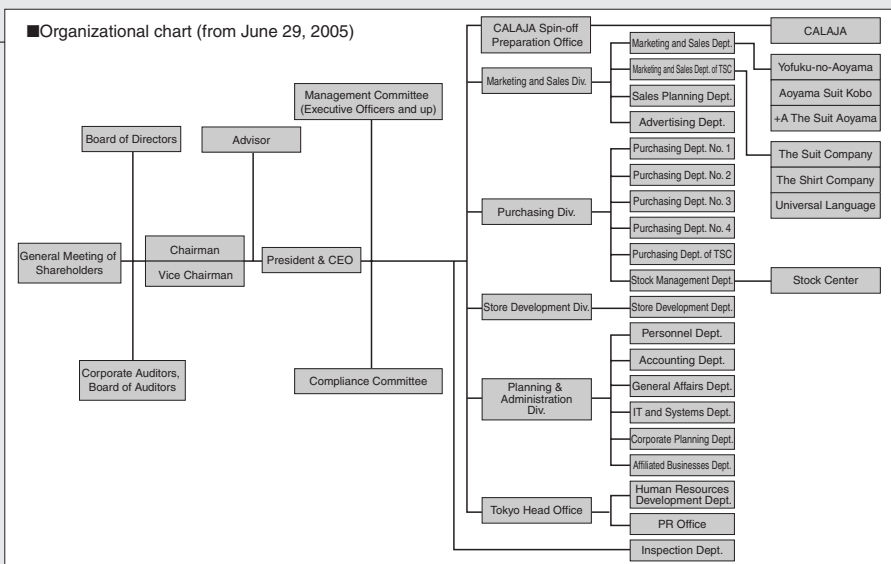


Business Reform

Adoption of the executive officer system

In the year under review, Aoyama Trading Co., Ltd. decided to introduce the executive officer system in a bid to further boost management efficiency. At the same time as trimming the number of members on the board of directors to six, from 13 previously, we created 13 new executive positions. Operations under the new framework are due to commence after the general meeting of shareholders scheduled for June 29.

While streamlining the number of directors to help vitalize operations at the board level, we also aim to strengthen the board's supervisory capabilities by speeding up the decision-making process and separating managerial responsibilities from executive actions. In addition, we expect the appointment of younger employees to executive positions to invigorate the managerial



team. Along with adopting this new system, the Company also implemented organizational reforms with an eye toward further improving work efficiency.

New Advertising Strategy

TV commercial featuring popular celebrity Aya Matsuura

To advertise suits for younger consumers, the Company began airing a TV commercial from March 2005 featuring popular celebrity Aya Matsuura paired with her new hit single "Zutto Suki de ii Desuka." The strategy was aimed at expanding our market share in the younger customer segment by increasing the appeal of our suit lineup for newly hired freshmen and recent college graduates seeking their first jobs, who we think represent a promising market for untapped demand. Aya Matsuura is extremely popular with the younger generation, so we decided her portrayal as her cheerful and comical character would be effective in enhancing our image with younger shoppers. We are featuring the popular singer and actress in not just

TV commercials, but also in our various other promotional tools, such as direct mail and advertising flyers. Since her debut at the age of 15 in 2001 with the release of her first CD, Ms. Matsuura has released a number of hit songs, including "Momoiro Kataomoi" and "Watarase Bashi," and has also appeared in numerous TV commercials, drama programs, and movies.



Aiming to expand earnings by rejuvenating the management team

Aoyama Trading Group is grateful to its shareholders for their continued support. With the aim of rejuvenating the management team, I, Osamu Aoyama, have been appointed as president and chief executive officer. I previously served as director and general manager of the Sales Division. Former president Shozo Miyamae has assumed the duties of vice chairman. Although sales competition remains heated in the menssuits retail sector, we are committed to retaining our dominant industry position by capturing additional market share and increasing profits.



Osamu Aoyama
President and CEO

■ Ordinary income growth achieved despite unfavorable market environment

In the year under review, the business environment surrounding group operations was far from upbeat with consumer sentiment continuing to stagnate. In addition, earthquakes, typhoons, and other natural disasters, along with unseasonable weather, including a summer heatwave and mild winter, adversely affected customer traffic to our stores, which weighed on net income. Despite such circumstances, Aoyama trading Group marked growth in both sales and profits for the fourth straight year, reporting strong net sales, operating income, and ordinary income on the back of active

efforts to promote high value-added apparel brands and develop new business formats.

