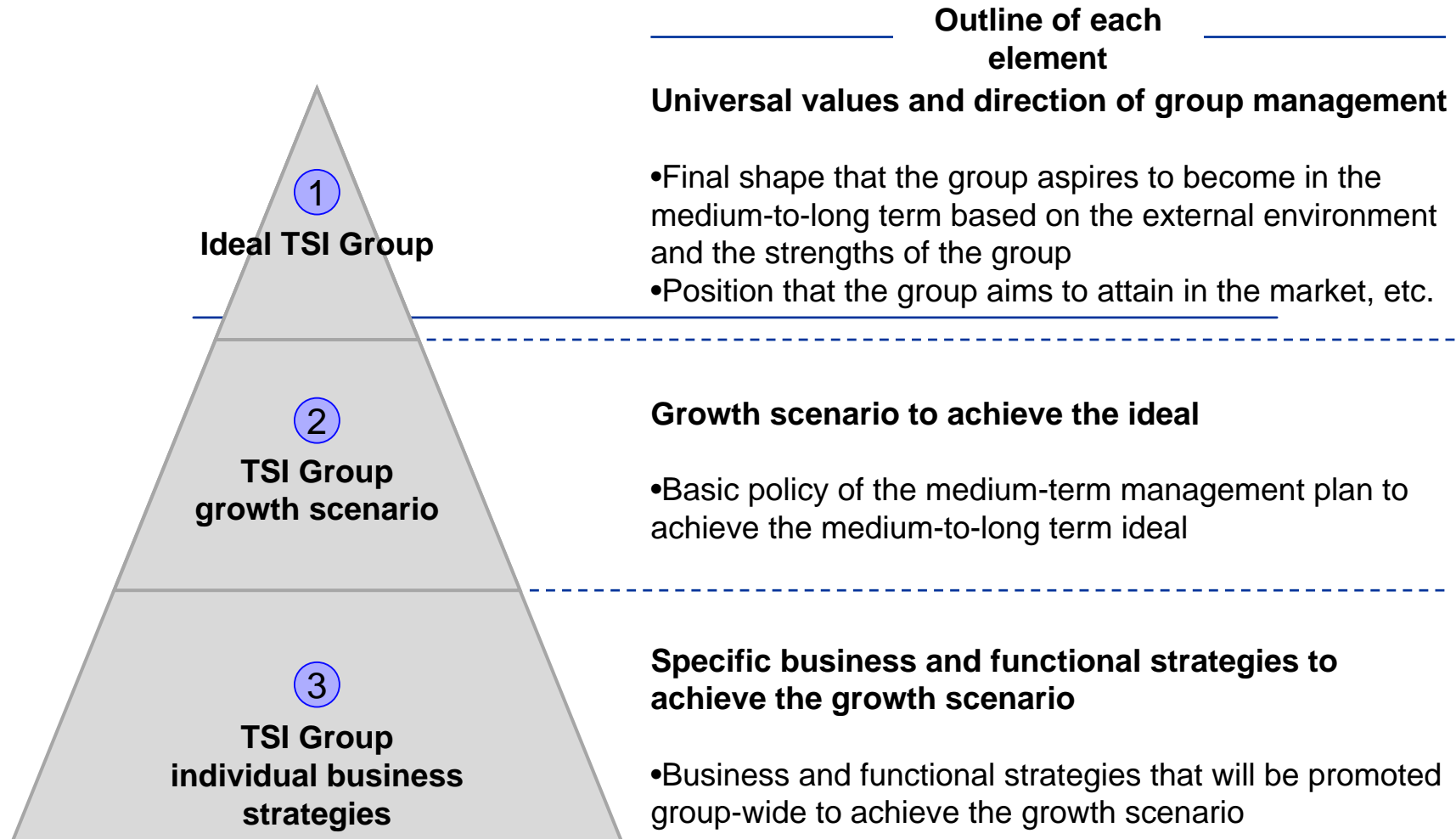

TSI Group Medium-term Management Plan FY2012 to FY2014

TSI HOLDING CO., LTD.

Construction of the Medium-term Management Plan

- The medium-term management plan is comprised of the following three elements.



1 Ideal TSI Group

1. TSI Group Corporate Philosophy

- The following is the TSI Group's corporate philosophy, and we will maintain the philosophy as a universal value of the TSI Group.

Corporate Philosophy (management philosophy)

We create values that brighten up the spirit of people through fashion and share the joy of living with society.

Mission (basic management policy)

