

Strengths

The Textile Company creates new value for people's daily lives, constantly expanding across the globe from its origins in Japan. Our business began with textile fabrics, and has since expanded to include raw materials, finished products, and industrial textile materials.

Adhering to its fundamental strategies of "pursuing added value" and "seizing the initiative," the Company embraces customer-focused concepts to steadily grow its businesses.

In terms of net income, the Textile Company holds the No. 1 spot among general trading companies in the textile industry. The Textile Company's strengths include: (1) broad business portfolio, ranging from textile raw materials to finished products, including brands, industrial materials, and advanced technologies; (2) vertical integration, making full use of our global network for material procurement, product development, manufacture, and sales; (3) the largest brand business among all trading companies, together with formidable marketing power; and (4) business expansion in China and other Asian countries ahead of others in the industry (local production and sale of raw materials, textiles, and apparel products, as well as development of brand business and alliances with local companies).

Our focus on boosting marketing power and maximizing brand value does not mean that we are shifting our focus to the downstream end of the value chain. While we are forging new frontiers in downstream activities, our aim is to bring products from

upstream and midstream clients, who boast advanced technological capabilities, and introduce those products throughout Japan and the world. Covering all aspects of the textile industry will give us the synergy to maximize our comprehensive strengths.

We will always be a textile company. While many trading companies have recently distanced themselves from their "textile" origins, we want to diversify our business in such a way that textiles remain at the heart of them all. We will continue to seek higher added value while maintaining deep roots in the Japanese textile industry.

Business Performance in the Fiscal Year Ended March 2006

During the period under review, the macroeconomic environment surrounding the textile industry benefited from trends in China, which opened its markets to foreign investment, and in Japan, where improvements in corporate performances helped boost individual incomes. The year saw a major change in textile trading as the United States abolished restrictions on import volumes, while in Japan the distribution industry underwent restructuring. Negative aspects included widening performance disparities between companies and regions and overall weakening of Japan's textile manufacturing industry.

Organization (As of April 1, 2006)

Textile Company

Textile Material & Industrial Textile Division

Textile Division

Apparel Division

Brand Marketing Division 1

Brand Marketing Division 2

Planning & Coordinating Department

Accounting & Control Department

Credit & Affiliate Administration Department

IT Business Development Department

Textile Material Department

Industrial Textile Department

Textile Department 1

Textile Department 2

Apparel Department 1

Apparel Department 2

Brand Marketing Department 1

Brand Marketing Department 2

Brand Marketing Department 3

Lifestyle Department



Brand business: Acquired major trademark rights and initiated new large-scale projects

In December 2005, the Textile Company acquired a stake in Paul Smith Group Holdings Ltd. to further reinforce its existing partnership.

In February 2006, we acquired LeSportsac, Inc., jointly with U.S. fashion goods manufacturer, Brand Science LLC. With a focus on maintaining the quality of branded products and engaging in product development, we will develop a stable long-term business by reinforcing sales in Japan, other Asian countries, Hawaii, and Oceania.

In March 2006, we signed a master licensing agreement with Fila Luxembourg, s.a.r.l.,

a subsidiary of U.S.-based Sport Brands International, LLC, covering the FILA brand in Japan. Going forward, we will actively promote marketing strategies for the FILA brand and strengthen our ties with Sport Brands International. We will also strive to enhance the value of the FILA brand while passing on production and distribution rights for apparel products to sub-licensees, primarily Renown Incorporated.