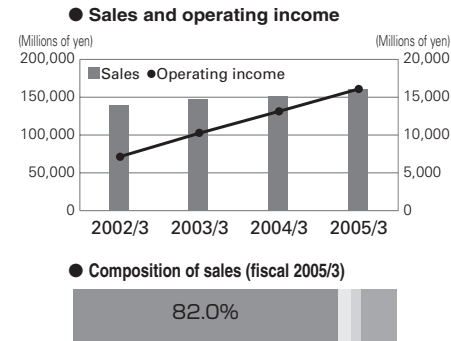


Among menssuits retail store formats, the Company operates the Yofuku-no-Aoyama, Aoyama Suits Kobo, The Suit Company, CALAJA, and others. In the year under review, we opened our pilot store for the new urban-format Universal Language business in Tokyo's Shibuya district to target style-conscious selective shoppers with discriminating fashion tastes. In addition to active new store openings coupled with the relocation and renovation of existing stores, we developed a new business format and strengthened CRM (customer relationship management) by making the most of our customer database. As a result of these efforts, menswear retail sales grew 5.6% year on year, to reach ¥160,688 million, and operating income climbed 22.5%, to ¥16,092 million.

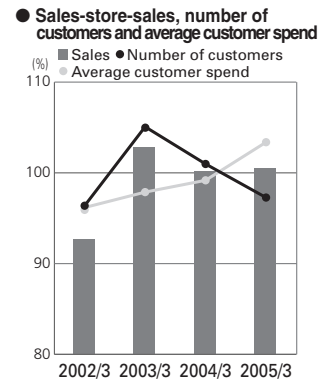


Suit Business

Sales in this segment increased by 6.7% year on year, to total ¥148,964 million.

At the core Yofuku-no-Aoyama store format, we continued to aggressively open new stores and relocate existing ones. While continuing to offer such discounts as price at ¥1,000 on the purchase of a second suit and other price cuts, as we did in the previous year, we strengthened sales of upscale brands, such as our private-label Savile Row suits. We also carried out fine-tuned marketing strategies, such as sending target group-specific direct mail literature and featuring popular singer and actress Aya Matsuura in our TV commercials.

Earnings were strong at The Suit Company thanks to stronger brand recognition resulting from a wider store network and differentiation from rivals achieved by expanding the women'swear lineup. Same-store sales at the suit business increased 0.6% from the previous year, rising for the third straight fiscal term, and sales volume grew 9.8% to a record 2.487 million suits.



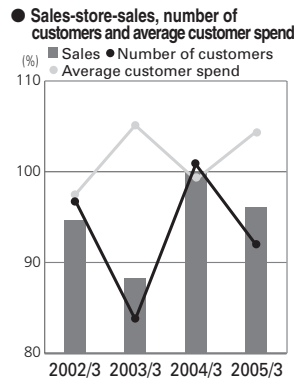
CALAJA Business

Segmental sales declined 6.7% from the previous year, to ¥11,724 million.

At this business, we have strived to differentiate ourselves from the competition by offering high value-added products at reasonable prices, targeting shoppers in their 30s who look for quality in clothing while keeping in mind brands and fashion trends. The CALAJA stores have been developed based on the concept of "family casual wear."

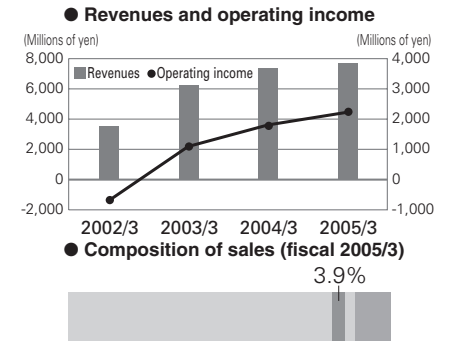
We also worked to strengthen profitability by closing seven unprofitable stores and taking other steps. However, even though average per-customer spending at existing stores grew 4.5% year on year, same-store sales fell 3.9% due to a slump in shopper traffic amid a series of typhoons and an unseasonably mild winter.

We have decided to spin off this operation on October 1, 2005 in an effort to emphasize the specialty store characteristics of the business and speed up work procedures.



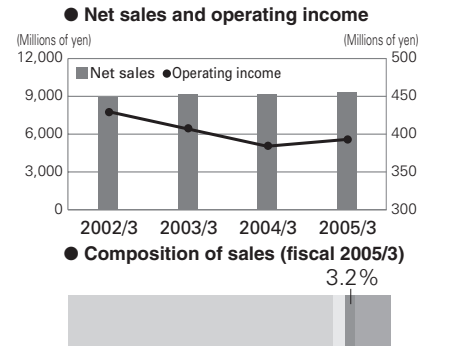
Consolidated subsidiary Aoyama Capital, Co., Ltd. handles the credit card business. The unit's primary purpose is to effectively support sales promotion activities at the menssuits retail business with its CRM and other strategies. For the year under review, the subsidiary reported a 5.1% year-on-year increase in revenues to ¥7,732 million and a 23.4% rise in operating income to ¥2,228 million.

The main reasons for the growth in both revenues and profits were the 15.0% year-on-year increase in the number of Aoyama Card members to 2.76 million cardholders (as of February 28, 2005), and growth in outstanding loans receivable. We also started the online language learning service called Language Channel with the aim of developing it into a new growth business. To meet increasing demand for loans, the subsidiary conducted a private bond issuance and raised ¥10 billion.



Consolidated subsidiary Ascon Co., Ltd. handles printing orders for the Aoyama Trading group's promotional materials, including direct mail literature and advertisements, but also actively works to attract orders from non-group clients.

Net sales increased 1.7% versus the previous year, to ¥9,294 million, and operating income grew 2.4%, to ¥393 million. While some bright signs appeared in the printing and advertising industries, such as an increase in insertion ads for the second year in a row, competition heated up another notch due in part to a decrease in spending by mainstay retail and distribution sector clients who faced a harsh business climate. Despite these circumstances, the subsidiary achieved growth in both sales and profits on the back of efforts to increase orders from existing clients, attract new customers, and give attention to order profitability.



Consolidated subsidiary Seigo Co., Ltd. operates 100-yen shops under the store name "Daiso & Aoyama 100 Yen Plaza".

Segmental net sales reached ¥21,315 million, up 2.4% year on year, and operating income totaled ¥603 million, up 13.8%. Earnings growth is attributable to active store rollout by making effective use of the closed outlets of Yofuku-no-Aoyama and CALAJA stores, and by opening combined outlets with Yofuku-no-Aoyama stores to achieve synergy. In the year under review, the subsidiary opened 17 stores and closed nine, resulting in a total of 127 stores as of February 28, 2005.

At the sundry sales business, we aim to open new stores by mainly leasing properties from parent Aoyama Trading Co., Ltd. to expand operations steadily while also strengthening profitability.

