

Formal fair

A polished black that brings out the most attractive qualities in a man

Light, cool, and comfortable—ideal for formal occasions held during the hot summer months

Summer Formal Fair



Yofuku-no-Aoyama

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■ Business Report for Fiscal 2005

(From April 1, 2004, to March 31, 2005)

— Menswear Sales Business

— Credit Card Business

— Commerical Printing Business

— Sundry Sales Business



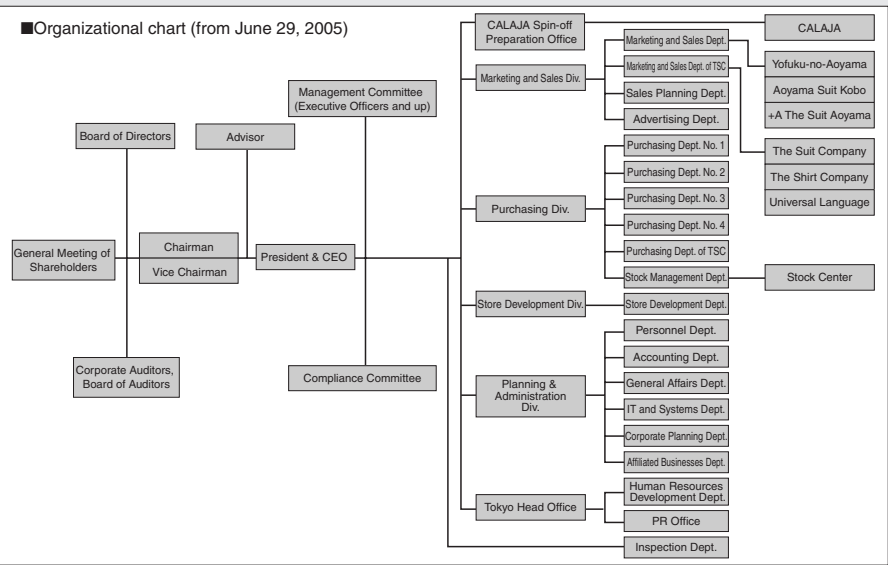
Aoyama Trading Co., Ltd.

Business Reform

Adoption of the executive officer system

In the year under review, Aoyama Trading Co., Ltd. decided to introduce the executive officer system in a bid to further boost management efficiency. At the same time as trimming the number of members on the board of directors to six, from 13 previously, we created 13 new executive positions. Operations under the new framework are due to commence after the general meeting of shareholders scheduled for June 29.

While streamlining the number of directors to help vitalize operations at the board level, we also aim to strengthen the board's supervisory capabilities by speeding up the decision-making process and separating managerial responsibilities from executive actions. In addition, we expect the appointment of younger employees to executive positions to invigorate the managerial



team.

Along with adopting this new system, the Company also implemented organizational reforms with an eye toward further improving work efficiency.

New Advertising Strategy

TV commercial featuring popular celebrity Aya Matsuura

To advertise suits for younger consumers, the Company began airing a TV commercial from March 2005 featuring popular celebrity Aya Matsuura paired with her new hit single "Zutto Suki de ii Desuka." The strategy was aimed at expanding our market share in the younger customer segment by increasing the appeal of our suit lineup for newly hired freshmen and recent college graduates seeking their first jobs, who we think represent a promising market for untapped demand. Aya Matsuura is extremely popular with the younger generation, so we decided her portrayal as her cheerful and comical character would be effective in enhancing our image with younger shoppers. We are featuring the popular singer and actress in not just

TV commercials, but also in our various other promotional tools, such as direct mail and advertising flyers. Since her debut at the age of 15 in 2001 with the release of her first CD, Ms. Matsuura has released a number of hit songs, including "Momoiro Kataomoi" and "Watarase Bashi," and has also appeared in numerous TV commercials, drama programs, and movies.



Aiming to expand earnings by rejuvenating the management team

Aoyama Trading Group is grateful to its shareholders for their continued support. With the aim of rejuvenating the management team, I, Osamu Aoyama, have been appointed as president and chief executive officer. I previously served as director and general manager of the Sales Division. Former president Shozo Miyamae has assumed the duties of vice chairman. Although sales competition remains heated in the menssuits retail sector, we are committed to retaining our dominant industry position by capturing additional market share and increasing profits.



Osamu Aoyama
President and CEO

■ Ordinary income growth achieved despite unfavorable market environment

In the year under review, the business environment surrounding group operations was far from upbeat with consumer sentiment continuing to stagnate. In addition, earthquakes, typhoons, and other natural disasters, along with unseasonable weather, including a summer heatwave and mild winter, adversely affected customer traffic to our stores, which weighed on net income. Despite such circumstances, Aoyama trading Group marked growth in both sales and profits for the fourth straight year, reporting strong net sales, operating income, and ordinary income on the back of active

efforts to promote high value-added apparel brands and develop new business formats.

At the core menssuits retail business, we opened 44 new stores under an aggressive store rollout policy aimed at expanding market share. At the same time, we succeeded in raising the average sales price by strengthening sales of upscale items. The substantial improvement in operating income attained as a result of these efforts was one of our big achievements in the term under review.

In other segments, the credit card business registered strong earnings on a sharp increase in loans receivable and rise in the number of cardholders.

Financial Highlights

Aoyama Trading Co., Ltd. and its subsidiaries

(as of March 31)

	2001	2002	2003	2004	2005
Net sales (millions of yen)	148,488	161,353	176,075	186,400	195,968
Operating income (millions of yen)	5,651	7,615	12,784	16,570	20,142
Net income (millions of yen)	1,951	3,721	6,392	8,317	4,650
Net income per share (yen)	28.6	56.34	94.81	123.76	67.87
Dividend per share (yen)	35	35	35	40	40
ROE (%)	0.9	1.8	3.1	4.1	2.3

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

■ Introduction of the executive officer system and plan to spin off CALAJA brand

With the aim of rejuvenating the organizational structure and to meet the challenges of the harsh business environment ahead, the Company appointed a new president and also introduced the executive officer system. To meet the increasing need for faster and more effective decision making, we decided it was of crucial importance to streamline the board of directors and strengthen comptroller supervisory capabilities by separating managerial from executive responsibilities. We also carried out drastic organizational reforms in a bid to improve work efficiency.

