

# Retail Business Plan



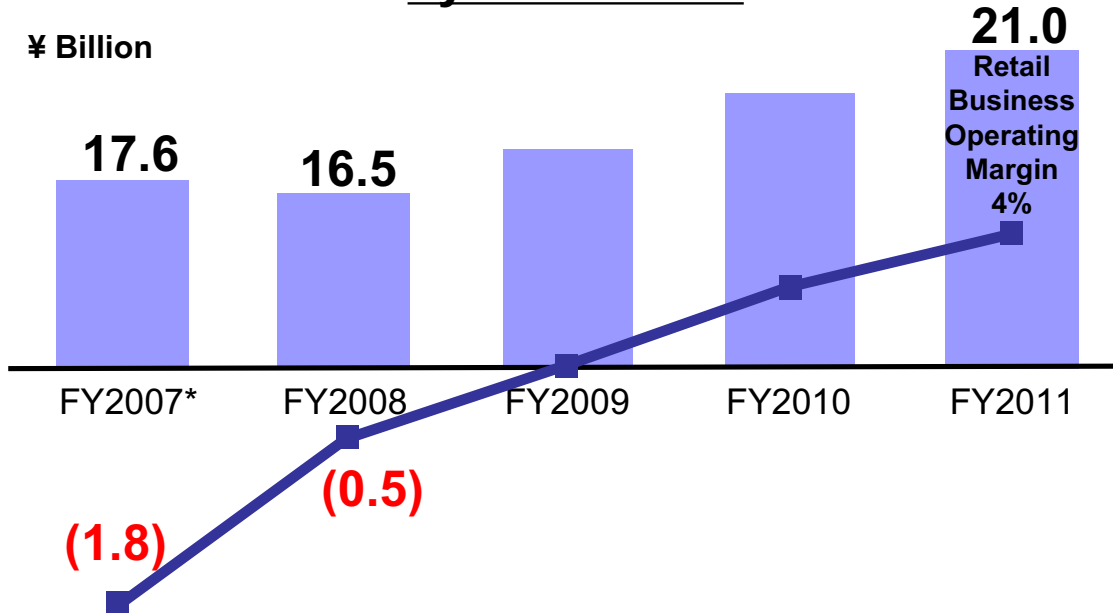
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Retail Networks Co., Ltd.

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(FY ending March 31, 2007)
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# Business Plan

## Retail Business Segment Revenues and Profit by Fiscal Year



\* Includes extraordinary loss for FY2007; all other years are operating income (loss) only.

Disney store

## Outline of Measures

1. Capitalize on Disney Brand appeal

2. Design store-based operations

3. Reform organizational culture and restructure management cycle

4. Drastically reduce costs

5. Implement growth strategy

Disney store

## Measures in the Second Half of FY2007 (1)

### Establish focused merchandising

- Center product mix and sales floor design on cross-category programs
- Develop products for collaborative Disney/Oriental Land Company (OLC) programs and guest-based programs
- Reorganize merchandising functions and processes to establish product mix management approach

### Design store-based retail operations

- Clarify responsibility for store management
- Simplify and transform organization to support stores
- Reform store operations and strengthen selling power of each store



## Measures in the Second Half of FY2007 (2)

### Reform organizational culture, management cycle

- Clarify responsibility by consolidating organization and reviewing assignment of senior level staff
- Establish a framework for and vigorously promote two-way communication
- Revise conferring bodies to quickly implement measures that improve daily results and establish a cycle that incorporates management intentions

### Overhaul the cost structure

- Trim head office staff
- Reduce distribution costs, store rents and other expenses
- Close unprofitable stores

### Effect of current FY measures

- Reduce year-on-year drop in revenues
- Forecast FY revenues of ¥17.6 billion and loss of ¥1.8 billion\*

\* Includes extraordinary loss for FY2007.



# Measures for FY2008 (1)

## Thorough in-store reform

- Transform into a culture of exchanging opinions and following through on decisions
- Instill commitment to numerical targets and a results-oriented approach

## Focused merchandising and sales promotion

- Establish program-centered sales floors to present the world view of the products
- Strengthen Disney/OLC collaborative products and sales promotions
- Strengthen measures targeting “Fantamiliar\*\*” members

\* A members' program that allows real-time understanding of customer needs from guest purchasing histories for use in marketing strategies.



# Measures for FY2008 (2)

## Lower cost of revenues ratio for merchandise

- Rebuild partnerships with vendors
- Cooperate in OLC vendor policy
- Reduce the number of SKUs by securing strong-selling products
- Increase proportion of items with high gross profit margins

## Strengthen quality control

- Change product quality control framework

## Begin working for new growth

- Strengthen e-commerce
- Renovate existing stores and open new ones



# Medium-term Plan

- Retail business performance targets for FY2011 (FY ending March 31, 2011)
  - Revenues: ¥21 billion
  - Operating margin: 4%
  
- Improve store profitability by renovating existing stores and closing unprofitable ones
  
- Build a network of over 60 stores through relocation and new openings
  
- Consider opening stores with new formats



## Measures and Targets to be Achieved by FY2011

	Revenues	Gross Profit	SG&A Expenses
<b>Measures</b>	<ul style="list-style-type: none"> <li>■ Center product mix and sales floor design on programs</li> <li>■ Strengthen collaborative planning with Disney/OLC</li> <li>■ Launch products that match target guests</li> <li>■ Strengthen quality control framework</li> <li>■ Improve selling power of each store</li> <li>■ Strengthen “Fantamiliar” measures</li> <li>■ Expand e-commerce</li> <li>■ Renovate/relocate existing stores and open new ones</li> </ul>	<ul style="list-style-type: none"> <li>■ Rebuild partnerships with vendors</li> <li>■ Cooperate in OLC vendor policy</li> <li>■ Reduce number of SKUs by establishing a line of strong-selling products</li> <li>■ Improve gross profit margin by strategically managing product mix</li> <li>■ Improve ordering precision</li> </ul>	<ul style="list-style-type: none"> <li>■ Thorough budget control</li> <li>■ Lower store rents</li> <li>■ Reduce distribution costs</li> <li>■ Reduce head office costs</li> <li>■ Close unprofitable stores</li> <li>■ Reduce store expenses through operational reform</li> </ul>
<b>Targets</b>	Revenues <b>+¥3.4 billion *</b>	Gross profit margin <b>+7 pts.*</b>	SG&A expense ratio <b>-3 pts.*</b>
	Retail business profit margin <b>+ 14 pts.*</b>		

\* Compared with FY2007.