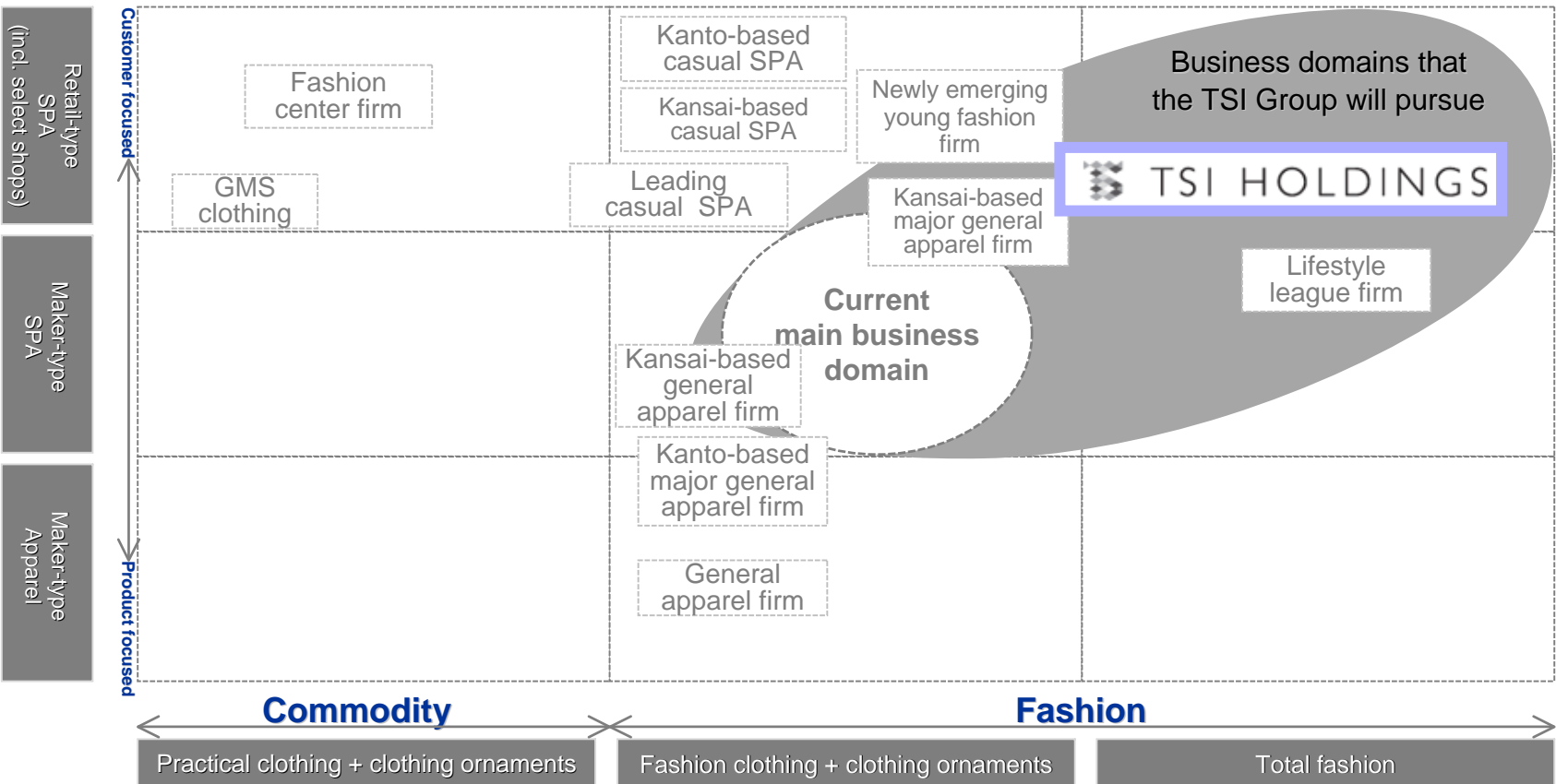
1. We deliver new fascination to society through creations that are ahead of the times.
2. We thoroughly implement a product-oriented business that aims to create truly valuable products.
3. It is our joy to change the emotions of our customers to excitement by offering them generous hospitality.

2. TSI Group Business Domain

- ❑ In order to realize the previous corporate philosophy, we will pursue the following areas as our business domains and will aim to realize growth unique to the TSI Group.

Business domains that TSI Group pursues

- Even though we will discover changing market needs, **areas with high sensitivity and fashion** are the central domains, in principle.
- We will expand business to **areas relating to total fashion** and move away from the conventional apparel business centered around clothing.



* The positioning of each company is based on our analysis and is presented according to the main business areas.

3. Form of TSI Group Management

- Below is the management policy of the TSI Group, and we will utilize this to achieve continuous growth in the aforementioned business domains.

1. Maximum use of group synergy

We will make maximum use of the TSI Group synergy by utilizing the knowhow, skills, and resources of the entire group, and thereby mutually enhance our strengths and complement our weaknesses.

- Execute new market strategies that were difficult to be implemented by individual companies.
- Create new values by combining different brands.

2. Management based on the strongest business portfolio

We will execute portfolio-based management to create new brands, businesses, and business models, and to generate the best mix so that we can constantly survive and win in the changing marketplace.



4. Management Targets

- The followings are the priority management targets of the TSI Group, all in order to achieve the strongest business portfolio.

When considering management targets:

- In order to execute our “ability to produce customer-oriented products” in an environment that is thoroughly managed in terms of revenue and investment and to continue to constantly create new fashion, we will need the financial and investment capabilities to support such.
⇒ In other words, it is significant to “**realize high profitability,**” the highest in the industry, for the continuous growth of the TSI Group.

