February 9, 2018

Company name: Aoyama Trading Co., Ltd.
Representative: Osamu Aoyama
President and Representative Director
(Securities Code: 8219 Tokyo Stock Exchange/First Section)
Contact: Shinji Zaitsu
Managing Executive Officer and
General Manager of General Planning and
Policy Dept.
(TEL 084-920-0050)

Formulation of the Medium-term Management Plan, **"CHALLENGE II 2020"**

Aoyama Trading Co., Ltd. announced today that it has formulated its medium-term management plan, **"CHALLENGE II 2020"**, which runs for three years from FY 2018 through FY 2020.

The Aoyama Group's operating environment has been undergoing numerous structural changes, as characterized by a decline in the working-age population, a shrinking suit market due to a trend to a more casual office fashion triggered by the Cool Biz campaign, etc., and changing consumer behavior toward customization, showrooming, and sharing. These changes have had a significant impact on the business wear business, which is at the core of the Group's operations. Working in this harsh operating environment, the Aoyama Group believes that reforming the business wear business, its core business, and creating next-generation businesses are crucial to sustaining growth as a company trusted by customers.

Against this backdrop, the Group formulated its medium-term management plan, **"CHALLENGE II 2020"**, focusing on the vision the Group wants to realize 10 years from now. Over the next ten years, we aim to achieve total Group sales of 400 billion yen and have our core business account for only 60% of our total operations in a transition that will make us less dependent on a single business. Our latest medium-term management plan, **"CHALLENGE II 2020"**, will enable us to build a foundation over the next three years as we work toward these goals. We plan to achieve 300 billion yen in net sales, 25 billion yen in operating income, and a return on equity (ROE) of 6.3% (excluding goodwill is 7%), all on a consolidated basis, by FY 2020, the final year of the plan.

During the period of the medium-term management plan, we will pay dividends to shareholders and buy back our shares with the aim of achieving a consolidated total payout ratio of 100%.

We have also drafted a mission statement for Aoyama and employee conduct rules, which we call Aoyama Mind: **Engage with working people**. Working with the Aoyama Mind at the heart of everything we do, we will focus on: (1) reforming the core business and taking on new challenges; (2) creating and growing next-generation businesses; (3) developing infrastructure to improve productivity; and, (4) working on ESG initiatives. These are our key strategies during the upcoming three-year period, which will enable us to attain sustainable growth.

1. Key Strategies under the “CHALLENGE II 2020” Medium-term Business Plan

(1) Reform the core business and take on new challenges
- ① Expand corporate sales and develop an organizational structure: shift from internal to external
- ② Accelerate efforts to digitize EC, sales promotions, store operations, etc.
- ③ Make a full-scale entry into the uniform market
- ④ Implement measures targeting people in their 20s and 30s, as well as stores in rural areas, and enhance merchandising

(2) Create and grow next-generation businesses
- ① Expand the total repair service business (new store launches and M&As)
- ② Effectively use store assets across Japan
- ③ Create new businesses (leverage customer bases to create synergies, work on out-of-the-box initiatives)

(3) Develop infrastructure to improve productivity
- ① Maintain the new personnel system: improve motivation
- ② Aggressively invest in IT innovations

(4) Work on ESG initiatives
- ① Environmental initiatives
- ② Personnel and social initiatives
- ③ Governance enhancement

2. Medium-term Business Targets (Fiscal Year Ending March 2021)

	2017 estimate	2020 target	Difference
Consolidated net sales	**258.7 billion yen**	**300 billion yen**	**+41.3 billion yen**
Consolidated operating income	**21 billion yen**	**25 billion yen**	**+4 billion yen**
ROE	**4.6%**	**6.3%**	**+1.7p**
(excluding goodwill)	**(5.3%)**	**(7.0%)**	**(+1.7p)**

3. Dividend Policy

During the **“CHALLENGE II 2020”** period (FY 2018 - FY 2020), we will pay dividends to shareholders and buy back our shares with the aim of achieving a consolidated total payout ratio of 100%.

Dividends will be paid at a payout ratio of 70% of consolidated net income. More specifically, we will maintain a steady dividend payout of 100 yen. If the dividend amount calculated at the payout ratio of 70% is greater than 100 yen, the difference will be paid at the end of the fiscal year as a special performance-linked dividend.

We will buy back our shares valued at an amount equal to consolidated net income minus the total amount of dividends described above.

For more information about the **“CHALLENGE II 2020”** medium-term management plan, please see the attached presentation document.

Medium-Term Management Plan

“CHALLENGE Ⅱ 2020”



February 9,2018

Aoyama Trading Co., Ltd.

President and CEO

Osamu Aoyama

青山商事株式会社

AGENDA

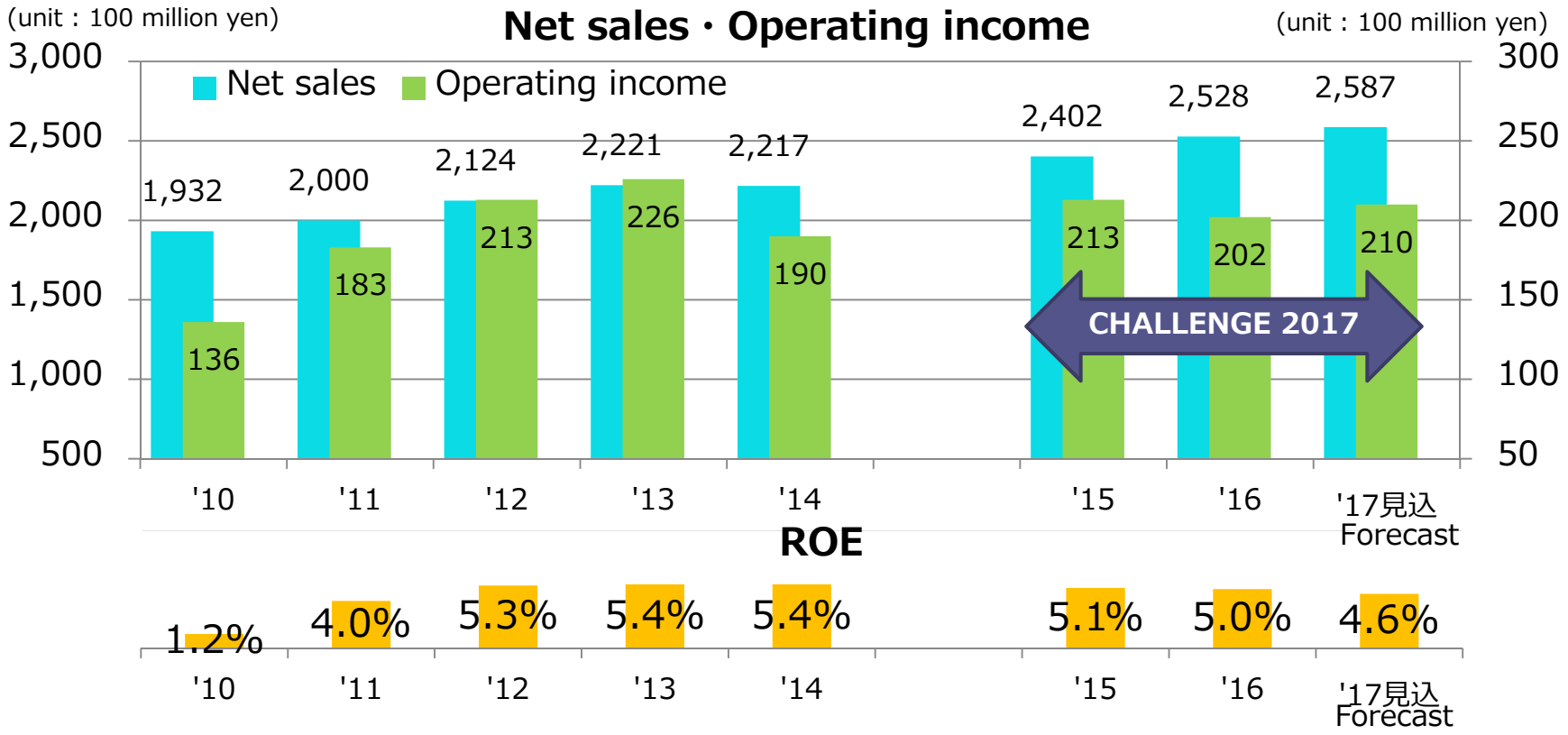
1. Review of 『CHALLENGE 2017』	P 2～ 8
2.『CHALLENGE Ⅱ 2020』	P 9～ 15
3. Core Business Strategy (Business Wear Business)	P16～22
4. Group Business Strategy	P23～27
5. Store Opening/Closures Plan	P28～29
6. Finance, Capital Strategies and ESG Initiatives	P30～33
7. 《Reference》 Year Plan by Segment/Store Format	P34～36

Review of 『CHALLENGE 2017』

Review of "CHALLENGE 2017" (management index)

Consolidated Net sales was expanded (+37billion yen for 3 years)/Operating income･ROE staid

	2017 Plan	2017 Forecast	Change
Consolidated Net sales	280 billion yen	258.7 billion yen	▲21.3 billion yen
Consolidated Operating income	27billion yen	21billion yen	▲6 billion yen
R O E	7.0%	4.6%	▲2.4p



Review of "CHALLENGE 2017" (Performances by each Segments)

In performances by each segments, main factors that couldn't achieve the consolidated performance plan are Business wear business and Casual wear business couldn't achieve the plans.
Factors in Business Wear Business are sales of men's items couldn't grow and the number of opening store couldn't achieve the plan, and in Casual Wear Business, Eagle Retailing Corporation couldn't achieve the plan greatly.

