

Business Report for Fiscal 2013

(From April 1, 2012, to March 31, 2013)

Annual Report 2012



 **Aoyama Trading Co., Ltd.**

(Securities code: 8219)

To Our Shareholders

Achieved an Increase in Sales and Profits for the Second Consecutive Year



I would like to thank you, our shareholders, for your steadfast support of Aoyama Trading Company, Ltd. (the “Company”).

During the year under review, the Aoyama Trading Group recorded an increase in sales and profit for the second consecutive year, backed by solid performance in the mainstay menswear retail business, where there were strong sales in womenswear and improvements in the gross margin rate.

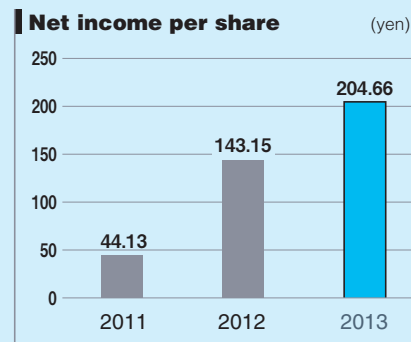
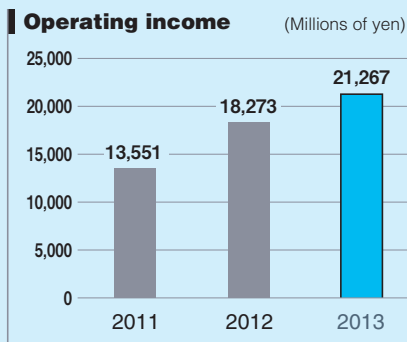
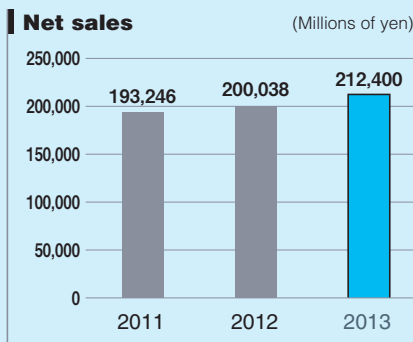
The business environment surrounding the Group is expected to remain uncertain over the medium to long-term due to factors such as the low birth rate and an aging population, but there are signs of economic recovery from improvements in corporate business performance and increases in stock prices. Under these conditions, we will strive to further expand market share, focusing on the menswear retail business, by responding swiftly and accurately to the increasingly diverse needs of our customers.

In all our endeavors, I would be grateful for your continued understanding and support.

President and CEO **Osamu Aoyama**

Consolidated Financial Highlights

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



Note: Changes in presentation method for fiscal 2012 (year ended March 31, 2012), have also been reflected on the results of fiscal 2011 (year ended March 31, 2011) on a retroactive basis.

Strong Sales of Womenswear

Q1

How did the business perform in the year under review?
What is the outlook for fiscal 2014?

The Group posted an increase in sales and profits for the second consecutive year, recording net sales of ¥212,400 million, or 106.2% of the previous year's level, and operating income of ¥21,267 million, or 116.4% of the previous year's level. In the mainstay suits business of the Aoyama Trading Co., Ltd., we continued to strive to expand market share by steadily opening new stores and relocating stores mainly in Tokyo and

the three neighboring prefectures, while at the same time enhanced the line-up of Cool Biz and Warm Biz products in response to growing demand for these products nationwide. In addition, we concentrated efforts on winning a new customer base with the implementation of sales promotion focused on TV commercials targeted at people who are job hunting or starting their careers. In womenswear, we strengthened our line-up for the collaborative brand "n♥line by nozomi" produced by actress Nozomi Sasaki, our womenswear spokesperson. As a result of the TV commercials and magazine advertisements implemented with the aim of increasing recognition of this brand, sales were strong overall for womenswear.

As a result, existing-store sales for the year under review in the suits business were 102.7% of the previous year's level. The number of suits sold was 2,464,000, or 101.1% of the previous year's level, and the aver-

age unit selling price of men's suits, our main product item, was ¥24,664, or 102.1% of the previous year's level. The Company opened 10 Yofuku-no-Aoyama stores during the year under review (including 6 stores that were relocated or rebuilt), and closed 7 inefficient stores. We also opened 4 stores of The Suit Company (TSC; including 1 store that was relocated), and closed 2 stores.

With the opening of 3 Universal Language (UL) stores (including 1 relocated store) and the opening of 3 Blue Grigio (BG) stores (a new business), the year-end number of stores in the suits business totaled 793 locations (746 Yofuku-no-Aoyama stores, 39 TSC stores, 5 UL stores, and 3 BG stores).

In terms of the outlook for fiscal 2014, the future continues to look uncertain as a result of intensified competition, despite signs of a gradual economic recovery being supported by yen depreciation and high stock prices. Within these circumstances, in the mainstay suits business, we will continue our efforts from the previous fiscal year to steadily open new stores and relocate those mostly in Tokyo and the three neighboring prefectures in order to expand the market, while working to enhance our response to young customers and increase sales of womenswear.

Change in Dividend Policy and Increased Dividends

Q2

Tell us about the change in the dividend policy and the increased dividends.

The Company positions returning profits to shareholders as an important management issue and has implemented partially performance-linked dividend payment in order to promote return of profits to shareholders, targeting a payout ratio of 30% since fiscal 2006. With a view to enhancing return of profits to the shareholders, however, from fiscal 2013, the Company has adopted a new partially performance-linked dividend payment scheme with a higher targeted payout ratio of 35%. The payout ratio is calculated against the Company's non-consolidated net income excluding special income and losses such as a gain or a loss on valuation of derivatives. Concretely, the Company intends to pay an ordinary dividend of ¥50 (interim dividend of ¥25 and year-end dividend of ¥25) per share in order to maintain stable dividend payment,

and if the amount of dividend calculated based on the payout ratio of 35% exceeds ¥50, the excess amount will be treated as performance-linked dividend and will be paid out as special dividend at the end of a fiscal year.

