



TSI Group Medium-term Management Plan
2015 Ending February to 2017 Ending February

2014.4.23

This Medium-term Management Plan is based on the TSI Group Medium-term Management Plan for the FY2013 to 2015 period released in April 2013.

Although our corporate philosophy and mission as well as the themes of the Medium-term Management Plan have remained unchanged since the plan's release back in April 2013, we made certain additions and revisions to our individual group strategies and group growth scenario in consideration of changing the external environment and internal circumstances.

Any forward-looking statements contained herein including target values are those based upon management's judgement made on the basis of the information and data that were obtainable at the time of the creation of this document, and it should be noted that actual results may potentially differ materially from the statements contained herein owing to various factors.

I. Ideal TSI Group

Maximum use of group synergy

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

Management based on the strongest business portfolio

Establishment of the “strongest business portfolio” in the fashion industry
→ **Business areas** × **Brands** × **Business model**

Diversified
business areas



Continuous development and
acquisition of new brands



Establishment of an
optimal business model

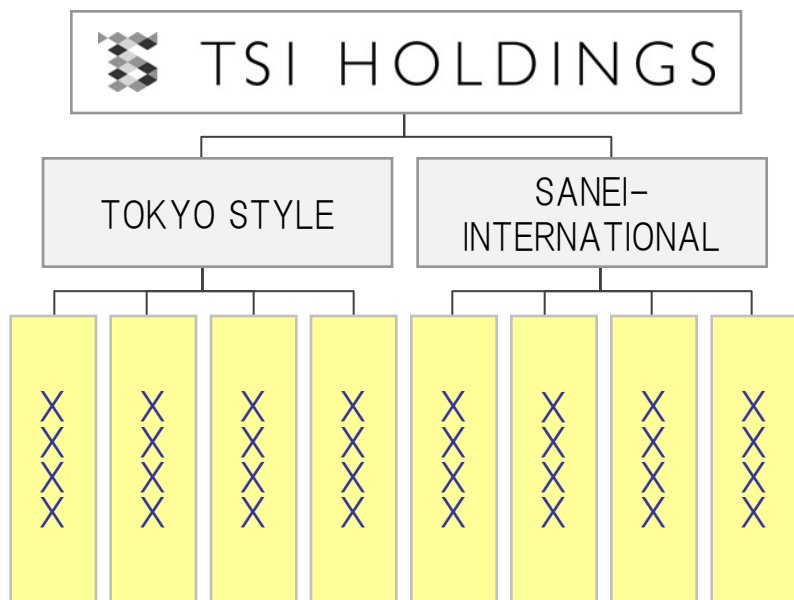
Up to 2014
Ending Feb.

In operation under a three-tier structure consisting of TSI HOLDINGS subsidiaries Tokyo Style and SANEI-INTERNATIONAL whose many subsidiaries are operating under their umbrellas respectively.

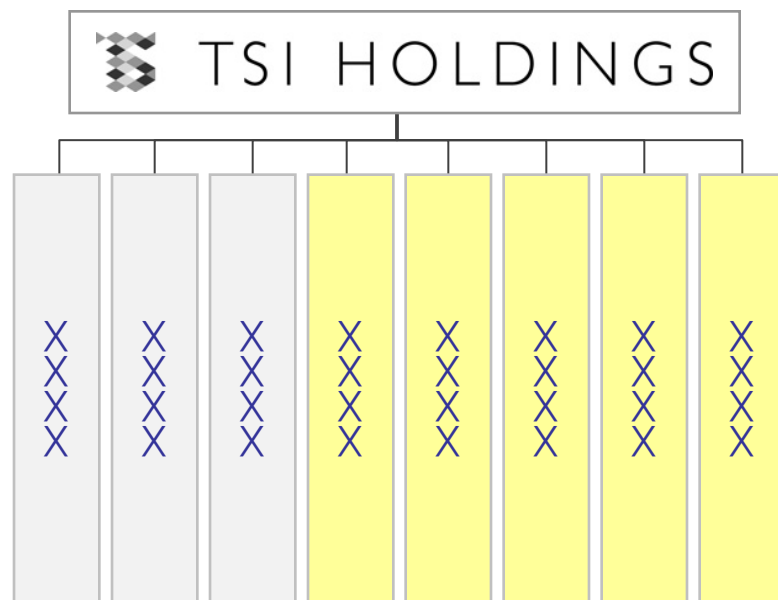
From 2015
Ending Feb.

