January 28, 2015

To whom it may concern

Company Name : AOYAMA TRADING Co., Ltd.
Representative : Osamu Aoyama
President and CEO
Stock Code : 8219,TSE First Section
Contact : Makoto Miyatake
Senior Director and Senior Managing Executive Officer
Tel : (81)84-920-0050

Formulation of the Medium-Term Management Plan "CHALLENGE 2017"

AOYAMA TRADING Co., Ltd. formulated a three-year medium-term management plan with fiscal 2017 as the final year.

The environment surrounding the Group is very harsh because of factors such as the shrinking suits market reflecting a low birth rate and an aging population. In this severe business climate, the Group, upon celebrating the 50th anniversary of its founding in May 2014, formulated the medium-term management plan "CHALLENGE 2017" as a first step toward further growth for the next 50 years.

Up to now, our corporate philosophy centered on "offering better products at lower prices and contributing to society through the selling of clothing" and menswear retail. In the future, however, we will focus on "aiming to further contribute to society through retail and services to consumers based on sustainable growth" as a new corporate philosophy with an eye to expanding our business domains.

Under this newly formulated medium-term management plan "CHALLENGE 2017," based on this philosophy, we will strive to realize stable growth of our core business of business wear through the expansion of womenswear sales reflecting an increase in the number of female workers, and proactively expand business domains, such as the restaurant business, overseas business and new businesses by leveraging the strengths (sales capabilities, store development capabilities, merchandise procurement capabilities, adherence to quality, and customer base) the Group has cultivated over the past 50 years. By doing so, we will build a stable business portfolio and aim to become a company that is able to contribute to society through sustainable growth.

By implementing these initiatives, we plan to achieve net sales of ¥280,000 million and operating income at a record high of ¥27,000 million in fiscal 2017, the final year of the plan.

Also, in returning profits to shareholders, we will conduct dividend payments and acquisition of our own shares targeting a consolidated total return ratio of 130% during the period of the medium-term management plan.

As a result of these measures, we plan to raise ROE from 5.1% expected for the current fiscal year to 7% by fiscal 2017.

<Overview>

1. New corporate philosophy

"Aiming to further contribute to society through retail and services to consumers based on sustainable growth"

2. New management vision

- Expansion of "strengths" in the core business: — No. 1 approval rate among business persons
- Proactive expansion of business domains: — Building a "stable business portfolio"
- Management that engages stakeholders: — Implementation of "improvements for sustainable growth"

3. Priority measures of the medium-term management plan "CHALLENGE 2017"

(1) Expansion of "strengths" in the core business — No. 1 approval rate among business persons

Business wear business

- Strengthen womenswear (expand sales floor area for womenswear, increase sales of ladies formalwear, etc.)
- Expand share of business apparel and accessories, etc. (develop new businesses, develop functional products, reinforce sales promotion, etc.)
- Expand e-commerce (EC) and promote omni-channel strategy (promote omni-channel strategy with brick-and-mortar stores, etc.)

(2) Proactive expansion of business domains — Building a "stable business portfolio"

(i) Casual wear business

- Growth strategy of "American Eagle Outfitters" (accelerate store openings at local shopping centers, expand EC sales, etc.)
- Second pillar of casual wear business (consider M&As)

(ii) Restaurant business

- Expand sales of franchise (FC) restaurant business centered on Yakiniku King, etc.

(iii) Overseas business

- Steadily expand store openings in China starting from the Shanghai area
- Open stores in the ASEAN area

(iv) New businesses

- Launch new businesses that utilize the Company's strengths such as store development capabilities and customer data

(3) Management that engages stakeholders — Implementation of "improvements for sustainable growth"

- Appropriately pursue cooperation with stakeholders while squarely facing all of them in order to improve corporate value through enhancement of the governance structure, appropriate disclosure of information, personnel strategy and expansion of CSR activities, among other things.

4. Performance targets

	Fiscal 2014 forecast	Fiscal 2017 plan
Consolidated net sales	¥222,200 million	¥280,000 million
Consolidated operating income	¥18,600 million	¥27,000 million (record high)
ROE	5.1%	7.0%

5. Enhancing return of profits to shareholders

・We will conduct dividend payments and acquisitions of our own shares targeting a consolidated total return ratio of 130% during the period of the medium-term management plan (from fiscal 2015 to fiscal 2017).

Regarding dividend, we will target a payout ratio of 70% against consolidated net income. Specifically, a steady ordinary dividend of ¥100 per share will be paid, and if the dividend calculated based on the targeted payout ratio of 70% exceeds ¥100, the excess amount will be treated as performance-linked dividend and will be paid out as special dividend at the end of the fiscal year.

As for the acquisition of our own shares, we will acquire an amount derived by subtracting the total dividend amount above from 130% of consolidated net income.

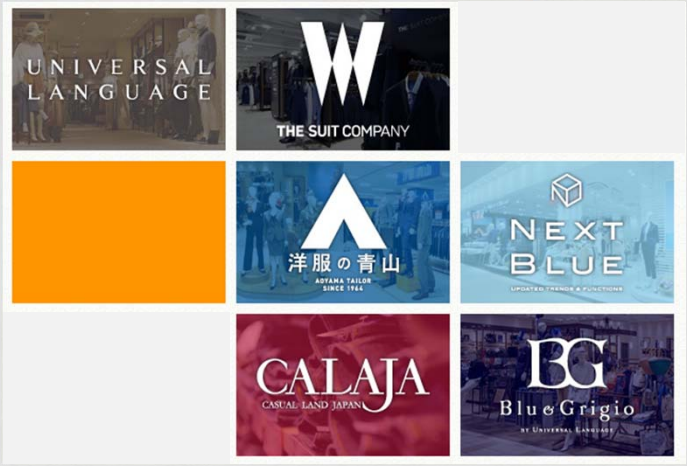
For details, please refer to the Company's news release, "Information in regard to the policy of return of profits to shareholders" officially announced today.

For details of the medium-term management plan "CHALLENGE 2017," please refer to the separate presentation material.