In accordance with the new dividend policy, the Company intends to pay an ordinary dividend of ¥30 per share and a special dividend of ¥10 per share, totaling ¥40 per share as a year-end dividend. As for the year-end ordinary dividend, the amount would be ¥25 per share according to the dividend policy. However, in order to pay the ordinary dividend for the year of ¥50 per share, the Company proposes the year-end ordinary dividend of ¥30 per share just for this year by deducting the paid amount of the interim dividend of ¥20 per share from the said amount of the ordinary dividend for the year. Consequently, cash dividend for the year, together with the interim dividend, will amount to ¥60 per share, ¥20 higher than that of the previous year.

Store Format and Positioning

Yofuku-no-Aoyama

No. of stores: 746

Target age groups: 20s-60s

No. 1 in suit sales worldwide.

Yofuku-no-Aoyama is the Company's core store format. We operate stores nationwide that offer clothing for adults of all ages.



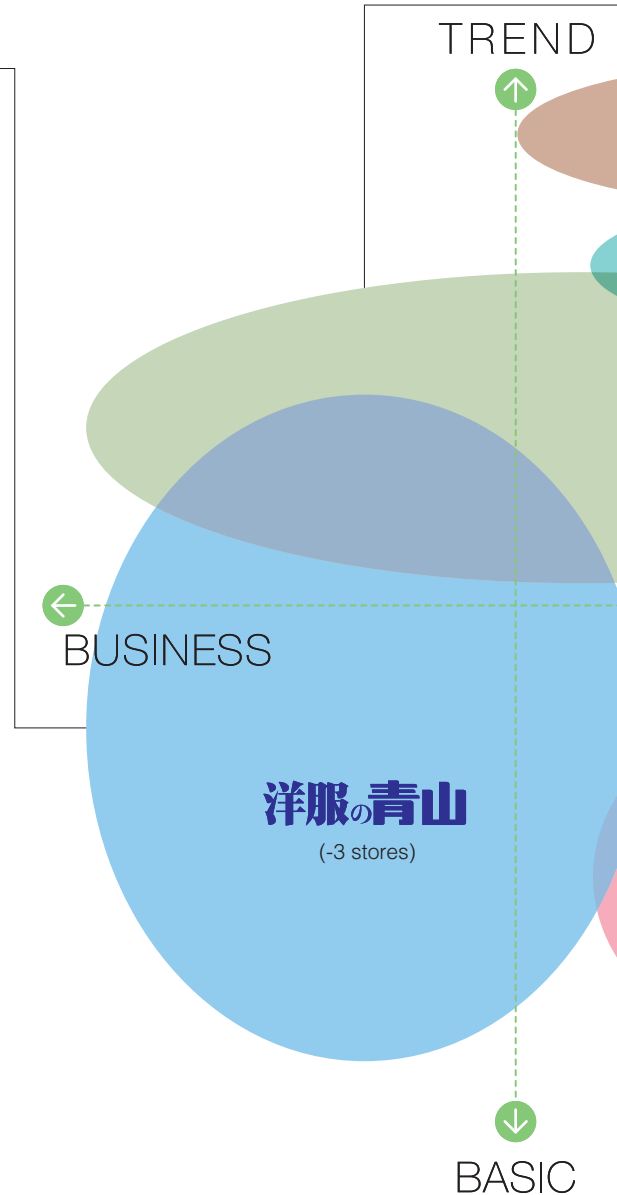
Other Store Format

No. of 2nd STREET stores: 3

No. of JUMBLE STORE stores: 2

No. of LEVI'S STORE stores: 5

We conduct the franchise operation of "2nd STREET" and "JUMBLE STORE" in the reuse business and the "LEVI'S STORE" in the casual wear business.



UNIVERSAL LANGUAGE
(+2 stores)

Blu e Grigio
BY UNIVERSAL LANGUAGE
(3 stores opened)

THE SUIT COMPANY
(+1 store)

CASUAL

CALAJA CALAJA
CASUAL LAND JAPAN CASUAL LAND JAPAN
(No change in the number of stores)

The Suit Company

(Including Ueno TSC Outlet Store)

No. of stores: 39

Target age groups: 20s-30s

The Suit Company stores, specialty suit stores, are located mainly in urban areas and emphasize the latest fashion trends.



Universal Language

No. of stores: 5

Target age groups: 30s-40s

Universal Language is a format for boutiques for urban adults that offers merchandise embodying the message "We bring the entire world fashion into your closet."



Blu e Grigio by Universal Language

No. of stores: 3

Target age groups: 30s-40s

A multi-channel combined boutique that adds a relaxed, rich, and mature casual taste to the tastes of Universal Language.



CALAJA

No. of stores: 25

Target age groups: 20s-40s

CALAJA is a format of casual wear stores that offer better merchandise from the latest trends to basic clothing at lower prices.



Strategy

Store Opening Strategy

Successive Openings of New Types of Stores in Response to Market Changes

During the latter half of the year under review, the Company successively opened new types of stores in response to market changes including compact Yofuku-no-Aoyama and The Suit Company stores specialized for locations near train stations and Universal Language stores within department stores, while strengthening the development of sales locations for the growing womenswear market.

Tactics

01

Opening of Compact Yofuku-no-Aoyama and The Suit Company Stores Specialized for Locations Near Train Stations

During the latter half of the year under review, the Company successively opened compact Yofuku-no-Aoyama and The Suit Company (TSC) stores with 1/3 the sales area compared to the conventional stores in locations near train stations in Tokyo and the three neighboring prefectures. This year we opened three stores: the Yofuku-no-Aoyama Sangenjaya Kitaguchi Store (Setagaya-ku, Tokyo) and Mizonokuchi Ekimae Store (Kawasaki-shi, Kanagawa), and TSC Yodobashi-Akiba Store (Chiyoda-ku, Tokyo).

The purchasing behaviors of consumers are undergoing changes as young people use cars less and less and are displaying a tendency to move their residential places back to city centers, and with these developments people are increasingly using forms of public transport such as trains, subways, and buses when they go shopping. On the other hand, finding large real estate properties in locations near train stations in city areas that are suitable for attracting these types of consumers and opening conventional Yofuku-no-Aoyama stores (with sales areas of at least 495m²) is difficult as the costs such as rental fees are expensive. For these reasons, we have decided to open more compact stores near train stations.

