total net assets</b>	<b>10,465</b>	<b>9,287</b>
<b>Total liabilities and net assets</b>	<b>53,970</b>	<b>53,951</b>

## Consolidated Statements of Income

(Millions of yen)

	2009 From April 1, 2009, to March 31, 2010	2008 From April 1, 2008, to March 31, 2009
Net sales	112,037	107,719
Cost of sales	99,275	94,389
<b>Gross profit</b>	<b>12,761</b>	<b>13,329</b>
Selling and general administrative expenses	11,067	11,665
<b>Operating income</b>	<b>1,694</b>	<b>1,664</b>
Non-operating income	282	455
Non-operating expenses	764	854
<b>Ordinary income</b>	<b>1,211</b>	<b>1,265</b>
Extraordinary gains	55	106
Gain on sales of investment securities	0	43
Other extraordinary gains	55	63
Extraordinary losses	136	848
Loss on bad debt and provision for doubtful accounts	71	63
Loss on devaluation of investment securities	58	352
Extraordinary loss on withdrawal from business	—	387
Other extraordinary losses	6	45
<b>Income before income taxes</b>	<b>1,131</b>	<b>523</b>
Income taxes-current	314	181
Income taxes-deferred	(16)	(167)
Minority interests	4	93
<b>Net income</b>	<b>827</b>	<b>415</b>

## Consolidated Statements of Cash Flows

(Millions of yen)

	2009 From April 1, 2009, to March 31, 2010	2008 From April 1, 2008, to March 31, 2009
Cash flows from operating activities	3,141	573
Cash flows from investing activities	(159)	(612)
Cash flows from financing activities	(1,550)	(291)
Effect of exchange rate changes on cash and cash equivalents	17	(110)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,448</b>	<b>(440)</b>
Cash and cash equivalents at the beginning of the year	8,389	8,888
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	—	(58)
<b>Cash and cash equivalents at the end of the year</b>	<b>9,838</b>	<b>8,389</b>

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheets

(Millions of yen)

	2009 As of March 31, 2010	2008 As of March 31, 2009
<b>Assets</b>		
<b>Current assets</b>	<b>34,137</b>	<b>34,408</b>
Cash and cash equivalents	8,256	6,906
Trade notes and accounts receivable	18,926	20,162
Inventories	6,246	6,438
Other current assets	1,137	1,344
Allowance for doubtful accounts	(430)	(443)
<b>Fixed assets</b>	<b>11,877</b>	<b>12,260</b>
<b>Tangible fixed assets</b>	<b>4,311</b>	<b>4,236</b>
Land	2,960	2,960
Other tangible fixed assets	1,351	1,275
<b>Intangible fixed assets</b>	<b>34</b>	<b>28</b>
Deposits and concession money	34	28
<b>Investments and other assets</b>	<b>7,531</b>	<b>7,995</b>
Investment securities	2,035	1,693
Stocks of subsidiaries and affiliates	2,515	2,555
Other investments	2,980	3,746
<b>Total assets</b>	<b>46,014</b>	<b>46,669</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>35,690</b>	<b>37,249</b>
Trade notes and accounts payable	12,985	13,606
Short-term loans payable	20,862	21,314
Income taxes payable	32	38
Reserve for bonuses	200	168
Reserve for extraordinary loss on withdrawal from business	49	298
Other current liabilities	1,560	1,823
<b>Long-term liabilities</b>	<b>1,297</b>	<b>1,202</b>
Reserve for retirement benefits	1,203	1,186
Other long-term liabilities	93	15
<b>Total liabilities</b>	<b>36,987</b>	<b>38,451</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>9,433</b>	<b>8,947</b>
Common stock	7,186	7,186
Capital surplus	913	913
Retained earnings	1,386	899
Treasury stock	(52)	(51)
Valuation and translation adjustments	(406)	(729)
Net unrealized gain on other securities	(409)	(714)
Deferred gains or losses on hedges	3	(15)
<b>Total net assets</b>	<b>9,027</b>	<b>8,217</b>
<b>Total liabilities and net assets</b>	<b>46,014</b>	<b>46,669</b>