Priority targets of the TSI Group

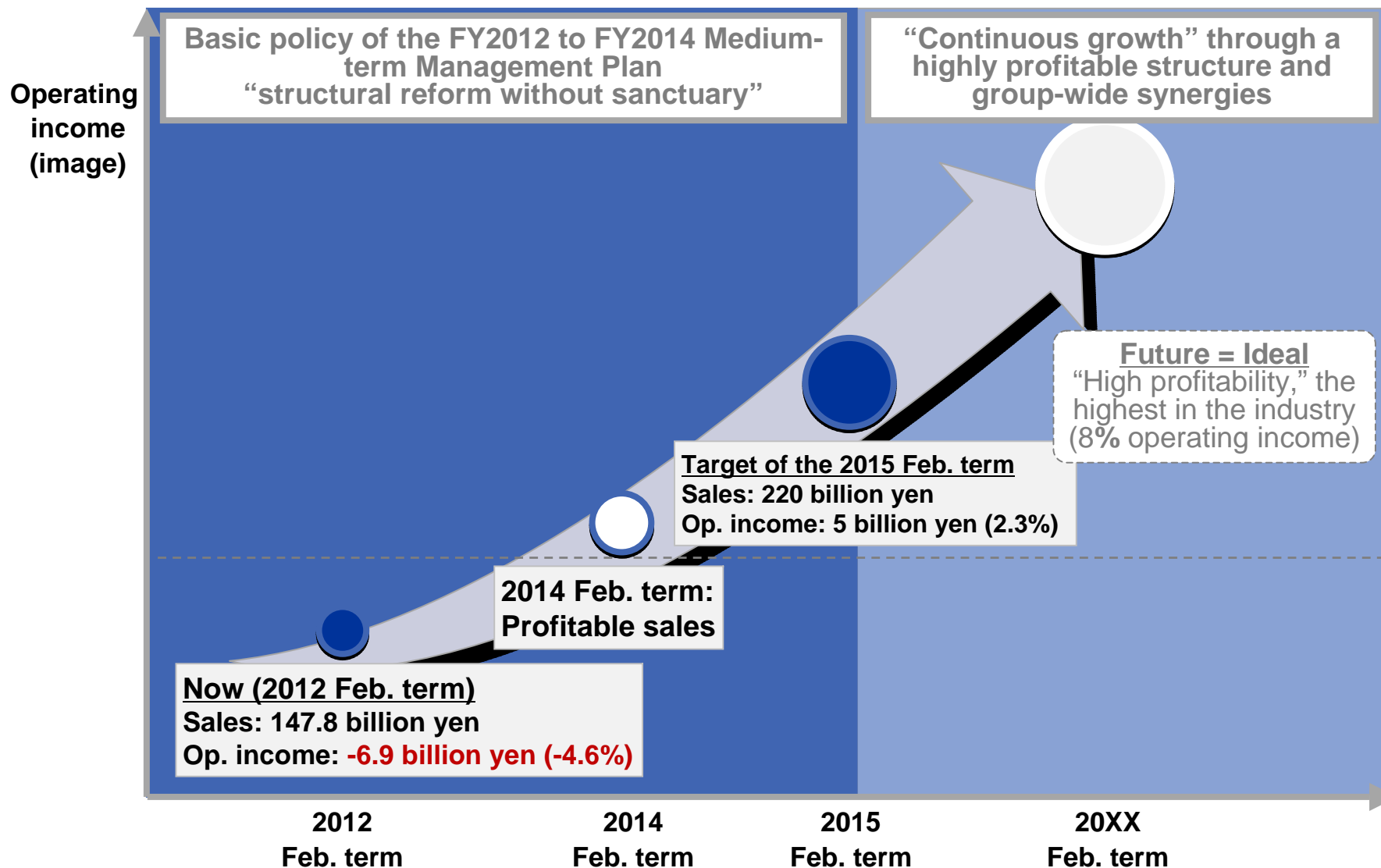
Target index	2012 Feb. term actual	2015 Feb. term target (final year of the medium-term management plan)
Sales	147.8 billion yen	220 billion yen
Operating income (%)	-6.9 billion yen (- 4.6%)	5 billion yen (2.3%)

2

TSI Group Growth Scenario

1. Basic Policy of the Medium-term Management Plan

- The basic policy of the medium-term management plan is to promote “structural reform without sanctuary” to achieve “prompt positive profit,” which is the condition for continuous growth to realize the “Ideal TSI Group.”





3

**TSI Group Individual
Business Strategies**

1. Central Strategies of the Medium-term Management Plan

- ❑ We will concentrate on the below three strategic themes under the basic policy of the medium-term management plan to promote “structural reform without sanctuary.”

Central strategies of the medium-term management plan

FY2012 to 2014
basic policy:

“Structural
reform
without
sanctuary”

Reforming cost structure

(Transform into a highly-profitable structure.)

Thoroughly review cost structure and make improvements to generate continuous profit.

Improving profitability

(Selection and concentration on highly profitable businesses)

Focus on business areas that are expected to be profitable and concentrate the investment of business resources.

Strengthening group management capabilities

(Create synergetic effects.)

Strengthen the functions of the holding company as well as increase frequency and enhance the quality of information-sharing within the TSI Group, in order to accelerate the above.