We have established stores with sales areas a little over 165m² to 264m² that minimize inventory space by having merchandise sent every day from the Company's large logistics hub, the Chiba Center. The stores focus on target and strong-selling products including at least 650 men's suits, 1,900 dress shirts, and 600 womenswear items (in the case of Sangenjaya Kitaguchi Store), and provide a product line-up responding to various needs despite the compact area of these stores. We will continue to work towards capturing new customers by opening stores in these types of new locations as we attempt to expand market share.



Yofuku-no-Aoyama Sangenjaya Kitaguchi Store
Setagaya-ku, Tokyo



The Suit Company Yodobashi-Akiba Store
Chiyoda-ku, Tokyo

Openings of Universal Language Stores in Department Stores

For the first time, we have opened Universal Language (UL) boutiques in department stores. With these stores we have compacted the sales area to 1/5 of that of conventional stores to create stores with an efficient product composition specializing in dress clothing.

This year we opened the UL stores in the Daimaru Sapporo and Daimaru Shinsaibashi. By focusing the target on adult males in their 40s, we have reduced the sales area for conventional stores of 330m² to 495m² to 66m² (Sapporo) and 109m² (Shinsaibashi).

At these new stores, we provide seasonal jackets and slacks that are basic and traditional and make fresh coordination proposals. While seeking for no-compromise high quality, we offer products that also achieve high cost performance.

Since opening the first UL store in Shibuya in October 2004, we have been supported by highly fashion conscious customers. We now aim to capture new customers by taking on the challenge of opening stores in new channels such as commercial facilities including department stores and fashion buildings.



Universal Language Daimaru Sapporo Store



Universal Language Daimaru Shinsaibashi Store

Expanding the Sales Areas for Womenswear at Yofuku-no-Aoyama Flagship Stores in Urban Areas

During the latter half of the year under review, the Company expanded and renewed sales areas for womenswear at three Yofuku-no-Aoyama flagship stores in urban areas. By dedicating one floor to womenswear, we both increased the number of products handled and created environments that allow women to feel more comfortable entering and to shop at a leisurely pace.

The sales areas at three stores were renewed: the Ikebukuro Higashiguchi Sohonten, Shinjuku Higashiguchi Store, and Ginza Honten. Of these, Ikebukuro Higashiguchi Sohonten has the largest floor of approximately 330m² dedicated to womenswear in all Yofuku-no-Aoyama stores.

Since we started offering womenswear at all stores from 2006, we have made efforts to create sales areas that are welcoming to women through measures such as setting up fitting rooms for women, increasing the number of female staff, and appointing female celebrities as spokespersons. Going forward, we will further strengthen our product line-up and develop sales environments as we strive to further increase sales.



Yofuku-no-Aoyama Ikebukuro Higashiguchi Sohonten
Dedicated womenswear floor

Strategy

Sales Strategy

02

Promoting Entry into New Markets and Accelerating Efforts in Growth Fields

During the latter half of the year under review, the Company focused on responding to demand for corporate uniforms while working to further improve recognition of our strong womenswear products and enhance our line-up of these products.

Tactics

01

Focusing on Responding to Demand for Corporate Uniforms

The Company established a Corporate Department in October of last year and started to make a full-fledged response to demand for corporate uniforms. We will support the needs of customers for a wide range of working uniforms including offices, restaurants, hospitals, and factories with Yofuku-no-Aoyama stores nationwide as sales contact points.

The current scale of the domestic uniform market is approximately ¥470,000 million per year, and it is estimated that there are approximately 2,500 agencies active in this market. The Company will develop this market by leveraging its strengths such as the production and sewing technologies fostered in the suits business and cost advantage from economy of scale in order to reduce costs while having its Yofuku-no-Aoyama stores nationwide function as agencies. By expanding in this market, we aim to complement the suits business for which the market is contracting as the baby boom generation retires and people have fewer children.

With the cooperation of Sumikin Bussan Corporation, we started delivering men's uniforms for the operations, cabin crew, and ground staff of Japan Airlines Co., Ltd. from this spring, and we have also received orders from major food and beverage chains and hotels. As our initial target, we aim for an annual business volume of ¥5,000 million in five years and work to grow this into a ¥10,000 million business in the future.



Yofuku-no-Aoyama uniform catalog



Nozomi Sasaki wearing a suit from “n♥line by nozomi”

Tactics

02

New “n♥line by nozomi” TV Commercial Favorably Received

In order to further increase recognition of our womenswear products, the Company broadcasted a TV commercial nationwide this spring that promotes the attractiveness of our strongly performing “n♥line by nozomi” womenswear brand, and this commercial has been favorably received by viewers.

“n♥line by nozomi” is a collaborative brand produced by actress and the Company’s spokesperson Nozomi Sasaki. She appeared in this TV commercial to appeal both the cuteness and stylishness that the “n♥line by nozomi” suits feature.

Strategy

Product Strategy

03

Enhancing the Product Line-up of Women's Suits and Other Products

During the latter half of the year under review, the Company introduced new suits and other products in response to the needs of customers, including suits for women and for job hunting.



Nozomi Sasaki wearing a "Cool Line" suit from "n♥line by nozomi"

Tactics

01

Addition of New Product Line in "n♥line by nozomi"

For the popular brand "n♥line by nozomi" produced by actress and the Company's spokesperson Nozomi Sasaki, the Company has added the new "Cute Line" that produces a glamorous and cute impression. In addition, for the popular "Cool Line" that provides a stylish impression, we have added two color variations, medium gray and light gray.

The "Cute Line" is characterized by short jackets with rounded lapels and the cute skirts with the design such as "Mermaid" which spreads out at the hem from tight lines. Solid black, medium gray, light gray, and navy stripes are available.

Meanwhile, the "Cool Line" combines a long jacket with trapezoid skirts with clear lines and flare pants that gives a beautiful silhouette.

In addition, the number of coats and bags handled has doubled since last year.

"n♥line by nozomi" is a brand for people starting their careers based on the idea of creating a suit that lets the buyer achieve the "Nozomi Sasaki looks." These original products has a high degree of perfection with Sasaki's taste and exacting standards and their resulting popularity has been a major factor for the Company's increased sales in womenswear.