青山商事株式会社

AOYAMA TRADING CO., LTD.
2015-2017 Medium-Term Management Plan

～CHALLENGE 2017～



January 28, 2015

Osamu Aoyama
President and CEO

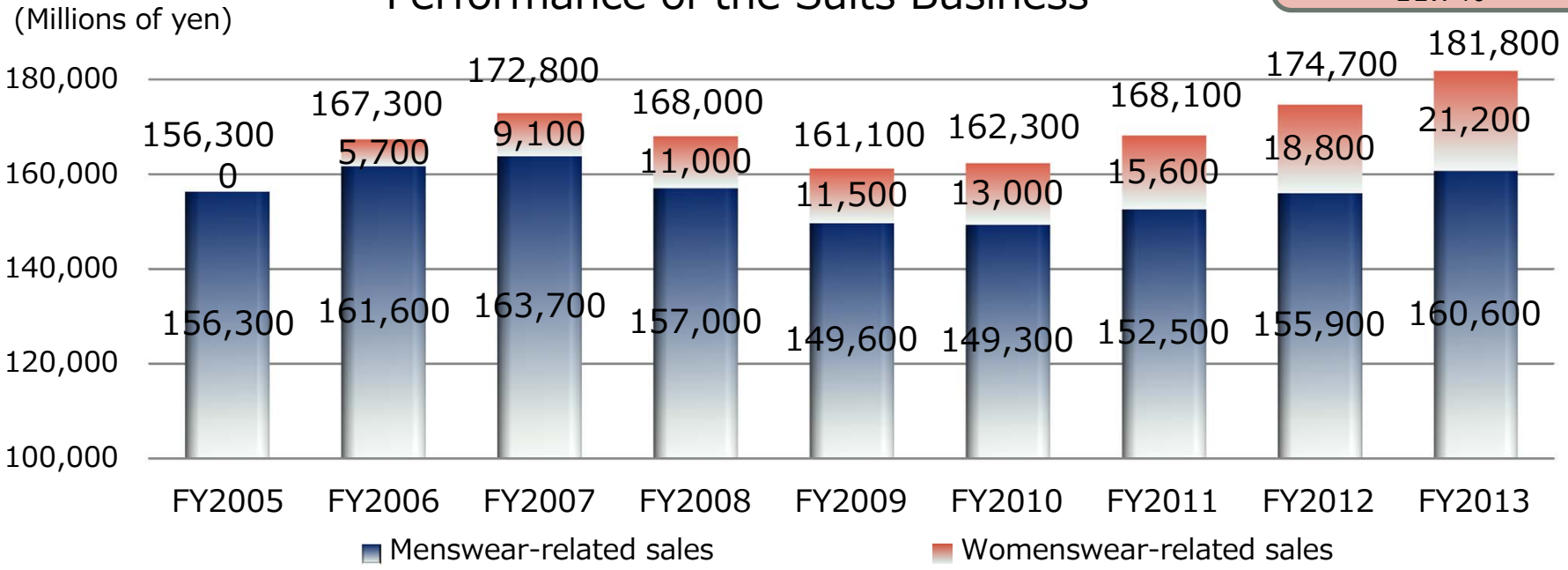
AGENDA

I. Introduction
II. Basic Policy of the Medium-Term Management Plan “CHALLENGE 2017”
III. Key Strategies by Segment
IV. Cash Flows and Return of Profits to Shareholders
V. Strategies for the Future

～INTRODUCTION～
Historical Performance

Percentage of womenswear sales 11.7%

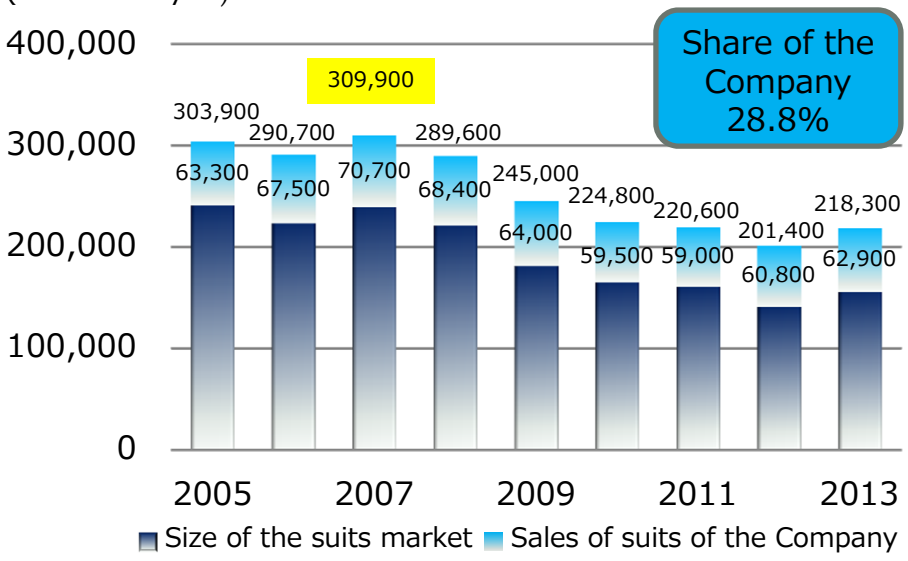
Performance of the Suits Business



In the suits business, sales have recovered to the levels prior to the Lehman crisis in FY2008, thanks primarily to the growth in womenswear sales. Since FY2010, sales of womenswear have been growing 20% each year, and grew to account for 11.7% of total sales in FY2013. Menswear sales also, after bottoming out in FY2010, have been increasing in conjunction with the increase in store openings. Under this medium-term management plan, the Company intends to reinforce womenswear and other peripheral product items other than suits.

～INTRODUCTION～
Market Environment (Suits)

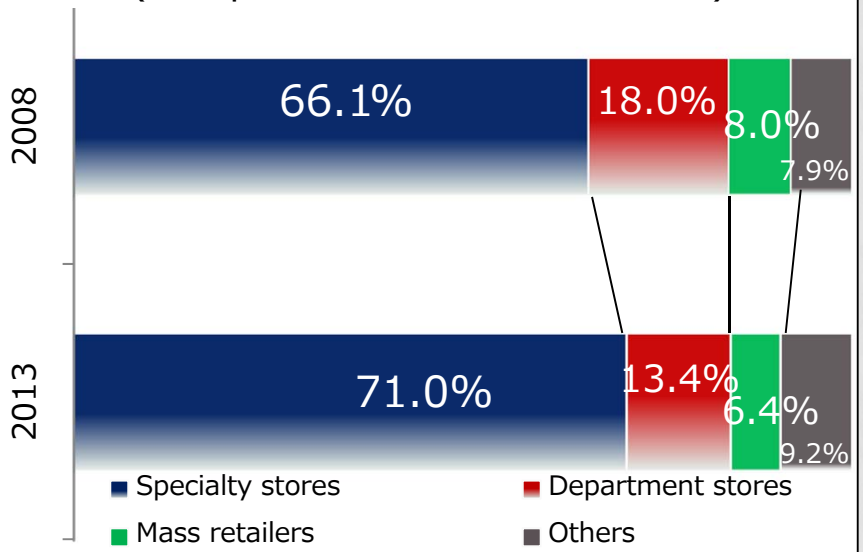
Size of the Suits Market



Note: Market size is on a retail value basis.
Source: Prepared based on "White Paper on Apparel Industry," Yano Research Institute Ltd.

In the past decade, the suits market, after having peaked at ¥309,900 million in 2007, has been on a declining trend due to the mass retirement of the baby boomers and the spread of Cool Biz. Despite these circumstances, the Company has been able to increase its market share to 28.8% in 2013 by steadily opening new stores and relocating existing stores, as well as due to withdrawal of our competitors and the downsizing of businesses by mass retailers.

