

Business Results

●Net Sales

Consolidated net sales in the year under review increased ¥6,445 million or 3.4% year on year to ¥202,720 million, the fifth consecutive year of increased sales. The increase in sales was attributable to vigorous opening of new stores and relocating or rebuilding of existing stores to enhance competitiveness, mainly in the menswear retail operation, and merchandising focused on products and services that deliver excellent value unavailable elsewhere.

●Operating Income & Expenses

Consolidated gross profit rose 4.8% year on year to ¥111,130 million. The increase was principally attributable to an improvement of 0.8 percentage points in the gross margin owing to efforts to push sales higher in the menswear retail business. Operating income increased ¥1,652 million or 8.2% to ¥21,795 million, mainly due a strong contribution from the suit business. An increase in selling, general and administrative expenses in line with expansion of the store network and other factors was absorbed by the sales increase and higher gross profit due to the improvement in the gross margin.

●Other Gains and Losses

The principal non-operating item was the reporting of ¥6,719 million in valuation gains on derivative transactions in line with the introduction in the previous term of market value accounting for comprehensive long-term forward foreign exchange contracts (coupon swap contracts). Consolidated ordinary income increased 41.6% year on year to ¥29,314 million mainly owing to a ¥136 million decrease in interest paid to ¥93 million. Accordingly, both operating income and ordinary income increased for the fifth consecutive year.

Regarding extraordinary gains and losses, in the year under review the Company applied the accounting standard for impairment of fixed assets to the menswear retail business and sundry retail business, reporting an impairment loss of

¥3,886 million. The Company also reported extraordinary losses for amortization of past service cost for retirement benefits for directors and corporate officers (completed during the year under review) and a loss on disposal and sale of fixed assets in line with the closing, relocation, and rebuilding of stores.

As a result, net income increased ¥8,678 million or 186.6% year on year to ¥13,328 million.

Consolidated Statements of Income (Summary)

	(Millions of yen)	
	Year ended March 31, 2005	Year ended March 31, 2006
Net Sales	195,968	202,720
Cost of Sales	89,961	91,590
Gross Profit	106,007	111,130
Selling, General and Administrative Expenses	85,865	89,335
Operating Income	20,142	21,795
Non-operating Income	877	7,743
Interest and dividend income	285	276
Valuation gains on derivative transactions	—	6,719
Other	592	746
Non-operating Expenses	323	223
Interest expenses	230	93
Other	93	128
Ordinary Income	20,696	29,314
Extraordinary Gains	140	24
Extraordinary Losses	11,879	6,180
Loss on disposal and sale of fixed assets	1,421	1,365
Impairment loss	—	3,886
Amortization of past service cost for retirement benefits to directors and corporate auditors	972	874
Loss on revaluation of investment to affiliated company	204	—
Valuation losses on derivative transactions	9,234	—
Other	44	54
Income before Income Taxes	8,957	23,158
Income Taxes-Current	8,710	9,052
Income Taxes-Deferred	△ 4,664	580
Minority Interests	261	196
Net Income	4,650	13,328

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

Consolidated Balance Sheets (Summary)

Assets	(Millions of yen)	
	March 31, 2005	March 31, 2006
Current Assets	145,657	165,971
Cash and cash equivalents	24,371	28,648
Trade notes and accounts receivable	8,706	9,320
Marketable securities	14,097	21,796
Inventories	37,098	38,664
Loans receivable	49,410	55,691
Other	12,571	12,351
Allowance for doubtful receivables	△ 598	△ 502
Fixed Assets	148,266	150,445
Property, Plant and Equipment	83,476	86,389
Buildings and structures	50,812	52,872
Land	25,948	27,263
Other	6,713	6,252
Intangible Fixed Assets	1,184	1,301
Investments and Other Assets	63,605	62,754
Investment securities	8,492	9,909
Long-term loans	1,077	8,272
Deferred tax assets	7,616	5,068
Guarantee deposits and lease deposits	43,850	35,320
Refundable insurance premium for directors, corporate auditors and employees	187	1,691
Other	2,425	2,553
Allowance for doubtful receivables	△ 43	△ 61
Total Assets	293,924	316,416

Liabilities	(Millions of yen)	
	March 31, 2005	March 31, 2006
Current Liabilities	60,366	54,304
Trade notes and accounts payable	17,777	19,442
Short-term bank loans	4,280	4,010
Other accounts payable	18,842	17,653
Other	19,466	13,197
Long-term Liabilities	28,137	44,636
Corporate bonds	10,000	20,000
Long-term debt	10,000	15,415
Other	8,137	9,220
Total Liabilities	88,504	98,940
Minority Interests	1,370	1,472
Shareholders' Equity		
Common Stock	62,504	62,504
Capital Surplus	62,411	62,449
Retained Earnings	102,214	112,557
Land Revaluation Difference	△ 19,486	△ 19,314
Net Unrealized Gain on Available-for-sale Securities	71	1,179
Treasury Stock	△ 3,665	△ 3,374
Total Shareholders' Equity	204,049	216,003
Total Liabilities, Minority Interests and Shareholders' Equity	293,924	316,416

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



The Suit Company Odaiba Palette Town Store opened in November 2005