Tactics

02

Sales of the "The Highest Quality Suits of Job Hunting" at The Suit Company

Based on the real opinions of prospective company employees, we have developed the "The Highest Quality Suits of Job Hunting" at The Suit Company (TSC) and launched sales of these suits from October of last year.

Based on the results of a questionnaire conducted with 1,000 people, we designed what is truly "The Highest Quality Suits of Job Hunting" equipped with the seven features deemed necessary for job hunting (1. stretch feature, 2. shape-memory feature, 3. washable feature, 4. durability, 5. antibacterial deodorizing feature, 6. spare pants and 7. mobile phone pocket). TSC will continue to incorporate the needs of customers into products in the future and constantly strive to generate new demand and growth for its business.

The Highest Quality Suits of Job Hunting

TOPICS

TOPICS 01

Launch of Cool Suits Using the Heat Shielding Material “coldblack®”

The company used the heat shielding materials “coldblack®” developed by the Swiss company Schoeller for nearly half of the cool suits in this summer.

Seeking the ultimate sense of coolness and freshness, “coldblack®” is a material developed using the latest technology. By using the material that prevents heat generation by effectively repelling the heat rays of the sun, the surface temperature of the suit fabric is kept to 5 to 10 degrees Celsius lower than normal suits and the temperature within the suit is kept at least 5 degrees Celsius lower than the external temperature.* In addition, the fabric’s excellent UV blocking performance effectively prevents UV rays from passing through.

We make this summer more comfortable for business people by offering the cool suits that add the features of “coldblack®” fabric in addition to the “water-absorbent & quick-dry,” “antibacterial deodorizing,” and “washable” features previously available. Products using this fabric are available at Yofuku-no-Aoyama stores nationwide and the Yofuku-no-Aoyama Online Store.

*Figures vary depending on weather and other conditions.

TOPICS 02

Opening of Two Stores Inside Ito-Yokado

In April of this year the Company opened 2 Yofuku-no-Aoyama stores within Ito-Yokado stores. Since opening the first Yofuku-no-Aoyama store within Ito-Yokado Kameari Ekimae in May 2011, a total of 6 stores has been opened within Ito-Yokado as of the end of April 2013. Opening these stores has been made possible by having products delivered daily from the Company’s large logistics hub, the Chiba Center. This has allowed us to achieve sales locations that can be operated efficiently even with a small warehouse.

We will enhance store openings in these types of commercial facilities going forward as we strive to capture new customers.



“REGAL” brand suit using “coldblack®”



Yofuku-no-Aoyama Ito-Yokado Urawa Store



“Team AOYAMA Eco Project” Protecting the Environment With the Customers

All members of the Company are working together to promote the “Team AOYAMA Eco Project,” an environmental protection effort uniting local manufacturing regions and manufacturers, staff, stores, and customers. The team’s activities are described below.

Promoting Suit Trade-in Activities

In partnership with the leading fabric recycling company Fiber cdm co., ltd, we are working to reuse resources through trade-in sales that involve the collection of items such as suits, dress shirts, and shoes from customers in stores such as Yofuku-no-Aoyama.

Fiber cdm has one of the largest recycling processing systems in Japan. With this system it gives new life to collected clothes through three methods: recycling, in which it processes felt fabric for reuse as heat insulation materials for automobiles and cushioning for freight; remaking, in which it processes clothes into highly original remade used clothes; and reusing, in which it sells used clothes in Japan and overseas. As most of the collected materials are reused, CO₂ emissions can be significantly reduced compared to disposal through incineration.

Selling Suits with Carbon-Offset

Suits with a tag of “Balanced ZERO CO₂ WOOL” are sold at the Company’s Yofuku-no-Aoyama stores throughout Japan, in support of the “ZERO CO₂ PROGRAM” advocated by Australian Wool Innovation (AWI, headquartered in Sydney).

The “ZERO CO₂ PROGRAM” is a project that uses tree planting to offset the CO₂ emitted at the time of production of suits. The Company contributes to the prevention of global warming by selling suits made from raw wool purchased from designated farms that engage in tree planting activities.



Promoting the Adoption of LED Lights and Energy-Saving Air Conditioning to Save Electricity

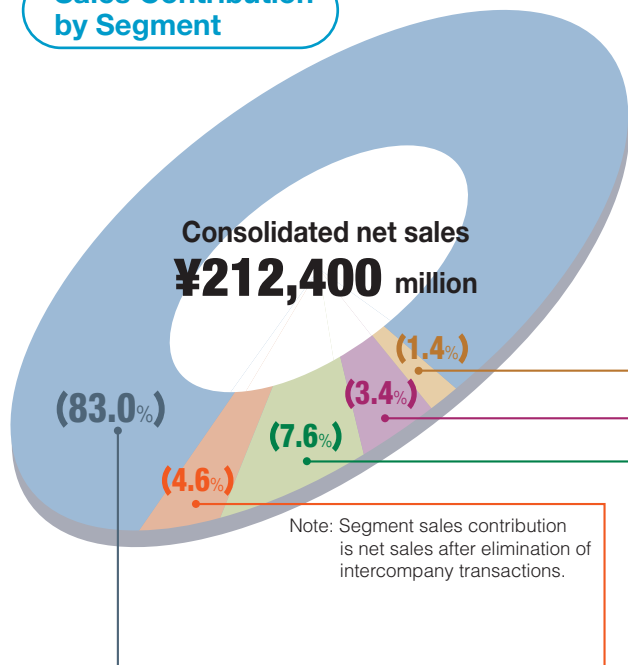
As a company that operates with stores in all 47 prefectures throughout the country, we consider electricity saving to be an issue to be tackled on a national scale, and we will continue with electricity saving activities that were implemented last year and the year before that year as well, such as adjusting the temperature of air conditioning and reducing the number of lights in stores at Yofuku-no-Aoyama stores and all other businesses. In addition, we are adopting LED lights and energy-saving air conditioning at stores for all of our businesses. During the previous year, we adopted LED lights at approximately 100 stores and changed over to energy-saving air conditioning at approximately 200 stores, which has contributed to a reduction in power consumption and carbon emissions volume.



