TSI HOLDINGS

Medium-Term Management Plan
From 2016 to 2018 Ending February

2015.4.20

I. General Overview of TSI Holdings (2012 to 2015 Ending February)

TSI Holdings was established in June 2011 as a joint holding company through a joint stock transfer between TOKYO STYLE CO., LTD. and SANEI-INTERNATIONAL CO., LTD.

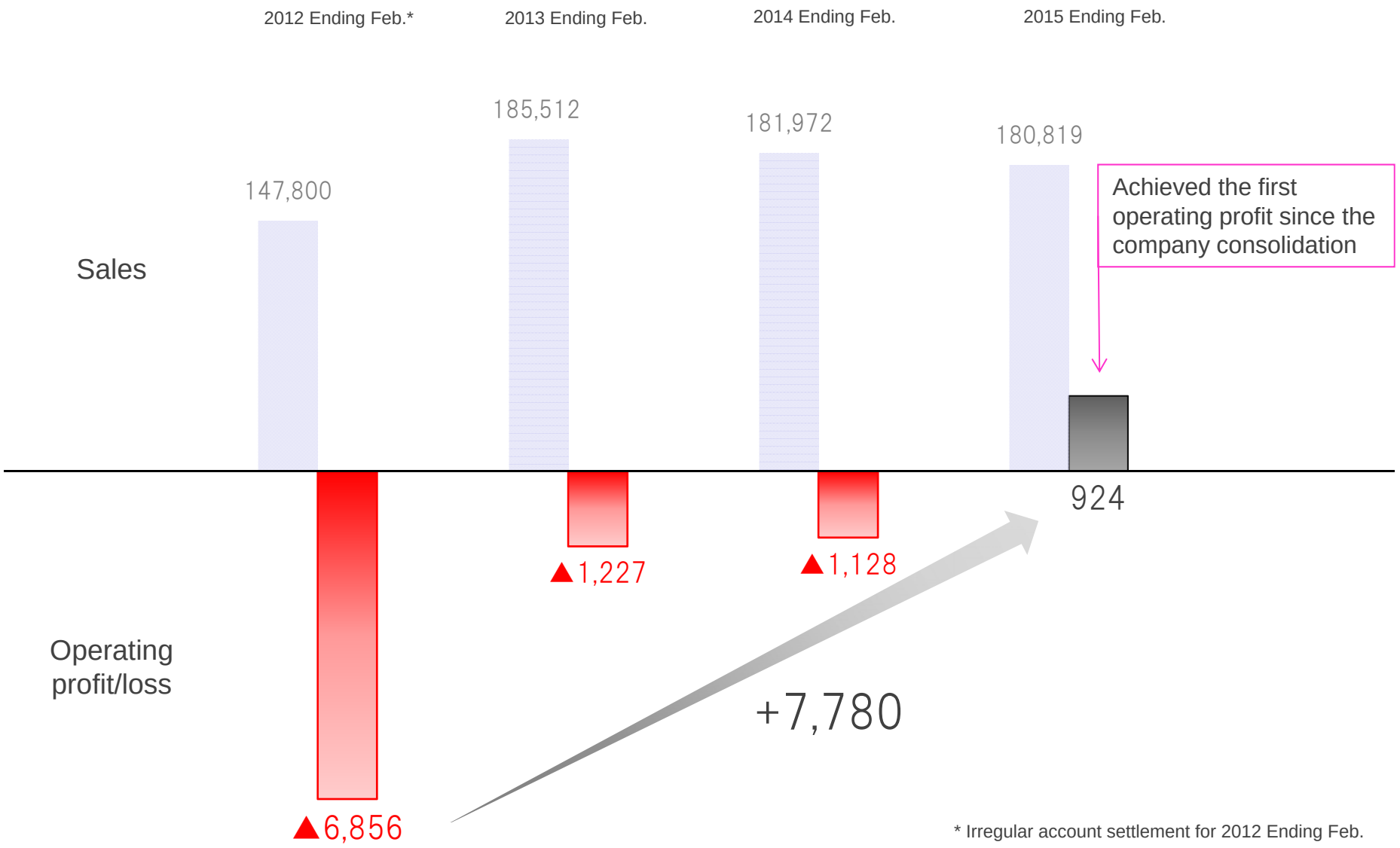
	TOKYO STYLE CO., LTD.	SANEI-INTERNATIONAL CO., LTD
Business description	Women's clothing manufacturer	1. Planning, manufacture and sale of women's clothing, men's clothing, children's clothing and accessories 2. Licensed brand business 3. Operation of select shops and outlet shops
Listed stock exchange	The first section of the Tokyo Stock Exchange (December 1975)	The first section of the Tokyo Stock Exchange (September 2003)
Founded	March 12, 1949	August 13, 1949
Number of employees	1,580 (as of the end of August, 2010)	3,825 (as of the end of August 2010)
Sales	52,196 million yen (2010 Ending February)	100,333 million yen (2010 Ending February)
Capital	26,734 million yen (2010 Ending February)	7,376 million yen (2010 Ending February)
Major brands	22 OCTOBRE Aylesbury Style com STYLE ME	NATURAL BEAUTY BASIC JILLSTUART &byP&D PEARLY GATES
Major subsidiaries	nano･universe CO., LTD. (nano･universe) JACK INC. (STUSSY) SPIC INTERNATIONAL co.,ltd. (TORNADO MART etc.) ROSE BUD LTD (ROSE BUD) * Elephant LTD. (ROSE BUD) * ARPEGE CO., LTD. (Apuweiser-riche etc.) * WAVE International Co.,Ltd. (goa) *	ANGLOBAL ltd. (MARGARET HOWELL etc.) UNIT&GUEST CO., LTD.