Becomes a two-tier structure where almost all of the subsidiaries turned into direct subsidiaries under TSI HOLDINGS.

Organizational Chart of 2014 Ending Feb.



Organizational Chart from 2015 Ending Feb.



Almost all of the subsidiaries are operating directly under TSI HOLDINGS and the business merger has been truly completed



✓ Roles of group companies are clarified

- 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

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- Promote inter-group competition in a positive sense

✓ Roles of the parent company are clarified

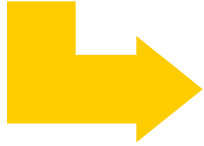
- Execution of the growth strategy that utilizes the resources of TSI HOLDINGS (advancement into new domains, major investments, M&A, etc.)

II. TSI Group Individual Business Strategies

Point 1

Improving profitability

→ Implement of investment on growth



- ✓ Development of new businesses
- ✓ Expansion of existing businesses

Point 2

Strengthening group management capabilities



- ✓ Creation of group synergy
- ✓ Strengthening of production and logistics functions

Point 3

Reforming cost structure



- ✓ Improvement of earning capacity of Challenging Subsidiaries

Point 1

Improving profitability

Development of new businesses

— Propose new cultures and styles with the themes of clothing, food and housing, unrestricted by apparel —

- From shopping spaces to community spaces -> Produce spaces where people gather
- Promote Investments, such as M&A and joint venture, etc.

Expansion of existing businesses

— Adopt a two-tier structure, in which we delegate authority to each company to utilize advantages of each company—

- Domestic: Execution of flexible & speedy management decision-making
- Overseas: Expansion of Asian market by overseas subsidiaries
- EC: Promote omni-channeling -> Raise the level of the EC ratio

Development of new businesses



Participate in space producing

- Scheduled to open **“SO-CAL LINK OMOTESANDO”**, which is a new commercial facility mixing fashion and cultures



Create consumption by planning/operating a commercial facility ourselves

NY contemporary brand
“REBECCAMINKOFF”



Produce spaces where people gather

Lifestyle select shop
“Planet blue world”



Organic coffee café from LA
“Urth Caffé”



Natural cosmetics from the U.S. “suki”



Propose new cultures and styles to consumers

...Also currently seeking to participate in other space businesses utilizing intangible advantages

Development of new businesses

Flexibly utilize the abundance of cash reserves of TSI HOLDINGS



HOLDINGS takes the lead to implement the expansion of earning capacity and exploitation of new domains, which are difficult to be implemented by individual group companies.

Actions

- Select optimal means as appropriate, such as M&A and joint venture, etc.

Aiming business domains

- Expand to business domains that transmit lifestyles and cultures unrestricted by apparel

...Currently considering businesses, which are popular overseas, in a specific manner in order to expand the domain of clothing, food and housing

Expansion of existing businesses

— Delegate authority to each company for each company to utilize advantages —

– Execution of flexible & speedy management decision-making

- (1) Channel policy according to brand characteristics and change in the consumption trend
- (2) Diversification of lifestyle
- (3) Optimal allocation of investment resources (people, things, spaces)
→ Focused investments in profit-making pillars

Domestic

– Expansion of Asian market by overseas subsidiaries

- (1) Expansion of the “m.tsubomi” brand by Beijing M.Tsubomi Fashion Co., Ltd. in China
- (2) Sales expansion in the Asian market excluding China by TSI Asia Ltd. (Hong Kong)

Overseas

– Promote omni-channeling → Raise the level of the EC ratio

- (1) Establish functioning company, TSI EC Strategies → Enhancement of EC business support functions
- (2) Expansion policy: Promote consumer retention through omni-channeling. Unifying the inventory for stores and EC in order to enable customers to receive products, which they ordered through EC, in stores.

