

Key Points

1. Current Status of Japanese Textile Industry

- Imports account for 90% of the products
- Spinning and milling facilities on a sharp decline in number
- Processing trade rising overseas

2. Background of Kasuri (Ikat)-to-Denim Shift

- Tougher conditions for exporting Kasuri Sarong
- Accumulation of indigo dyeing know-how
- Full-scale denim production non-existent in Japan
- Rope dyeing machines developed/produced internally

3. Rope Dyeing as Outside Service

- Provide rope dyeing service to major spinning mills, trading companies, local weavers
- Market share dominant in Japan
- No massive financing necessary

4. What are Jeans?

- Clothing that transcends national borders, age, sex, season, religion, class, race, place, etc.

5. Denim Business

- Apparatus industry
- Heavy transport business

6. Different Perceptions of Jeans: Japan vs. Elsewhere

- Japan:
 - Fashion
 - Stringent quality standard <low-mix, small lot, fast delivery>
- Elsewhere:
 - Working/school wear
 - Mass-produced

7. Kaihara Corp.'s Entry into Spinning Business

- Yarn quality determines everything
- Economization of transport and resource materials
- Hedge currency exchange risks (export accounts for 1/3)
- Boost per capita productivity by thorough streamlining

8. International Expansion: Points to Consider

- Pursue Japan-based manufacturing schemes (quality) (workforce quality)
- Capital investment for integrated manufacturing is rather hefty (for us).

9. Capital Investment: Perseverance Prevails

- Depreciation is the most effective tax saving
- Be competitive in hardware as well as software in the international arena.
- Wasteful capital

10. Sales

- Domestic, processing trade, and export, each accounting for 1/3
- Direct marketing
- Kaihara Corp. will not compete over price and volume.

11. Product Development

- Continue always
- Kaihara Corp. experienced more failures than any other company in the world.

12. Global Environment

- Investment on effluent treatment

13. Difference between Public Company and Private Company

- Ability to take into account investment, sales and currency exchange rates on a long term basis.