

New Products Open Up New Markets

The number of suits sold during the year under review increased by 5.4% from the previous term to 2,656,000, setting a new record for the sixth consecutive year. Sales of women's merchandise, which we began offering on a full-scale basis at the end of the previous term, developed favorably, and we are now augmenting our women's lines to open new markets.

■ Bolstering Women's Merchandise Lines

The Company enhanced its women's merchandise lines, offering a wide selection of blouses and accessories in addition to business suits for career women and first-time job seekers. In May of this year we began offering women's formal wear at all stores in addition to suits. Sales of suits to university students seeking jobs were especially strong during the term owing to active recruitment of new graduates by companies.

In April of this year we launched the Plus A The Suit Aoyama store format, which includes a high 30% proportion of women's merchandise in its merchandise mix. We are also implementing merchandising policies designed to attract women customers at The Suit Company, Universal Language, and The Suit Company's Weekend stores. We will continue to create store environments and bolster our product lines to increase sales of women's merchandise.



The Yofuku-no-Aoyama Himeji Tohori Store's womenswear corner

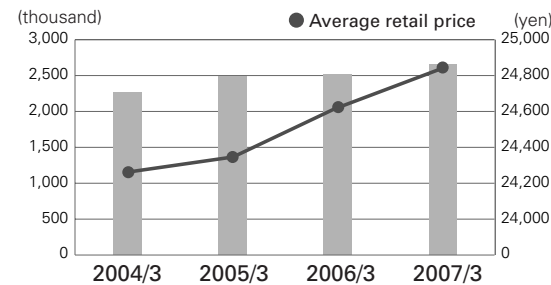


The Plus A The Suit Aoyama LOC CITY Mito-Minami Store's womenswear corner



Aya Matsuura, the face of Yofuku-no-Aoyama

● Number of suits sold and average retail price

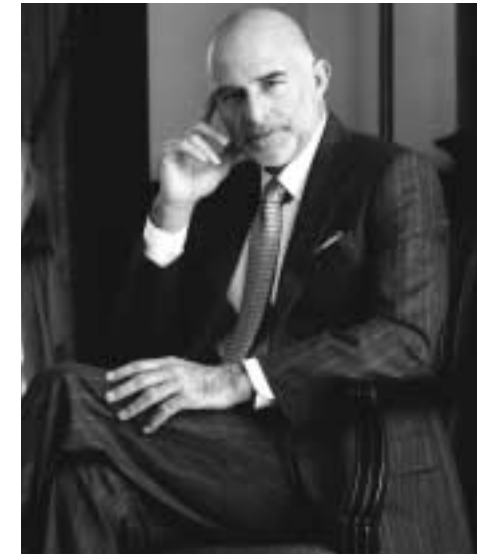


■ Premium-Grade Savile Row Moxon Suits Are a Hit

In men's merchandise, sales of the Company's Savile Row brand premium-grade suits exceeded expectations. Notably, suits made of rare Moxon English fabric enjoyed tremendous popularity owing to their scarcity value and meticulously detailed workmanship.

Moxon is a long-established textile manufacturer and purveyor to the royal family of the United Kingdom. Moxon fabrics, which require nearly three times as long to weave as ordinary fabrics, have high scarcity value, and suits made of these fabrics have been highly favored by discerning mature customers for their combination of functional beauty and comfort resulting from hand-tailoring based on ergonomic principles.

For the 2007 summer selling season, we have developed Savile Row cool suits made using material from Dormeuil, France's premium textile manufacturer. We will continue to create distinctive products that meet the diversifying needs of our customers.



A Savile Row suit made using scarce, highly prized Moxon fabric from England

The Launch of Su-Su Suits, the Industry's First High-Ventilation Suits

The Company has launched at all Yofuku-no-Aoyama stores Su-Su Suits, a new line of cool suits for summer wear. The industry's first high-ventilation suits lower sensory temperature by about four degrees Celsius compared to conventional summer suits (in results of heat shielding tests conducted using the reflector lamp method on material manufactured by The Japan Wool Textile Co., Ltd.).

This fabric, made by processing wool and a fiber with ceramic content using a special manufacturing method, has a great deal of empty space between threads. This results in the passage of 180 cubic centimeters of air per square centimeter of fabric per second, a substantial improvement over the 100 cubic centimeters that is ordinarily considered indicative of a cool fabric. Furthermore, in addition to the enhanced air permeability, the inclusion of the fiber containing ceramic increases the heat shielding properties of the fabric and the perceived coolness of the suits.