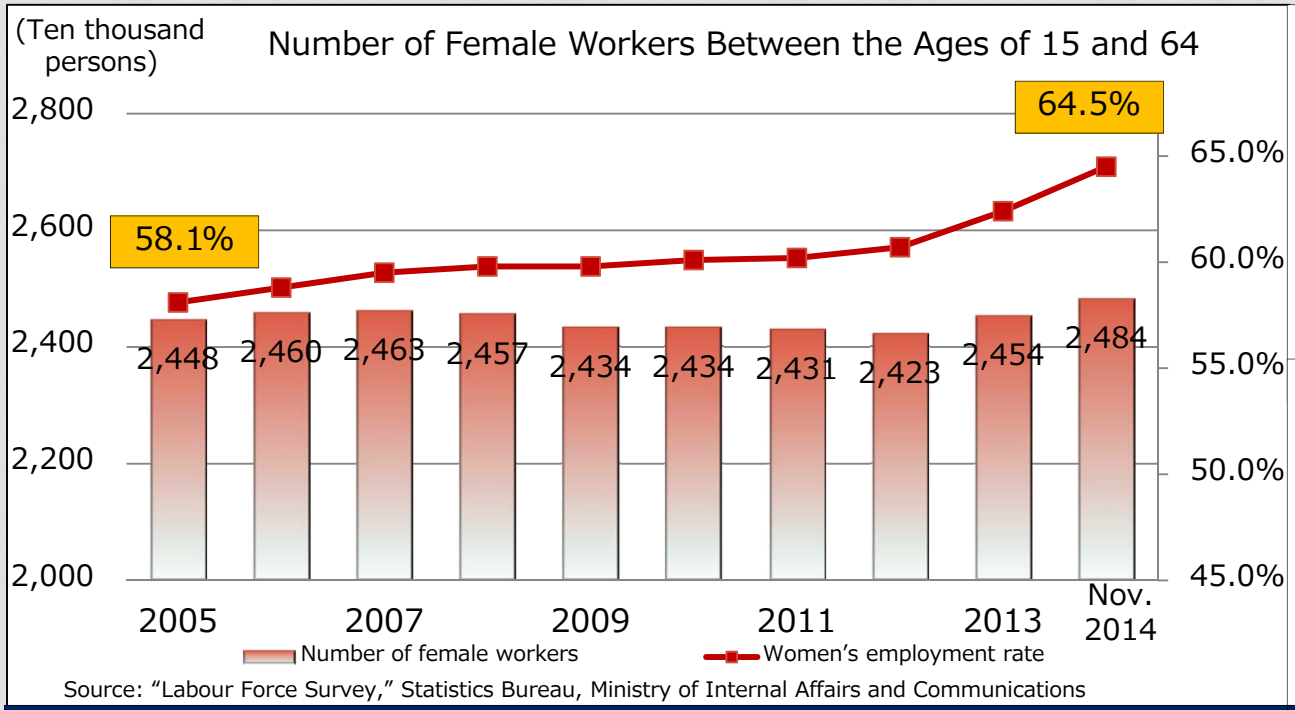
Suits Market by Sales Channel (Comparison of 2013 with 2008)



Note: On a retail value basis
Source: "White Paper on Apparel Industry," Yano Research Institute Ltd.

A view of the suits market by sales channel indicates that specialty stores have captured the market shares of department stores and mass retailers, increasing its share by approximately five percentage points in the past 5 years through proactive store openings in urban areas and shopping centers (SCs), improvement of product quality and reinforced sales promotion.

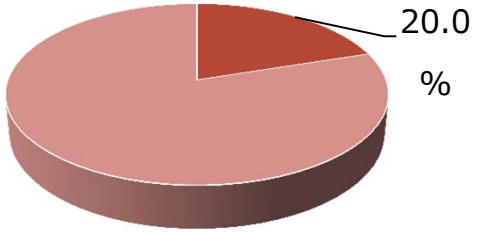
～INTRODUCTION～
Market Environment (Womenswear)



Source: "Labour Force Survey," Statistics Bureau, Ministry of Internal Affairs and Communications

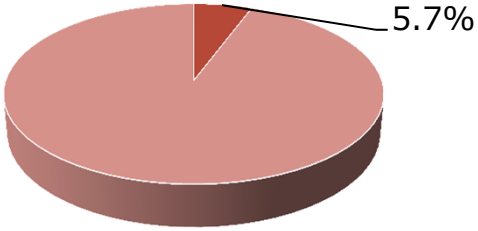
While the employment rate among women between the ages of 15 and 64 (working-age population) had remained mostly unchanged until 2012, but it reached a record high at 64.5% in November 2014. As further increases in womenswear sales are expected going forward thanks to the effects of Abenomics and other factors, the Company intends to reinforce womenswear sales as one of the key strategy items also under the medium-term management plan.

The Company's market share of suits for job hunting women



Source: Estimates by the Company

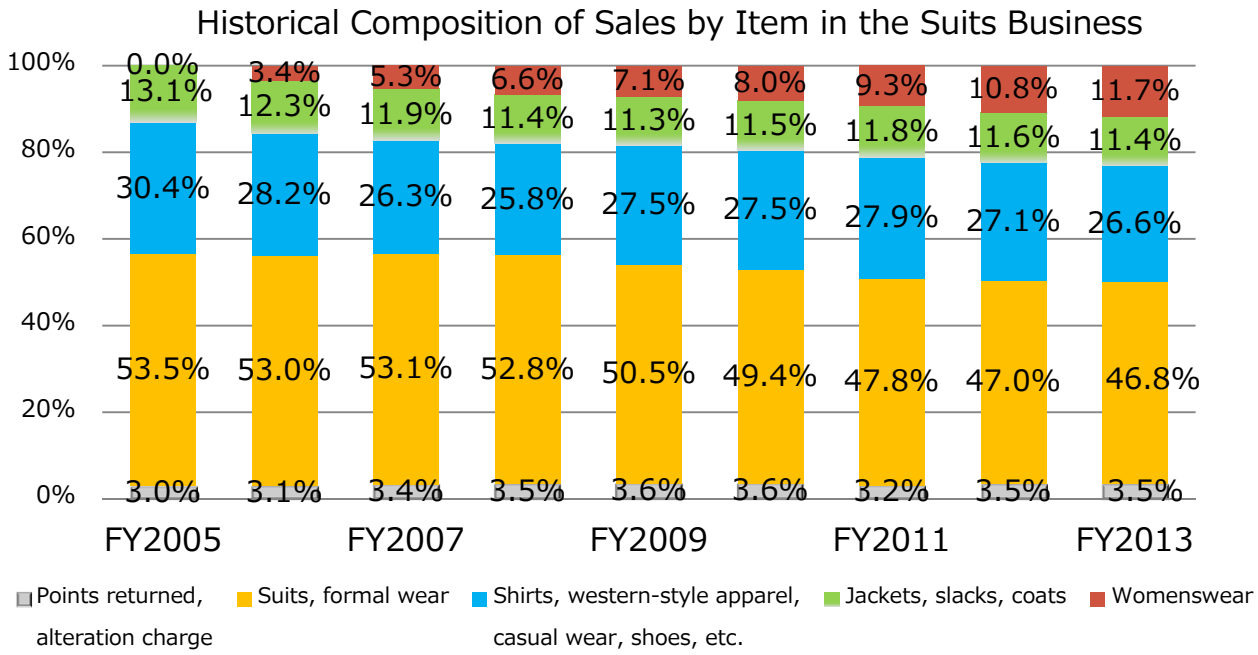
The Company's market share of women's formal wear

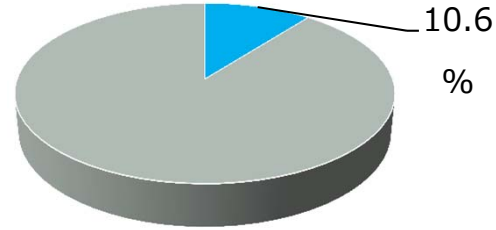


Source: Estimates by the Company

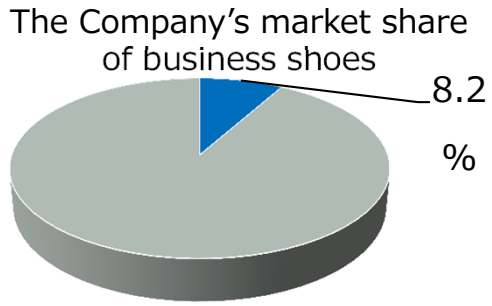
While the Company currently maintains around 20% share of the job hunting suits market, its share in the formal wear market is still around 6%. The Company will aim for a market share comparable to that of its men's formal wear.