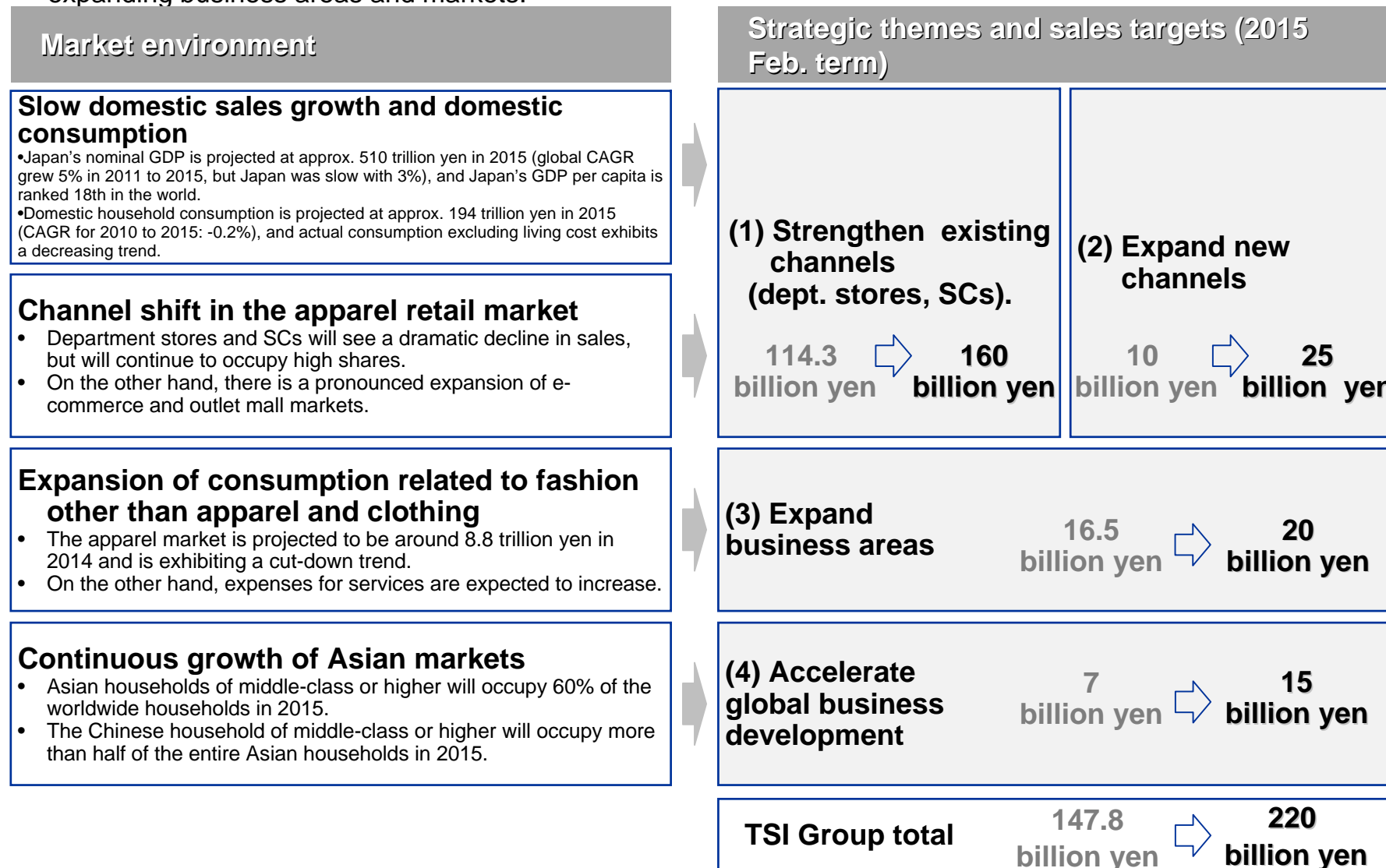
2. Measures toward “Reforming Cost Structure”

Strategic themes and central measures

<p>(1) Reconstruct the brand portfolio and store networks by thoroughly executing profitability management.</p>	<ul style="list-style-type: none">■ Promote the reconstruction/integration of non-profitable brands/stores.• Evaluation and withdrawal of brands/stores based on a group-wide standard on withdrawal and new-store establishment (incl. a review of business requirements and store form)■ Review HR size depending on the withdrawal of brands/stores.
<p>(2) Enhance the productivity of each store/brand.</p>	<ul style="list-style-type: none">■ Share knowhow within the TSI Group.• Planning and production capabilities of products that sell• Demand-supply adjustment to prevent products from missing sales opportunities• Strengthening sales staff
<p>(3) Promote effective and optimal back-office functions within the group.</p>	<ul style="list-style-type: none">■ Partially concentrate the HQ operations of the group and consider outsourcing.■ Achieve optimal outsourcing cost, such as for IT.
<p>(4) Promote an optimal HR structure.</p>	<ul style="list-style-type: none">■ Review HR structures, such as the age structure.■ Achieve optimal employment according to type of work, such as work-from-home and dispatched employees.■ Implement a flexible compensation system, such as the expansion of a performance-based pay system.

3-1. Strategic Themes toward “Improving Profitability”

- In order to achieve the continuous growth of the TSI Group amid a stagnant industry and a dramatically changing market structure, it is a must to strengthen existing businesses and to improve profitability by expanding business areas and markets.



3-2. Measures toward “Improving Profitability”

Strategic themes and central measures

(1) Strengthen existing channels (dept. stores, SCs).

- Strengthen negotiation power to open stores as a group.
- Strengthen sales power by utilizing group capabilities.
- Establish advanced SPA.
- Strengthen business for SCs in suburbs.

(2) Expand new channels.

- Develop new channels from zero and create new markets.
- Develop a brand-mix strategy as a unified group.
- Develop brands/products according to the characteristics of channels.
- Establish an e-commerce platform and actively develop its business.

(3) Expand business domain.

- Develop new businesses/brands that deliver new lifestyles and values.
- Enter into new business with minimum risk by making use of M&As.
- Enter into new business by making use of license agreements with overseas brands.

(4) Accelerate global business development.

- Strengthen negotiation power to open stores as a group.
- Organize a business foundation to establish local business.
- Expand business scale through M&As.

4. Measures toward Strengthening “Group Management Capabilities”

Strategic themes and central measures

(1) Strengthen the function of the holding company.

- Establish a system for information-sharing and collaboration within the TSI Group.
- Develop a comprehensive strategy for the entire group.
- Strengthen the management and control of subsidiaries.
- Conduct integrated management of functions for the group, such as for store development.

(2) Integrate business infrastructure.

- Reduce cost by sharing business infrastructure, such as for IT.
- Promote the sharing and advancement of business support functions.

(3) Develop human resources that will drive growth.

- Promote the interaction of human resources.
- Develop management leaders for the next generation.
- Strengthen sales capabilities using the power of the group and transfer knowhow.

(4) Establish advanced SCM.

- Establish a production system based on perspectives for the future.
- Consider “an ideal distribution system” for the medium-to-long term.

**(Supplementary Material)
Excerpts on “Improving
Profitability” and “Strengthening
Group Management Capabilities”**

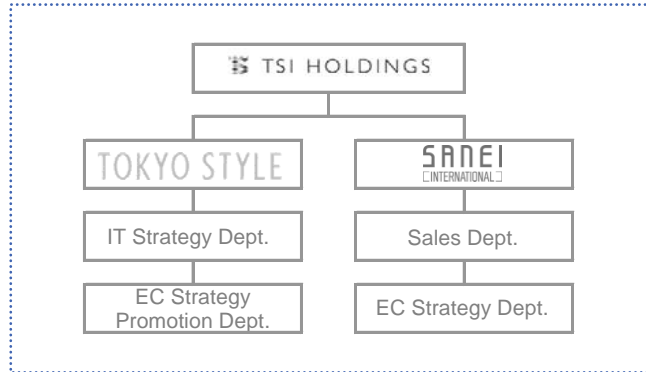
Improving Profitability (Selection and Concentration on Highly-profitable Businesses)

(2) Expanding new channels (e-commerce) (1/2)

◆ Expand sales from new channels, such as e-commerce, from 11 billion yen  25 billion yen

Establish the e-commerce business platform of the group.

