

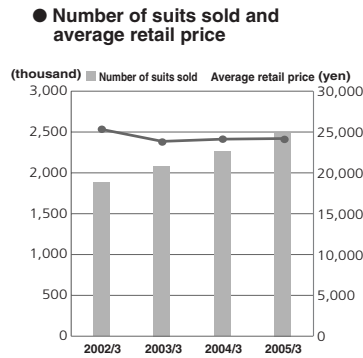
## Expanding the lineup of upscale and functional apparel

In addition to our lineup of products with reasonable price that we have focused on to date, we are also working to flesh out our offering of upscale and highly functional apparel. In the previous fiscal year, we introduced our private-label Savile Row brand to all our stores and we can report that the suits have been well received by customers. Following on this, in the year under review, we released a new brand called "REGAL" targeting customers in their 30s and 40s. The suits are made from a new nano-tech fiber with wrinkle-preventing and deodorizing properties. At The Suit Company business, where our suits are sold under a basic two-price strategy, we have introduced hand-tailored products made by our skilled apparel makers. All of these measures are designed to meet our ultimate objective of offering high-quality suits at fair prices.

We also opened our first urban-format Universal Language store in Tokyo's trendy Shibuya district. In addition to products unique to the new business format, the store offers popular foreign brands as well as items jointly developed with famous European designers and venerable specialty shops. In the current fiscal year, we intend to open a store in Shinjuku and two others under the new specialty store format that targets selective shoppers with discriminating fashion tastes.

### ■ Signs of market change and higher unit prices

By shifting to this new strategy, we aim to address signs of market change as quickly as possible. Accompanying the modest trend toward economic recovery that began two years ago, businessmen's propensity to spend began to pick up little by little, after cooling for many years. While price competition remains fierce on the one hand, demand is beginning to pick up for some high-priced apparel.



### ■ Broadening lineup of casual wear and womenswear

However, the menssuits retail market is facing an exceptionally tough climate going forward due to the imminent retirement of the baby-boomer generation and decrease in customers arising from Japan's low birthrate and aging society. Also, in the suburban mar-

ket for menssuits retail, competition for market share is heated among the top four retailers, so we are doing our utmost to outlast the competition to remain a sector survivor.

To ensure this, in addition to aggressive store rollout and relocating and renovating existing stores, we are also concentrating our energies on developing new products. Furthermore, with an eye toward carving out a position for ourselves in the casual wear market, we have decided to spin off the CALAJA casual wear business into a subsidiary on October 1, 2005. By accelerating the decision-making process under a detached organizational structure, we aim to strengthen the operation's profitability and market competitiveness.

We are also expanding operations in the womenswear segment. In addition to establishing a regular lineup of women's apparel at The Suit Company business, we have structured around one-third of the offerings at the Universal Language store format for women. And we are also strengthening the women's product lineup at the CALAJA operation.

### ■ New target: The dankai baby-boomer generation

Another promising customer group that we are targeting is the new market expected to be created when the *dankai* baby-boomer generation retires. We antici-

pate that the considerable population of businessmen in this particular age group will face the need to change their style of dress from their usual business attire. Looking forward, the Company aims to achieve further growth by offering a new style of dress and new product lineup for this retiring *dankai* generation.

Net Sales by Product Group (Millions of yen, %)

	Year ended March 31, 2002		Year ended March 31, 2003		Year ended March 31, 2004		Year ended March 31, 2005	
Suits and three-piece suits	51,012	36.7	53,153	36.1	55,617	36.5	60,908	37.9
Jackets	7,203	5.2	7,550	5.1	7,547	5.0	7,347	4.6
Slacks	8,282	5.9	8,717	5.9	8,722	5.7	8,679	5.4
Coats	2,375	1.7	2,367	1.6	4,041	2.7	4,403	2.7
Formal wear	19,121	13.7	20,048	13.6	18,793	12.3	19,932	12.4
Dry goods and others	34,753	25.0	40,236	27.3	44,838	29.5	47,697	29.7
CALAJA	16,499	11.8	15,253	10.4	12,563	8.3	11,718	7.3
Total	139,248	100.0	147,327	100.0	152,124	100.0	160,688	100.0

(Note) Figures amounting to less than one million yen are rounded down.

### New mainstay brand REGAL

The Company has started offering a new brand of suit called REGAL, targeting businessmen in their 30s and 40s. The suits are made from wrinkle-preventing wool fibers and textiles with deodorizing properties developed using the most advanced nanotechnologies, and thus are made from fabrics featuring both high functionality and comfort. The new brand was introduced as a mainstay label at all of the Company's Yofuku-no-Aoyama stores from October 2004.

The REGAL brand is based on the

concept of "American traditional" derived from a modern interpretation of a fusion of contemporary and traditional fashion styles. Clothing in this lineup are intended to become the suit that one "loves to put on" and are designed with a timeless quality allowing for long-term wear. The suits are priced from ¥39,000. Ensembles made from the highest quality fabrics manufactured by domestic textile major Miyuki Keori are sold under the upscale REGAL Prestige brand and are priced from ¥68,000.



### First urban-format Universal Language store

The Company opened its first urban-format Universal Language store in Tokyo's trendy commercial Shibuya district, targeting men and women in the 30s with discriminating fashion and style tastes. In addition to the Company's proprietary products, the store also offers a wide assortment of foreign brand apparel and accessories. We plan to expand the store network by concentrating outlets in central city locations.

The product lineup consists equally of items from three categories—men's suits, men's casual wear, and wom-

enswear. While the Company's private-brand items make up around 75% of products, the store also offers jeans, shoes, belts, and other goods procured in the US and Europe through a tie-up with an Italian specialty shop in order to attract shoppers with a keen sense of fashion trends.

Management expects the new business format to complement the existing The Suit Company stores that are also concentrated in central city locations and help the Company extend its reach to new consumer markets.