Review of Operations



Sales Contribution by Segment



Menswear Retail Business

The suit business of Aoyama Trading Co., Ltd., Blue Reverse Co., Ltd., MDS Co., Ltd., Eisho Co., Ltd., FUKURYO, Co., Ltd.

- In the mainstay suits business of the Aoyama Trading Co., Ltd., we continued to strive to expand market share by steadily opening new stores and relocating stores mainly in Tokyo and the three neighboring prefectures, while at the same time enhancing the line-up of Cool Biz and Warm Biz products in response to growing demand for these products nationwide.
- We concentrated efforts on winning a new customer base with the implementation of sales promotion focused on TV commercials targeted at people who are job hunting or starting their careers.
- We strengthened our line-up for the collaborative brand “♥line by nozomi” produced by Nozomi Sasaki, our womenswear spokesperson. As a result of advertisements implemented with the aim of increasing recognition of this brand, sales were strong overall for womenswear.
- As a result of the above, sales from the menswear retail business were ¥176,339 million, 104.3 % of the previous year's level, and segment profit (operating income) was ¥20,376 million, 121.3 % of the previous year's level.



Credit Card Business

Aoyama Capital Co., Ltd.

- The number of “Aoyama Card” members amounted to 3.64 million at the end of February 2013, and the balance of operating loans was ¥38,743 million.
- Due primarily to the impact from the revised Money Lending Business Act, sales were ¥3,248 million, or 96.6% of the previous year’s level. Meanwhile, segment profit (operating income) was ¥408 million, or 355.8% of the previous year’s level, thanks primarily to the efforts to streamline expenditures.



Commercial Printing Business

ASCON Co., Ltd.

- We placed priority on the cultivation of relationships with existing customers, reinforcement of efforts to win new customers, and development of new businesses.
- While sales were ¥10,467 million, or 93.0% of the previous year’s level, segment profit (operating income) was ¥278 million, or 108.6% of the previous year’s level, mainly due to improvements in the gross profit margin as a result of factors such as reductions in manufacturing costs.



Sundry Sales Business

Seigo Co., Ltd.

- As a result of the opening of 3 new shops and closing 4 inefficient shops during the year under review, the total number of shops was 131 at the end of February 2013.
- Due to factors such as intensified industry competition, sales were ¥16,165 million, or 97.8% of the previous year’s level, while segment profit (operating income) was ¥496 million, or 87.8% of the previous year’s level.



Others

Casual Wear/Reuse Business of Aoyama Trading Co., Ltd.,
Eagle Retailing Corporation, glob Co., Ltd.

- Casual wear/reuse business of Aoyama Trading Co., Ltd. recorded sales of the existing stores at 101.1% of the previous year’s level.
- Eagle Retailing Corporation opened a total of 5 stores in locations including Ikebukuro, and starting off with the opening of “American Eagle Outfitters” in Omotesando in April 2012.
- As a result, the “Others” segment as a whole recorded ¥9,755 million sales at 229.7% of the previous year’s level, along with ¥374 million segment loss (operating loss) comparable with ¥140 million segment loss (operating loss) in the previous year.





Consolidated Financial Statements

Current assets

Current assets amounted to ¥185,437 million, having increased ¥14,670 million compared with the figure at the previous fiscal year-end, as a result of increases of ¥2,988 million in cash and deposits, ¥11,036 million in short-term investment securities, and ¥742 million in operating loans as well as a decrease of ¥719 million in notes and accounts receivable-trade.

Current liabilities

Current liabilities amounted to ¥83,969 million, having increased ¥23,599 million compared with the figure at the previous year-end, as a result of increases of ¥10,000 million in short-term loans payable, ¥13,000 million in current portion of bonds and ¥1,988 million in income taxes payable as well as a decrease of ¥3,730 million in forward exchange contracts.

Net assets

Total net assets amounted to ¥240,027 million, having increased ¥6,508 million compared with the figure at the previous year-end, as a result of increases of ¥9,624 million in retained earnings, ¥1,406 million in valuation difference on available-for-sale securities as well as an increase of ¥5,223 million in the reducing effect of net assets from the acquisition of treasury stock.

Consolidated Balance Sheets (Summary)

(Millions of yen)

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2012 (As of March 31, 2012)
Assets		
Current assets	185,437	170,767
Cash and deposits	40,306	37,318
Notes and accounts receivable-trade	14,126	14,846
Short-term investment securities	44,195	33,158
Merchandise and finished goods	41,693	41,546
Work in process	1,137	988
Raw materials and supplies	520	799
Deferred tax assets	2,547	2,143
Operating loans	38,743	38,000
Other	2,417	2,262
Allowance for doubtful accounts	(249)	(297)
Noncurrent assets	158,922	166,481
Property, plant and equipment	92,417	90,676
Buildings and structures	52,135	53,156
Land	33,098	30,758
Other	7,183	6,761
Intangible assets	3,145	2,743
Investments and other assets	63,358	73,061
Investment securities	14,781	21,566
Lease and guarantee deposits	26,350	27,691
Other	22,327	23,960
Allowance for doubtful accounts	(101)	(157)
Deferred tax assets	13	34
Total assets	344,373	337,283
Liabilities		
Current liabilities	83,969	60,370
Notes and accounts payable-trade	19,981	19,171
Short-term loans payable	14,100	4,100
Current portion of bonds	13,000	—
Income taxes payable	9,149	7,161
Provision for bonuses	1,335	1,212
Other	26,403	28,725
Noncurrent liabilities	20,376	43,394
Bonds payable	9,000	22,000
Long-term loans payable	—	11,000
Provision for retirement benefits	3,726	3,631
Provision for point card certificates	2,854	2,786
Other	4,795	3,976
Total liabilities	104,346	103,764
Net assets		
Shareholders' equity	252,679	248,330
Capital stock	62,504	62,504
Capital surplus	62,890	62,942
Retained earnings	144,757	135,132
Treasury stock	(17,472)	(12,249)
Accumulated other comprehensive income	(15,030)	(17,023)
Valuation difference on available-for-sale securities	1,326	(79)
Deferred gains or losses on hedges	(1)	10
Revaluation reserve for land	(16,459)	(16,953)
Foreign currency translation adjustment	104	—
Subscription rights to shares	394	421
Minority interests	1,984	1,789
Total net assets	240,027	233,518
Total liabilities and net assets	344,373	337,283

