

# Textile Company

## Message from the Division Company President

Under our A&P-2002 Mid-term Plan, in addition to expanding earnings in the materials, textile, sewing and other manufacturing areas where our traditional strengths lie, we cultivated customer-driven businesses such as retail, where brands are of key significance, and focused our efforts on consumer markets in China and other parts of Asia. Under the Super A&P-2004 Plan, our goal is to evolve into a “lifestyle proposal business” by promoting the following growth strategies.

1. Acquire superior brands (proactive M&A), use brands to expand the scope of business into a full lifestyle range, and promote a full-scale brand business in China
2. Complement functions for leading apparel makers and expand transactions by providing them with a full range of services from material supply to product development, distribution and fashion trend information
3. Develop and strengthen sales of differentiated materials



### Business Performance in Fiscal Year 2003

Trading transactions decreased by ¥8.4 billion compared with the last fiscal year, owing to a decline in market prices under the deflationary low-pricing trend and our efforts to eliminate inefficient transactions. On the other hand, gross trading profit increased by ¥9.9 billion supported by the contribution from such new brand-related subsidiaries as ORIZZONTI CO., LTD., Bally Japan, Ltd. and CONVERSE JAPAN Co., Ltd. As a result, despite an increase in expenses, trading income\* grew ¥2.7 billion and with the contribution from associated companies, net income rose ¥2.1 billion.

### What We Did in Fiscal Year 2003

**Among our brand-related achievements**, we signed exclusive import and sales contracts with a number of brands including *BALLY* and *POLLINI*. In June 2002, we signed an exclusive long-term contract with the New York based high-end gourmet supermarket *DEAN & DELUCA*. In addition to promoting the same type of stores in Japan as *DEAN & DELUCA* has in New York, we have undertaken the development of a new type of business that merges “food” with “fashion.” We opened the first *DEAN & DELUCA* store in Tokyo in June 2003. Also, we expanded our brand business in Asia. As a strategic step towards developing our brand business in

China, we established a China joint venture with the Italian casual brand *SASCH*.

**In the retail area of the apparel business**, we decided to expand the business of *MAGaseek*, a fashion product search and purchase site to form it into a new company.

**In the high performance material field**, we devoted efforts to expanding sales of *compact spun yarn*, which has the luster and smoothness of silk. Thus, in fiscal year 2003 we achieved a 10% share of global production and 50% share of sales in Japan. We also formed a joint venture with the Shandong Weiqiao Textile Group Co., Ltd., which is China’s largest spinning company, to utilize Japanese advanced technology. Not limited to raw material supply, this business envisions sales in China, and exports to Europe and North America.

**In the home furnishing area**, ITOCHU Home Fashion Corp.’s *Riche La Riche* has achieved favorable performance. In March 2003 it opened its fifth store and is developing a distinctive business that utilizes the fabrics ITOCHU Home Fashion handles.

Makoto Kato  
President, Textile Company