At the core menssuits retail business, we opened 44 new stores under an aggressive store rollout policy aimed at expanding market share. At the same time, we succeeded in raising the average sales price by strengthening sales of upscale items. The substantial improvement in operating income attained as a result of these efforts was one of our big achievements in the term under review.

In other segments, the credit card business registered strong earnings on a sharp increase in loans receivable and rise in the number of cardholders.

Financial Highlights

Aoyama Trading Co., Ltd. and its subsidiaries

(as of March 31)

	2001	2002	2003	2004	2005
Net sales (millions of yen)	148,488	161,353	176,075	186,400	195,968
Operating income (millions of yen)	5,651	7,615	12,784	16,570	20,142
Net income (millions of yen)	1,951	3,721	6,392	8,317	4,650
Net income per share (yen)	28.6	56.34	94.81	123.76	67.87
Dividend per share (yen)	35	35	35	40	40
ROE (%)	0.9	1.8	3.1	4.1	2.3

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

Introduction of the executive officer system and plan to spin off CALAJA brand

With the aim of rejuvenating the organizational structure and to meet the challenges of the harsh business environment ahead, the Company appointed a new president and also introduced the executive officer system. To meet the increasing need for faster and more effective decision making, we decided it was of crucial importance to streamline the board of directors and strengthen comptroller supervisory capabilities by separating managerial from executive responsibilities. We also carried out drastic organizational reforms in a bid to improve work efficiency.

Furthermore, we plan to spin off the casual apparel CALAJA operation from Aoyama Trading Co., Ltd. and set up the business as a wholly owned subsidiary on October 1, 2005. Although earnings at the CALAJA operation are turning up from a temporary slump, as of this juncture, the business has not yet recovered fully. We are convinced that the autonomy that will be given to management by the spinoff will allow for faster and more flexible decision making, thereby enabling the team to more effectively pursue stronger profitability.

Following the path carved out by former president Miyamae

With these reforms, Aoyama Trading Group aims to capture additional market share by aggressively opening new stores and relocating existing outlets.

In recent years, the menssuits market has increasingly taken on the appearance of an oligopoly, with just a handful of sector majors vying intensely for market share. Moreover, we do not harbor high expectations for growth of the men's suit market given the aging of Japanese society coupled with the declining birthrate, and considering the upcoming retirement of the post-war dankai baby-boomer generation (those born between 1947 and 1949). In order to ensure continued growth under these circumstances, we think it absolute-

ly essential for the Company to reinforce its sales capabilities and product lineups to maintain its dominant position over rivals. We also see the necessity to carve out niche markets that are unlike our conventional markets in order to continue growing. The Company will thus steadfastly pursue the strategies initiated by former president Mr. Miyamae.