Furthermore, we plan to spin off the casual apparel CALAJA operation from Aoyama Trading Co., Ltd. and set up the business as a wholly owned subsidiary on October 1, 2005. Although earnings at the CALAJA operation are turning up from a temporary slump, as of this juncture, the business has not yet recovered fully. We are convinced that the autonomy that will be given to management by the spinoff will allow for faster and more flexible decision making, thereby enabling the team to more effectively pursue stronger profitability.

■ Following the path carved out by former president Miyamae

With these reforms, Aoyama Trading Group aims to capture additional market share by aggressively opening new stores and relocating existing outlets.

In recent years, the menssuits market has increasingly taken on the appearance of an oligopoly, with just a handful of sector majors vying intensely for market share. Moreover, we do not harbor high expectations for growth of the men's suit market given the aging of Japanese society coupled with the declining birthrate, and considering the upcoming retirement of the post-war dankai baby-boomer generation (those born between 1947 and 1949). In order to ensure continued growth under these circumstances, we think it absolute-

ly essential for the Company to reinforce its sales capabilities and product lineups to maintain its dominant position over rivals. We also see the necessity to carve out niche markets that are unlike our conventional markets in order to continue growing. The Company will thus steadfastly pursue the strategies initiated by former president Mr. Miyamae.

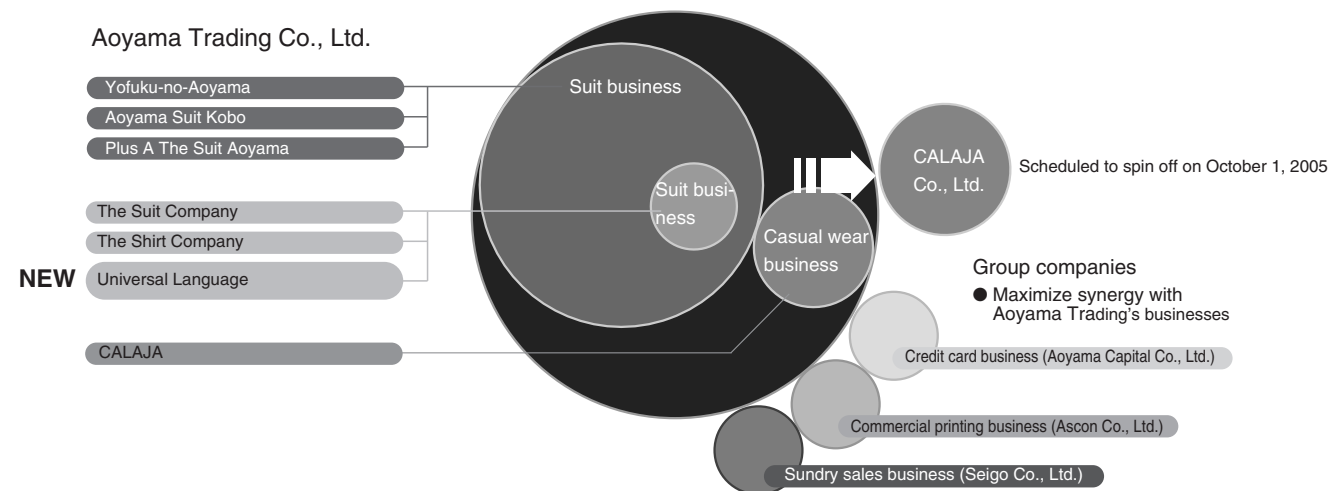
However, aggressive business strategies tend to go hand in hand with an increase in expenditures. So in the next fiscal year, we intend to give attention to reining in costs. Specifically, we aim to: (1) boost personnel cost efficiency by thoroughly promoting an achievement-based remuneration system, such as by applying the annual salary system to a larger percentage of the work force; (2) hold down increases in property-related expenses, such as by negotiating to lower store rents; and (3) pare down advertising and promotional outlays, especially spending for promotional flyers.

At the same time, we will strive to bolster Aoyama Trading Group's capabilities as a whole by promoting customer relationship management (CRM) strategies, working steadily to differentiate ourselves from rivals, and carrying out other measures.

Through these efforts, we aim to solidify a strong earnings structure and maximize shareholder value, and thereby continue to reward our shareholders. In the year under review, we paid a common dividend of ¥40 per share, and plan to pay a ¥40 dividend in the year ending March 2006 as well. Also, through conscientious IR activities, we will endeavor to promote the timely disclosure of information on group activities and circumstances as well as invite the valuable feedback and advice from our shareholders.

Aoyama Trading Group is committed to earn the continued support and understanding of our shareholders.

Maximizing customer satisfaction with an expanded product lineup



Aoyama Trading Co., Ltd.

Yofuku-no-Aoyama and other suit businesses

- Increase unit prices by expanding the lineup of upscale suit brands, including the Savile Row private label.
- In order to maintain market share after the retirement of the baby-boomer generation, develop new markets by offering lifestyle product choices.
- Expand market share by continuing store rollout and refurbishing existing outlets.
- Increase the effectiveness of CRM activities by attracting more subscribers to the Q-Click Mobile (QCM) mobile phone information service and building up the customer database; use these CRM activities to strengthen sales strategies in all segments.
- Promote IT at production and distribution operations to cut costs and speed up work processes.

The Suit Company suit business

- Boost overall earnings by increasing same-store sales, opening new stores

in ideal locations, strengthening the lineup of womenswear, and trimming costs. Also, fortify strategies for stores located in regional areas.

Universal Language suit business

- Ramp up operations for the new format Universal Language stores that offer a select lineup of apparel and accessories targeting consumers with discerning fashion tastes.

CALAJA casual wear business

- Strengthen profitability and competitiveness with a faster and more flexible decision-making process enabled by spinning off the operation into a separate company.
- Establish a solid earnings structure by beefing up procurement capabilities to boost price competitiveness, and at the same time, focus on procuring hit products in order to prop up gross margin.
- Flesh out the lineup of women's apparel and accessories.

Group companies

Credit card business (Aoyama Capital Co., Ltd.)

- Support the CRM activities of Aoyama Trading Co., Ltd.
- Further increase the number of card-holders.
- Strengthen the online language learning service, called "Language Channel", to develop it into a second major source of segmental earnings.