(unit : 100 million yen)

Segment	2017 Plan		2017 Forecast		Change		Change Since 2014		Comments
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	
Business Wear	2,070	230	1,905	192	▲165	▲38	114	16	Yofuku-no-Aoyama's menswear sales couldn't grow and the number of opening stores couldn't achieve the plan neither.
(Womenswear)	(320)	—	(300)	—	(▲20)	—	(64)	—	While sales unachieved the plan, expanded steadily.
Casual Wear	240	11	160	▲5	▲80	▲16	33	▲4	Sales couldn't achieve greatly due to Eagle Retailing couldn't achieve the plan.
Credit Card	40	8	49	16	9	8	10	9	Sales achieved the plan due to increasing shopping fee etc.
Printing and Media	150	5	112	2	▲38	▲3	▲2	0	Sales couldn't achieve the plan by great affection of decrease flyer.
Sundry Sales	135	2	161	6	26	4	8	2	Sales achieved the plan by increasing in the sales of expensive products(150yen-500yen).
Total Repair Service	—	—	128	▲3	128	▲3	128	▲3	Precede prior investment. Expect to expand during next Mid-term plan.
Others	229	14	102	2	▲127	▲12	68	0	Due to store opening, sales of Restaurant business was +5.1billion and WTW was +1.3billion. Others staid
(Restaurant)	(130)	(6)	(80)	(4)	(▲50)	(▲2)	(51)	(2)	
Adjustment	▲64	—	▲30	0	34	—	11	—	
Consolidated Total	2,800	270	2,587	210	▲213	▲60	370	20	
ROE(%)	7%		4.6%		▲2.4P		▲0.8P		Profit couldn't grow and couldn't achieve the ROE plan neither.

Review of "CHALLENGE 2017" (Management visions)

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

- Increase womenswear sales
  23.6billion yen⇒30billion yen
- Increase sales of corporate partnership
  5.5billion yen⇒10billion yen
- Open 3 "Digital Lab" shops that make realize the fusion of net and real



Proactive expansion of business domains
Building a "stable business portfolio"

- Acquiring Minit Asia Pacific Co., Ltd.
  (Total Repair Service Business : Sales 12.8billion yen)
- Acquiring WTW Co., Ltd.
  (Sundry and interior sales : Sales 1.3Billion yen)

MISTER MINIT

WTW

Management that engages stakeholders
Implementation of "improvements for sustainable growth"

- Appropriate response to "Corporate Governance code"
- Increasing number of independent outside directors
  (one director ⇒ two directors)
- Carry out IR overseas
- Disclose "Notice of the Convocation Ordinary General Meeting of Shareholders" earlier
  (Before 3 weeks ⇒ 4 weeks)

"CHALLENGE 2017" Review (Results of Business Wear Business Initiatives)

Results and evaluation of measures taken in the Business Wear Business

Business Wear Business Categories	Target	Estimate	Difference	Evaluation	Primary factors
New stores	72 stores	50 stores	-22 stores	△	Availability of excellent properties decreased due to competition, rising construction costs, etc.
Womenswear	32 billion yen	30 billion yen	-2 billion yen	△	Sales grew steadily, although the figure fell slightly short of the target (up 6.4 billion yen within three years).
Dress shirts	102%/year	100.8%/year	-1.2% points/year	△	Low growth despite strengthened product lines such as Non-iron Max
Shoes	105%/year	103.4%/year	-1.6% points/year	△	Implemented a joint project with Bridgestone, an industry-academia project with Waseda University, etc.
EC	4 billion yen	1.9 billion yen	-2.1 billion yen	×	Sales grew steadily, but fell short of the target by a wide margin because we made no progress with M&As, etc.
Inbound	3 billion yen	1.7 billion yen	-1.3 billion yen	×	Increased the number of duty free stores by 198 to total 277, but average spending per customer decreased
Strengthening corporate department	8.5 billion yen	10 billion yen	1.5 billion yen	○	Number of corporate partners increased (227 → 566)
New products	1.2 billion yen	1.3 billion yen	0.1 billion yen	○	Sales of maintenance products such as hangers remained strong.
New businesses	66 stores	18 stores	-48 stores	△	WHITE TSC (womenswear store) and UL Measure's (custom-made suits store)
Overseas	3 billion yen	1.1 billion yen	-1.9 billion yen	×	Steadily launched new stores in and around Shanghai, but sales fell short of the target by a wide margin
Other	-	-	-	△	Launched Digital Lab, a next-generation store that combines online and bricks-and-mortar store features

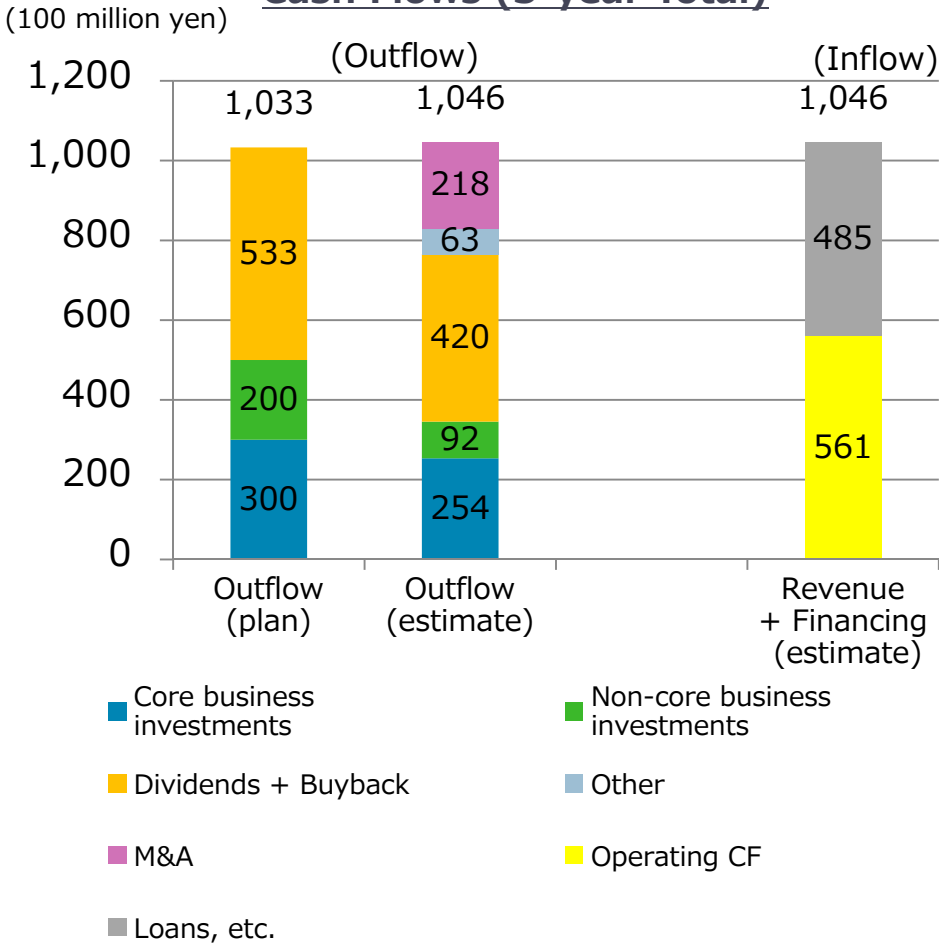
“CHALLENGE 2017” Review - Summary -

	Goals attained through CHALLENGE 2017	Goals to be carried over to CHALLENGE II 2020
Core business	・Increase womenswear sales ・Increase corporate partner sales ・Develop business models for womenswear stores and made-to-order stores ・Open Digital Lab locations ・Expand maintenance products, etc.	・Seek growth of men’s product lines ・Promote digitization (stores/sales promotions) ・Respond to changes in consumer behavior (customizing, showrooming, sharing, etc.) ・Expand business wear product lines, such as uniforms
Non-core businesses	・Acquire two companies through M&As (1) Total repair service business Minit Asia Pacific Co., Ltd. (2) Sundry and interior sales WTW Corporation ・Generate stable profits from the restaurant business	・Restructure the casual wear business (Rebuild Eagle Retailing Corporation) ・Expand the total repair service business ・Create new businesses that will be next-generation core businesses ・Effectively use store assets across Japan (Using in-store and parking spaces, etc.)
Infra-structure develop-ment	・Ensure compliance with the governance code ・Appoint multiple independent outside directors (increase from one to two) ・Ensure appropriate disclosure of information such as business plans ・Give back to shareholders (total payout ratio of 130%) ・Revise personnel systems	・Develop a group management system to expand the scope of business ・Work on risk management ・Maintain new personnel systems ・Enhance productivity (stores, logistics, etc.) ・Work on ESG

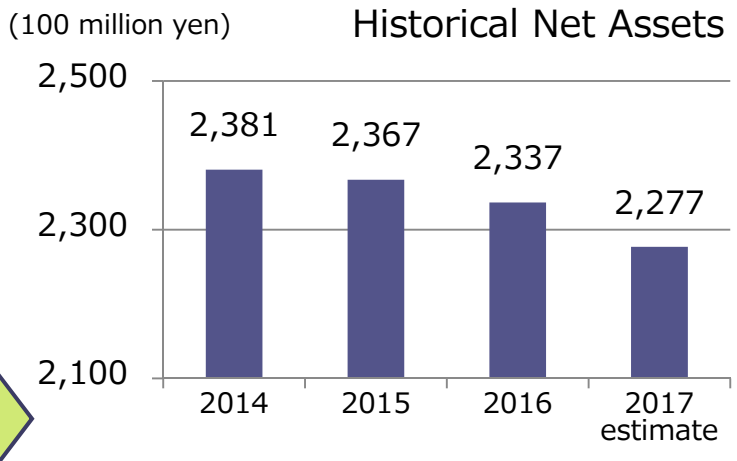
“CHALLENGE 2017” Review (Cash Flows)

As shown in the cash flow chart, we invested 21.8 billion yen in M&As to expand the scope of our business. Net assets decreased as a result of our strategy to enhance shareholder returns with a total payout ratio target of 130%. We have expended an estimated total of 104.6 billion yen in cash over the last three years. As a result, net cash decreased 43.2 billion yen and the equity ratio dropped nine percentage points (varies depending on when dividends are paid).