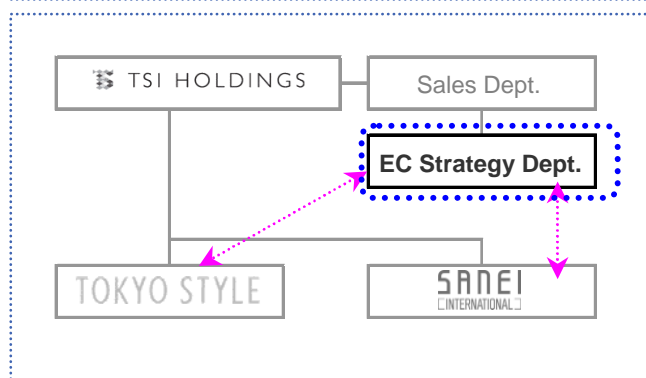
Current e-commerce business structure



Establish an e-commerce business platform.

- Concentrate the e-commerce features of the group onto TSI and establish an e-commerce platform.
- Promote a proactive e-commerce business, including selling through vendors.
- Use the EC Strategy Dept. as a group to support “low cost and high quality.”

New business structure (proposal)



Diversify the profitability model of e-commerce business.

- Develop e-commerce according to “brand characteristics” such as brand-type and business-type.
 - Utilize SELECCSONIC.
 - Consider the establishment of individual sites for each brand.
 - Consider the establishment of individual sites according to business type.
 - Collaborate with external influential sites.

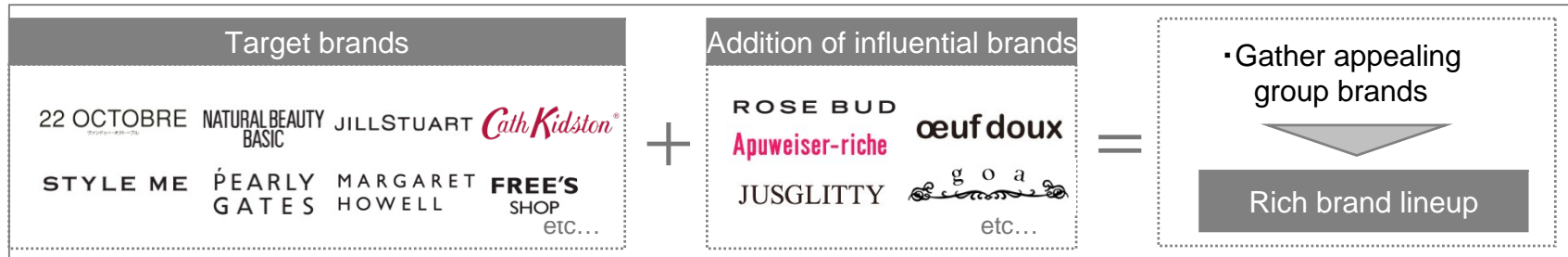


Improving Profitability (Selection and Concentration on Highly-profitable Businesses)

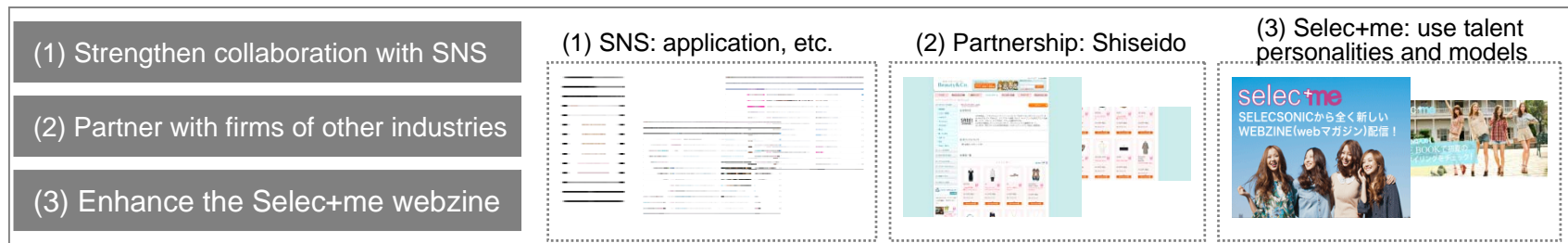
(2) Expanding new channels (e-commerce) (2/2)