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

Consolidated Statements of Income (Summary) (Millions of yen)

	Fiscal 2013 (Year Ended March 31, 2013)	Fiscal 2012 (Year Ended March 31, 2012)
Net sales	212,400	200,038
Cost of sales	91,122	88,180
Gross profit	121,278	111,858
Selling, general and administrative expenses	100,010	93,584
Operating income	21,267	18,273
Non-operating income	5,751	5,487
Interest and dividends income	691	817
Gain on valuation of derivatives	3,750	3,233
Real estate rent	829	998
Other	480	437
Non-operating expenses	2,384	4,534
Interest expenses	133	192
Cost of real estate rent	631	714
Foreign exchange losses	1,446	3,179
Other	172	448
Ordinary income	24,635	19,226
Extraordinary income	431	106
Gain on sales of noncurrent assets	48	106
Gain on sales of investment securities	383	—
Extraordinary loss	3,324	2,858
Loss on sales and retirement of noncurrent assets	547	496
Impairment loss	2,030	2,362
Loss on sales of investment securities	259	—
Loss on valuation of investment securities	397	—
Special contributions for withdrawal of employees' pension fund	89	—
Income before income taxes	21,742	16,474
Income taxes-current	9,724	7,435
Income taxes-deferred	(812)	(194)
Income before minority interests	12,830	9,233
Minority interests in income	208	135
Net income	12,621	9,097

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

Operating income

Operating income amounted to ¥21,267 million, or 116.4% of the previous year's level. This marks two consecutive years of profit growth on an operating basis, thanks to increase of net sales particularly on the back of strong womenswear sales in the mainstay menswear retail business, and a higher gross profit margin as a result of reviewing sales method.

Ordinary income

Ordinary income amounted to ¥24,635 million or 128.1% of the previous year's level, reflecting the factors including ¥3,750 million gain on the valuation of derivatives in respect of "comprehensive long-term foreign exchange contracts (coupon swap contracts)" recorded as part of non-operating income (compared with the previous year's gain of ¥3,233 million) and ¥1,446 million foreign exchange losses recorded as part of non-operating expenses (compared with the previous year's foreign exchange losses of ¥3,179 million).

Cash flow from operating activities

Net cash provided by operating activities amounted to ¥23,797 million (compared with ¥21,160 million in net cash provided by operating activities for the previous fiscal year).

Major factors for this included cash inflows resulting from ¥21,742 million income before income taxes, ¥7,710 million depreciation, ¥2,030 million impairment losses and ¥1,722 million fewer cash outlays due to increase/decrease in working capital, which were partly offset by cash outflows resulting from ¥3,750 million gain on valuation of derivatives and ¥7,758 million income taxes paid.

Consolidated Statements of Cash Flows (Summary) (Millions of yen)

	Fiscal 2013 (Year Ended March 31, 2013)	Fiscal 2013 (Year Ended March 31, 2012)
Cash flows from operating activities	23,797	21,160
Cash flows from investing activities	(2,507)	(5,885)
Cash flows from financing activities	(8,960)	(12,671)
Effect of exchange rate change on cash and cash equivalents	(34)	(188)
Net increase (decrease) in cash and cash equivalents	12,294	2,414
Cash and cash equivalents at beginning of year	29,741	27,327
Cash and cash equivalents at end of year	42,035	29,741

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



Consolidated Statement of Changes in Net Assets (from April 1, 2012, to March 31, 2013)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the year	62,504	62,942	135,132	(12,249)	248,330	(79)	10	(16,953)	—	(17,023)	421	1,789	233,518
Changes of items during the year													
Dividends from surplus			(2,503)		(2,503)								(2,503)
Net income			12,621		12,621								12,621
Reversal of revaluation reserve for land			(493)		(493)								(493)
Purchase of treasury stock				(5,424)	(5,424)								(5,424)
Disposal of treasury stock		(52)		201	148								148
Net changes of items other than shareholders' equity						1,406	(11)	493	104	1,993	(27)	194	2,159
Total changes of items during the year	—	(52)	9,624	(5,223)	4,349	1,406	(11)	493	104	1,993	(27)	194	6,508
Balance at end of the year	62,504	62,890	144,757	(17,472)	252,679	1,326	(1)	(16,459)	104	(15,030)	394	1,984	240,027

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

Change in dividend policy: Raising steady dividend to ¥50 per share and payout ratio to 35%

The Company positions returning profits to shareholders as an important management issue and has implemented partially performance-linked dividend payment in order to promote return of profits to shareholders, targeting a payout ratio of 30% since fiscal 2006. With a view to enhancing a return of profits to the shareholders, however, from fiscal 2013, the Company has adopted a new partially performance-linked dividend payment scheme with a higher targeted payout ratio of 35%. The payout ratio is calculated against the Company's non-consolidated net income excluding special income and losses such as a gain or a loss on valuation of derivatives. Concretely, the Company intends to pay an ordinary dividend of ¥50 (interim dividend of ¥25 and year-end dividend of ¥25) per share in order to maintain stable dividend payment, and if the amount of dividend calculated based on the payout ratio of 35% exceeds ¥50, the excess amount will be treated as performance-linked dividend and will be paid out as special dividend at the end of a fiscal year.

In accordance with the new dividend policy, the Company intends to pay an ordinary dividend of ¥30 per share and a special dividend of ¥10 per share, totaling ¥40 per share as a year-end dividend.

As for the year-end ordinary dividend, the amount would be ¥25 per share according to the dividend policy. However, in order to pay the ordinary dividend for the year of ¥50 per share, the Company proposes the year-end ordinary dividend of ¥30 per share just for this year by deducting the paid amount of the interim dividend of ¥20 per share from the said amount of the ordinary dividend for the year. Consequently, cash dividend for the year, together with the interim dividend, will amount to ¥60 per share, ¥20 higher than that of the previous year.

	Original dividend policy	This year's dividend policy
Target payout ratio	30%	35%
Ordinary dividend per share	¥40 (interim ¥20, year-end ¥20)	¥50 (interim ¥25, year-end ¥25)

Acquisition of treasury stock

◇In February 2013, the Company acquired 1,000,000 shares of its treasury stock.