Cash Flows (3-year Total)



Historical Net Assets

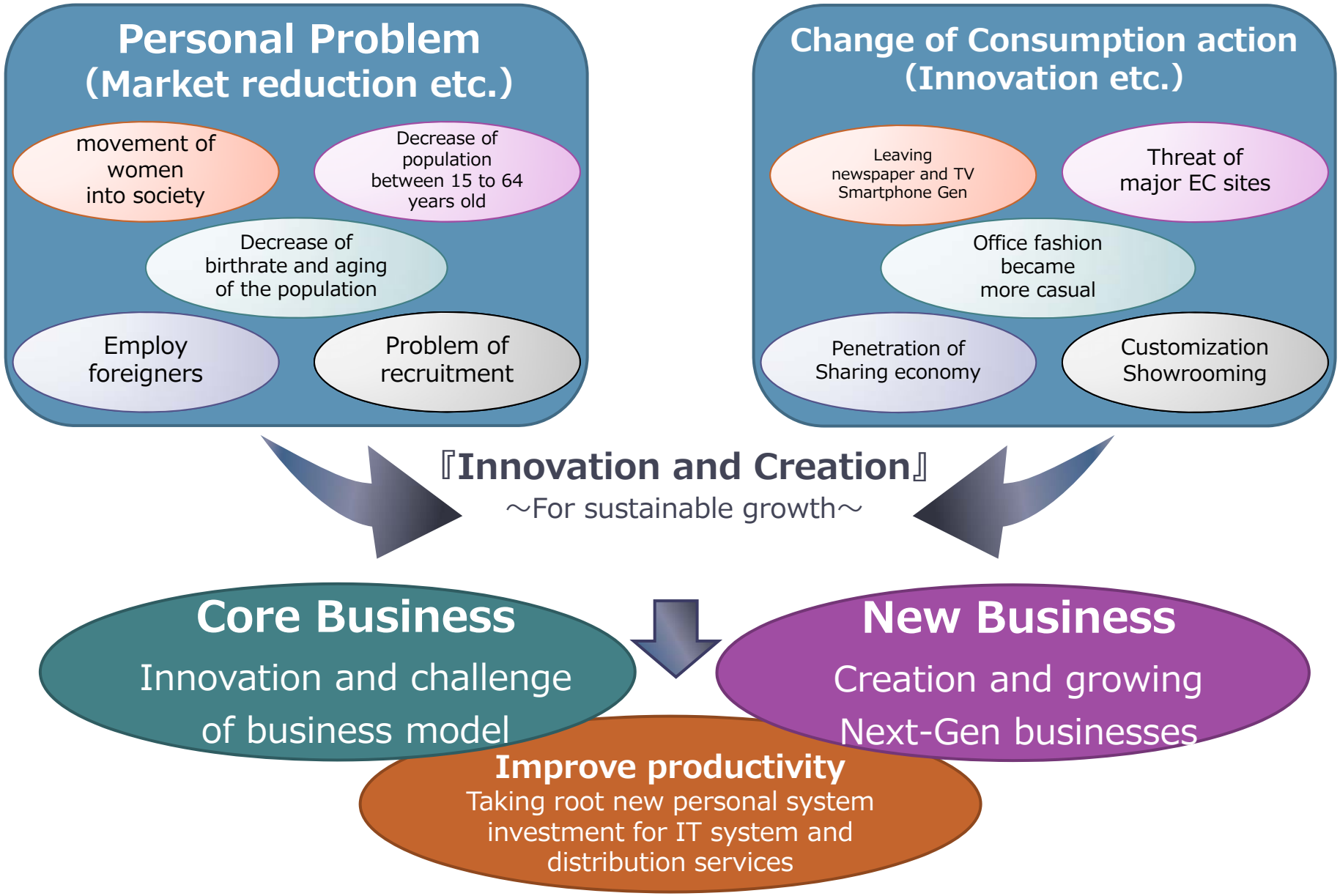


Changes in Consolidated Net Cash and Equity Ratio

(100 million yen)	FY 2014 Results	FY 2017 Estimate	FY 2017 Changes
Cash & deposits	460	565	105
Marketable securities	188	135	▲53
Liquidity in hand	648	700	52
Loans + Bonds	411	896	485
Net cash	237	▲195	▲432
Equity ratio	67.2%	58.2%	▲9.0P

『CHALLENGE Ⅱ 2020』

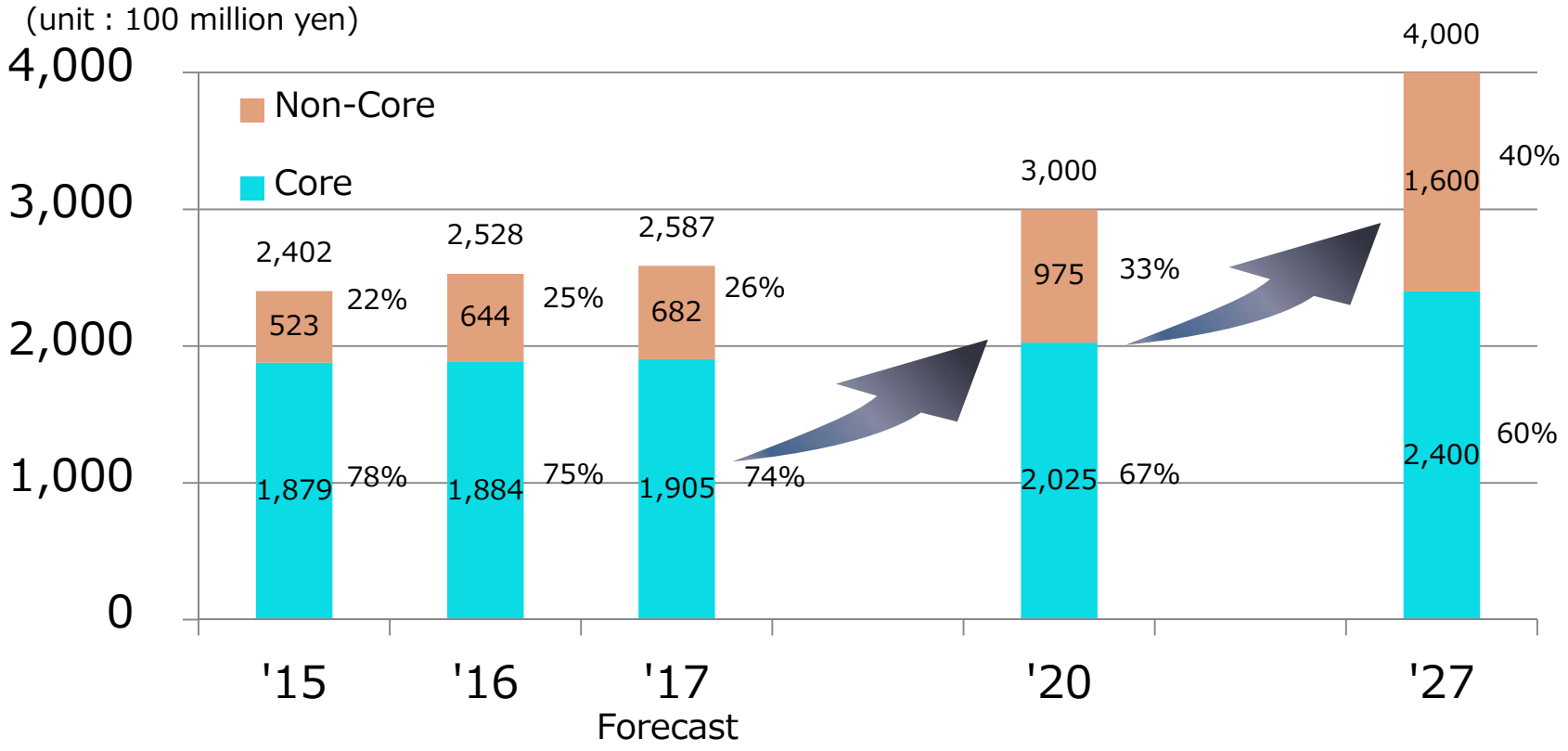
“CHALLENGE Ⅱ 2020 ”～Grasp business environment～



Vision of AOYAMA GROUP For After 10 years

Transit from dependent on a single business

With growing our core business Business Wear Business further, create and train second and third main businesses and aim for sales 400billion yen all the group.



Core Business Ratio : 74% ⇒ 67% ⇒ 60%

(FY2017) (FY2020) (FY2027)

AOYAMA Group's Mission ～The Vision of AOYAMA Group～

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

《 AOYAMA Mind 》

Engage with working people

For formulating the Mid-term Plan, the company declare Group mission and Principle as 《AOYAMA Mind》 and aim to make business minds of each groups consistent. Also we hope that society become affluent through the company growing up due to putting 《AOYAMA Mind》 as the company's base, then employees feel confident and are proud of that.

1. Group Mission

・We support "Worker" and we want to make society cheerful. We think that our mission is to shoulder a part of the responsibility about that.
・Under this mission, we aim to offer goods and services loved by "Worker", and professional services that satisfy customers. We aim to increase our fans as many as possible.