Commercial printing business (Ascon Co., Ltd.)

- Actively attract new customers, such as chain operators of drug stores and home centers, and increase orders especially from non-group companies.

Sundry sales business (Seigo Co., Ltd.)

- While ensuring steady earnings, develop the business to complement Aoyama Trading's store network strategy.

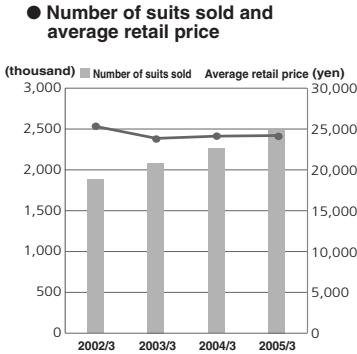
Expanding the lineup of upscale and functional apparel

In addition to our lineup of products with reasonable price that we have focused on to date, we are also working to flesh out our offering of upscale and highly functional apparel. In the previous fiscal year, we introduced our private-label Savile Row brand to all our stores and we can report that the suits have been well received by customers. Following on this, in the year under review, we released a new brand called "REGAL" targeting customers in their 30s and 40s. The suits are made from a new nano-tech fiber with wrinkle-preventing and deodorizing properties. At The Suit Company business, where our suits are sold under a basic two-price strategy, we have introduced hand-tailored products made by our skilled apparel makers. All of these measures are designed to meet our ultimate objective of offering high-quality suits at fair prices.

We also opened our first urban-format Universal Language store in Tokyo's trendy Shibuya district. In addition to products unique to the new business format, the store offers popular foreign brands as well as items jointly developed with famous European designers and venerable specialty shops. In the current fiscal year, we intend to open a store in Shinjuku and two others under the new specialty store format that targets selective shoppers with discriminating fashion tastes.

■ Signs of market change and higher unit prices

By shifting to this new strategy, we aim to address signs of market change as quickly as possible. Accompanying the modest trend toward economic recovery that began two years ago, businessmen's propensity to spend began to pick up little by little, after cooling for many years. While price competition remains fierce on the one hand, demand is beginning to pick up for some high-priced apparel.



■ Broadening lineup of casual wear and womenswear

However, the menssuits retail market is facing an exceptionally tough climate going forward due to the imminent retirement of the baby-boomer generation and decrease in customers arising from Japan's low birthrate and aging society. Also, in the suburban mar-

ket for menssuits retail, competition for market share is heated among the top four retailers, so we are doing our utmost to outlast the competition to remain a sector survivor.

To ensure this, in addition to aggressive store rollout and relocating and renovating existing stores, we are also concentrating our energies on developing new products. Furthermore, with an eye toward carving out a position for ourselves in the casual wear market, we have decided to spin off the CALAJA casual wear business into a subsidiary on October 1, 2005. By accelerating the decision-making process under a detached organizational structure, we aim to strengthen the operation's profitability and market competitiveness.

We are also expanding operations in the womenswear segment. In addition to establishing a regular lineup of women's apparel at The Suit Company business, we have structured around one-third of the offerings at the Universal Language store format for women. And we are also strengthening the women's product lineup at the CALAJA operation.

■ New target: The dankai baby-boomer generation

Another promising customer group that we are targeting is the new market expected to be created when the *dankai* baby-boomer generation retires. We antici-

pate that the considerable population of businessmen in this particular age group will face the need to change their style of dress from their usual business attire. Looking forward, the Company aims to achieve further growth by offering a new style of dress and new product lineup for this retiring *dankai* generation.

Net Sales by Product Group		(Millions of yen, %)							
		Year ended March 31, 2002		Year ended March 31, 2003		Year ended March 31, 2004		Year ended March 31, 2005	
Suits and three-piece suits		51,012	36.7	53,153	36.1	55,617	36.5	60,908	37.9
Jackets		7,203	5.2	7,550	5.1	7,547	5.0	7,347	4.6
Slacks		8,282	5.9	8,717	5.9	8,722	5.7	8,679	5.4
Coats		2,375	1.7	2,367	1.6	4,041	2.7	4,403	2.7
Formal wear		19,121	13.7	20,048	13.6	18,793	12.3	19,932	12.4
Dry goods and others		34,753	25.0	40,236	27.3	44,838	29.5	47,697	29.7
CALAJA		16,499	11.8	15,253	10.4	12,563	8.3	11,718	7.3
Total		139,248	100.0	147,327	100.0	152,124	100.0	160,688	100.0

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

New mainstay brand REGAL

The Company has started offering a new brand of suit called REGAL, targeting businessmen in their 30s and 40s. The suits are made from wrinkle-preventing wool fibers and textiles with deodorizing properties developed using the most advanced nanotechnologies, and thus are made from fabrics featuring both high functionality and comfort. The new brand was introduced as a mainstay label at all of the Company's Yofuku-no-Aoyama stores from October 2004.

The REGAL brand is based on the

concept of "American traditional" derived from a modern interpretation of a fusion of contemporary and traditional fashion styles. Clothing in this lineup are intended to become the suit that one "loves to put on" and are designed with a timeless quality allowing for long-term wear. The suits are priced from ¥39,000. Ensembles made from the highest quality fabrics manufactured by domestic textile major Miyuki Keori are sold under the upscale REGAL Prestige brand and are priced from ¥68,000.



First urban-format Universal Language store

The Company opened its first urban-format Universal Language store in Tokyo's trendy commercial Shibuya district, targeting men and women in the 30s with discriminating fashion and style tastes. In addition to the Company's proprietary products, the store also offers a wide assortment of foreign brand apparel and accessories. We plan to expand the store network by concentrating outlets in central city locations.

The product lineup consists equally of items from three categories—men's suits, men's casual wear, and wom-

enswear. While the Company's private-brand items make up around 75% of products, the store also offers jeans, shoes, belts, and other goods procured in the US and Europe through a tie-up with an Italian specialty shop in order to attract shoppers with a keen sense of fashion trends.

Management expects the new business format to complement the existing The Suit Company stores that are also concentrated in central city locations and help the Company extend its reach to new consumer markets.