* Joined the Group through M&A during the year ending February, 2012

General overview [2] Transition of profit and loss

TSI HOLDINGS

(unit: million yen)

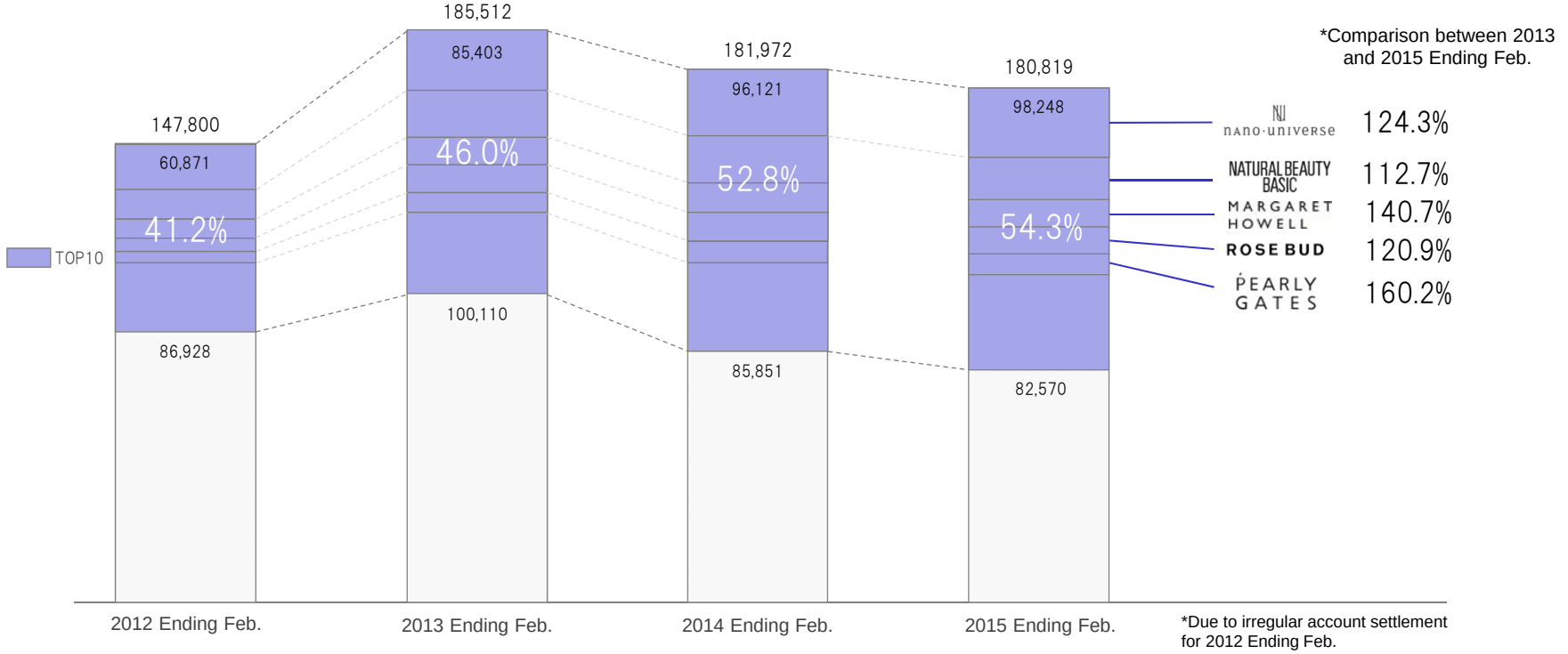


* Irregular account settlement for 2012 Ending Feb.

1. Evolution of the existing businesses

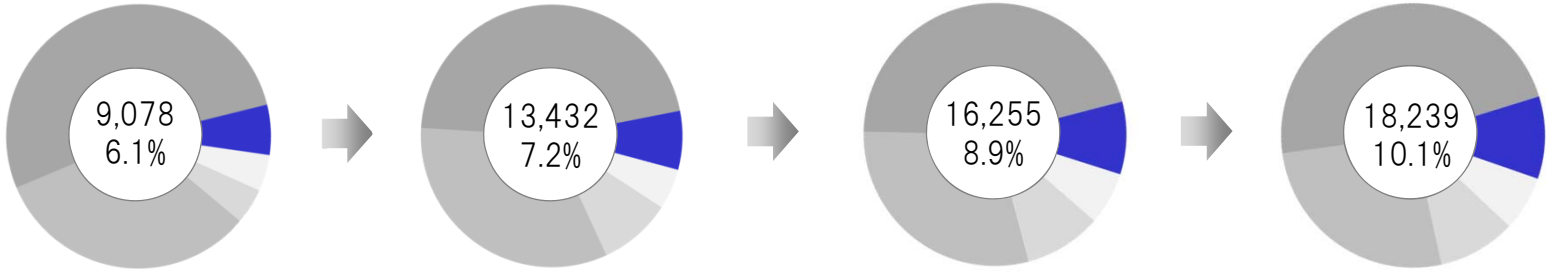
(1) Focus investment on major brands through selection and concentration

(unit: million yen)



(2) Strengthen the E-Commerce business

(unit: million yen)



2. Cost structure reform

(1) Scrap unprofitable brands and stores