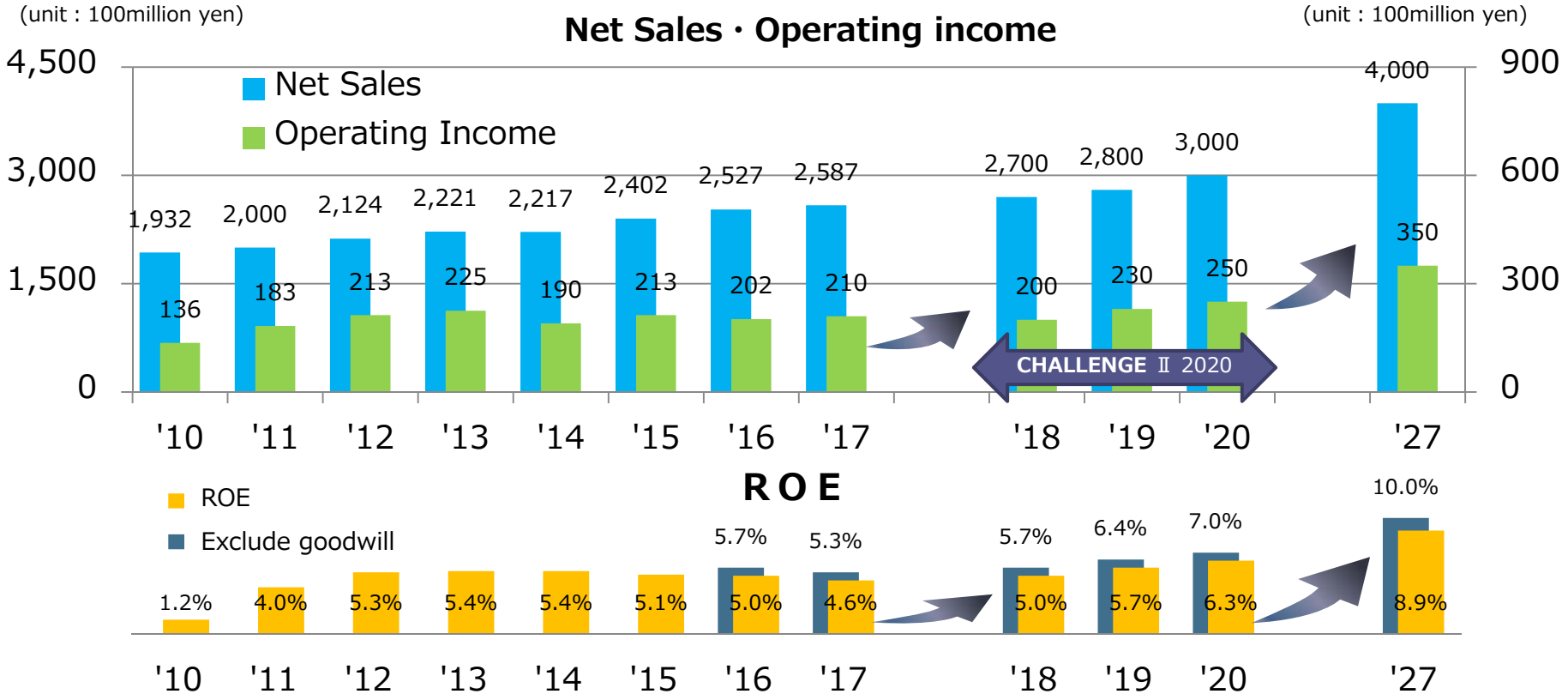
2. Principle

(1) Customer's point of View
(2) Bottom-up Approach
(3) Pursuing Quality
(4) Sense of Ownership
(5) Spirit of Challenge
(6) Fare & Square

“CHALLENGE Ⅱ 2020 ” ～Management Index～

The 3years that be based of vision after 10 years

	2017 Forecast	2020 Plan	Change
Consolidated Net sales	258.7billion yen	300billion yen	+41.3billion yen
Consolidated Operating income	21billion yen	25billion yen	+4billion yen
R O E	4.6%	6.3%	+1.7p
(Exclude goodwill)	(5.3%)	(7.0%)	(+1.7p)



“CHALLENGE Ⅱ 2020 ” ～Key Strategies～

1. Reform the core business and take on new challenges

～Customer’s point of View～

(1)Expand corporate sales and develop an organizational structure: shift from internal to external

(2) Accelerate efforts to digitize EC, sales promotions, store operations, etc.

(3) Make a full-scale entry into the uniform market

(4) Implement measures targeting people in their 20s and 30s, as well as stores in rural areas, and enhance merchandising

2. Create and grow next-generation businesses

～create second and third main businesses～

(1)Expand the total repair service business (new store launches and M&As)

(2)Effectively use store assets across Japan

(3)Create new businesses
①leverage customer bases to create synergies
②work on out-of-the-box initiatives

3. Develop infrastructure to improve productivity

(1)Maintain the new personnel system: improve motivation

(2)Aggressively invest in IT innovations

4. Work on ESG initiatives

(1)Environmental initiatives
(2)Personnel and social initiatives
(3)Governance enhancement

“CHALLENGE Ⅱ 2020 ” ～Segments～

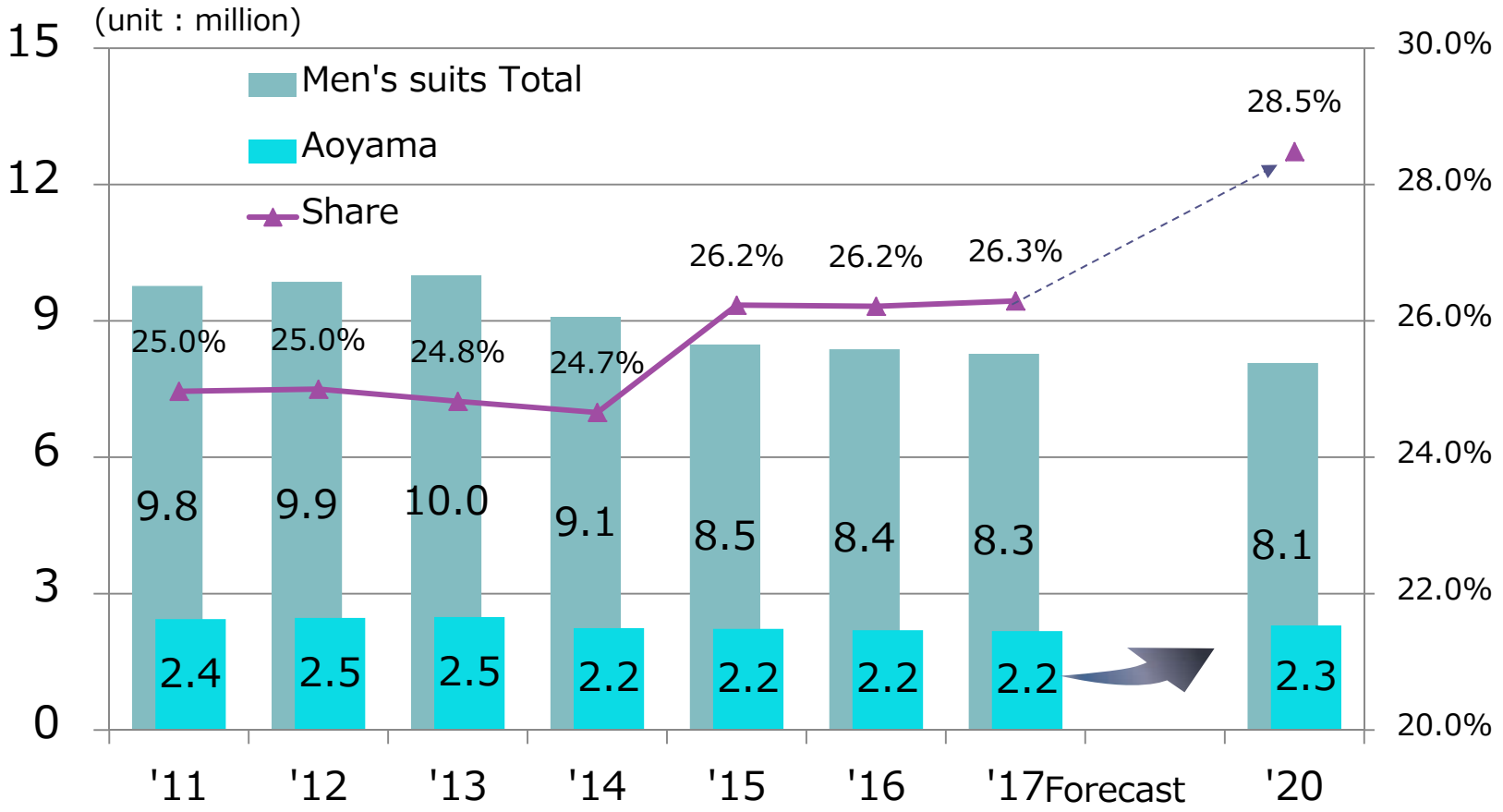
(unit : 100million yen)

	2016 Result		2017 Forecast		2020 Plan		Change (3years)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Business Wear Business	1,884	195	1,905	192	2,025	202	120	11
Casual Wear Business	167	▲16	160	▲5	171	0	11	5
Credit Card Business	46	13	49	16	54	18	5	1
Printing and Media Business	114	3	112	2	115	3	3	1
Sundry Sales Business	158	6	161	6	155	5	▲6	▲2
Total Repair Service Business	118	2	128	▲3	174	10	46	13
Others	77	▲1	102	2	147	7	45	5
(Restaurant Business)	(58)	(1)	(80)	(4)	(114)	(7)	(34)	(3)
New Business	—	—	—	—	190	5	190	5
Adjustments	▲37	0	▲30	0	▲30	0	0	0
Consolidated Total	2,527	202	2,587	210	3,000	250	413	40
ROE	5.0%		4.6%		6.3%		+1.7P	
(Exclude goodwill)	(5.7%)		(5.3%)		(７%)		(+1.7P)	

Core Business Strategies (Business Wear Business)

Men's Suits Market Number of Sold Men's Suits Share (Assumption)

Number of domestic sold men's suits in 2017 is going to be 8.3million on assumption. In which the company's share is going to be 26.3%. The number of sold men's suit forecast in FY2020 will be 2.3million and plan to expand its share to 28.5%.