～INTRODUCTION～
Market Environment (Other than Suits)





Source: Estimates by the Company



Source: Estimates by the Company

While the demand for suits has declined due to factors including a low birth rate and an aging population and the widespread acceptance of casual wear at the workplace, the Company intends to raise the general level of business wear sales through increasing sales and market share of peripheral product items other than suits such as dress shirts and business shoes, in addition to womenswear.

The Company's market share of peripheral product items is currently around 10%. The Company intends to expand sales going forward by launching functional products, reinforcing sales promotions and improving the sales floor area.

～INTRODUCTION～
Strengths of Aoyama Trading Co., Ltd.

Sales capabilities

- No.1 in suits sales worldwide
- Japan's largest store network



Store development capabilities

Merchandise procurement capabilities

- Purchase volume that overwhelms our competitors and low purchasing costs by leveraging the economy of scale



Customer base



- Data on over 20 million member customers
- Sales promotion strategies based on customer analysis

Adherence to quality



- Commitment to high-quality production
- Strict quality control system

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From the First 50 Years to the Next 50 Years

New Corporate Philosophy

Aiming to further contribute to society through retail and services to consumers based on sustainable growth

New Management Vision

Expansion of “strengths” in the core business — No.1 approval rate among business persons

Proactive expansion of business domains — Building a “stable business portfolio”

Management that engages stakeholders — Implementation of “improvements for sustainable growth”

Aoyama Trading Co., Ltd. celebrated the 50th anniversary of its founding in May 2014, and has set off on a new path towards the next 50 years. For the past 50 years we had been endeavoring to enhance our corporate value under the slogan of “offering better products at lower prices and contributing to society through the selling of clothing.” For the next 50 years, we will devote ourselves to enhancing our corporate value in a sustainable manner and aim to further contribute to society.
The new medium-term management plan represents the Company’s resolve towards the next 50 years. Officers and employees of Aoyama Trading Co., Ltd. will concentrate their strengths to meet any and all challenges that the plan may entail.

～CHALLENGE 2017～
Our Future Vision

Expansion of “strengths” in the core business

Solidifying the No.1 approval rate among business persons

- Store openings with a focus on investment efficiency
- Enhancing the profitability of existing stores by reinforcing items other than suits, including shoes and shirts
- Expanding sales of womenswear, e-commerce (EC) and corporate uniforms, including new business development

Proactive expansion of business domains

Building a “stable business portfolio”

- Expanding sales of American Eagle Outfitters business
- Expanding sales of overseas business and franchise (FC) business
- Expanding business domains through M&As

Management that engages stakeholders

Implementation of “improvements for sustainable growth”

- Enhancing governance structure
- Rebuilding personnel strategy including human resources development
- Expanding CSR activities

Record profit

Consolidated operating income ¥27,000 million

Targeting a total return ratio of 130% (During the medium-term management plan period)

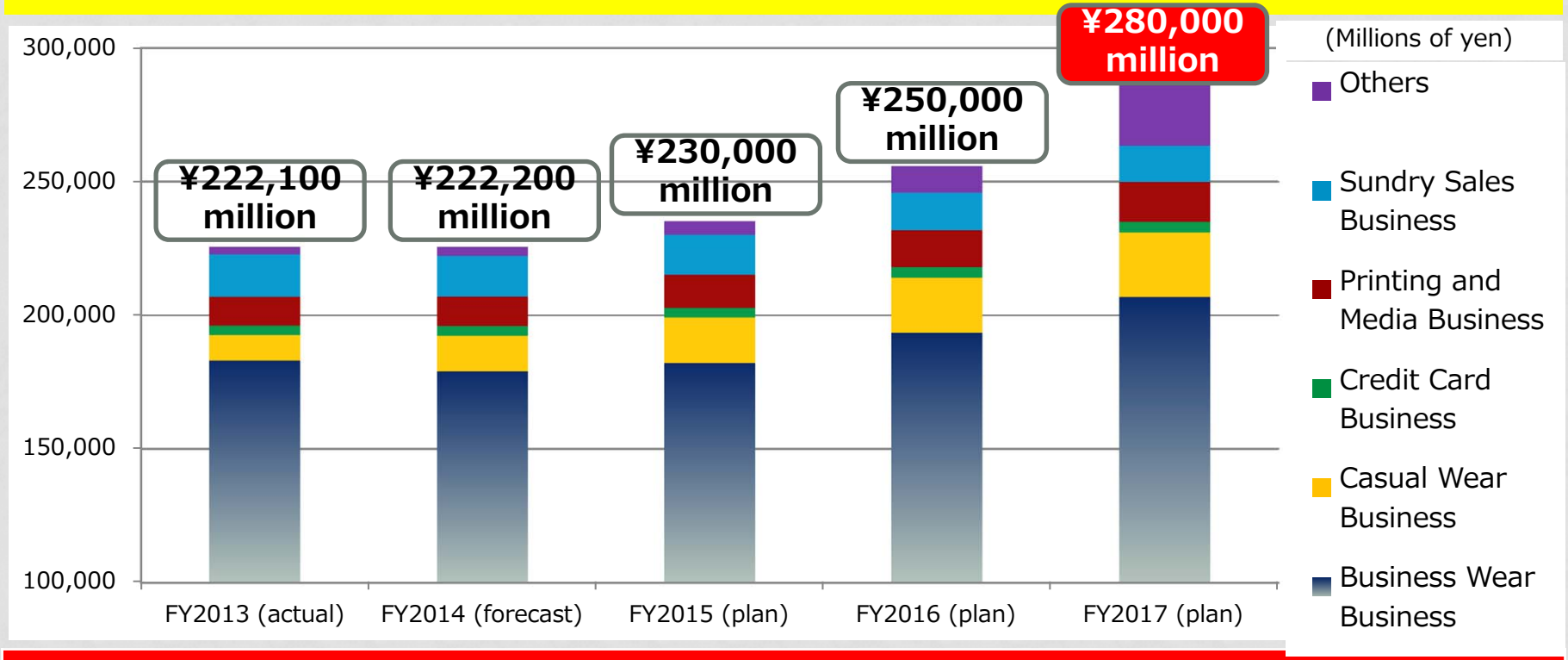
Improve management efficiency to a ROE of 7%