Sales expansion through SELECSONIC site enhancement

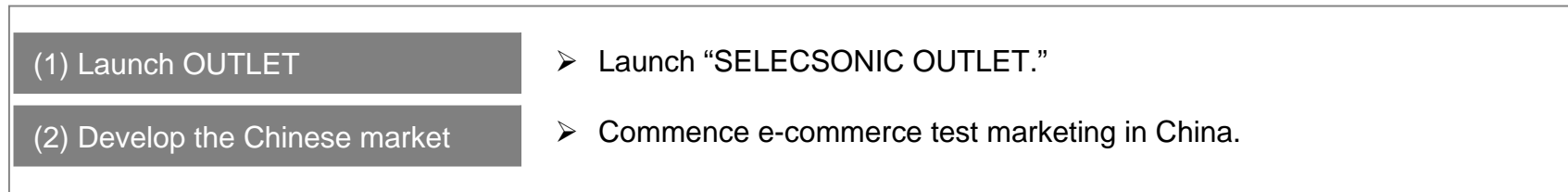
Expansion of target brands



Improving website appeal



Entering new markets



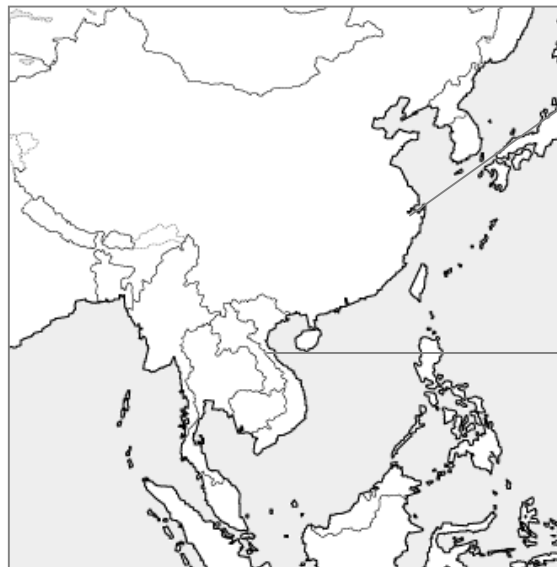
Thoroughly differentiate with the e-commerce sites of other firms.

Improving Profitability (Selection and Concentration on Highly-profitable Businesses)

(4) Accelerating global business development (1/2)

◆ Active development of overseas markets Sales: 7 billion yen \longrightarrow 15 billion yen

Promote central areas and central themes to expand overseas business.



Business expansion in China (incl. M&As)

- Utilize Tokyo Style Shanghai Commercial & Trading Co., Ltd. as an apparel business platform.
- Establish a sales company that will serve as the retail business platform by joint investment with an operating company.
- Utilize the retail knowhow of “m.tsubomi.”
- Expand through active M&As.

Business expansion in Hong Kong and southeast Asia (incl. M&As)

- Expand brands established in Hong Kong to southeast Asia.
- Expand through active M&As.



Active overseas development of influential group brands

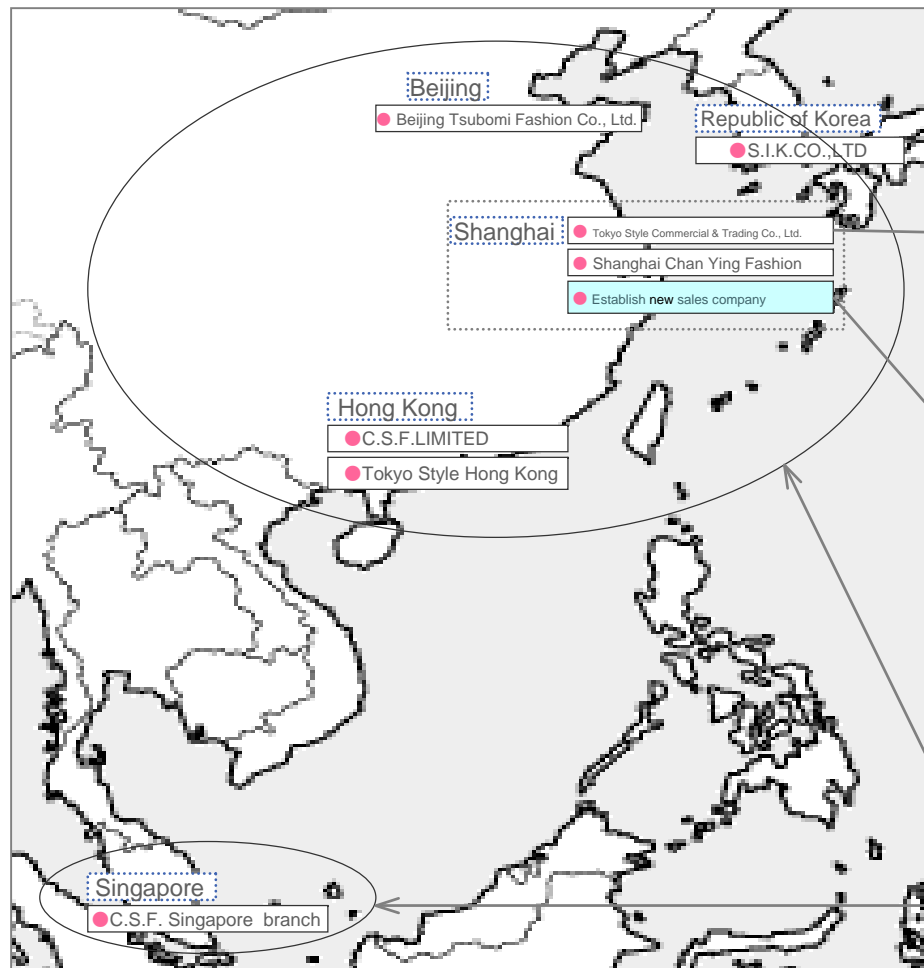
Brand candidates

JILL by JILLSTUART

Improving Profitability (Selection and Concentration on Highly-profitable Businesses)

(4) Accelerating global business development (2/2)

Establish platforms according to business-type.



Strengthen the apparel business platform.

- Strengthen the Tokyo Style Shanghai Commercial & Trading Co., Ltd.
 - Sales platform function of apparel brands within the group
 - Further expansion of the apparel function for local production

Establish a retail business platform.

- Establish a “sales company” through the joint investment of TSI and an operating company.
 - Establish a sales platform for retail brands within the group.
 - Support the apparel function of Tokyo Style Shanghai Commercial & Trading Co., Ltd.
 - Decrease cost percentage by organizing a drop shipping structure.
 - Secure optimal HR resources that will serve as the connection with other companies and dispatch them.