This is Aoyama Trading's original data on the overall domestic market. Our market share is estimated on the basis of statistical data for the quantity of men's suits supplied to the market, looking comprehensively at the number of sold Mens' suits each fiscal year, effects of consumption tax hike, as well as other factors.

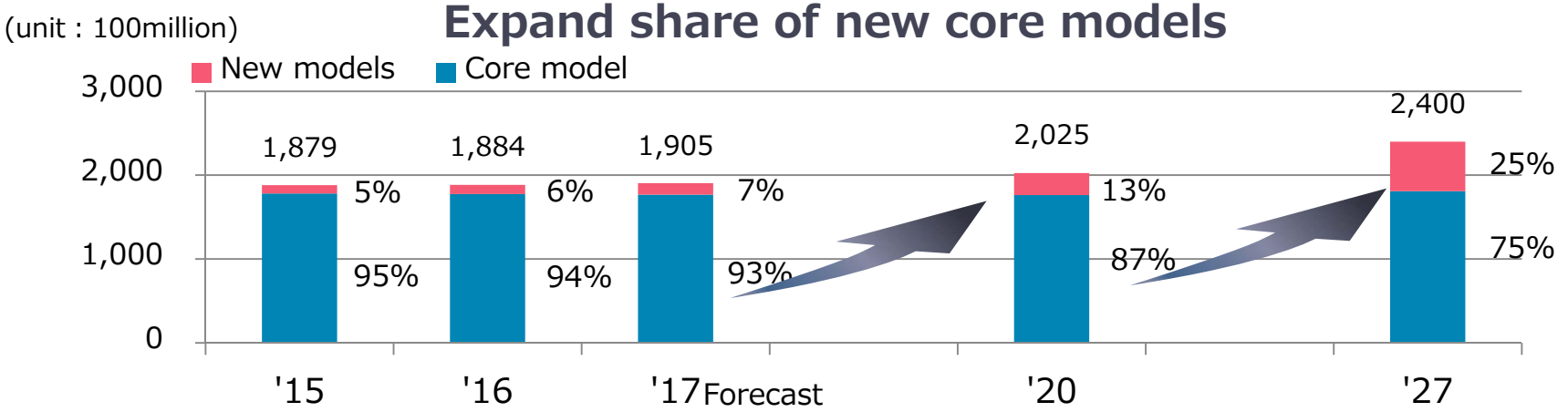
Core Business(Business Wear Business)Strategies

《Innovation and Challenge of Business Model》

～ Suits to Business Wear　Inside to Outside　Analogue to Digital　Manual to AI　selling to sharing ～

Expand share of new core models including EC(Online), Corporate partnerships and Sharing etc., instead of the present core models that are selling inside stores with flyer attacking etc.(Real store).

Expand share of new core models



1. Improve and expand core business models		2. Innovation and Challenge of new business models	
(1) Restructure item portfolio	1. Develop attractive products that create a buzz 2. Strengthen items with a low market share and business casual line	(1) Expand corporate sales	1.·Increase corporate partners 2. Make full-scale entry into the uniform market
(2) Strategies for stores in rural areas	1. Respond to the needs of an aging population and enhance efficiency 2. Localize merchandise and sales promotions	(2) Diversify sales channels	1. Increase Digital Lab locations 2. Expand made-to-order business
(3) Strengthen womenswear, shirts, and shoes	1. Enhance product lines/sales promotions and train personnel 2. Expand products that will create a buzz through collaborations with other companies, etc.	(3) Digitization strategy	1. Increase digital sales promotion 2. Study/use AI and other technologies
(4) Inbound tourists	1. Develop payment infrastructure 2. Place ads on Wechat/Weibo, etc.	(4) Strategies targeting people in their 20s and 30s	1. Enhance TSC strategies targeting the young 2. Work on sharing business

Womenswear

<Net Sales Plan>

30billion yen ⇒ 35billion yen ⇒ 50billion yen

(2017 Forecast) (2020 Plan) (Vision)

<Main Strategies>

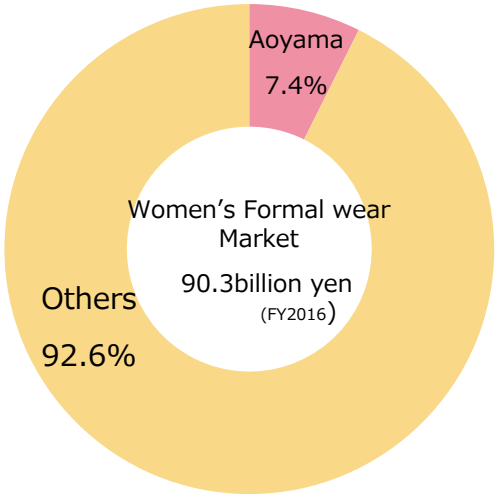
(1) Increase mainly of share formal wear that has further room for expansion

①Upgrade items' lineup for young and middle aged women

②Rise brand recognition using various tool sales promotion like SNS etc.

③Educate staff thoroughly

(2)Propel with CRM promotion by issuing new member's card for women

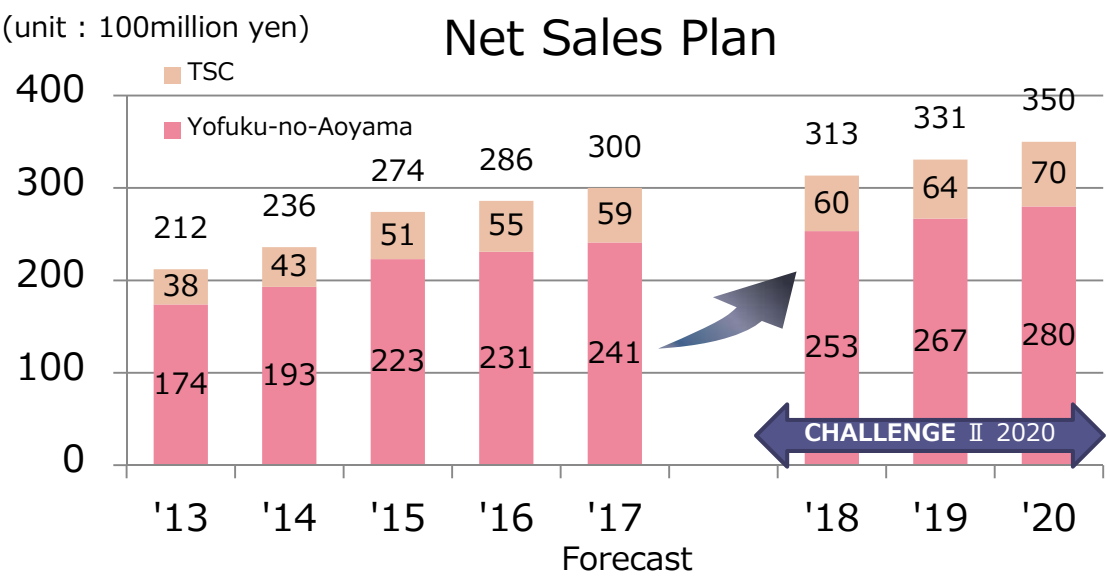


Source: Prepared based on "White Paper on Apparel Industry2017," Yano Research Institute Ltd.





(unit : 100million yen)





Character of Freshers' for women : Nicole Fujita

Corporate Business ～Suits to Business Wear　Inside to Outside～

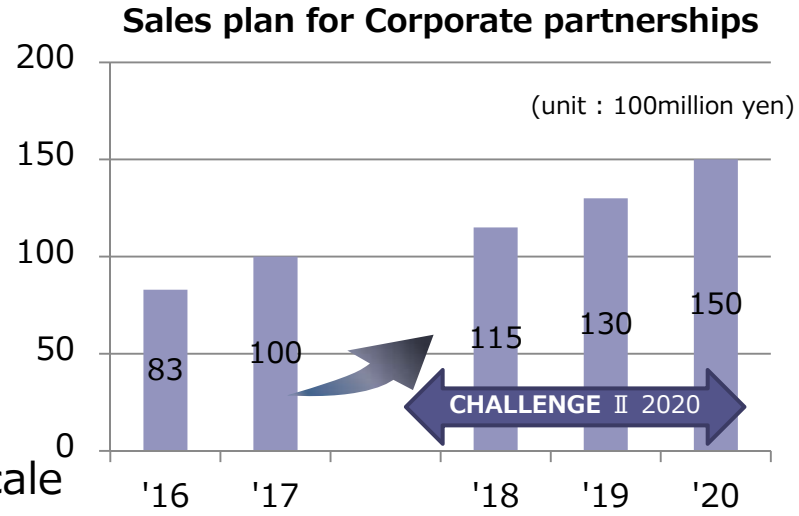
1. Increase Sales of Corporate Partnerships

<Net Sales Plan> **15billion yen** (FY2020)

(1)Reinforce with additional personnel working in area for corporate sales

(2)Strengthen sales promotion for existing corporate partners

(3)Expand corporate sales by shop managers and block managers



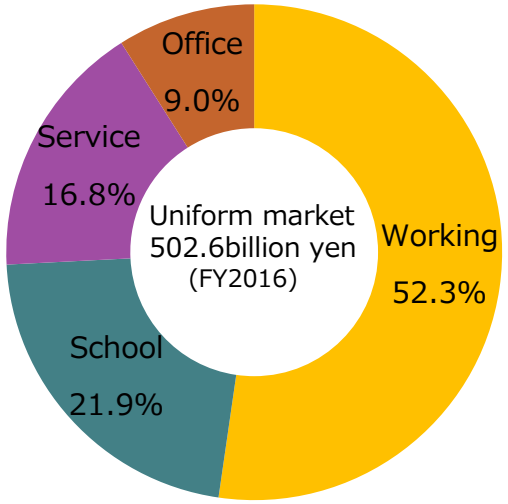
2. Compete in the uniform business on a full-scale

～Challenge to compete in the uniform market bigger than men's suits market (about 2,00billion yen)～

<Net Sales Plan>

1.1billion yen ⇒ **3billion yen** ⇒ **20billion yen**

(2017Forecast)　(2020Plan)　(Vision)



Source: Prepared based on "White Paper on Apparel Industry," Yano Research Institute Ltd.