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 Shitoto 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

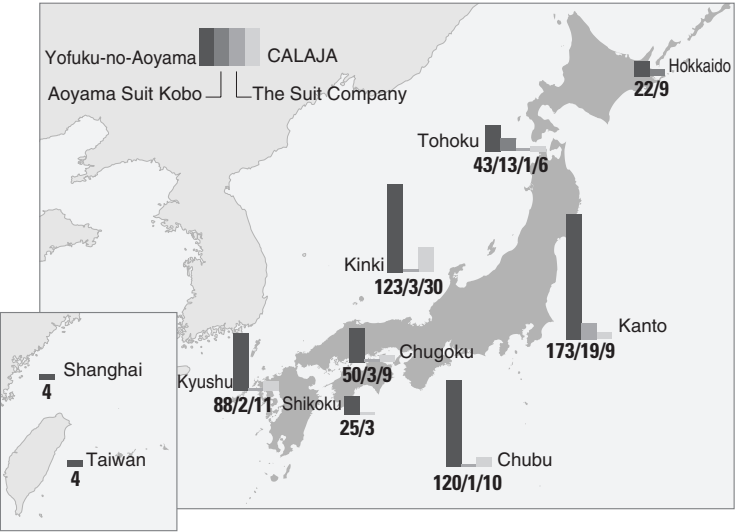
■ **Cautious but aggressive approach**

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.

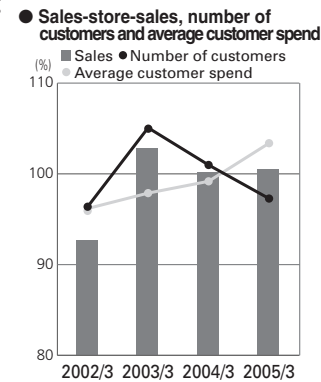
Among menssuits retail store formats, the Company operates the Yofuku-no-Aoyama, Aoyama Suits Kobo, The Suit Company, CALAJA, and others. In the year under review, we opened our pilot store for the new urban-format Universal Language business in Tokyo's Shibuya district to target style-conscious selective 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 by expanding the womenswear 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.



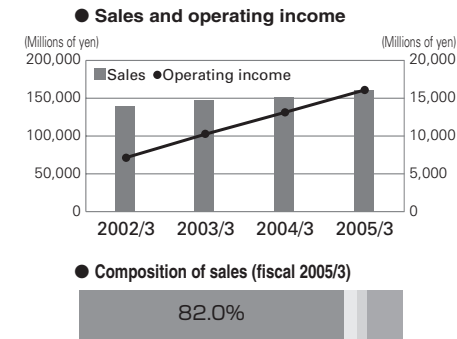
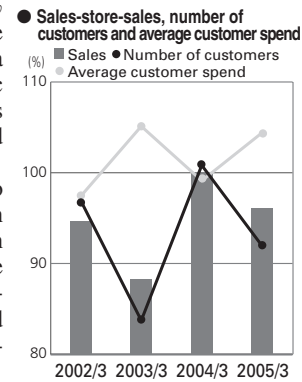
CALAJA Business

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.

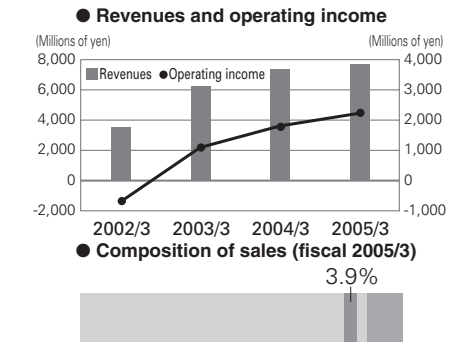
We have decided to spin off this operation on October 1, 2005 in an effort to emphasize the specialty store characteristics of the business and speed up work procedures.



Credit Card Business

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.

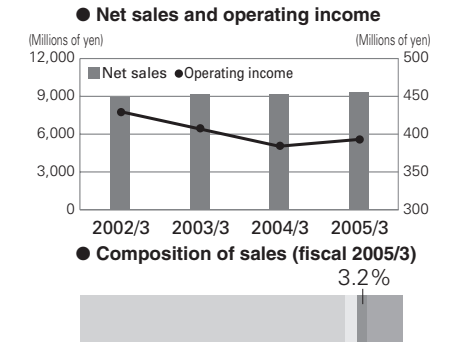
The main reasons for the growth in both revenues and profits were the 15.0% year-on-year increase in the number of Aoyama Card members to 2.76 million cardholders (as of February 28, 2005), and growth in outstanding loans receivable. We also started the online language learning service called Language 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.



Commercial Printing Business

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.

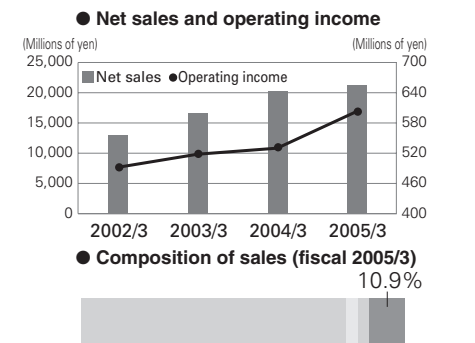
Net sales increased 1.7% versus the previous year, to ¥9,294 million, and operating income grew 2.4%, to ¥393 million. While some bright signs appeared in the printing and advertising industries, such as an increase in insertion ads for the second year in a row, competition heated up another notch due 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.



Business Results

●Net Sales

Consolidated net sales grew 5.1% year on year to reach ¥195,968 million. By business segment, sales at the menswear retail operation rose 5.6% to ¥160,688 million, sales at the credit card business increased 5.1% to ¥7,732 million, sales at the commercial printing business rose 1.7% to ¥9,294 million, and sales at the sundry sales operation grew 2.4% to ¥21,315 million.

●Operating Income & Expenses

Gross profit rose 6.3% from the previous fiscal year to ¥106,007 million, and gross margin improved by 0.6 percentage point, to reach 54.1%. The growth is primarily ascribable to a shift in the focus of sales at the menswear retail business to higher-end products.

Operating income grew 21.6% year on year to total ¥20,142 million. Although personnel costs, store rents, and depreciation expenses increased accompanying the opening of new stores at the menswear retail business, we endeavored to improve the cost efficiency of promotional activities, especially advertising flyers. As a result, in addition to an improvement in gross margin, effective efforts to rein in advertising and promotional spending translated to an increase in operating income.