Expand brand development.

- Active development of “successful” brands in Japan
 - Well-known brands in the Asian market
 - High store demand for popular Japanese brands in China and Hong Kong, etc.
- Establish a “TSI zone” in commercial facilities by promoting multiple brands.
- Enhance design and production functions in southeast Asia, which has a different climate than Japan.

Strengthening Group Management Capabilities

(1) Strengthening function of the holding company

Bring together “the strongest business portfolio” in the fashion industry in the holding company.

◆ **Maximum use of holding company functions**

Strongly promote structural reform without sanctuary and the strongest portfolio-based management, as well as effectively use the management resources of the entire group and exhibit maximum synergy.



Strengthening Group Management Capabilities

(1) Strengthening function of the holding company

- ☑ Strengthen group competitiveness by making maximum use of the brand characteristics of each operating company.

◆ Organizational restructuring optimal to the group

(1) Flat operating company structure

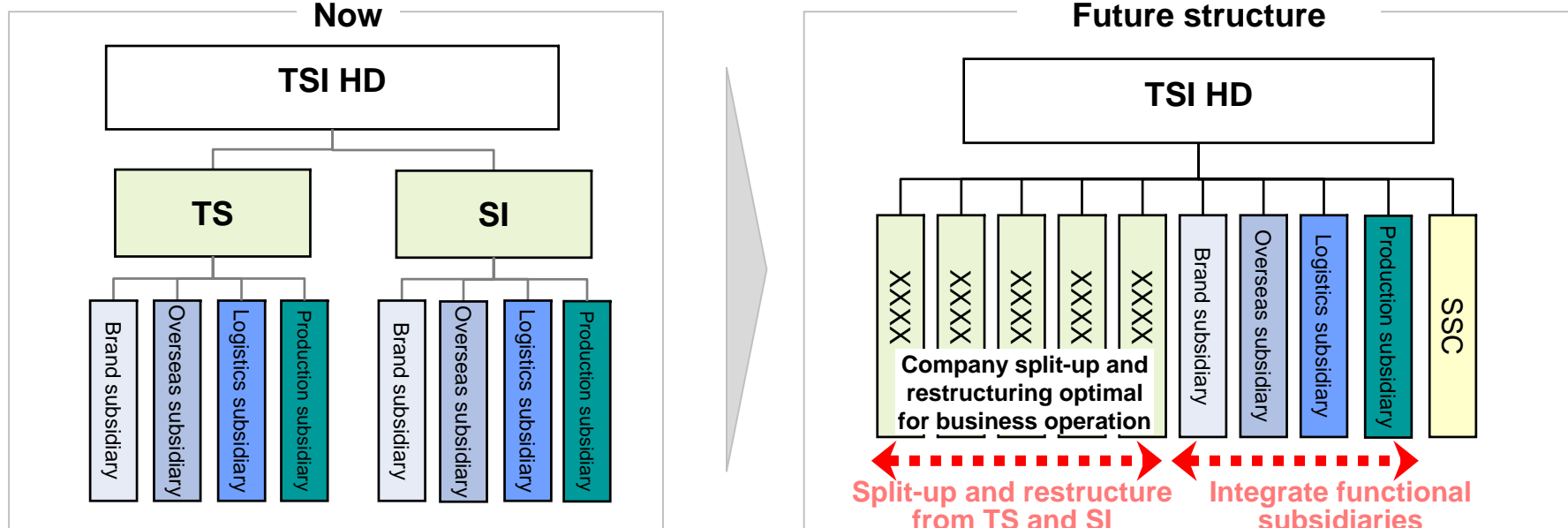
Restructure to create a flat group organization under the holding company that will go beyond the borders of the current TS and SI framework.

(2) Concentrate functional subsidiaries and integrate overlapping functions.

Promote rationalization by concentrating/integrating functional subsidiaries and overlapping areas.

(3) Promote outsourcing.

Review which functions are central to the group and promote active outsourcing.



Each group company will achieve self-sustaining business expansion by making use of its own brand characteristics and thereby enhancing the value of the TSI Group.

Strengthening Group Management Capabilities

(4) Establishing advanced SCM (1/2)

Re-establish a production structure.

Reposition overseas production bases based on future perspectives

- Establish production bases in Asia.
 - Review the role of Chinese production bases, including TSI's own factory, and reposition them.
 - Shift production bases based on a long-term vision.

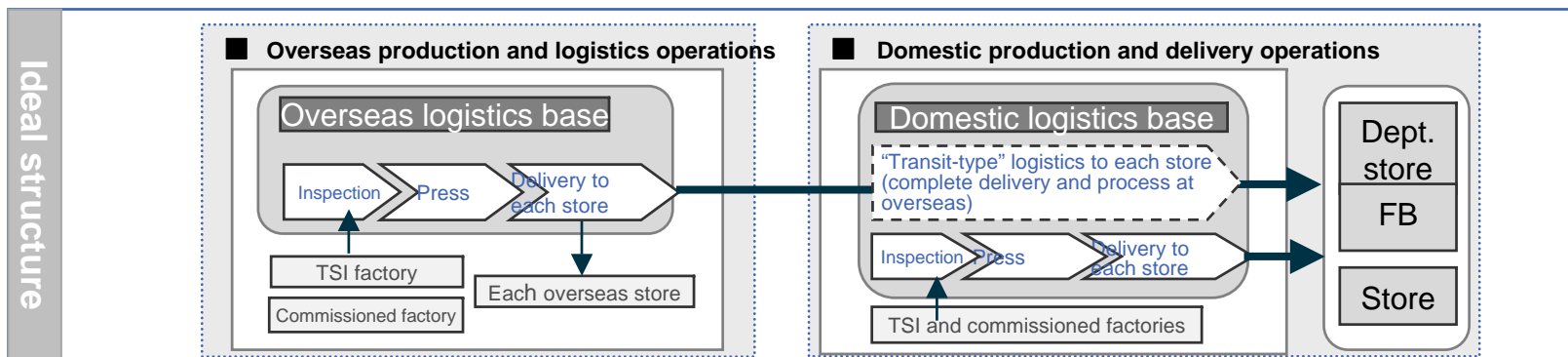
Reorganize the domestic production structure

- Optimize the domestic production structure.
 - Redefine the roles of TSI's own factories and external manufacturers and make effective use of them.
 - Increase product value by strengthening collaboration with influential domestic manufacturers.