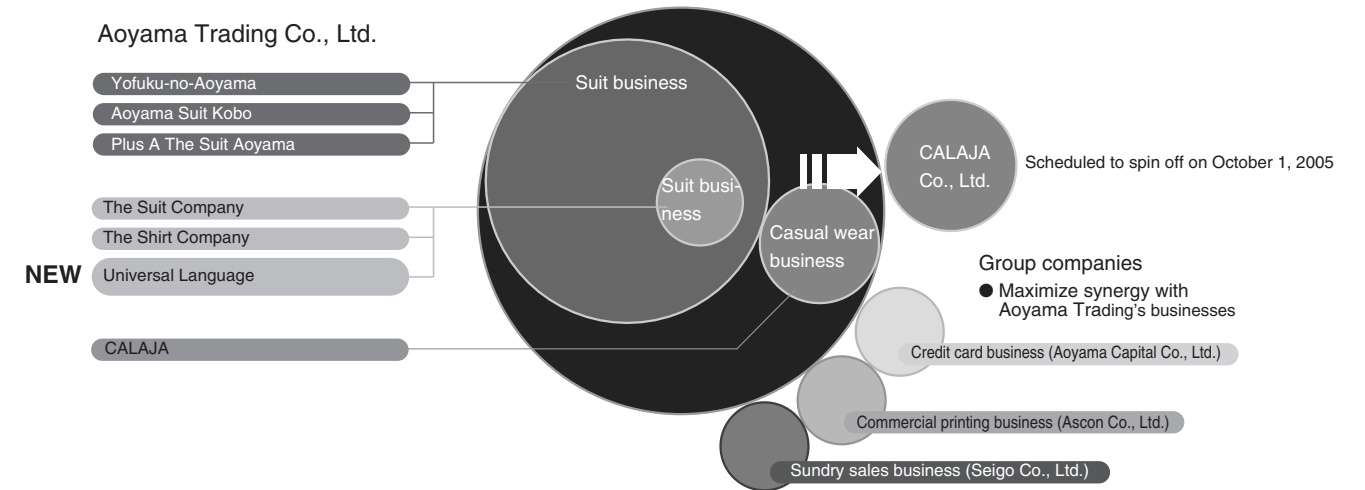
However, aggressive business strategies tend to go hand in hand with an increase in expenditures. So in the next fiscal year, we intend to give attention to reining in costs. Specifically, we aim to: (1) boost personnel cost efficiency by thoroughly promoting an achievement-based remuneration system, such as by applying the annual salary system to a larger percentage of the work force; (2) hold down increases in property-related expenses, such as by negotiating to lower store rents; and (3) pare down advertising and promotional outlays, especially spending for promotional flyers.

At the same time, we will strive to bolster Aoyama Trading Group's capabilities as a whole by promoting customer relationship management (CRM) strategies, working steadily to differentiate ourselves from rivals, and carrying out other measures.

Through these efforts, we aim to solidify a strong earnings structure and maximize shareholder value, and thereby continue to reward our shareholders. In the year under review, we paid a common dividend of ¥40 per share, and plan to pay a ¥40 dividend in the year ending March 2006 as well. Also, through conscientious IR activities, we will endeavor to promote the timely disclosure of information on group activities and circumstances as well as invite the valuable feedback and advice from our shareholders.

Aoyama Trading Group is committed to earn the continued support and understanding of our shareholders.

Maximizing customer satisfaction with an expanded product lineup



Aoyama Trading Co., Ltd.

Yofuku-no-Aoyama and other suit businesses

- Increase unit prices by expanding the lineup of upscale suit brands, including the Savile Row private label.
- In order to maintain market share after the retirement of the baby-boomer generation, develop new markets by offering lifestyle product choices.
- Expand market share by continuing store rollout and refurbishing existing outlets.
- Increase the effectiveness of CRM activities by attracting more subscribers to the Q-Click Mobile (QCM) mobile phone information service and building up the customer database; use these CRM activities to strengthen sales strategies in all segments.
- Promote IT at production and distribution operations to cut costs and speed up work processes.

The Suit Company suit business

- Boost overall earnings by increasing same-store sales, opening new stores

in ideal locations, strengthening the lineup of womenswear, and trimming costs. Also, fortify strategies for stores located in regional areas.

Universal Language suit business

- Ramp up operations for the new format Universal Language stores that offer a select lineup of apparel and accessories targeting consumers with discerning fashion tastes.

CALAJA casual wear business

- Strengthen profitability and competitiveness with a faster and more flexible decision-making process enabled by spinning off the operation into a separate company.
- Establish a solid earnings structure by beefing up procurement capabilities to boost price competitiveness, and at the same time, focus on procuring hit products in order to prop up gross margin.
- Flesh out the lineup of women's apparel and accessories.

Group companies

- Credit card business (Aoyama Capital Co., Ltd)
- Support the CRM activities of Aoyama Trading Co., Ltd.
- Further increase the number of card-holders.
- Strengthen the online language learning service, called "Language Channel", to develop it into a second major source of segmental earnings.
- Commercial printing business (Ascon Co., Ltd.)
- Actively attract new customers, such as chain operators of drug stores and home centers, and increase orders especially from non-group companies.
- Sundry sales business (Seigo Co., Ltd.)
- While ensuring steady earnings, develop the business to complement Aoyama Trading's store network strategy.