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# **Fiscal Year Ending March 2019 Third Quarter Business Results Presentation**

**February 2019  
Wacoal Holdings Corp.**



**FY 2019 3Q Financial Results Summary**

**FY2019 Full Year Results Forecast**

**Reference**

# Changes of Accounting Policy Accompanying Revisions of Accounting Standards, etc.

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● With the revision of the United States' Generally Accepted Accounting Principles (GAAP), as of this year the following rules have been applied to our consolidated financial statements.

(1) Rules concerning profit occurring from contracts with customers

We consider amounts expected to be gained through the exchange of goods or services in accordance with a contract with a customer to be revenue. With the application of these rules, the liabilities pertaining to returned products that were included in the *returns adjustment allowance and allowance for doubtful accounts* for current assets until the previous year are, as of this year, now recorded as *refund liabilities* under current liabilities, and rights of recovery for returned products are recorded in *return assets* in current assets.

(2) Rules concerning perception and measurement of financial instruments

We appraise equity securities (excluding equity method investments and consolidated investments) with a fair value, and count the fluctuation in this value in net income and losses. With the application of these rules, other income and expenses in the consolidated income statement for the third quarter of this year include approximately ¥7.9 billion in securities and investment appraisal losses.

(3) Rules concerning statements of pension expenses and postretirement benefit expenses for a period

Of the pension expenses and postretirement benefit expenses for a period, we count structural elements other than business expenses as other income and expenses. In order to backdate the application of these rules, we have reclassified ¥810 million of operating expenses as other income and expenses in the consolidated cumulative period of the same period in the previous year.

\*For details, see page 9 of the appendix of the summary of consolidated financial results.

# Financial Results Summary (Consolidated)



**Net sales: -0.8% year-on-year** (3.6% lower than planned)

Domestic business: sluggish wholesale

Overseas business: Going well in China, struggling in USA

**Operating income: -8.8% year-on-year** (8.5% higher than planned)

Domestic business: Despite a real increase in income, operating income declined due to a rebound from compensation income from the previous year PJ business: further operating losses

**Income before taxes: -61.7% year-on-year** (54.9% lower than planned) Reduction in income from retirement allowance investment Impact of securities and investment appraisal losses (¥7.9 billion)

**\*Adjusted income before taxes: (not accounting for securities/investment appraisal profits): 8.3% reduction year-on-year** (7.9% over target)

	FY2018 3Q results, 6 months	FY2019 3Q results, 6 months	FY2019 3Q target, 6 months	Year on Year		Compared with Target		(Millions of yen)	
				Change	% Change	Difference	% Difference		
Consolidated net sales	148,416 (% of net sales)	<b>147,247</b> (% of net sales)	152,800 (% of net sales)	-1,169	- 0.8%	▲ 5,553	- 3.6%		
Cost of sales (%)	68,341 46.0%	<b>67,066</b> 45.5%	71,518 46.8%	-1,275	- 1.9%	▲ 4,452	- 6.2%		
Gross margin (%)	80,075 54.0%	<b>80,181</b> 54.5%	81,282 53.2%	106	+0.1%	▲ 1,101	- 1.4%		
SG&A expenses (%)	68,622 46.2%	<b>69,130</b> 46.9%	70,982 46.5%	508	+0.7%	▲ 1,852	- 2.6%		
Return of SG&A expenses (Compensation income and gain on sale)	-793	<b>-123</b>	0	670	-	▲ 123	-		
Operating income (%)	12,246 8.3%	<b>11,174</b> 7.6%	10,300 6.7%	-1,072	- 8.8%	874	+8.5%		
Other profit or loss	2,583	<b>2,419</b>	2,300	-164	- 6.3%	119	+5.2%		
Valuation loss on marketable securities and investments - net	4	<b>-7,912</b>	0	-7,916	-	▲ 7,912	-		
Income before taxes	14,833	<b>5,681</b>	12,600	-9,152	- 61.7%	▲ 6,919	- 54.9%		
Net income attributable to Wacoal Holdings Corp.	9,868	<b>4,342</b>	9,500	-5,526	- 56.0%	▲ 5,158	- 54.3%		
[Reference] After consolidation	Income before taxes excluding valuation loss on marketable securities and investments - net	14,829	<b>13,593</b>	9,500	-1,236	- 8.3%	4,093	+43.1%	

Exchange rates:  
USD = 111.14 yen  
GBP = 146.34 yen  
CNY = 16.85 yen

# Summary by Operating Segment : [Compared with Target]



## ■ Operating income settles at ¥900 million higher than target

- Domestic business: Improvement in gross margin ratio, reduction of SG&A expenses (reduction in general expenses, delay in hiring of sales staff)
- Overseas business: Increased revenue in China, improved gross margin ratio and reduction of SG&A expenses in Europe contribution from increased productivity at overseas plants and income from asset sales
- PJ/other business: Sluggish sales

(Millions of yen)

