



Masahiro Okafuji
President, Textile Company

Textile Company

The Textile Company records profits far in excess of other general trading companies in the area of textiles, with its gross trading profit more than four times that of the next leading general trading company.

The Textile Company's strengths include: (1) a high capability to develop and commercialize products of advanced materials; (2) integrated business development ranging from product development and procurement, to planning, manufacturing, and distribution (vertical integration); (3) global expansion including third-country transactions (including market penetration in China before any other trading company; and (4) strong marketing power for our brand business.

Business Performance and Priority Policies in Fiscal Year 2005

Business conditions in the domestic market remained challenging in fiscal year 2005. Clothing sales declined 6% for department stores and 8% for other volume retailers.

Despite difficult circumstances, we developed new businesses based on a consumer-oriented marketing strategy, characterized by: (1) the acquisition of new brands such as LA PERLA and HEAD; (2) the launch of a new brand business, renoma PARIS, in China; (3) the acquisition of many new business contracts in the uniform industry; and (4) the expansion of applications of advanced materials including high quality Egyptian cotton and Tasmanian wool through cooperation with apparel makers.

Internationally, we also expanded our market opportunities. Import restrictions within Europe and the U.S. concerning the quantity of textile products made in China and other Asian countries were fully removed in January 2005. Also, it now appears that foreign companies in China will have the opportunity to acquire domestic distribution rights. We see these developments as an opportunity to expand our sales within China and promote China-based trade with Europe and the U.S. To this end, we have strengthened ties with leading local companies in China and established a stronger framework for exporting goods to Europe and the U.S. through our subsidiaries, ITOCHU Textile (China) Co., Ltd. and Prominent Apparel Ltd. We have also expanded our manufacturing bases located in various parts of Asia.

In addition to these advancements, we generated positive results in our brand business including LANVIN and

Financial Highlights