Evolution to “ideal logistics” in the medium-to-long term

Review and restructuring of domestic and overseas logistics bases

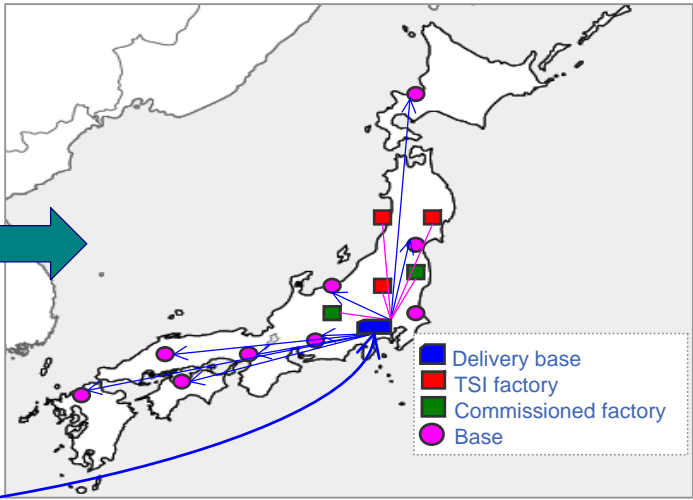
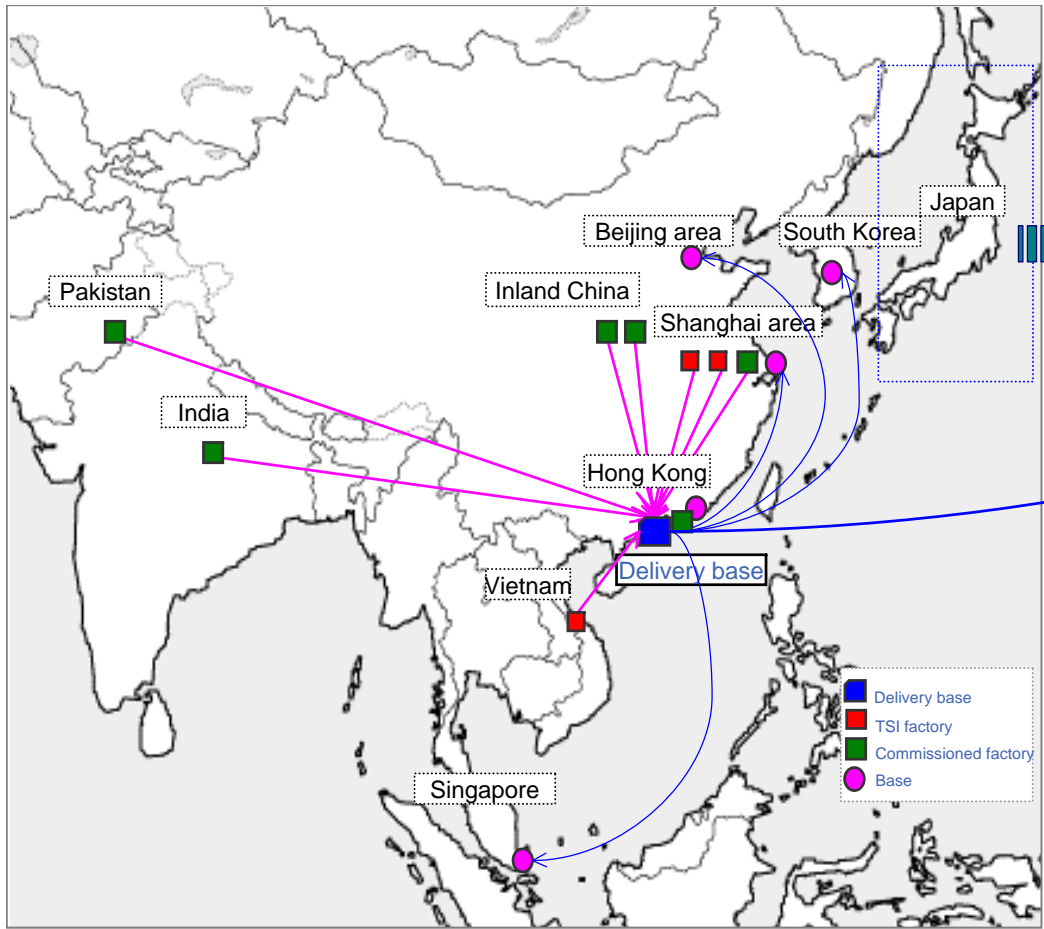
- Strengthen overseas logistics operation.
 - Establish delivery bases that can meet the needs of both domestic and overseas business.
 - Review the function of overseas/domestic logistics bases and establish “transit-type” logistics in Japan.



Strengthening Group Management Capabilities

(4) Establishing advanced SCM (2/2)

Final supply chain (image)



- (1) Reposition overseas production bases
 - Consider the optimization of overseas production bases, including TSI and commissioned factories.
- (2) Use overseas delivery bases
 - Establish a logistics center overseas.
 - Review domestic delivery functions by strengthening overseas logistics.
- (3) Restructure domestic production and delivery
 - Optimize production and transfer domestic delivery functions to “transit-type.”