～CHALLENGE 2017～
Plan by Segment

(Millions of yen, %)	FY2014 forecast			FY2017 plan			Increase over 3 years	
Segment	Net sales	Operating income	Operating income margin	Net sales	Operating income	Operating income margin	Net sales	Operating income
Business Wear Business	178,900	17,900	10.0%	207,000	23,000	11.1%	28,100	5,100
(Womenswear)	24,000	–	–	32,000	–	–	8,000	–
Casual Wear Business	13,300	100	0.7%	24,000	1,100	4.6%	10,700	1,000
Credit Card Business	3,700	700	18.9%	4,000	800	20.0%	300	100
Printing and Media Business	11,300	100	0.4%	15,000	500	3.3%	3,700	400
Sundry Sales Business	15,200	400	2.7%	13,500	200	1.5%	(1,700)	(200)
Others	3,400	200	3.9%	22,900	1,400	6.1%	19,500	1,200
Consolidation adjustment	(3,600)	(800)	–	(6,400)	–	–	(2,800)	800
Consolidated total	**222,200**	**18,600**	**8.4%**	**280,000**	**27,000**	**9.6%**	**57,800**	**8,400**
ROE	**5.1%**			**7.0%**			**1.9**	

～CHALLENGE 2017～
Targeted Performance (Consolidated Net Sales)

Targeted performance: FY2017 consolidated net sales of ¥280,000 million



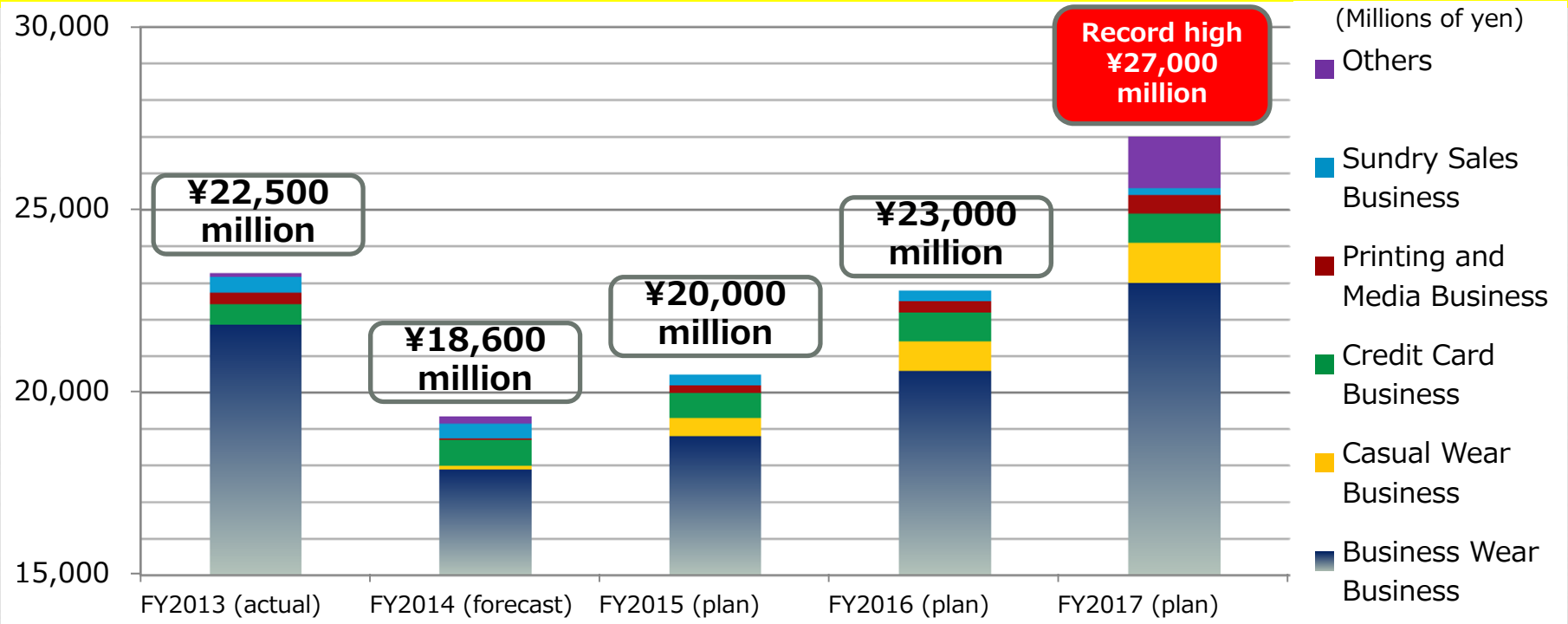
•In the business wear business, womenswear will be positioned as a key strategy in order to raise the percentage of womenswear sales from 13% to 15%.
•The percentage of sales from businesses other than business wear will be raised from 20% to 26% by expanding sales mainly of American Eagle Outfitters business and restaurant business.

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～CHALLENGE 2017～

Targeted Performance (Consolidated Operating Income)

Targeted performance: FY2017 consolidated operating income of ¥27,000 million (record high)



・The percentage of operating income from businesses other than business wear to total operating income will be raised from 8% to 15%. Contribution to profits will be limited due to anticipatory expenses required for the expansion of business domains.
・Yen to dollar exchange rates are assumed in the range of ¥120 to ¥130 per dollar at the time of purchasing. An improvement in operating income margin of 1.2% will be targeted by revising sales prices, improving manufacturing costs and reducing expenses.

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～CHALLENGE 2017～
Business Wear Business (Policy)

