

Under these circumstances, in the fiscal year ended March 2006 the Textile Company adopted a consumer-oriented marketing strategy. Identifying Consumer Related sectors, centering on brand apparel products, we worked to acquire trademark rights for major brands and initiated large-scale projects. Highlights included: (1) forming a collaborative arrangement with United Arrows Ltd. to strengthen domestic sales and enhance the image of the luxury CHROME HEARTS brand, as well as the establishment of a joint venture with U.S.-based Chrome Hearts Inc. to promote worldwide sales; (2) the acquisition of casual bag maker LeSportsac Inc. in alliance with U.S. accessory company Brand Science, and subsequent sales development in Asia and Oceania; (3) the purchase of a 40% stake in U.K.-based Paul Smith Group Holdings Ltd. to strengthen our partnership; and (4) the acquisition of a master license for the Italian FILA brand in Japan, and measures aimed at expanding that business.

In advanced technologies, we entered into a capital tie-up with textile manufacturer Tosco Co., Ltd. The alliance gives the Textile Company exclusive marketing rights for next-generation exhaust gas purification filters for diesel engines. We are currently undertaking development of the filters in cooperation with Tosco, with a view to launching the products swiftly mainly in Europe, the world's largest diesel car market, as well as in Japan. We have also initiated a project to develop inkjet printing and curved-surface printing systems.

Mid-to-Long Term Challenges and Strategies

The Textile Company will concentrate on the following three strategies in the medium and long terms: (1) reallocate and upgrade assets; (2) expand overseas earnings; and (3) recruit and train competent management personnel.

Policies and Outlook for the Fiscal Year Ending March 2007

In the fiscal year ending March 2007, the second and final year of the "Frontier-2006" mid-term management plan, we will aim to increase consolidated revenues and earnings. To this end, we will focus on the following three key initiatives: (1) acquire new businesses; (2) expand the earnings of our business companies; and (3) increase earnings of overseas operations while implementing appropriate risk management procedures.

Number of Employees

Consolidated*	5,644
Non-consolidated	673

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associate

Domestic	38
Overseas	24

Major products & Services

- Raw material • Textile
- Apparel products • Fashion goods
- Industrial textile, and Branded products or service such as apparel, food, household goods and music.

Advanced Technologies Business

In a joint venture with Denenchofu Roman Co., Ltd., we established InkMax Co., Ltd., covering the inkjet printing business. Through an alliance with Canon Marketing Co., Ltd., we will market products that use patented technology to print directly onto fabric. The technology incorporates a new, environmentally friendly dyeing technique that uses a special water based ink receptive polymer.



Fabric printing process
by InkMax technology