	2012 Ending Feb.	2013 Ending Feb.	2014 Ending Feb.	2015 Ending Feb.	Total
# of Brands	61	55	48	42	-19
Y/Y Change		-6	-7	-6	
# of Shops	2,468	2,124	1,795	1,570	-898
Y/Y Change		-344	-329	-225	

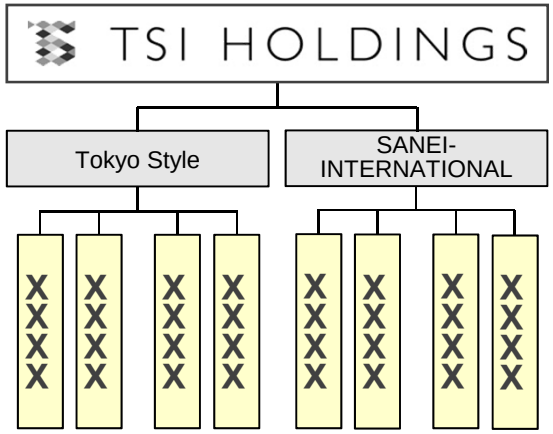
(2) Sell idle assets (2012 to 2015 Ending Feb)

- Investment securities : 49.8 billion yen
- Land and building : 6.5 billion yen

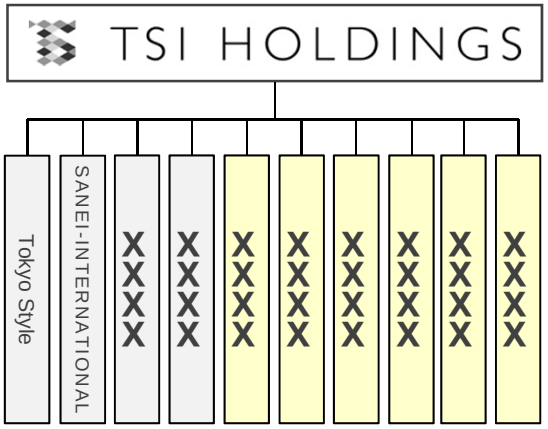
3. Strengthening group management capability

Two-tier structure from the beginning of 2015 Ending Feb. through an organizational realignment

To 2014 Ending Feb.