EC

Point 2

Strengthening group management capacities

Creation of group synergy

- Improvement of group management functions
 - > Establishment of an appropriate governance system
- Enhancement of business infrastructure functions and shared functions
 - > Strengthening of business follow-ups with subsidiaries

*Business infrastructure functions: Production/logistics, store development, business development, EC support functions, etc.

*Shared functions: Finance/accounting, human resources, general affairs functions, etc.

Production/
logistics

Domestic

- Establishment of internal factories and associate factories
- Optimization of logistic centers

Overseas

- Share expansion in ASEAN (Thailand, Vietnam (Hanoi), Myanmar, Indonesia, etc.) and Northeastern China (Dalian, Changchun, and Harbin, etc.)
- Development of regions that respond to small lots and medium-scale lots
- Establishment of overseas logistics bases

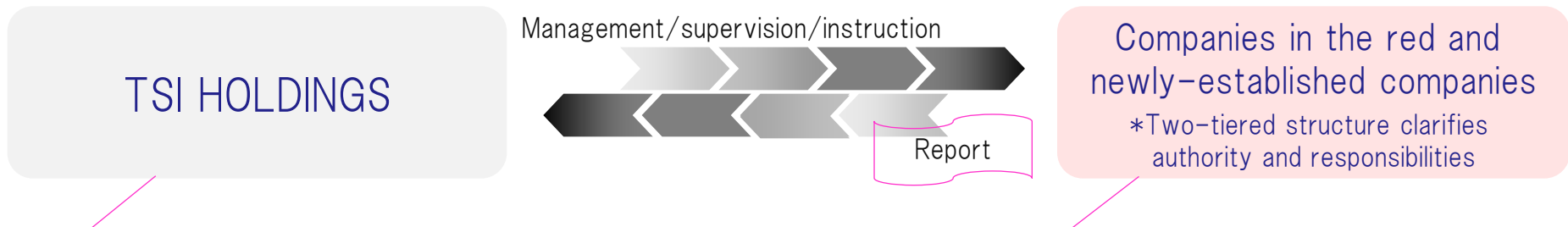
Point 3

Reforming cost structure

(1) Small but highly skilled work forces in organizations

- Cost reduction through streamlining of shared functions

(2) Reinforcement of management/supervision and monitoring of companies in the red and newly-established companies



- Turning all group companies into direct subsidiaries through group reorganization
→ Direct implement management/supervision of companies in the red

- Swift store scrap & build
- Early withdrawal of inefficient brands
- Report to HOLDINGS as necessary