●Other Gains & Losses

As for non-operating items, while interest payments decreased, there were no other big year-on-year changes. As such, ordinary income reflected nearly the full rise in operating income, increasing 19.1% from the prior year to ¥20,696 million.

With respect to one-time extraordinary charges, the Company booked ¥9,234 million in valuation losses on derivative transactions due to the adoption of market value accounting for writing down comprehensive long-term foreign exchange forward (and swap) contracts. The Company also took one-time charges of ¥972 million for the amortization of past service cost for retirement benefits to directors and corporate auditors, and ¥1,421 million for scrapping fixed assets related to store closures, relocations, renovation, and rebuilding. Extraordinary losses thus totaled ¥11,879 million.

As a result, net income came to ¥4,650 million. Also, net income per share decreased to ¥67.87, from the previous year's ¥123.76.

Consolidated Statements of Income (Summary)

	Year ended March 31, 2004	Year ended March 31, 2005
Millions of yen		
Net Sales	186,400	195,968
Cost of Sales	86,698	89,961
Gross Profit	99,701	106,007
Selling, General and Administrative Expenses	83,130	85,865
Operating Income	16,570	20,142
Non-operating Income	1,235	877
Interest and dividend income	350	284
Other	884	592
Non-operating Expenses	429	323
Interest expenses	334	230
Other	95	92
Ordinary Income	17,376	20,696
Extraordinary Gains	134	140
Extraordinary Losses	2,424	11,879
Loss on disposal and sale of fixed assets	1,530	1,421
Amortization of past service cost for retirement benefits to directors and corporate auditors	894	972
Loss on revaluation of investment to affiliated company	—	204
Valuation losses on derivative transactions	—	9,234
Other	—	44
Income before Income Taxes	15,086	8,957
Income Taxes-Current	7,820	8,710
Income Taxes-Deferred	△1,294	△4,664
Minority Interests	242	261
Net Income	8,317	4,650

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

Cash Flows

Cash and cash equivalents at the end of the year under review had risen 26.7% versus the year earlier, to ¥31,786 million. Compared with the start of the term, the balance was higher by ¥6,700 million.

●Cash flows from operating activities

Net cash provided by operating activities amounted to ¥14,860 million, compared with ¥6,867 million the previous year.

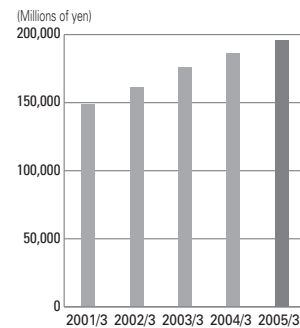
Income before income taxes amounted to ¥8,957 million, depreciation expenses came to ¥5,995 million, for retirement benefits to directors and corporate auditors increased by ¥1,128 million, losses from the sale and disposal of fixed assets under the store scrap-and-build strategy totaled ¥1,410 million, and the Company booked ¥9,234 in valuation losses on derivative transactions due to the adoption of market value accounting for writing down comprehensive long-term foreign exchange forward (and swap) contracts. Meanwhile, trade receivables increased by ¥1,075 million, inventories rose by ¥2,351 million, other accounts payable declined by ¥2,311 million due to a decrease in factoring, loans receivable at the credit card business grew by ¥7,447 million, and corporate tax payments amounted to ¥7,717 million.

●Cash flows from investing activities

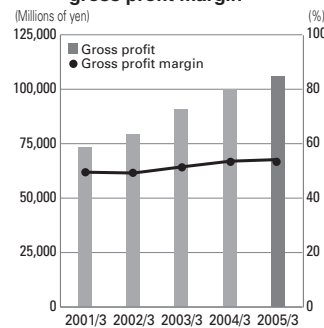
Net cash used in investing activities came to ¥4,499 million, compared with ¥9,711 million in the previous year.

This was the result of ¥18,177 million used to acquire property, plant, and equipment related to new store openings and renovation of

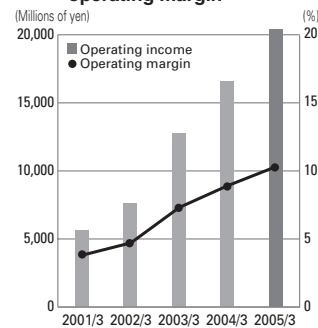
●Net Sales



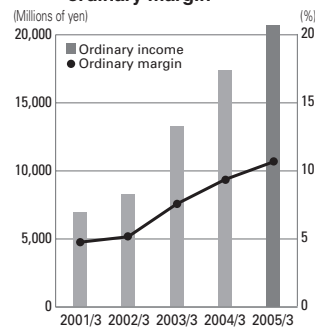
●Gross profit and gross profit margin



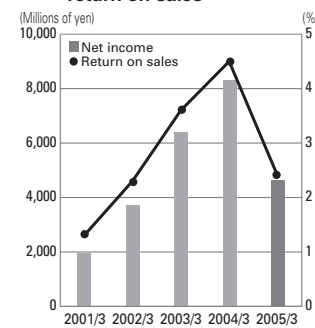
●Operating income and operating margin



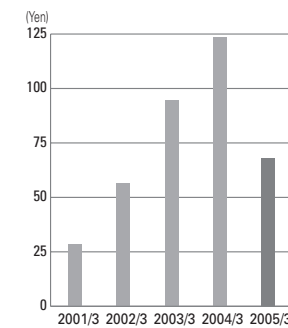
●Ordinary income and ordinary margin



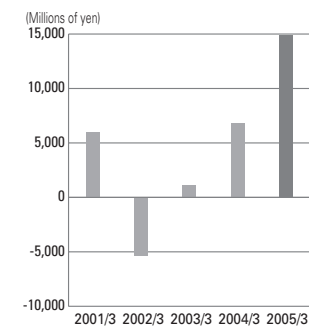
●Net income and return on sales



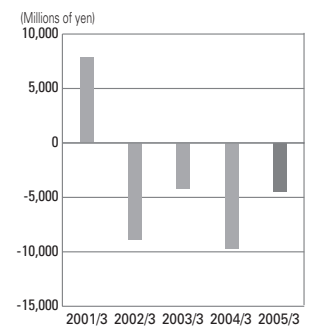
●Net income per share



●Operating cash flow



●Investing cash flow



existing stores for the menswear retail and sundry sales operations, a net ¥1,762 million decline in term deposits due in part to the use of ¥2,209 million in long-term loans for a construction assistance fund, and a net ¥11,819 million decrease associated with the trading of marketable securities and investment securities.