From 2015 Ending Feb.

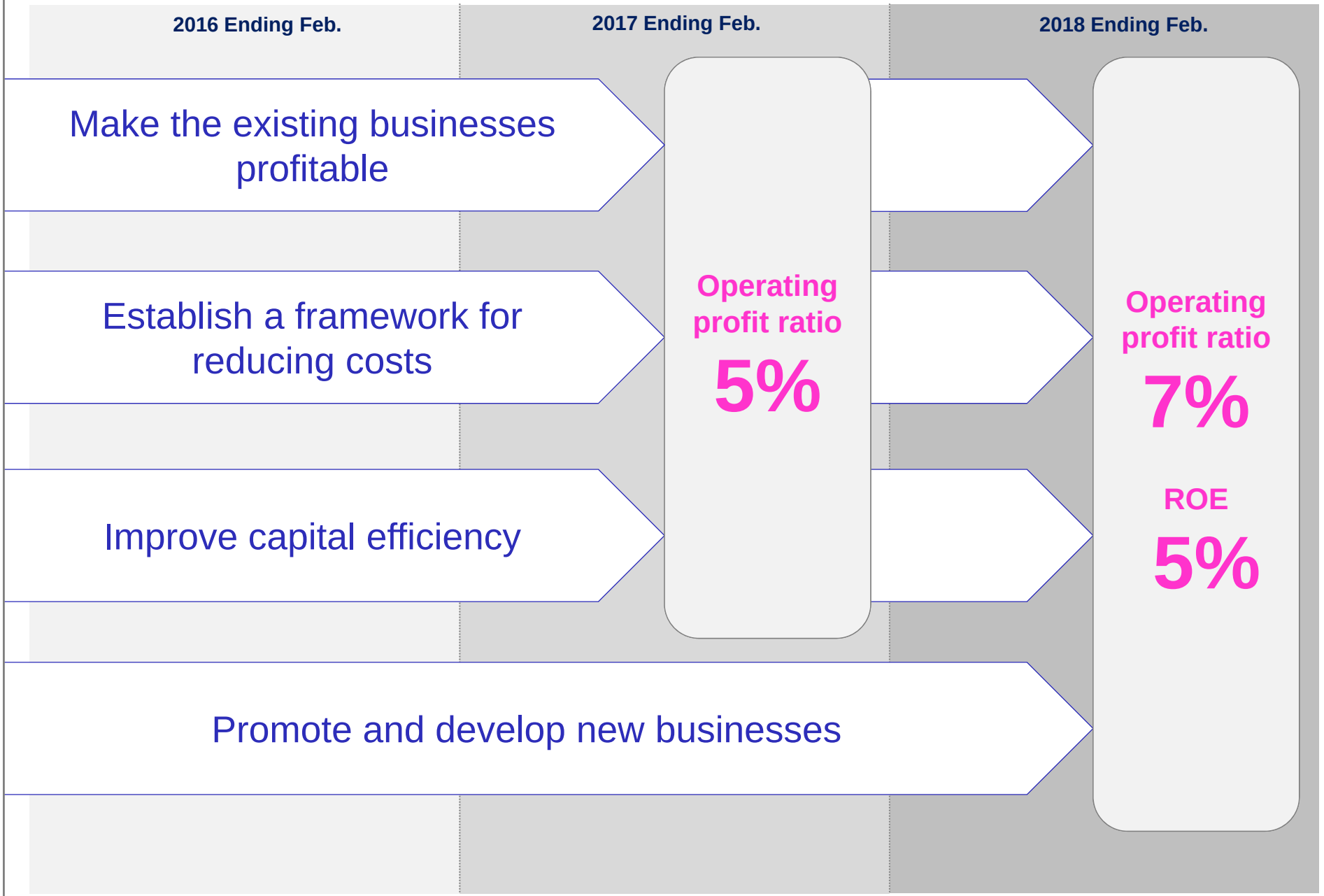


Merits of the two-tier structure – Clarifying the roles -

- **Roles of the group companies**
  1. Completion of a flexible & speedy organization structure in which the parent company delegates authority, enabling group companies to utilize their advantages to the full extent
  2. Promote inter-group competition
- **Roles of the parent company**
  1. Execution of the growth strategy that utilizes the resources of TSI HOLDINGS (advancement into new domains, major investments, M&A, etc.)

