

Planned spinoff of the CALAJA business

■ CALAJA to become a wholly owned subsidiary on October 1, 2005

The Company plans to spin off the casual wear CALAJA operation on October 1, 2005, and establish the business as wholly owned subsidiary CALAJA Co., Ltd. The CALAJA business is one of the Company's core operations, and reported net sales of ¥11,724 million in the year under review. It operates stores on the concept of "family casual wear" targeting mainly consumers in their 30s, and had 79 stores nationwide as of May 31, 2005



■ Speeding up the decision-making process to boost competitiveness

In the year under review, per-customer spending at the CALAJA business (same-store sales basis) grew 4.5% versus the year earlier, but same-store sales declined 3.9% due to a decrease in customer traffic to the stores resulting from unseasonable weather and other factors. Earnings began recovering thanks to a number of reforms implemented from the previous year. But in order to bring about further growth at the CALAJA business, we decided it was imperative to overhaul the organizational structure to allow for more flexible execution of management's directives while also strengthening the specialty store distinctiveness of the chain. We thus concluded the best way to achieve this would be to spin off the CALAJA business into a separate company.

After the spinoff, while working to strengthen operations grounded on a thoroughly low-cost structure, we aim to boost profitability and competitiveness by accelerating the decision-making process. Regarding the expected impact of this spinoff on the Company's par-



CALAJA Nago Store (Okinawa prefecture) opened in April 2005

ent and consolidated earnings, we will be issuing a statement after the board of meeting's approval of our detailed plan (expected in August).

■ Group structure after the spinoff

A new company, CALAJA Co., Ltd., will be set up by separating the CALAJA business from Aoyama Trading Co., Ltd., but the business will remain under the group umbrella after the spinoff. Because the value of assets to be transferred to the new company is not expected to exceed more than one-twentieth of the Company's total asset value, we will be separating the operation under a "simplified demerger" that does not require approval at the general meeting of shareholders.

We plan to appoint Kotaro Fujiwara, formerly director and general manager of the Purchasing Dept. No. 2, as president of the new company. In addition to transferring employees from the Company to the new entity, Aoyama Trading Co., Ltd. will also lease stores to the newly spinoff business. The new company is expected to be capitalized at ¥10 million.

Eyeing larger market share via aggressive store rollout

■ Opened 44 new stores

Four major retailers are currently competing for market share in the suburban menssuits retail segment. Capturing market share at this time is crucial for the Company to remain competitive as the segment faces a likely contraction in suit demand due to the retirement of the dankai baby-boomer generation, decreasing birthrate in Japan, and other factors. We are thus determined to increase store openings and strengthen our sales capacity in order to retain our dominance over rivals.



Yofuku-no-Aoyama Hamamatsu Shitoro Store (Shizuoka prefecture) opened in November 2004

The Company opened 44 new stores at the suit business in the year under review. We also relocated 20 existing stores, rebuilt one, and refurbished 99. As for store closures, we closed eight at the suit business and seven at the CALAJA operation. Total capital expenditures for these moves and other investments amounted to some ¥20 billion. As a result, the Company had a total of 773 stores at the end of the year under review, a net increase of 29 from the same period a year earlier.



Yofuku-no-Aoyama Senrioka Store (Osaka prefecture) opened in October 2004

■ Cautious but aggressive approach

Of the 44 newly opened stores, the majority of 38 were Yofuku-no-Aoyama stores, while the remaining consisted of two The Suit Company stores, three The Shirt Company stores, and one Universal Language store. Meanwhile, among store closures, the CALAJA business had the most with seven, followed by Yofuku-no-Aoyama with five, then Aoyama Suits Kobo with two, and The Shirt Company with one.

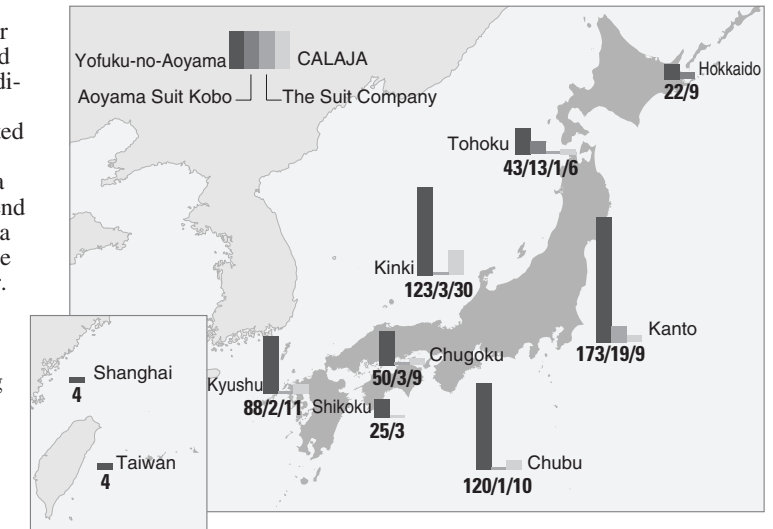
The distribution of store openings reflects our various policies for each business format. We placed the highest priority on expanding market share at the Yofuku-no-Aoyama operation. For The Suit Company and The Shirt Company, we turned our focus to selecting optimal store locations in a bid to boost profitabili-

	Number of Stores (Number of stores)			
	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Yofuku-no-Aoyama	574	583	609	644
Aoyama Suit Kobo	31	31	26	22
The Suit Company	15	19	24	29
CALAJA	112	88	85	78
Total	732	721	744	773

Notes:

1. Plus A The Suit Aoyama (one store in Okayama prefecture as of March 31, 2005) is included in Yofuku-no-Aoyama.
2. Two stores of Aoyama Suit Kobo (one store in Hokkaido and one store in Fukushima prefecture) were converted to Yofuku-no-Aoyama stores.
3. The Shirt Company (one store in Saitama prefecture, one store in Chiba prefecture and two stores in Tokyo as of March 31, 2005) and Universal Language (one store in Tokyo) are included in The Suit Company.

Number of Stores by Geographical Area (as of March 31, 2005)



ty. And for the CALAJA business, we prioritized measures for strengthening the earnings structure over store rollout plans. Going forward as well, we intend to cautiously pursue an aggressive store opening strategy by closely monitoring market trends.