

Aoyama Posts Record High Sales and Higher Operating Income for the Sixth Consecutive Year

I would like to thank you, our shareholders, for your steadfast support of Aoyama Trading Group. I am pleased to report that the Group continued to improve its business performance in the year under review, achieving record high sales and higher operating income for the sixth consecutive year. We are determined to ensure that the Company fulfills your expectations in the coming years by continuing to increase revenues, particularly from the menswear retail business, by boldly tackling new challenges.

■ Competitiveness Enhancement Measures Steadily Bear Fruit

In the year under review, Aoyama Trading Co., Ltd. (the “Company”) reported consolidated net sales of ¥213,703 million, an increase of 5.4% year on year, and operating income of ¥22,929 million, an increase of 5.2%. Net income, however, fell by 13.5% to ¥11,524 million as a result of a ¥5,926 million reduction in valuation gains on derivative transactions in connection with comprehensive long-term forward foreign exchange contracts (coupon swap contracts) from ¥6,719 million the previous term to ¥793 million.



Osamu Aoyama
President and CEO

Business conditions in menswear retailing remained subdued as a result of sluggish sales of winter clothing due to the warm weather, concern about the greater burden on household finances as a result of reform of the pension and tax systems, and a more discriminating approach to purchasing. In this business environment, Aoyama Trading Group achieved business results that exceeded the initial plan as a result of the pursuit of market share growth through enhancement of product lines and an active program of new store openings and the relocation and refurbishment of existing stores in the mainstay suit business.

Financial Highlights

Aoyama Trading Co., Ltd. and its subsidiaries

(as of March 31)

	2003	2004	2005	2006	2007
Net sales (millions of yen)	176,075	186,400	195,968	202,720	213,703
Operating income (millions of yen)	12,784	16,570	20,142	21,795	22,929
Net income (millions of yen)	6,392	8,317	4,650	13,328	11,524
Net income per share (yen)	94.81	123.76	67.87	199.81	175.37
Dividend per share (yen)	35	40	40	45	50
ROE (%)	3.1	4.1	2.3	6.3	5.3

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

■ Aiming for Further Revenue Growth

Demographic change, notably the combination of an aging society and a declining birthrate coupled with the retirement in 2007 of the first of the baby boomer generation, is expected to result in contraction of the menswear market. In response to this demographic trend, in the year under review we devoted efforts to the cultivation of new customer segments by enhancing our lines of women’s business suits for job seekers and women’s formal wear, merchandise we began offering on a full-scale basis at the end of the previous term, and creating appealing store environments.

In addition, we strove to increase transactions with young customers by taking advantage of the T Card loyalty points program of Culture Convenience Club Co., Ltd., to which we gained access through an alliance formed in February of last year.

With regard to The Suit Company’s Weekend store format, which was launched in April of last year, nine stores were in operation as of March 31, 2007. We intend to aggressively open stores in large suburban shopping centers and strive to attract the core customer segment, married couples who are the children of baby boomers.

We aim to further expand revenue through these initiatives.

■ Five New Objectives Designed to Strengthen Market Presence

In the current term we have established five new business objectives and begun working to achieve them.

The first objective is human resources development. We aim to upgrade human resources by conducting employee education programs adapted to various employee circumstances by means of e-learning and training for people in specific positions.

The second objective is to reinforce sales strategies beyond the capabilities of competitors through a potent combination of a powerful Internet presence and our nationwide store network. Last winter our Internet store added women’s merchandise to its World Wide Size trial fitting service for king, tall, and small sizes not extensively stocked at stores. In February of this year we established the Web Strategy Promotion Department in line with a policy of further strengthening our Internet strategy.

The third objective is to improve the accuracy of customer analysis. We will reinforce our customer data analysis capabilities to realize more efficient customer approaches.

The fourth objective is to strengthen our women’s merchandise lines by enhancing the merchandise mix in the women’s lines we began offering on a full-scale basis at the end of last year.

The fifth and final objective is the development of new store formats. In April of this year we launched the new Plus A The Suit Aoyama format targeting married couples who are the children of baby boomers, opening stores primarily at suburban shopping centers. These stores specialize in men’s and women’s suits and other business wear under the concept “The shop that supports the business scene.”

By achieving these objectives, we intend to further increase our profile in an industry where competition is intensifying. I request your further understanding and support for our endeavors.