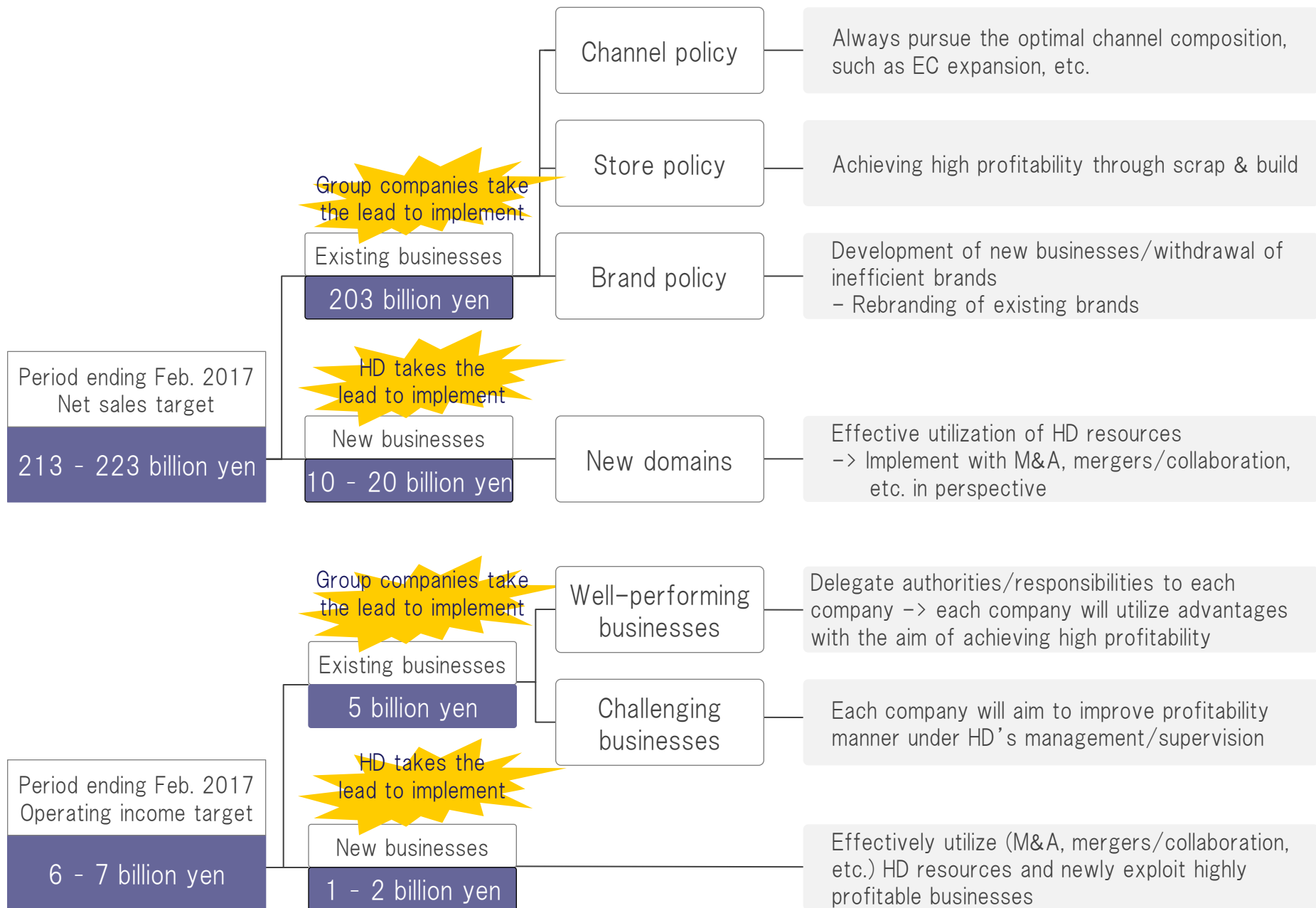
III. Medium-term Financial Objectives

Achievement of high earning capacity of existing businesses and expansion of new domains simultaneously

		2014 Ending Feb. Result	2015 Ending Feb. Plan	2016 Ending Feb. Target	2017 Ending Feb. Target
Net Sales	Domestic channels	153.8 billion yen	154.6 billion yen	161.1 billion yen	170.6 billion yen
	EC channels	16.2 billion yen	16.2 billion yen	17.6 billion yen	19.7 billion yen
	Overseas channels	11.8 billion yen	10.7 billion yen	11.9 billion yen	12.7 billion yen
	Total of existing businesses	181.9 billion yen	181.5 billion yen	190.6 billion yen	203 billion yen
	Development of new businesses (M&A etc.)	-	-	5 – 10 billion yen	10 – 20 billion yen
	Total	181.9 billion yen	181.5 billion yen	195.6 – 200.6 billion yen	213 – 223 billion yen

Operating Income	Total of existing businesses	-1.1 billion yen	2.5 billion yen	3.5 billion yen	5 billion yen
	Development of new businesses (M&A etc.)	-	-	0.5 – 1 billion yen	1 – 2 billion yen
	Total	-1.1 billion yen	2.5 billion yen	4 – 4.5 billion yen	6 – 7 billion yen

*Amortization of goodwill for M&A later than 2015 ending Feb. is not included in the calculation



*Amortization of goodwill for M&A is not included in the calculation