<Specific action plan>

(1)Strengthen uniform sales by mainly staffs working in area for corporate sales

(2)Expand business for Student uniform and working clothes

(3)Reinforce personnel recruitment including mid-career recruitments

(4)Enhance the capability to collect information about M&A

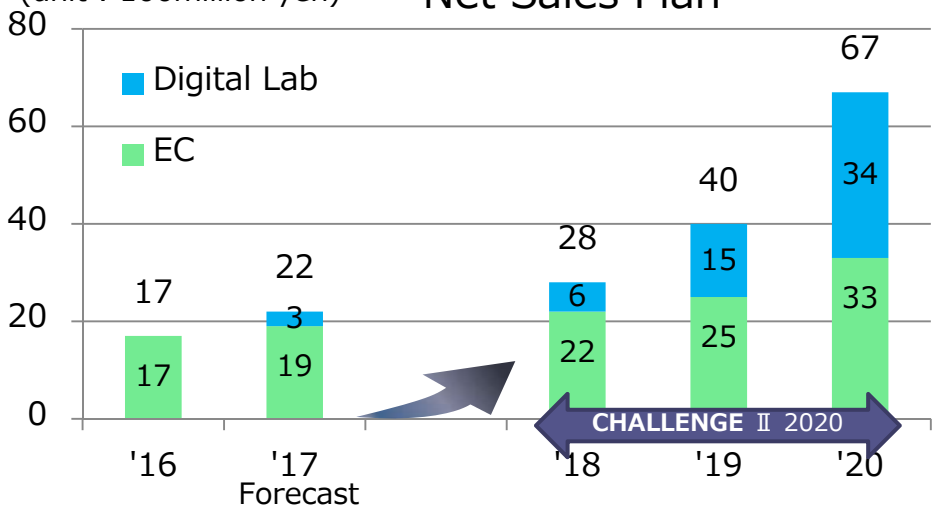
E C Digital ～Promote for Strategies of Omni Channel Digital～

<Net Sales Plan>

2.2billion yen ⇒ 6.7billion yen ⇒ 15billion yen
(2017Forecast) (2020Plan) (Vision)

Increase sales that using EC including sales in the EC and digital strategic store.

(unit : 100million yen) Net Sales Plan





<Main Strategies>

(1)Open digital strategic stores and promote to change existing stores to be digitized.
①Work for fusion of real others and EC and showrooming
②Adopt "Digital Lab" in TSC stores

(2) developing infrastructure
①Organize logistic systems
②Develop systems like to the cloud etc.,
③Introduce AI system that has recommendation feature etc., and develop new terminals for customer service.

Sharing ～selling to sharing～

<Purpose> Measure to 20s～30s customers
⇒Among this generation, utilization ratio of sharing is high.

<Result> Morning dress and tuxedo
⇒Started on 2016.10. Sales amount about 200million yen
(2017Forecast)

<Main strategies>
(1)Expand sharing item lineup
(2)Start to link with Aoyama club members and expand services
(3)Open the EC site for only rental items.

T S C Strategies

＜Net Sales Plan＞

24.9billion yen ⇒ 29billion yen ⇒ 40billion yen
(2017Forecast) (2020Plan) (Vision)





＜Main Strategies＞

(1)Get young customers(20s～30s) and strengthen womenswear

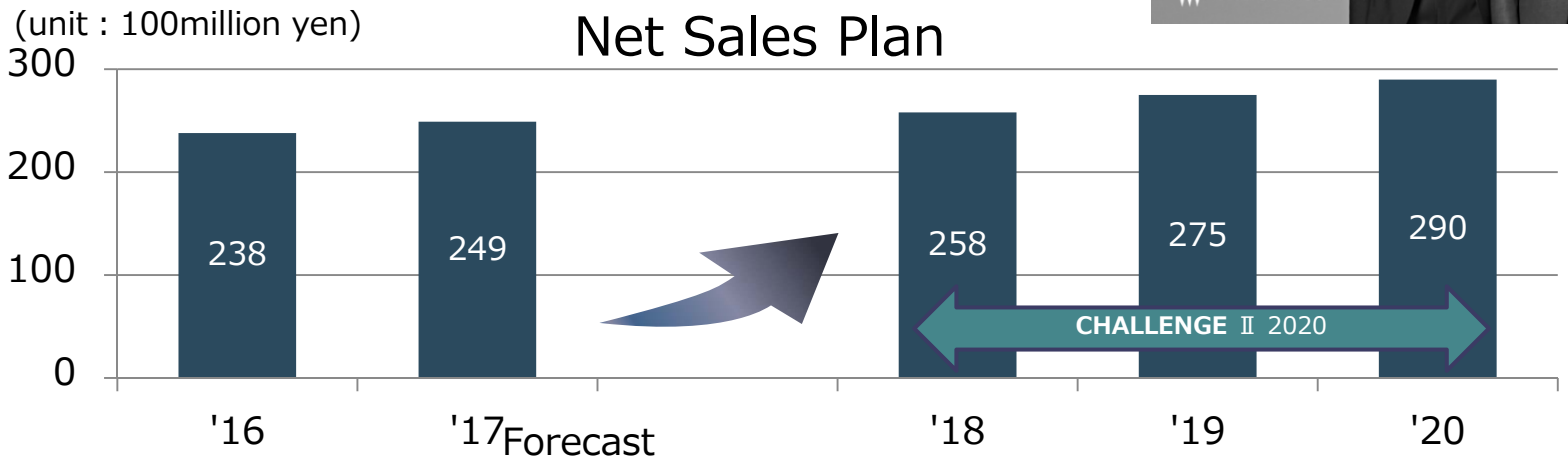
SNS promotion･Lineup･Corporate Partnerships
Strengthen collaboration items with other companies etc.,

(2)Strategies of store opening

Opening stores in the areas where are no TSC stores
(Open 16stores for 3years)

(3)Order business ～ Strengthen strategies to customization ～

Increase stores with order corner and high-quality services



Group Business Strategies

Total Repair Service Business: Minit Asia Pacific Co., Ltd.

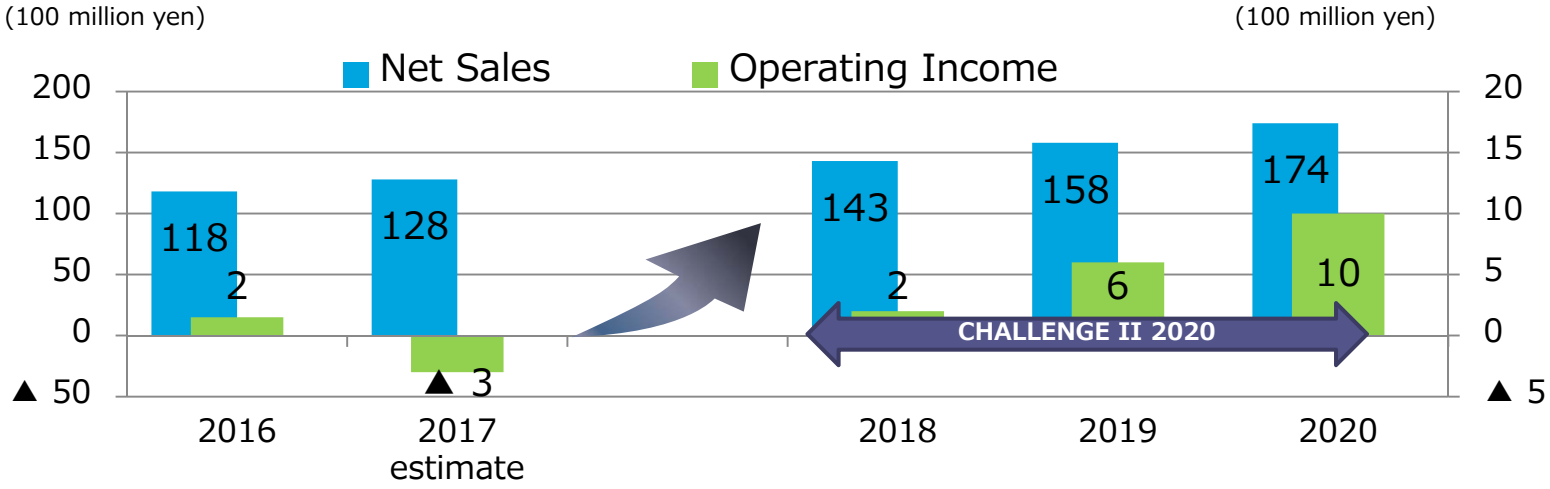
1. Vision

”Harnessing the world’s finest hand craftsmanship, we will serve as a service convenience store that brings the right solutions to your everyday problems within reach so you can use the things you love for a long time and as much as you like.“

2. Key strategies

	2017 estimate	2020 target	
Increase locations in Japan	314 locations	400 locations	With a view to M&As, etc.
Shore repair ratio	72%	40%	Transition from just shoe repair to service convenience store
Franchise ratio	23%	50%	Promote franchising in Japan
Southeast Asia	Leverage Australian management resources and know-how to expand operations in this growth market		
China	Rebuild operations through a service convenience store business model and franchising		

3. Performance plan (Minit Asia Pacific: including amortization of goodwill due to M&A)



Restaurant Business: glob Co., Ltd.



