

THE REJECT SHOP

17 March 2016
ASX Announcement

THE REJECT SHOP LIMITED (ASX:TRS)

The Reject Shop selects Toyota Tsusho Logistics to operate Truganina Distribution Centre

Summary:

- **Toyota Tsusho Logistics selected as third-party operator of new Victorian DC**
- **First full year (FY2018) operational cost savings of \$2.0 million**
- **Significant long term operating savings anticipated as part of the Company's overall strategy to improve operational efficiencies**
- **\$7.3 million in one-off redundancy costs to be booked in FY2016**

The Reject Shop today announced the selection of Toyota Tsusho Logistics (Toyota Tsusho) as the operator of the company's new Victorian distribution centre (DC) which is currently under construction and is due to commence operation in the first quarter of calendar 2017. Toyota Tsusho will be providing a turnkey solution to manage all of the operations at the new DC.

Managing Director, Ross Sudano, said: "The decision to pursue an outsourced operating model is a further element of our overall strategy to improve operational efficiency across the business and to reduce our CODB and improve our supply chain performance. It will also help to ensure our supply chain is more nimble, and give us greater flexibility and capacity for future expansion.

"It is important to acknowledge the significant efforts of the team at our Tullamarine DC, which have delivered ongoing support for our expanding operations. While further improvements to those delivered did present a credible alternative proposal, the benefits of the outsourcing proposal were too compelling to ignore," he said.

The new facility in Melbourne's near-west will offer improved handling capability to support the continuing steady growth of the Company's store portfolio and required logistics operations. When completed, the new facility will have a footprint of in excess of 35,000m², and all operations from the current facility at Tullamarine will shift to the new location.

The decision to outsource the operations of the DC will result in one-off redundancy costs of approximately \$7.3 million which will be booked in the 2016 financial year. The revised operating model will deliver compelling long term operating efficiencies with estimated cost savings of \$2.0 million in the first full year of operation (FY18) alone. This builds on the efficiencies already being achieved at the Company's automated Distribution Centre at Ipswich, Queensland.

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All entitlements for impacted employees will be met by the Company from operating funds and existing financing facilities.

Established in 1948, Toyota Tsusho has extensive experience as a supply-chain specialist of the Toyota Group and has been operating in Australia for forty-five years. Toyota Tsusho services clients including Bega, Electrolux and Yamaha in Australia and has also previously supplied warehousing services to The Reject Shop.

About The Reject Shop

The Reject Shop is Australia's largest discount variety retailer offering a wide range of quality consumer goods and branded merchandise, all at consistently low prices. It focuses on everyday needs including homewares, kitchenware, hardware, pet care, household cleaning products, toiletries and cosmetics. The Reject Shop has 338 stores nationwide and continues to expand its store network, opening around 10-15 new stores a year.

About Toyota Tsusho (Australasia)

Toyota Tsusho (Australasia) (TTA), is a wholly owned subsidiary of Toyota Tsusho Corporation, which was founded as a trading and supply-chain specialist of the Toyota Group. TTA has been operating in Australia since 1971 and over the past four decades, has evolved from a trader in a limited number of commodities and finished goods to a multi-business enterprise.

As a multi-business enterprise, TTA combines international trading with an expansive range of domestically targeted functions (e.g. supply-chain services, intermediate goods processing, third party logistics (3PL) etc.).

TTA is both an ISO 9002 quality endorsed company as well as recently being credited with the ISO14001 environmental management systems endorsement.

The Reject Shop Limited

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