洋服の青山 AOYAMA TAILOR SINCE 1964

THE SUIT COMPANY

No.1 share of men's suits in Japan

Reinforce womenswear



- **Target ¥32,000 million (30% increase)**

1. Reinforce women's formal wear
2. Develop functional products
3. Expand and improve sales floor areas

Expand share of peripheral product items



- **Expand share of peripheral product items**

1. Develop new businesses
2. Develop functional products for dress shirts and shoes and reinforce sales promotion

Expand EC and promote omni-channel strategy



- **Target ¥4,000 million (300% increase)**

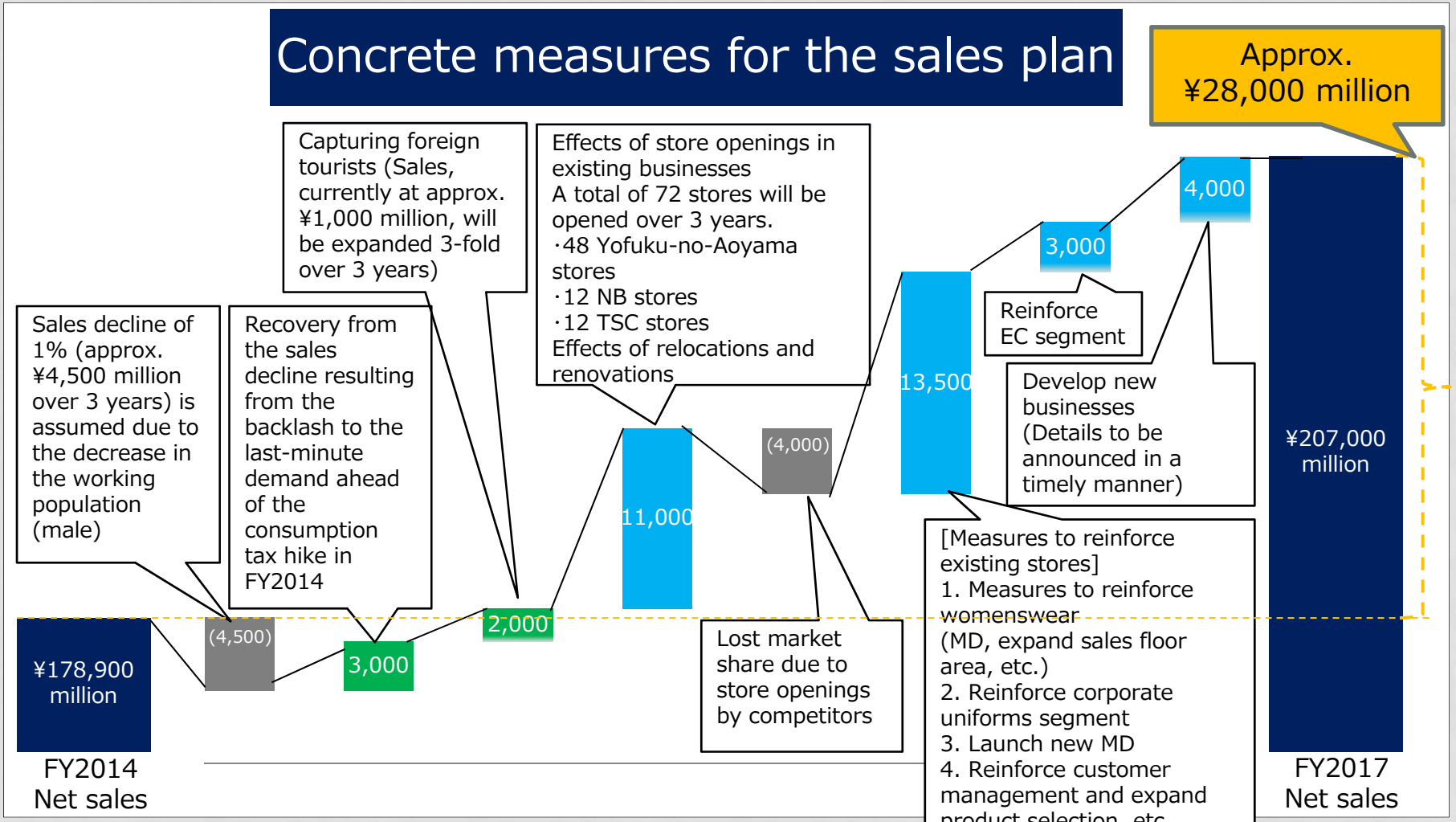
1. Expand EC sales in conjunction with the increase in smartphone users
2. Promote omni-channel strategy together with brick-and-mortar stores

No. 1 approval rate among business persons

～CHALLENGE 2017～

Business Wear Business (Measures)

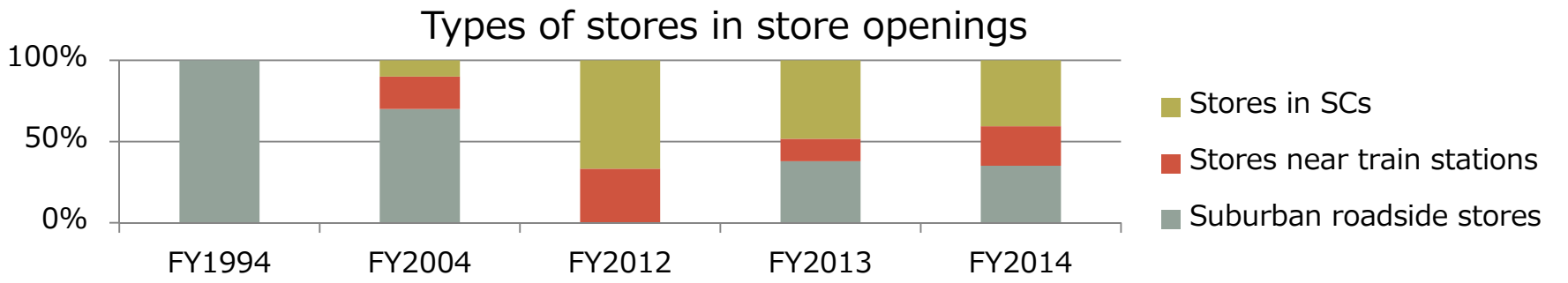
Concrete measures for the sales plan



～CHALLENGE 2017～
Business Wear Business
(Store Opening Strategy)

1. Store opening format to date

	Mar. 31, 2007	Percentage	Mar. 31, 2015 forecast	Percentage	Change in no. of stores	Change in percentage
Suburban roadside stores	649	90.3%	698	81.4%	+49	(8.9)%
Stores near train stations	39	5.4%	73	8.5%	+34	+3.1%
Stores in SCs	31	4.3%	87	10.1%	+56	+5.8%
Total	719	100.0%	858	100.0%	+139	–



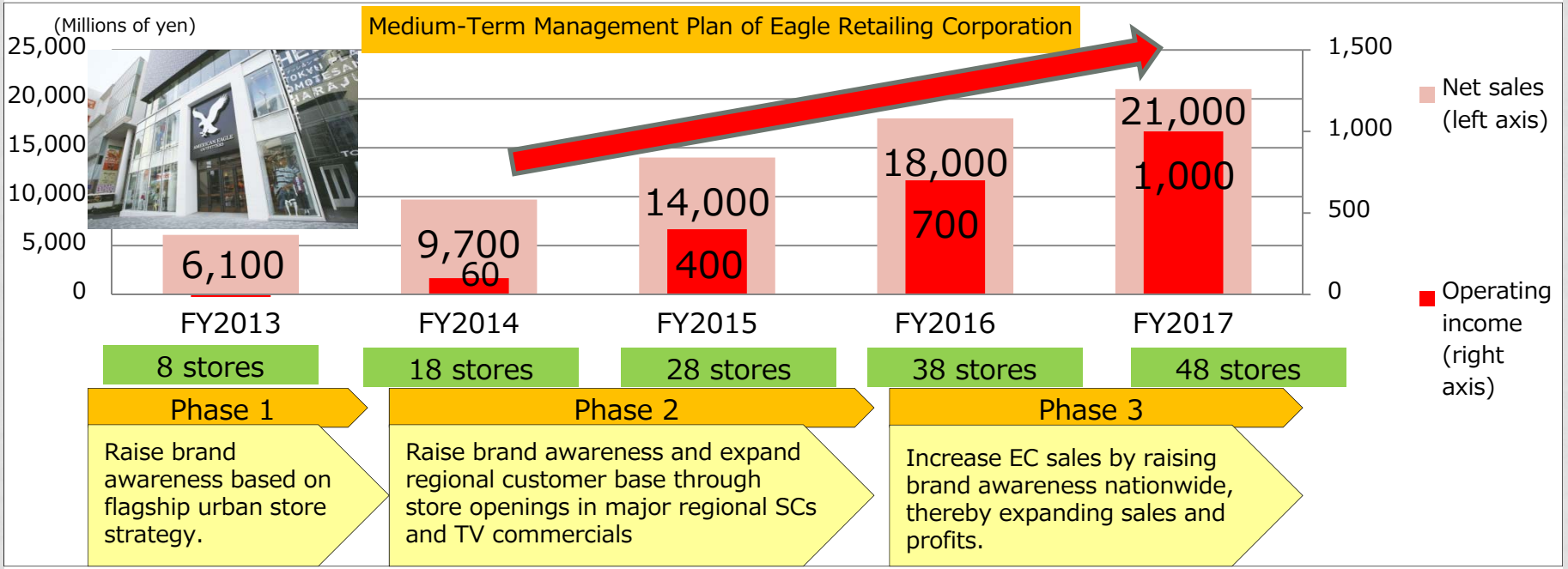
2. Store opening plan for next 3 years by store type