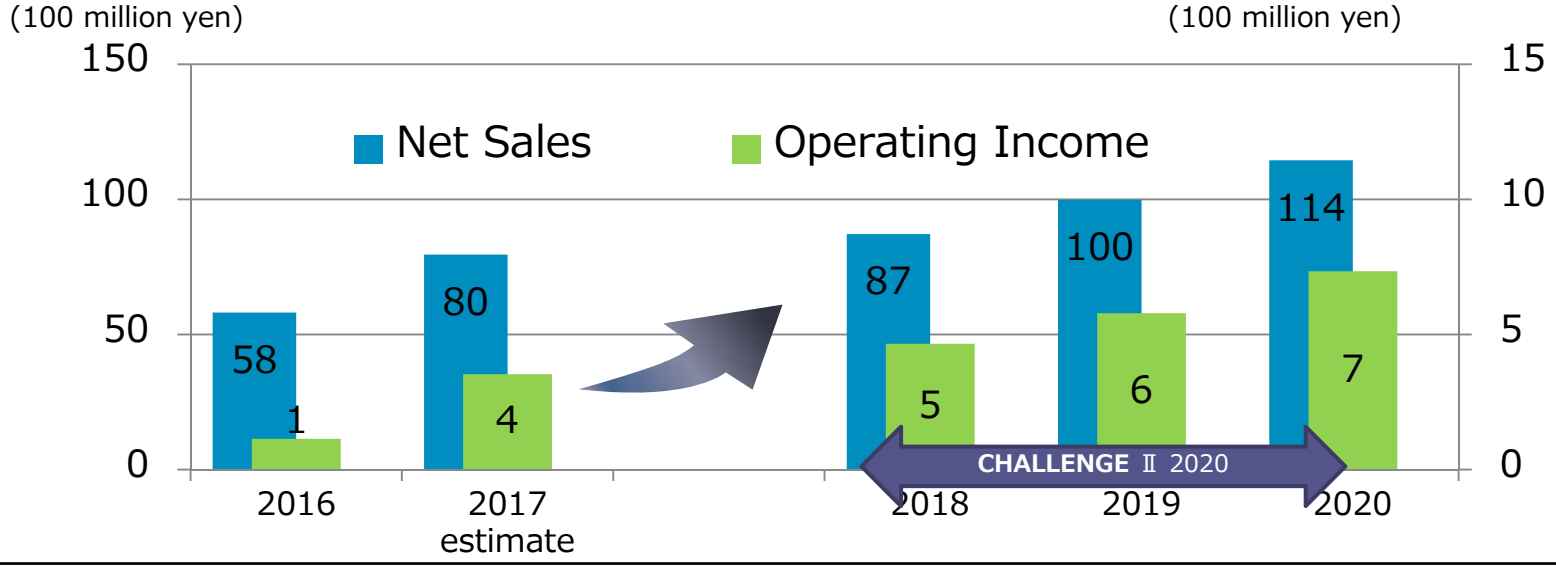
1. Vision

"Leverage the Group's combined strengths to expand the franchise business and give back to communities through food services"

2. Key strategies

(1) Aggressively open new locations under the prime location strategy (open 18 new locations by FY 2020)
(2) Open small restaurants with a minimum initial investment according to location conditions and look at developing new business models
(3) Implement a membership program and bring in customers from the Aoyama membership program and Aoyama's corporate partners
(4) Enhance recruiting and continue to work on retention

3. Performance plan (glob Co., Ltd.)



Casual Wear Business ～Eagle Retailing Corporation～



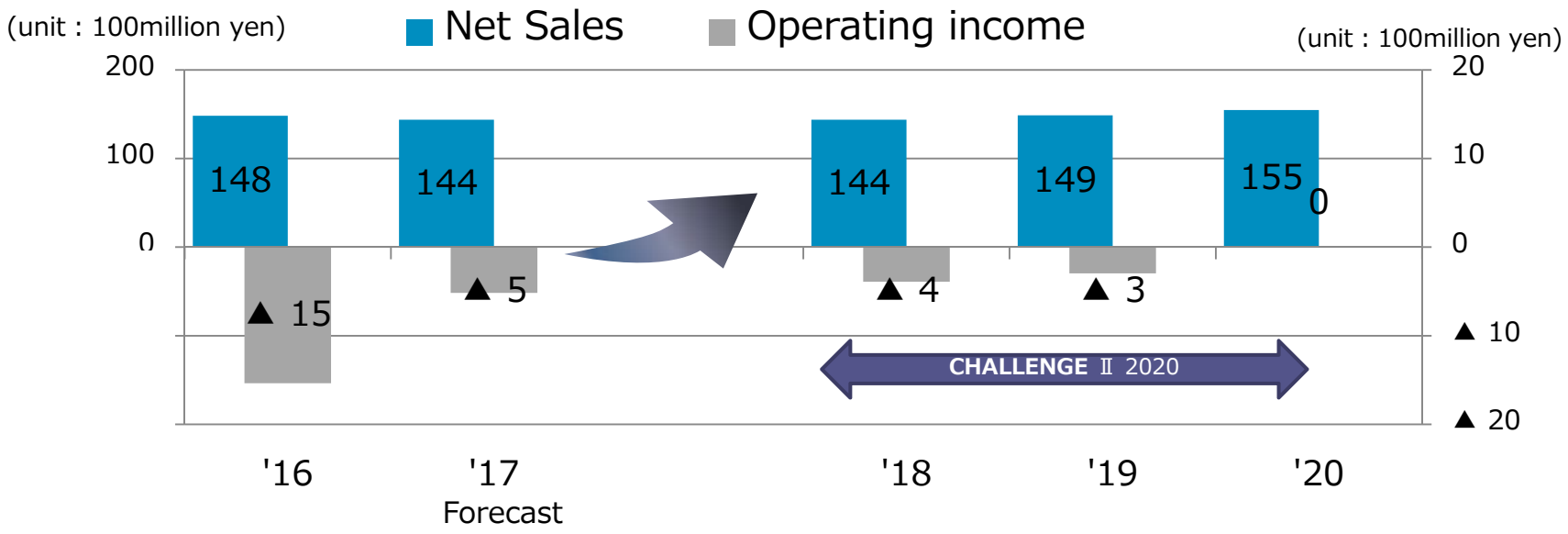
1． Vision

"Improve profitability and expand brand recognition"

2． Main Strategies

(1)Propel with SNS promotion like LINE etc.,
and increase EC sales by the SNS promotion
(2) Level-up of MD and expand well-selling goods by
strengthening cooperation with US AEO
(3)Make profits early thorough cost reduction

3． Achievement Plan (Eagle Retailing Corporation)



Group Business Strategies ～Other Businesses～

Other Businesses strategies are listed below

Segment・Company			Strategies
Credit Card Business (Aoyama Capital Co., Ltd.)			With strengthen to acquire women customers by issuing new member's card for women, also get new customer segments and propel with customer transfer each other among groups.
Printing and Media Business (ASCON Co., Ltd.)		ascon	①Efficient marketing using AI etc., and create digital promotion system. ②Expand business field by coorperating with other companies and acquiring corporation aggressively.
Sundry Sales Business (Seigo Co., Ltd.)			①Reduce sales opportunity loss by introducing automatic supplement and order system. ②Increase the number of customers by renewing furnitures and shop signboards.
Others	Sundry and Interior Business (WTW Corporation)		①Strengthen item lineup further for the future as EC site had renewed. ②Strengthen human resources through sales training etc., and propel business collaboration with other companies.
	Reuse Business		Increase the performance stably by surely opening store as a policy based on store development of community-based.

Store Opening/Closures Plan

Store Opening/Closures Plan

1. Store Opening/Closures Policy

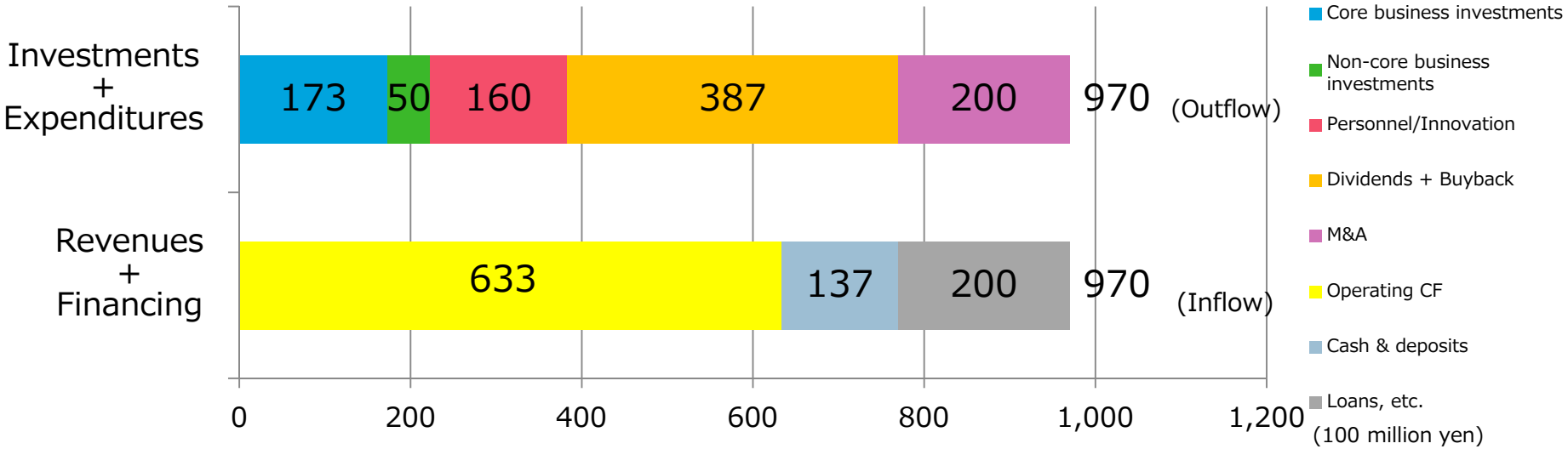
Mainly Business Wear Business, Total Repair Business and Restaurant Business, open stores in good locations. In Total Repair Business there are much room to be able to open new stores in Japan and intend to work on store opening aggressively. However, in regular meeting judge about store removal or closure speedily.