●Cash flows from financing activities

Net cash used in financing activities totaled ¥3,660 million, compared with ¥2,468 million the year earlier.

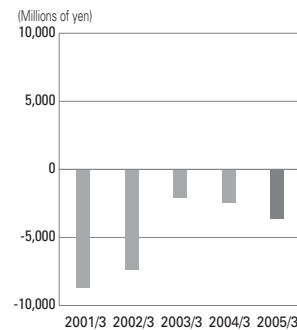
This was mainly the result of redeeming ¥20,000 million in corporate bonds at maturity, share buybacks amounting to ¥1,958 million (including treasury stock), and ¥2,635 million paid out in the form of dividends, against ¥10 billion procured through corporate bond issuances and ¥10 billion secured in long-term borrowings.

Consolidated Statements of Cash Flows (Summary)

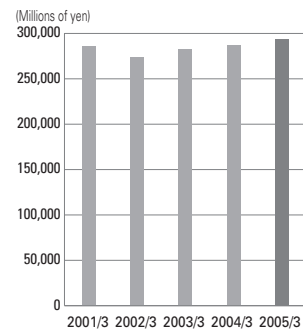
	Millions of yen	
	Year ended March 31, 2004	Year ended March 31, 2005
Cash flows from operating activities	6,867	14,860
Cash flows from investing activities	△9,711	△4,499
Cash flows from financing activities	△2,468	△3,660
Effect of exchange rate changes on cash and cash equivalents	0	—
Net increase (△/decrease) in cash and cash equivalents	△5,311	6,700
Cash and cash equivalents at beginning of year	30,397	25,086
Cash and cash equivalents at end of year	25,086	31,786

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

●Financing cash flow



●Total assets



Financial Position

●Assets

Total assets at the end of the fiscal year under review were down by ¥6,083 million or 4.0% compared with the end of the previous fiscal year, at ¥145,657 million. This was mainly because even though loans receivable at the credit card business rose ¥7,447 million and inventories grew ¥2,351 million year on year, investments and other assets dropped sharply by ¥16,421 million due to the management of more short-term funds, such as leasing trust beneficial interests, and deferred booking of derivative assets due to the adoption of market value accounting.

Fixed assets increased ¥12,926 million or 9.6% compared with the previous year, to total ¥148,266 million.

Property, plant, and equipment increased by ¥9,146 million or 12.3%, to ¥83,476 million, due to a year-on-year rise of ¥5,368 million in buildings and structures as well as ¥3,175 million increase in land holdings arising from new store openings and other investments. Also, actuarial differences arose for taxation of derivative valuation losses (¥9,234 million), so deferred tax assets climbed by ¥4,543 or 147.8%, to total ¥7,616 million.

●Liabilities

Current liabilities at the end of the term under review decreased by ¥15,219 million or 20.1% from the end of the previous fiscal year, to total ¥60,366 million. This is mostly explained by the redemption of corporate bonds at maturity, which decreased the amount of bonds scheduled for redemption within a year (current portion of bonds payable) by ¥20 billion, to zero. In addition, other accounts payable decreased by ¥2,628 million.

Fixed liabilities increased by ¥21,209 million or 306.2% to ¥28,137 million. In addition to issuing a total of ¥10 billion in bonds, long-term borrowings grew by ¥9,320 million. Moreover, allowance for retirement benefits for directors and corporate auditors increased by ¥1,128 million.

●Shareholders' equity

Shareholders' equity increased by ¥682 million or 0.3% year on year, to ¥204,049 million. Although capital surplus grew by ¥1,750 million due in part to net income booked in the term under review, shareholders' equity increased only modestly because the Company used ¥1,251 million to buy back its own shares. As a result of the above, the equity ratio (the ratio of shareholders' equity to total assets) stood at 69.4% at the end of the term, down from 70.8% at the end of the previous term.

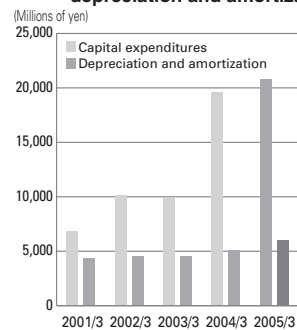
Consolidated Balance Sheets (Summary)

Assets	(Millions of yen)	
	March 31, 2004	March 31, 2005
Current Assets	151,741	145,657
Cash and cash equivalents	24,931	24,371
Trade notes and accounts receivable	7,631	8,706
Marketable securities	14,212	14,097
Inventories	34,746	37,098
Loans receivable	41,962	49,410
Other	28,916	12,571
Allowance for doubtful receivables	△659	△598
Fixed Assets	135,340	148,266
Property, Plant and Equipment	74,329	83,476
Buildings and structures	45,443	50,812
Land	22,773	25,948
Other	6,112	6,713
Intangible Fixed Assets	1,082	1,184
Investments and Other Assets	59,928	63,605
Investment securities	8,379	8,492
Long-term loans	1,121	1,077
Deferred tax assets	3,073	7,616
Guarantee deposits and lease deposits	44,105	43,850
Refundable insurance premium for directors, corporate auditors and employees	866	187
Other	2,532	2,425
Allowance for doubtful receivables	△148	△43
Total Assets	287,081	293,924

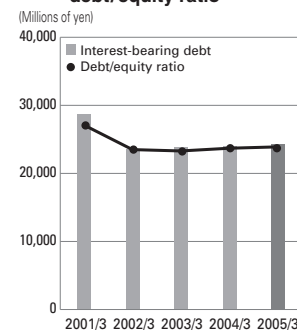
Liabilities	(Millions of yen)	
	March 31, 2004	March 31, 2005
Current Liabilities	75,586	60,366
Trade notes and accounts payable	10,987	17,777
Short-term bank loans	3,340	4,280
Current portion of bonds payable	20,000	—
Other accounts payable	21,471	18,842
Other	19,787	19,466
Long-term Liabilities	6,927	28,137
Corporate bonds	—	10,000
Long-term debt	680	10,000
Other	6,247	8,137
Total Liabilities	82,513	88,504
Minority Interests	1,200	1,370
Shareholders' Equity		
Common Stock	62,504	62,504
Capital surplus	62,370	62,411
Retained earnings	100,464	102,214
Land revaluation difference	△19,563	△19,486
Net unrealized gain (loss) on available-for-sale securities	5	71
Treasury stock	△2,414	△3,665
Total Shareholders' Equity	203,367	204,049
Total Liabilities, Minority Interests and Shareholders' Equity	287,081	293,924