	Yofuku-no-Aoyama	NEXT BLUE	TSC	Total
Suburban roadside stores	24	–	–	24
Stores near train stations	12	–	–	12
Stores in SCs	12	12	12	36

～CHALLENGE 2017～
Casual Wear Business

1. Growth strategy of “American Eagle Outfitters”

Growth has been mostly in accordance with strategic plan up to FY2014. We plan to continue with our store development mainly in the regional areas. We will aim for net sales of ¥21,000 million and operating income of ¥1,000 million in FY2017 as the goals of Phase 3.



2. Second pillar of casual wear business

We will consider building the second pillar of casual wear business through possible M&As.

～CHALLENGE 2017～
Credit Card Business and Printing and Media Business



Credit Card Business

- As customer information managed by credit card companies tend to be more up-to-date than regular membership information, we will continue to utilize the credit card business to support the Group's sales promotion.

<Sales Plan of Aoyama Capital Co., Ltd.>

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	Change over 3 years
Fee income	1,200	1,300	1,400	1,400	200
Interest on loans	2,100	2,200	2,200	2,200	100
Others	400	400	400	400	0
Total	3,700	3,900	4,000	4,000	300

Printing and Media Business

- The mainstay commercial printing business has been exposed to the pressure of soaring material prices of ink and paper on its profits recently. However, sales and profits have improved thanks to the synergistic effects generated through the use of proprietarily developed cross-media sales promotion tool. Positioned as the linchpin of the Group's media strategies, the external sales ratio will be raised from the current 70% to 75%.

<Sales Plan of ASCON Co., Ltd.>

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	Change over 3 years
Printing net sales	9,000	9,800	10,600	11,500	2,500
Publishing net sales	200	200	300	300	100
Sales support and others	2,100	2,400	2,800	3,200	1,100
Total	11,300	12,400	13,700	15,000	3,700

～CHALLENGE 2017～
Other Businesses



Restaurant Business

- Business continues to expand firmly and sales have nearly doubled in the past 2 years.
- Store opening policy will be overhauled. Instead of utilizing the Yofuku-no-Aoyama premises, growth of the restaurant business will be promoted independently through the development of new properties.
- Sales growth of approx. ¥10,000 million is targeted over next 3 years through proactive store openings and business diversification by leveraging our know-how.

Reuse Business

- The reuse business, as a sublease business, will continue to relocate existing stores including Yofuku-no-Aoyama and open stores in vacant premises.

Overseas Business

- We will gradually expand our stores in China starting from the Shanghai area. Planning approximately 5 store openings a year.
- Additionally, with the start of full-scale operations of the Indonesia Plant, we are planning to sell business wear in the ASEAN region.

New Businesses

- We will launch new businesses by leveraging our strengths, such as store development capabilities, and customer data while nurturing the next-generation pillar of earnings through the acquisition of companies (M&As) that align with our corporate philosophy.

<Sales Plan of Other Businesses>

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	Change over 3 years
Restaurant Business	2,900	4,200	7,800	13,000	+10,100
Reuse Business	500	800	1,100	1,600	+1,100
Overseas Business*1	0	0	0	3,000	+3,000
New Businesses*2	0	100	1,000	5,300	+5,300
Total	3,400	5,100	9,900	22,900	+19,500

Notes: 1. Although the overseas business is currently not included in the scope of consolidation, it is scheduled for consolidation in FY2017.
2. New Businesses in FY2017 include sales of approx. ¥3,000 million arising from M&As.

～CHALLENGE 2017～
Management that Engages Stakeholders

We will engage all stakeholders while squarely facing all of them in order to further enhance our corporate value.



～CHALLENGE 2017～
Management that Engages Stakeholders

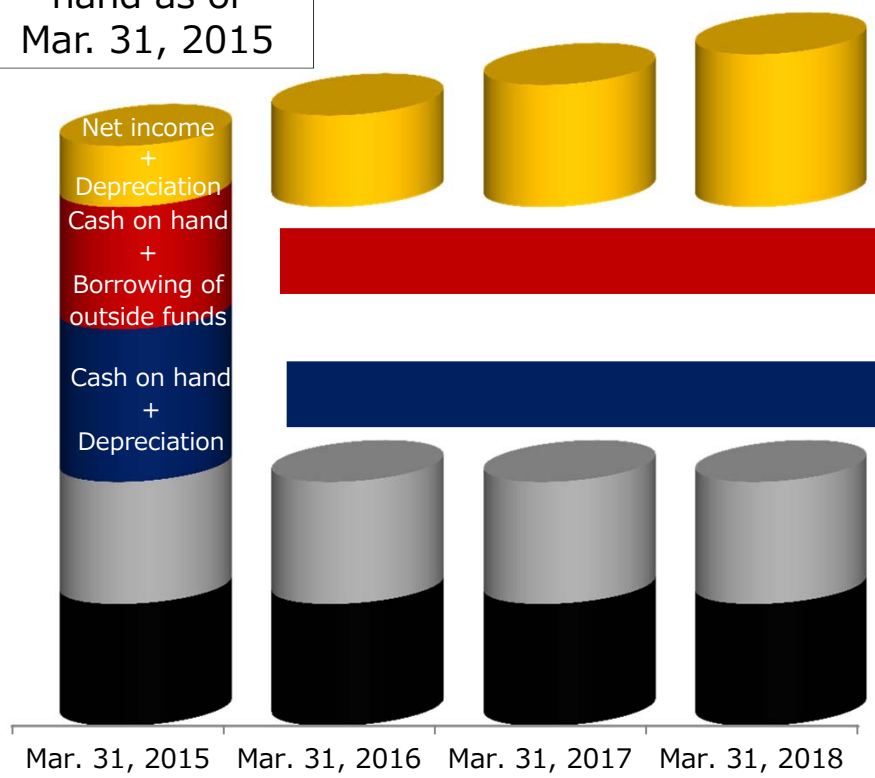
Themes	Specific policies
Enhancing the governance structure	• Appoint multiple outside directors
	• Ensure transparency of the management team, election of directors, decision on remuneration, etc.
	• Improve internal controls and risk management system
Appropriate disclosure of information	• Expand disclosure items
	• Improve investor relations (IR) intended for overseas investors (Expand overseas IR, improve our English website, etc.)
	• Increase contact with investors through participation in IR seminars and other means
Personnel strategy	• Develop a system where employees find fulfillment in their work by rebuilding career paths and other means
	• Foster female managers and employees for overseas assignments
Expansion of CSR activities	• Participate in projects that benefit the regional economy
	• Activities that contribute to the enhancement of Japanese culture
	• Efforts toward the preservation of the natural environment

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～CHALLENGE 2017～
Cash Flows and Return of Profits to Shareholders

Liquidity on hand as of Mar. 31, 2015



ROE 7%

- **Reinforcement of return of profits to shareholders**

Targeting a total return ratio of 130% during the medium-term plan period

- **Steady dividend per share ¥100**
- **Targeted payout ratio approx.70%**
- **Acquisition of own shares (treasury stock)**

- **Investments for expansion of business domains: ¥20,000 million over 3 years**
- **Strategic investments for reinforcement of core business: ¥30,000 million over 3 years**
- **Reserves on hand: ¥20,000 million**
- **Decrease in cash due to seasonal factors: ¥20,000 million**

Investments will be made towards the growth of core and non-core businesses while maintaining a stable financial base. An amount greater than net income will be returned to shareholders (targeting a total return ratio of 130%) to improve the ROE.