II. Medium-Term Management Plan
(2016 to 2018 Ending February)

TSI HOLDINGS



Basic Policy

1. **Aim to achieve 5% as an operating profit ratio by 2017 Ending Feb. by placing top priority on making the existing businesses profitable, and establishing a framework for reducing costs and improving capital efficiency**

2. **Aim to achieve 7% as an operating profit ratio and 5% for ROE by 2018 Ending Feb. by promoting and developing new businesses in addition to the above**

Make existing businesses profitable

Set guidelines for the group companies	**ROA (return on assets) centric management** • Place importance on how effectively assets (stock inventories, store assets etc.) are utilized to generate earnings from the businesses
	Set and manage KPI (key performance indicators) • Set indicators to measure whether processes are being carried out appropriately with the aim of achieving the ROA target
Improve the accuracy of monitoring the financial state of each company	**Establish a control framework and collect accurate information in accordance with the framework**
	Improve forecast accuracy through proactive management
Implement measures to improve the E-Commerce ratio	**Use E-Commerce ratio as a KPI, and improve the operating profit ratio**
	Expand the E-Commerce sales of other companies • Strengthen the link between the in-house system inventory and the E-Commerce inventory of other companies
	Strengthen website 1. Centralize data on store members and WEB members, and integrate the point systems 2. Roll out multi-devices by promoting the use of smartphone apps.

Establish a framework for reducing costs that makes use of the merit of scale

Reduce production and logistics costs

Reduce logistics costs

1. Consolidate distribution centers in Japan
2. Establish overseas distribution centers where inspection and assortment are carried out

Reduce production costs

1. Increase direct trade ratio
2. Transfer the production bases: northeast China or ASEAN

Expand the shared work within the group

Promote high-quality and efficient shared work

- Promote improvements in efficiency by expanding the core system

Expand the scope of support for shared work

- Promote improvements in the efficiency of the back-office sections group-wide

1. Improve capital efficiency

Improve ROA	**Strengthen the earning capacity of the group companies based on the new guidelines**
Promote improvements in the asset efficiency	**Continue to promote improvements in the efficiency through measures such as selling assets, etc.**
Share buyback	**Conduct share buyback flexibly until asset efficiency improves and ROA increases to the stable level**

2. Shareholder returns

Continue a stable dividend of 17.5 yen	**Set the current level as the minimum line, and aim to transform the health of the company so that the dividend can be increased**

Promote and flesh out business development

M&A strategy

Make aggressive investments centered around fashion (investment scale: about 20 billion yen)

1. Establish an Investment Study Committee (tentative name)
2. Make incubation investments based on an analysis of the brand portfolio
3. Acquire companies that can increase profits through synergistic effects

Overseas strategy

Strongly promote China +1

1. Dig deep into China
   (1) Develop a brand for the SC of “M.TSUBOMI,” a department store brand with strong sales
   (2) Acquire or collaborate with a company that has a distribution network in China
2. Acquire or collaborate with a brand directed toward the middle-class in Indonesia
3. Develop EC business in ASEAN aimed at wealthy Chinese people living abroad

Business development strategy

Promote diversification into areas of clothing, food, housing, play and knowledge

1. Open Dominique Ansel Bakery
2. Establish a new subsidiary (STYLE DEPT CO.,LTD)

Strengthen corporate governance

Response to the Corporate Governance Code	1. Establish a framework aimed at enhancing the responsibility of the board of directors, etc. 2. Give attention to appropriately disclosing information and ensuring transparency 3. Expand communications with shareholders 4. Promote the enhancement of website contents
Response to the Japanese Stewardship Code	1. Strengthen communications with institutional investors 2. Enhance and strengthen the IR structure
Consider CSV	1. Create social value by addressing the needs and issues of society through our businesses, and thereby pursue the creation of economic value 2. Create corporate value and strengthen competitiveness through the continued promotion of CSV