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

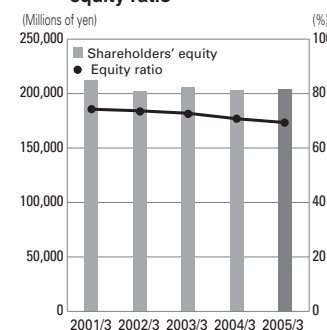
●Capital expenditures and depreciation and amortization



●Interest-bearing debt and debt/equity ratio



●Shareholders' equity and equity ratio



Balance Sheets (Summary)

Assets	(Millions of yen)	
	March 31, 2004	March 31, 2005
Current Assets	143,127	125,667
Fixed Assets	134,431	147,318
Property, Plant and Equipment	69,090	78,418
Intangible Fixed Assets	852	934
Investments and Other Assets	64,487	67,965
Total Assets	277,558	272,986

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

Statements of Income (Summary)

	(Millions of yen)	
	Year ended March 31, 2004	Year ended March 31, 2005
Net Sales	152,124	160,688
Cost of Sales	67,702	70,399
Gross profit	84,422	90,288
Selling, General and Administrative Expenses	71,323	74,240
Operating income	13,099	16,048
Non-operating Income	1,678	1,434
Non-operating Expenses	386	235
Ordinary income	14,391	17,247
Extraordinary Gains	134	333
Extraordinary Losses	2,221	11,633
Income before Income Taxes	12,304	5,946
Income Taxes-Current	6,481	7,298
Income Taxes-Deferred	△1,102	△4,592
Net Income	6,926	3,240
Unappropriated retained earnings brought forward	572	525
Transfer from land revaluation difference	△7	△76
Unappropriated retained earnings at end of year	7,491	3,689

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

Liabilities	(Millions of yen)	
	March 31, 2004	March 31, 2005
Current Liabilities	69,385	53,718
Long-term Liabilities	6,003	17,768
Total Liabilities	75,388	71,486
Shareholders' Equity		
Common Stock	62,504	62,504
Capital surplus	62,370	62,411
Retained earnings	99,075	99,473
Land revaluation difference	△19,372	△19,295
Net unrealized gain (loss) on available-for-sale securities	6	71
Treasury stock	△2,414	△3,665
Total Shareholders' Equity	202,169	201,499
Total Liabilities and Shareholders' Equity	277,558	272,986

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

Appropriation Statement

	(Thousands of yen)	
	Year ended March 31, 2004	Year ended March 31, 2005
Unappropriated retained earnings at end of year:	7,491,121	3,689,100
Appropriation:	2,635,001	2,625,422
Dividends	(Common dividend: ¥35 per share) <div>40th anniversary commemorative dividend: ¥5</div>	(Common dividend: ¥40 per share)
Bonuses to directors and corporate auditors	131,100	128,390
(Bonuses to corporate auditors)	(6,220)	(6,110)
General reserve	4,200,000	400,000
Retained earnings carried forward	525,019	535,288
Appropriation of other capital surplus:		
Other capital surplus	46,897	87,628
Other capital surplus carried forward	46,897	87,628

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

Corporate Profile

(as of March 31, 2005)

Company Name:	Aoyama Trading Co., Ltd.
Establishment:	May 6, 1964
Paid-in-Capital:	¥62,504,710,000
Number of Employees:	3,051
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 Kannabe Stock Center: 1727-1, Aza Fukami, Oaza Nishichujo, Kannabe-cho, Fukayasu-gun, Hiroshima Ibara Stock Center: 1345-2, Oemachi, Ibara, Okayama
Number of Outlets:	773



Directors and Officers

(as of June 29, 2005)

[Board of Directors]	
Chairman of the Board:	Goro Aoyama
Vice Chairman of the Board:	Hiroaki Miyamae
Vice Chairman of the Board:	Shozo Miyamae
President and CEO:	Osamu Aoyama
Director and Advisor:	Mutsuo Aoyama
Director and Senior Executive Officer:	Makoto Miyatake (General Manager of Planning and Administration Division and General Manager of Corporate Planning Dept.)
[Board of Auditors]	
Standing Corporate Auditor (full time):	Koshin Endo
Corporate Auditor (full time):	Hideaki Shinhama *
Corporate Auditor:	Seishi Uchibayashi *
Corporate Auditor:	Hiroshi Ohgi * (Note) Marked with * are outside auditors.
[Executive Officers]	
Senior Executive Officer:	Michinobu Miyagawa (General Manager of store Development Division)
Senior Executive Officer:	Yoshio Kaneki (General Manager of Tokyo Head Office and General Manager of PR Office)
Executive Officer:	Yukio Tagawa (General Manager of Accounting Dept. and General Manager of Affiliated Businesses Dept.)
Executive Officer:	Kiyohide Hasegawa (General Manager of IT and Systems Dept.)
Executive Officer:	Shozo Hirakawa (General Manager of General Affairs Dept.)
Executive Officer:	Yasuhiro Fujii (General Manager of Marketing and Sales Dept.)
Executive Officer:	Eiji Tanikawa (General Manager of Advertising Dept. and Information Controller)
Executive Officer:	Fusanori Hatayama (Supervisor of Kanto Area and Manager of Saitama Block)
Executive Officer:	Nobuyuki Matukawa (General Manager of Marketing and Sales Division and General Manager of Sales Planning Dept.)
Executive Officer:	Michinori Fujii (General Manager of Marketing and Sales Dept. of TSC)
Executive Officer:	Shinji Okano (General Manager of Purchasing Division and General Manager of Purchasing Dept. NO. 2)

Stock Information
 (as of March 31, 2005)

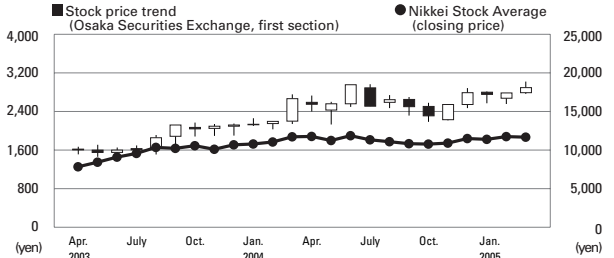
Shares

Total number of shares authorized to be issued	174,641,100
Number of shares outstanding	67,394,016
Number of shareholders	7,521

Distribution of Shareholders

	Number of shareholders	Shareholdings (thousand shares)	Shareholdings (%)
Financial institutions	85	25,748	38.2
Securities companies	27	257	0.4
Other business corporations	256	7,286	10.8
Foreign entities	266	20,760	30.8
Individuals, others	6,890	13,341	19.8

Note: Shareholdings amounting to less than the minimum trading unit have been rounded down.