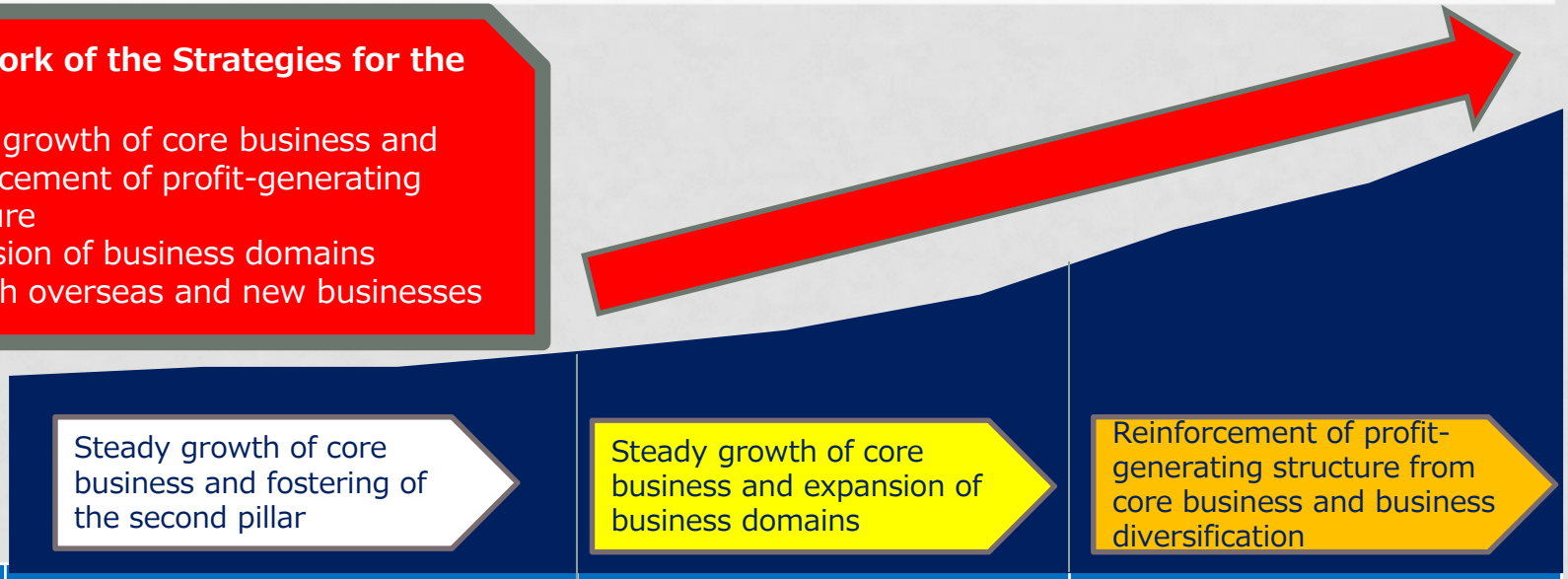
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～CHALLENGE 2017～
Strategies for the Future

[Framework of the Strategies for the Future]
1. Stable growth of core business and reinforcement of profit-generating structure
2. Expansion of business domains through overseas and new businesses



(FY, Millions of yen, %)	2012 actual	2013 actual	2014 forecast	2015 – 2017 plan	2018 – Our future vision
Net sales	212,400	222,100	222,200	280,000	
Operating income	21,200	22,500	18,600	27,000	We will aim for a 10% ROE in the future.
Operating income margin	10.0	10.2	8.4	9.6	
ROE	5.3	5.4	5.1	7.0	

[Reference]
Annual Plans by Segment

(Millions of yen)	FY2014 forecast		FY2015 plan				FY2016 plan				FY2017 plan			
Segment	Net sales	Operating income	Net sales	YOY	Operating income	YOY	Net sales	YOY	Operating income	YOY	Net sales	YOY	Operating income	YOY
Business Wear Business	178,900	17,900	182,100	101.8%	18,800	105.0%	193,200	106.1%	20,600	109.6%	207,000	107.1%	23,000	111.7%
(Womenswear)	24,000	—	26,000	108.3%	—	—	29,000	111.5%	—	—	32,000	110.3%	—	—
Casual Wear Business	13,300	100	17,000	127.8%	500	500.0%	21,000	123.5%	800	160.0%	24,000	114.3%	1,100	137.5%
Credit Card Business	3,700	700	3,900	105.4%	700	100.0%	4,000	102.6%	800	114.3%	4,000	100.0%	800	100.0%
Printing and Media Business	11,300	100	12,400	109.7%	200	200.0%	13,700	110.5%	300	150.0%	15,000	109.5%	500	166.7%
Sundry Sales Business	15,200	400	14,800	97.4%	300	75.0%	14,000	94.6%	300	100.0%	13,500	96.4%	200	66.7%
Others	3,400	200	5,100	150.0%	0	0.0%	9,900	194.1%	(300)	—	22,900	231.3%	1,400	—
Consolidation adjustment	(3,600)	(800)	(5,300)	147.2%	—	—	(5,800)	109.4%	—	—	(6,400)	110.3%	—	—
Consolidated total	222,200	18,600	230,000	103.5%	20,500	110.2%	250,000	108.7%	22,500	109.8%	280,000	112.0%	27,000	120.0%

[Reference] Business Wear Business (Store Format)

Yofuku-no-Aoyama Suburban roadside stores	Yofuku-no-Aoyama Flagship stores near train stations	Yofuku-no-Aoyama Small stores near train stations	Yofuku-no-Aoyama Stores in SCs
			
TSC (THE SUIT COMPANY) Stores near train stations	The view inside a TSC store	TSC Stores in SCs	TSC Small stores near train stations
			
UL (Universal Language) Stores in fashion malls	The view inside a UL store in a department store	Blu e Grigio (BG)	NEXT BLUE (NB)
			

This presentation material contains forward-looking statements which are based on the Company's assumptions, predictions and plans regarding the future as of January 28, 2015. Actual results may differ significantly from those anticipated in these forward-looking statements due to various risks and uncertainties related to the world economy, competitor situation and changes in exchange rates.

青山商事株式会社