◇The Company resolved to acquire 500,000 shares of its treasury stock at a meeting of the Board of Directors held on May 10, 2013, and it implemented this action shortly after taking the decision.

(1)Type of shares to be acquired

Shares of the common stock in the Company

(2)Number of shares to be acquired

500,000 shares
(Ratio to the number of shares outstanding: 0.74%)

(3)Total amount of the acquisition

¥1,547,026,100

(4)Period of acquisition

From May 14, 2013 to May 24, 2013

(5)Method of acquisition

Market buying on the Osaka Securities Exchange

Non-consolidated Financial Statements

Balance Sheets (Summary) (Millions of yen)		
	Fiscal 2013 (Year Ended March 31, 2013)	Fiscal 2012 (Year Ended March 31, 2012)
Assets		
Current assets	141,086	125,674
Noncurrent assets	158,147	166,840
Property, plant and equipment	85,092	84,357
Intangible assets	2,704	2,346
Investments and other assets	70,350	80,135
Total assets	299,234	292,514
Liabilities		
Current liabilities	58,654	50,010
Noncurrent liabilities	10,431	18,612
Total liabilities	69,086	68,622
Net assets		
Shareholders' equity	244,686	240,301
Capital stock	62,504	62,504
Capital surplus	62,923	62,975
Retained earnings	136,730	127,070
Treasury stock	(17,472)	(12,249)
Valuation and translation adjustments	(14,932)	(16,831)
Valuation difference on available-for-sale securities	1,324	(80)
Revaluation reserve for land	(16,257)	(16,751)
Subscription rights to shares	394	421
Total net assets	230,147	223,891
Total liabilities and net assets	299,234	292,514

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

Statements of Income (Summary) (Millions of yen)		
	Fiscal 2013 (Year Ended March 31, 2013)	Fiscal 2012 (Year Ended March 31, 2012)
Net sales	178,503	171,726
Cost of sales	71,505	69,935
Gross profit	106,998	101,790
Selling, general and administrative expenses	86,973	85,074
Operating income	20,025	16,715
Non-operating income	6,462	6,212
Non-operating expenses	2,751	4,524
Ordinary income	23,735	18,404
Extraordinary income	427	106
Extraordinary loss	3,115	2,794
Income before income taxes	21,047	15,717
Income taxes paid	8,390	6,502
Net income	12,657	9,214

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

Corporate Profile

(as of March 31, 2013)

Company Name : Aoyama Trading Co., Ltd.

Establishment : May 6, 1964

Paid-in-Capital : ¥62,504,710,000

Number of Employees : 3,493

Offices : **Head Office:**

3-5, Ohji-cho 1-chome, Fukuyama,
Hiroshima, Japan

Tokyo Head Office:

TSC TOWER 7F, 5-10, Ueno 4-chome,
Taito-ku, Tokyo

**Tokyo Office for The Suit Company and
Universal Language:**

Shibuya Heiwa Bldg. 6F, 21-8,
Udagawa-cho, Shibuya-ku, Tokyo

Kannabe Stock Center:

1727-1, Aza Fukami, Oaza Nishichujo,
Kannabe-cho, Fukuyama, Hiroshima

Ibara Stock Center:

1345-2, Oemachi, Ibara, Okayama

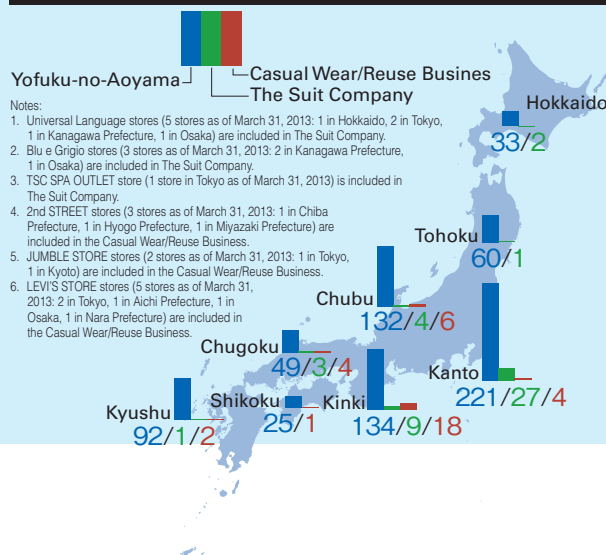
Tagawa Stock Center:

2423-4, Oaza Ida, Tagawa, Fukuoka

Chiba Center:

32-22, Shin-minato, Mihama-ku, Chiba

Number of Stores : 828



Directors and Officers

(as of June 27, 2013)

[Board of Directors]

Chairman of the Board : Shozo Miyamae

Vice Chairman of the Board : Hiroaki Miyamae

President and CEO : Osamu Aoyama

Senior Director and Senior : Makoto Miyatake

Managing Executive Officer : (General Manager of Planning and Administration Div.)

Director and Managing : Yoshiyuki Matsukawa

Executive Officer : (General Manager of Marketing and Sales Div.)

Director and Managing : Shinji Okano

Executive Officer : (General Manager of Purchasing Div. and General Manager of Casual Wear/Reuse Business Div.)

D i r e c t o r : Seishi Uchibayashi *

Notes: 1. Marked with * is outside director.

2. Mr. Seishi Uchibayashi was elected as Director at the 49th Annual Ordinary General Meeting of Shareholders held on June 27, 2013.

[Board of Auditors]

Standing Corporate Auditor (full time) : Koshin Endo

Corporate Auditor : Hiroshi Ohgi *

Corporate Auditor : Kiyoshi Takegawa *

Corporate Auditor : Toru Watanabe *

Notes: 1. Marked with * are outside auditors.

2. Mr. Toru Watanabe was elected as Corporate Auditor at the 49th Annual Ordinary General Meeting of Shareholders held on June 27, 2013.

[Executive Officers]

Senior Managing : Michinobu Miyagawa

Executive Officer : (General Manager of Store Development Div.)

Executive Officer : Shozo Hirakawa

(General Manager of General Affairs Dept.)