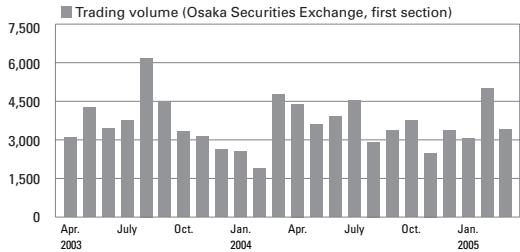


Major Shareholders

Shareholder	Shareholdings (thousand shares)	Shareholdings (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	7,217	10.71
Japan Trustee Services Bank, Ltd. (Trust account)	4,647	6.90
Aoyama Bussan, Ltd.	3,380	5.02
Goro Aoyama	3,363	4.99
State Street Bank And Trust Company	1,421	2.11
Investors Bank West Pension Fund Clients	1,112	1.65
State Street Bank And Trust Company 505103	1,089	1.62
BNP Paribas Securities Services Luxembourg JASDEC Securities	1,033	1.53
Japan Trustee Services Bank, Ltd. (Trust account 4)	1,014	1.51
Hoshino Shoji Co., Ltd.	1,001	1.49

Notes:

- Shareholdings amounting to less than the minimum trading unit have been rounded down.
- The Company holds 1,758,000 shares of treasury stock, but the holdings are not included in the above list of major shareholders because these shares are without voting rights.



Shareholder Information

Memo to Shareholders

Closing of accounts: March 31	
Ordinary general meeting of shareholders: June	
Record date:	March 31 (other publicly announced days, as necessary). Shareholders appearing on the register of shareholders and beneficial shareholders appearing on the register of beneficial shareholders at the end of each fiscal year shall be deemed the shareholders entitled to exercise the shareholders' rights at the ordinary general meeting of shareholders pertaining to the aforementioned fiscal year.
Dividends:	Dividends shall be paid to the shareholders appearing on the register of shareholders and the beneficial shareholders appearing on the register of beneficial shareholders as of March 31.
Interim dividends:	Interim dividends shall be paid to shareholders appearing on the register of shareholders and the beneficial shareholders appearing on the register of beneficial shareholders as of September 30.
Transfer agent:	Sumitomo Trust & Banking, Co. Ltd. 5-33 Kitahama 4-chome, Chuo-ku, Osaka
Transfer agent branch:	Stock Transfer Agency Department Sumitomo Trust & Banking Co., Ltd. 5-33 Kitahama 4-chome, Chuo-ku, Osaka
(Mailing address and telephone contact)	Stock Transfer Agency Department Sumitomo Trust & Banking Co., Ltd. 1-10 Nikko-cho, Fuchu, Tokyo 183-8701 (Request for an Address Change Form etc.): 0120-175-417 (Other inquiries): 0120-176-417
Agencies:	Sumitomo Trust & Banking Co., Ltd., all branches nationwide.
Media for public notices:	Electronic disclosure or Nihon Keizai Shimbun (newspaper) if electronic disclosure is unavailable: Note (1)
Listing stock exchanges:	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section)

Notes:

- Public notification of the closing of accounts on the website
All shareholders are hereby informed that the public notice of the closing of accounts is now provided on the Company's website, instead of through the *Nihon Keizai Shimbun*. The Company's website address is: <http://www.aoyama-syoudji.co.jp>
- Requests for purchasing shares less than the minimum required trading unit.
In accordance with the revised Commercial Code, shareholders holding less than the minimum unit can apply to purchase additional shares in order to increase their holdings up to the minimum level (100 shares). For information on application procedures, please call the toll-free number listed below. In the case of using the central securities depository system, please contact the securities company handling the transaction. Applications for the purchase of shares amounting to less than the minimum trading unit are handled in the same manner as previously. For any enquiries, please contact the following:

Applications will be accepted at:
 Stock Transfer Agency Department
 Sumitomo Trust & Banking Co., Ltd.
 5-33 Kitahama 4-chome, Chuo-ku, Osaka
 Mailing address:
 Stock Transfer Agency Department
 Sumitomo Trust & Banking Co., Ltd.
 1-10 Nikko-cho, Fuchu, Tokyo 183-8701
 Telephone inquiries: Toll free 0120-176-417

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 every 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 appearing on the register of shareholders and the beneficial shareholders appearing on the register of beneficial shareholders as of March 31 every year, according to their respective shares held.

■ Number of shares held:

100-999 shares:	Four (4) coupons
1,000-2,999 shares:	Six (6) coupons
3,000 shares or more:	Eight (8) coupons

■ Expiration date:

July 31 of the following year.

■ Stores where the coupons can be used:

Outlets of Yofuku-no-Aoyama, Aoyama Suit Kobo, +A The Suit Aoyama, The Suit Company, The Shirt Company, Universal Language and CALAJA.

Financial information is available on the Company's website
 (<http://www.aoyama-syoudji.co.jp>)

■ Financial information available on our website:

- Aoyama Data
- News releases
- Stock price information
- Information on the preferential coupon for shareholders
- Periodic securities reports
- Public notice on the closing of accounts
- Monthly information
- Brief announcement of the most recent financial statements following the end of a fiscal year (non-consolidated and consolidated)
- Interviews with management etc.

Contact for Inquiries:	Corporate Planning Division at the Head Office
	Tel: +81-84-920-0029
	Fax: +81-84-921-8129

