

The Company operates a number of store formats: the suit business comprises the mainstay Yofuku-no-Aoyama operation, The Suit Company, and Universal Language, and the CALAJA business includes CALAJA and Casual Land Aoyama. In the year under review, we actively engaged in new store opening and store relocation, enhancement of the women's merchandise lines, and an initiative to attract young customers through a tie-up with Culture Convenience Club Co., Ltd. As a result, menswear retail sales rose 4.0% year on year to ¥167,133 million, and operating income increased 11.3% to ¥17,912 million.

Suit Business

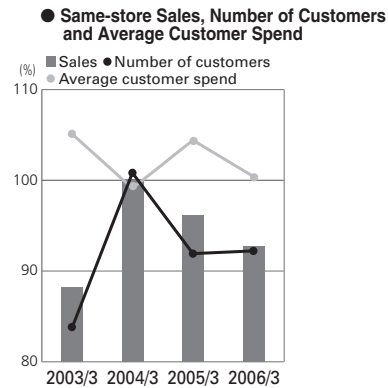
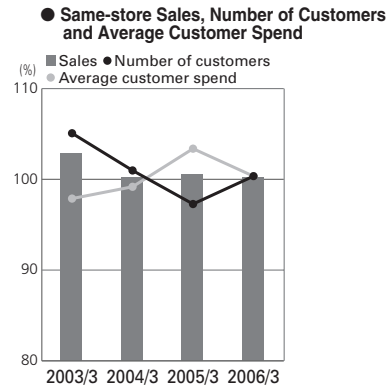
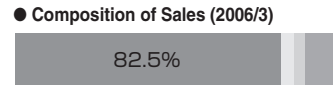
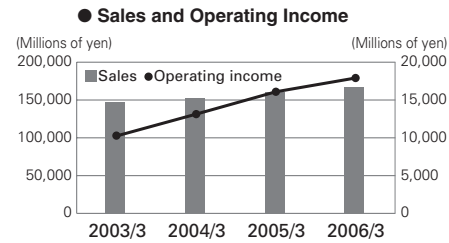
Sales in this segment rose 5.1% year on year to ¥156,539 million. The Company implemented an active store opening and relocation program for the mainstay Yofuku-no-Aoyama format during the year under review, opening 25 new stores, relocating 21 stores, and closing 5 inefficient stores. With regard to marketing, we engaged in price-driven sales promotions, including continuation of a successful campaign launched in the previous year enabling customers purchasing a suit to purchase a second suit for ¥1,000. In initiatives implemented during the peak sales period coinciding with the job hunting season, we began offering women's suits on a full-scale basis to attract a new customer segment. In February 2006 we entered into a loyalty points program tie-up with Culture Convenience Club Co., Ltd. focusing on young people.

We steadily increased the number of The Suit Company (TSC) stores, opening three new stores and closing one store during the year under review. The establishment of the TSC brand, the effect of the government's "Cool Biz" campaign encouraging business people to wear lighter, more casual clothes during the hot summer in order to reduce energy consumption in office buildings, as well as other factors, contributed to solid business results. We also opened three stores in the new Universal Language format for urban areas.

As a result of these developments, same-store sales in the suit business increased 0.2% year on year, marking the fourth consecutive year of higher sales. Sales volume grew 1.3% to 2.52 million suits.

CALAJA Business

Sales in this segment decreased 9.6% year on year to ¥10,593 million. This business was relaunched on October 1, 2005, as Casual Land Aoyama Co., Ltd., a wholly owned subsidiary of the Company. Although we struggled with this business owing to shrinkage of the customer base due to a disproportionate emphasis on trendy products at the time of the relaunch, we subsequently reverted to the concept of family casual fashion focused on customers in their 30s and are working to put this business on a sound footing. During the year under review, we opened three new stores, relocated one store, and closed two inefficient stores.



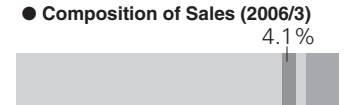
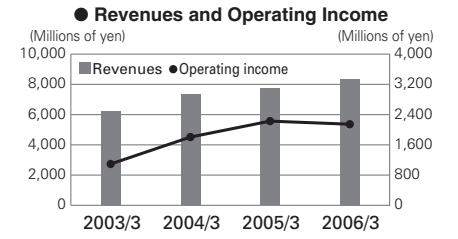
Note: The year-on-year change for fiscal 2006 was calculated, including the result after the spin-off.

Credit Card Business

Consolidated subsidiary Aoyama Capital Co., Ltd. is engaged in the credit card business. The primary purpose of this operation is to support effective sales promotions in the menswear retail business. In the year under review, revenues increased 7.8% year on year to ¥8,339 million, and operating income decreased 3.6% to ¥2,147 million. As a result of a concerted effort to recruit Aoyama Card members and to provide financial services attuned to customers' everyday needs, the number of Aoyama Card members reached 3.04 million at the end of February 2006.

We will continue to position the Language Channel online language learning service as a new growth platform and work to establish this business.

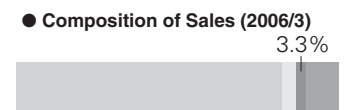
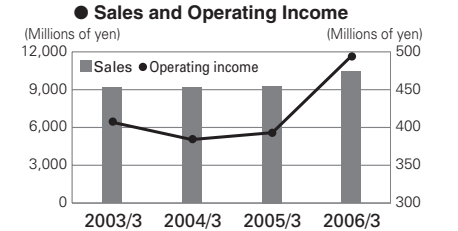
Aoyama Capital raises funds by means of loans from parent company Aoyama Trading Co., Ltd. and the issue of bonds.



Commercial Printing Business

Consolidated subsidiary Ascom Co., Ltd. is in the printing business. It prints Aoyama Trading Group's direct mail, flyers, and other sales promotion tools and also actively sells its services to customers outside the Group. In the year under review, sales increased 12.3% year on year to ¥10,437 million and operating income increased 25.5% to ¥494 million. Competition intensified in the printing and advertising industry despite higher demand for advertising inserts for the third consecutive year as companies in the retail industry, Ascom's principal customers, continued to review costs.

In these circumstances, Ascom sought to expand its business base and increase profits by implementing priority measures, including the gaining of the Privacy Mark certifying proper handling of personal information and the assurance of information security in order to deepen relationships with existing customers and cultivate new customers, focusing on high-margin business, and the rigorous reduction of fixed costs and expenses.



Sundry Sales Business

Consolidated subsidiary Seigo Co., Ltd. operates Daiso & Aoyama 100 Yen Plaza shops, utilizing former store premises of Yofuku-no-Aoyama and opening stores with the same premises as Yofuku-no-Aoyama to achieve synergy. Segment sales decreased 3.6% year on year to ¥20,549 million and operating income was 5.3% lower at ¥571 million. The sundry products retail segment is experiencing an unprecedented increase in competition due to such factors as vigorous opening of new stores by several retail groups, the opening of stores focusing on fresh foods, and the entry of new players that have traditionally operated in different business formats.

During the year under review Seigo opened 18 new stores and closed 11 stores, bringing the total number of stores to 134 at the end of February 2006 (compared to 127 at the previous year-end). Future plans call for opening new stores, mainly by leasing properties from parent Aoyama Trading Co., Ltd., and steadily expanding the business base while, at the same time, improving profitability.