Executive Officer : Yasuhiro Fujii

(General Manager of Marketing and Sales Dept.)

Executive Officer : Michinori Fujii

(General Manager of Advertising Dept.)

Executive Officer : Osamu Mizutani

(General Manager of TSC Business Div. and General Manager of Purchasing Dept. of TSC)

Executive Officer : Yoshiyuki Maekawa

(General Manager of Purchasing Dept. No. 1)

Executive Officer : Satoshi Yomono

(General Manager of IT and Systems Dept. and Information Controller)

Executive Officer : Satoru Tachibana

(Deputy General Manager of Store Development Div.)

Executive Officer : Tadao Chiba

(General Manager of Tokyo Head Office and General Manager of Human Resource Development)

Shares

(as of March 31, 2013)

Total number of shares authorized to be issued	174,641,100
Number of shareholders	7,960
Number of shares outstanding	67,394,016
Number of shares of treasury stock	6,738,329 (9.99%)

Major Shareholders

(as of March 31, 2013)

Shareholder	Number of Shares Held (thousand shares)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	4,217	6.95
The Master Trust Bank of Japan, Ltd. (Trust account)	3,628	5.98
Aoyama Bussan, Ltd.	3,541	5.84
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,211	3.64
Osamu Aoyama	2,012	3.31
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1,561	2.57
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,396	2.30
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,321	2.17
Sumiko Aoyama	1,261	2.08
STATE STREET BANK AND TRUST COMPANY	1,002	1.65

Notes: 1. Number of shares held amounting to less than the minimum trading unit have been rounded down.
2. Percentage (%) represent the percentage of shareholdings to the number of shares outstanding (excluding treasury stock) as of March 31, 2013.
3. The Company holds 6,738 thousand shares of treasury stock, but the number of shares held is not included in the above list of major shareholders because these shares are without voting rights.

Guidance on the Preferential Discount Coupon for Shareholders

The Company issues and offers the "Preferential Discount Coupon for Shareholders" (15% discount) to all the shareholders as of March 31 and September 30 every fiscal year.

Issuance standards of the Preferential Discount Coupon for Shareholders

The Company issues Preferential Discount Coupons for Shareholders based on the following criteria to the shareholders recorded in the register of shareholders and the beneficial shareholders recorded in the register of beneficial shareholders as of March 31 and September 30 every fiscal year, according to their respective shares held.



Number of shares held

100-999 shares: Three (3) coupons
1,000-2,999 shares: Four (4) coupons
3,000 shares or more: Five (5) coupons

Expiration date

Record date of eligible shareholders	Timing of sending by post	Expiration date
Shareholders as of March 31	Early July of the same year	June 30 of the following year
Shareholders as of September 30	Early December of the same year	December 31 of the following year

Stores where the coupons can be used

Stores of Yofuku-no-Aoyama (including China and Taiwan), The Suit Company (excluding TSC SPA OUTLET Ueno Store), Universal Language, Blu e Grigio, CALAJA, as well as all AMERICAN EAGLE OUTFITTERS in Japan (excluding its outlet stores).

Memo to Shareholders

Business year	: From April 1 to March 31
Ordinary general meeting of shareholders	: June of each year
Record date	: Ordinary general meeting of shareholders March 31 of each year Year-end dividends March 31 of each year Interim dividends September 30 of each year (Prior public notice will be given regarding other information on record dates as necessity arises.)
Share unit number	: 100 shares
Media for public notices	: Public notice will be announced on the Company's homepage. However, if such method is not feasible somehow, it will be announced in the Nihon Keizai Shimbun (newspaper). http://www.aoyama-syouji.co.jp
Transfer agent and special account management institution	: Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent's handling office	: Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 5-33 Kitahama 4-chome, Chuo-ku, Osaka
(Mailing address)	: Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 8-4, Izumi 2-chome, Suginami-ku, 168-0063 Tokyo
(Telephone contact)	: Toll-free 0120-782-031
(Website URL)	: http://www.smtb.jp/personal/agency/index.html

Notification of address change and inquiries concerning shares

Please contact the securities firm with which you have your securities account for notification of address change and for inquiries. If you do not have an account with a securities firm, please contact the transfer agent indicated at left.

Procedures concerning special accounts

Share certificates of the Company and all other listed companies were dematerialized on January 5, 2009. Accordingly, previous paper share certificates become invalid and shareholders' rights are electronically managed by Japan Securities Depository Center, Inc. (JASDEC) through securities firms. Rights of shareholders who have not completed procedures for dematerialization of share certificates are currently managed in special accounts with Sumitomo Mitsui Trust Bank, Limited (special account management institution). In order to sell shares owned, it is necessary to open an account with a securities firm and implement procedures to transfer shares from the special account. For detailed procedures, please contact the transfer agent indicated at left.

Listing stock exchanges : Tokyo Stock Exchange (First Section)
Osaka Securities Exchange (First Section)

Note: Osaka Securities Exchange is scheduled to merge with Tokyo Stock Exchange in July 2013.

Aoyama Cool Biz Summer Tech Suits

We launched the Summer Tech Suits campaign promoting our rich line-up of technologically enhanced suits that will help you beat the summer heat through the Yofuku-no-Aoyama Online Store. We have made available a large variety of suits with features such as sun protection, cooling specifications, and washable features so that you can work comfortably even on a summer day while out in the bright sun.

<http://www.y-aoyama.jp/campaign/coolbiz2013/index.html>



Sun protection



Provides screening so that rays of the sun are blocked and not absorbed. Through control of heat generation, the surface temperature of the fabric is suppressible by 5 to 10 degrees Celsius*, providing a cool sense of comfort. This feature is particularly effective for dark suits.

*Figures vary depending on weather and other conditions.

Cooling specifications



Designed with the lightest lining specification possible to achieve a finish that provides a cooling effect. For the surface material, fabrics with a crisp feeling that feels cool to the touch are used.

Washable



New materials developed by NIKKE are used that have demonstrated to have little fabric fatigue after washing by comparative testing and analysis conducted by Kobe University. The fabric continues to keep its shape and provide a comfortable texture and feel that does not fade away easily no matter how often it is washed.

<http://store.y-aoyama.jp/>