## Non-consolidated Statements of Income

(Millions of yen)

	2009 From April 1, 2009, to March 31, 2010	2008 From April 1, 2008, to March 31, 2009
Net sales	81,701	86,856
Cost of sales	72,789	77,019
<b>Gross profit</b>	<b>8,912</b>	<b>9,836</b>
Selling and general administrative expenses	8,297	8,973
<b>Operating income</b>	<b>615</b>	<b>863</b>
Non-operating income	453	708
Interest income	40	70
Dividends income	276	535
Other non-operating income	135	101
Non-operating expenses	616	813
Interest expenses	393	480
Other non-operating expenses	223	333
<b>Ordinary income</b>	<b>451</b>	<b>757</b>
Extraordinary gains	68	214
Reversal of allowance for doubtful accounts	67	156
Gain on sales of investment securities	0	43
Other extraordinary gains	0	14
Extraordinary losses	74	476
Loss on bad debt and provision for doubtful accounts	71	63
Extraordinary loss on withdrawal from business	—	387
Other extraordinary losses	2	24
<b>Income before income taxes</b>	<b>445</b>	<b>495</b>
Income taxes-current	18	27
Income taxes-deferred	(60)	(57)
<b>Net income</b>	<b>487</b>	<b>525</b>

## Corporate Overview (as of March 31, 2010)

### 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), Fukuoka (Hakata-ku, Fukuoka), Hokuriku (Fukui-shi, Fukui), Nano Carbon 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.	7,176
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,176
The Norinchukin Bank	2,900
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: 64,371,191 shares (excluding 278,524 treasury stocks)  
 (3) Number of shareholders: 7,679  
 (4) Major shareholders (Top 10)

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
Toray Industries, Inc.	1,982	3.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,730	2.69
Nipponkoa Insurance Co., Ltd.	1,119	1.74
JPMorgan Chase Bank 385107	702	1.09
Japan Securities Finance Co., Ltd.	682	1.06
GSI Creos Customers' Stockholding Association	628	0.98

Notes: Shareholding is calculated by excluding 278,524 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	229	15
Non-textile business	173	1
Corporate (common)	102	—
Total	504	16

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 121 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 29, 2010)

### 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

Mikio Asano	Yoji Okita
Yasushi Araki	

Notes: Of auditors, Kenji Yamaguchi and Noriyoshi Iwata are outside auditors as provided for in Article 2, Paragraph 16 of the Company Law. The Company designated Kenji Yamaguchi and Noriyoshi Iwata as independent auditors as required by the rules of the Tokyo Stock Exchange and the Osaka Securities Exchange, and reported it to both the Exchanges.

### ■ Nationwide Roll-out of “Cross Site” Chain of Women’s Apparel Stores

In November 2008, we opened the first retail store “Cross Site” in the city of Yokohama. We then began opening stores primarily in non-metropolitan cities, and by the end of March 2010 had opened a total of 20 stores. Cross Site targets shoppers in their 40s to 60s, and offers select brands of women’s apparel, with a focus on the company brands NONA and dusol-ciel.



A product planning team, a buyer team, and store managers collaborate to respond to increasingly diverse customer lifestyles, changes in fashion trends and differences in needs due to regional characteristics. The stores offer products that meet local customers’ needs, by offering both company brands and third-party products. Based on this philosophy, Cross Site stores are being opened nationwide. The aims of our retail business are to ensure sales in an environment of declining sales channels to specialty stores, and at the same time ascertaining market needs directly, and reflecting these in product design.

Moving forward, we will increase profitability by selling more company-brand products. In addition, we will make effective use of information on fashion trends gained from our retail stores in order to design and produce company-brand products, and we will also use this information for other companies’ apparel that we supply as an OEM. Through these actions, we will grow our outer wear business.



One of the pictures on the cover page is of the Yokohama Kannai store.

GSI *Creos*