Business Wear Business	Opening/Closure		Yofuku-no-Aoyama	T S C	Others	**Total**
	Opening	Road side	8	9	0	**17**
		Station side	9	7	13	**40**
		S C	11		0	
	Tota		28	16	13	**57**
	Closure		9	2	0	**11**
Total Repair Service Business	Opening		Japan	ANZ	Others	**-**
			120	33	16	**169**
	Closure		30	12	0	**42**
Restaurant Business	Opening		Yakiniku King	Yuzu An	-	**-**
			14	4	-	**18**
Others	Opening		-	-	-	**13**
	Closure		-	-	-	**10**
Total	Opening		-	-	-	**257**
	Closure		-	-	-	**63**
	Change		-	-	-	**194**

Finance, Capital Strategies and ESG Initiatives

Cash Flow Plan

Allocate a total of 97 billion yen from operating cash flow generated by business operations conducted according to the strategies already described for growth investment and shareholder return (varies depending on when dividends are paid).
Under “CHALLENGE II 2020” we will aim for sustainable growth and invest in personnel and innovations.



Breakdown of personnel/innovation investments (16 billion yen): For enhancing productivity and sustaining growth

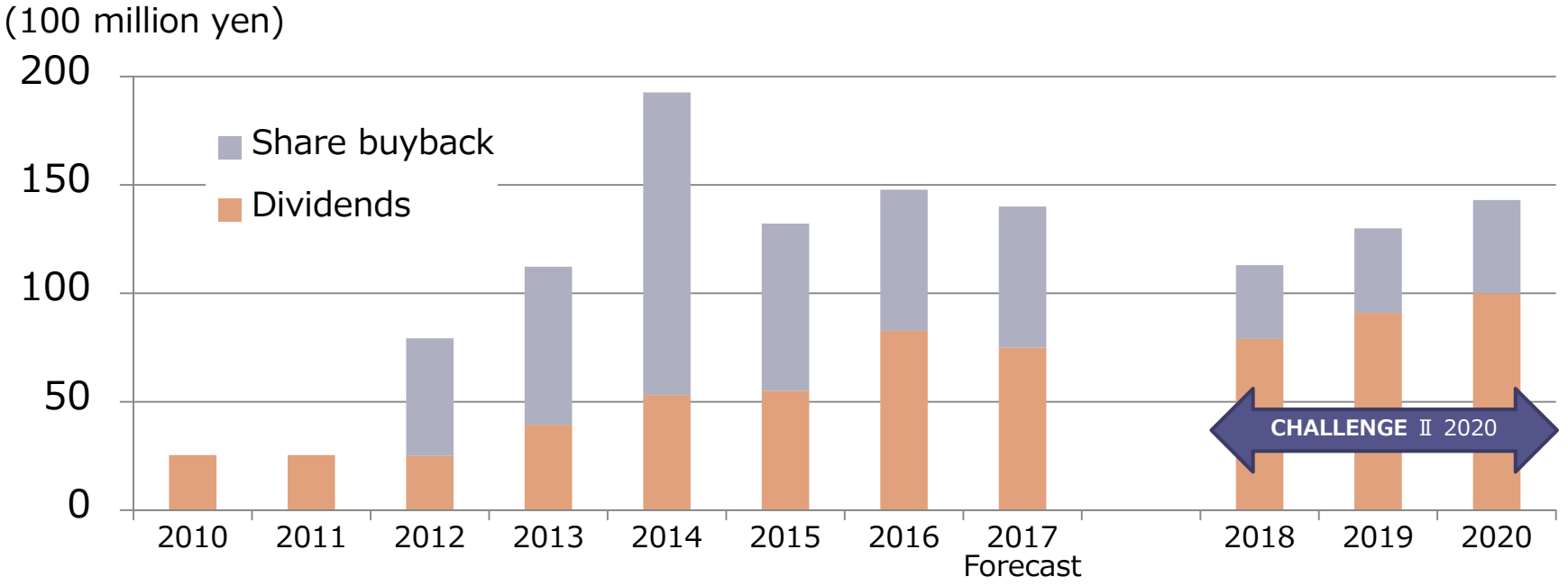
Investments	Amount	Purpose
Personnel	5 billion yen	Improve working conditions to improve motivation and retention, revise evaluation system, and ensure training
IT systems	5 billion yen	Digitize operations, develop systems infrastructure, enhance operational efficiency, etc.
Other	6 billion yen	Restructure logistics infrastructure in line with expanding EC, corporate, Digital Lab, sharing, as well as other businesses, and work on ESG
Total	16 billion yen	

We should be able to fully maintain a stable financial foundation even after financing and partial spending of cash and deposits for the above-mentioned investment purposes.

Shareholder Return

We will use the following strategy as we continue to work on improving ROE.

	CHALLENGE 2017	CHALLENGE II 2020
Consolidated total return ratio	130% target	100% target
Dividend payout ratio	70% target (stable dividend of 100 yen)	70% target (stable dividend of 100 yen)
Purchase of treasury shares	Buy back shares valued at an amount equal to 130% of consolidated net income minus dividends	Buy back shares valued at an amount equal to consolidated net income minus dividends



ESG Initiatives

Guided by our mission to work for working people, we will respond to the expectations of our stakeholders as we move ahead with the following ESG initiatives (to be published on our corporate website) with a view to creating a sustainable society.

Category	Sub-category	Measures taken so far	Measures to be implemented
Environmental Issues (E)	Climate change mitigation	1. Implemented the “eco 5 minutes” energy conservation initiative at all store locations 2. Switched to LED lights at locations in Japan (cutting about 15,000 t CO2)	Environmental initiatives 1. Switch to LED lights at more store locations 2. Develop recycled products using trade-in items 3. Develop environmentally friendly products
	Waste management	1. Reduced waste through the suit trade-in program 2. Reduced usage of packing materials by transporting garments on hangers	
Social Issues (S)	Human resources (work-style reforms) (empowerment of women)	1. Implemented half-day holidays and encouraged employees to take paid half-day holidays, etc. 2. Introduced women manager system 3. Established employee training programs including e-learning 4. Improved employee motivation by revising personnel systems	Personnel and social initiatives 1. Focus on creating a work environment designed to empower women 2. Host free dressing seminars (100,000 people/year) 3. Maintain new personnel systems
	Community outreach	1. Hosted free dressing seminars (80,000 people/year) 2. Published community information magazines	
Governance (G)	Internal controls	1. Established the Compliance Promotion Office 2. Organized a risk management training session	Governance enhancement 1. Step up efforts to ensure compliance with the governance code 2. Develop a group management system 3. Implement risk management programs
	Dialogue with stakeholders	1. Conducted regular IR events in Japan and conducted IR events overseas 2. Published the medium-term management plan	

《Reference》
Year Plan by Segment/ Store Format

“CHALLENGE Ⅱ 2020”《Reference》

～Year Plan by segments～

(unit : 100million yen)

Segment	2017Forecast		2018Plan		2019Plan		2020Plan	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Business Wear	1,905	192	1,941	174	1,990	196	2,025	202
Casual Wear	160	▲5	158	▲4	165	▲3	171	0
Credit Card	49	16	50	17	52	17	54	18
Printing and Media	112	2	113	2	113	3	115	3
Sundry sales	161	6	160	6	154	5	155	5
Total Repair Service	128	▲3	143	2	158	6	174	10
Others	102	2	115	4	198	6	337	13
(Restaurant)	(80)	(4)	(87)	(5)	(100)	(6)	(114)	(7)
Adjustment	▲30	0	▲30	0	▲30	0	▲30	0
Consolidated total	2,587	210	2,650	200	2,800	230	3,000	250
ROE(%)	4.6%		5.0%		5.7%		6.3%	
(Exclude good-will)	(5.3%)		(5.7%)		(6.4%)		(7.0%)	

Store Format （Business Wear Business） 《Reference》

Yofuku-no-Aoyama
Road side store



Yofuku-no-Aoyama and
TSC connected store



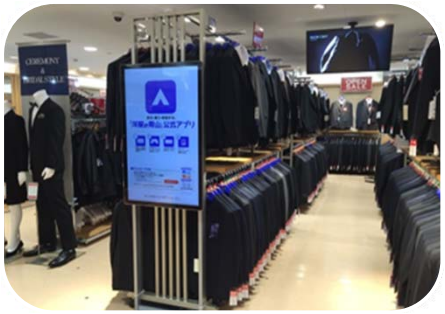
Yofuku-no-Aoyama
Station side store



Yofuku-no-Aoyama
SC store



Yofuku-no-Aoyama
Digital Lab store



Yofuku-no-Aoyama
Collaborated with
Other Company



TSC in station side
Building



TSC　SC store



UL in station side
Building



UL in Department store



UL Measures store



WHITE TSC store



This presentation material contains forward-looking statements which are based on the Company's assumptions, predictions and plans regarding the future as of February 9, 2018. 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