	FY2018 3Q results, 3 months	FY2019 3Q results, 3 months	FY2019 3Q target, 3 months	vs. Prev. FY	vs. Target	Effect of Exchange Rate Fluctuations	
						Difference due to previous FY rate	Difference due to current FY rate
Consolidated net sales	148,416	<b>147,247</b>	152,800	▲ 1,169	▲ 5,553	160	▲ 91
Wacoal Business (Domestic)	89,181	<b>86,581</b>	90,600	▲ 2,600	▲ 4,019		
Wacoal Business (Overseas)	39,340	<b>39,924</b>	41,000	584	▲ 1,076	166	▲ 94
Peach John Business	8,098	<b>8,012</b>	8,400	▲ 86	▲ 388	▲ 7	3
Other Businesses	11,797	<b>12,730</b>	12,800	933	▲ 70	1	0
Operating income	12,246	<b>11,174</b>	10,300	▲ 1,072	874	▲ 5	10
Wacoal Business (Domestic)	7,633	<b>7,214</b>	6,700	▲ 419	514		
Wacoal Business (Overseas)	3,933	<b>4,106</b>	3,050	173	1,056	▲ 5	11
Peach John Business	512	▲ 29	320	▲ 541	▲ 349	1	0
Other Businesses	168	▲ 117	230	▲ 285	▲ 347	▲ 1	▲ 1

# Wacoal (domestic): [Year-on-year]



**Net sales**

**¥86.58 billion**  
-2.9% -¥2.6 billion

**Operating income**

**¥7.21 billion**  
-5.5% -¥420 million

Net sales: Reduction in wholesale business net sales due to struggling sales within department stores ↓  
Increase in retail net sales led by major products ↑

Wholesale Business:	3% drop: Department stores	Bra sales recovering, but nightwear and maternity/junior innerwear struggling (in-store sales down by 4% ↓)
Retail Business:	1% increase: Continued strong sales of BRAGENIC (cumulative total of 550,000 in Q3) ↑, contraction in scale of sales through discount sales ↓	GMS and supermarkets Bra sales strong throughout winter (in-store sales up by 1% ↑)
Web Business:	1% increase: Growth of Wacoal's own EC sales (12% up ↑), slump in catalog sales (11% down ↓)	
Ai:	20% reduction: Swimwear: Sluggish sales in highest demand season (24% down ↓)	

Operating income: Income up for Wacoal (2.6% ↑) due to improved gross margin ratio  
Rebound from one-time profit in the form of compensation income from the previous year ↓

Net Sales of Wacoal Corp.	FY2018 3Q results, 6 months	FY2019 3Q results, 6 months	FY2019 3Q target, 6 months	Year on Year		Compared with Target	
				Change	% Change	Difference	% Difference
Wacoal Brand Business	42,989	<b>41,914</b>	43,000	-1,075	- 2.5%	-1,086	- 2.5%
Wing Brand Business	17,036	<b>16,604</b>	16,800	-432	- 2.5%	-196	- 1.2%
Wellness Business	4,651	<b>3,849</b>	4,500	-802	- 17.2%	-651	- 14.5%
<b>Wholesale business subtotal</b>	64,676	<b>62,367</b>	64,300	-2,309	- 3.6%	-1,933	- 3.0%
Others (Intersegment transactions, etc.)	1,628	<b>1,708</b>	1,900	80	+4.9%	-192	- 10.1%
<b>Wholesale business total</b>	<b>66,304</b>	<b>64,075</b>	<b>66,200</b>	-2,229	- 3.4%	-2,125	- 3.2%
Retail Business Div.	12,585	<b>12,723</b>	13,400	138	+1.1%	-677	- 5.1%
Web Sales Operation Dept.	5,661	<b>5,740</b>	6,200	79	+1.4%	-460	- 7.4%
Intersegment transactions, etc. eliminations	-2,267	<b>-2,390</b>	▲ 2,100	-123	—	-290	—
<b>Total</b>	<b>82,283</b>	<b>80,148</b>	82,900	-2,135	- 2.6%	-2,752	- 3.3%

(Millions of yen)

# Wacoal (overseas): [Year-on-year]



**Net sales**

**¥39.92 billion**  
+1.5% +¥580 million

**Operating income**

**4.11 billion yen**  
+4.4% +¥170 million

**USA**

Sales: Strong EC sales↑ Department store struggling in-store sales/bankruptcy↓  
Rebound from last-year's increase in department stores carrying our products↓  
Operating income: Impact of reduced revenue↓  
Reduction in gross margin ratio due to increased discount sales by department stores↓

**Europe**

Sales: Slowing orders from UK department stores⇒ strong EC sales in USA/successful sales promotions by prominent department stores↑ Sales in France sluggish↓ Review of unprofitable directly managed projects ↓  
Operating income: Contraction in discount sales, improved gross margin ratio due to review of UK RRP, etc.↑

**China**

Sales: Successful enhancement of sales in periods of demand, steady in-store sales at department stores↑  
Increase in third-party e-commerce sales↑  
Operating income: Improved gross margin ratio through increase in EC sales ratio and Wacoal brand sales ratio ↑

**Other countries**

Operating income: Increased productivity at overseas plant (Vietnam W) ↑  
Contribution of income from asset sales by A Tech Textile (Thailand) ↑

(Millions of yen)

		FY2018 3Q results, 6 months	FY2019 3Q results, 6 months	FY2019 3Q target, 6 months	JPY Basis				Local Currency Basis	
					Year on Year		Compared with Target		Year on Year	Compared with Target
					Change	% Change	Difference	% Difference	Change	Difference
Net sales	Wacoal International Corp. (U.S.)	15,108	<b>14,422</b>	15,200	-686	- 4.5%	-778	- 5.1%	- 4.1%	- 6.2%
	Wacoal Europe Ltd.	10,296	<b>10,390</b>	10,900	94	+0.9%	-510	- 4.7%	+0.5%	- 2.5%
	Wacoal China Co., Ltd.	7,917	<b>8,811</b>	8,600	894	+11.3%	211	+2.5%	+8.8%	+3.4%
Operating income	Wacoal International Corp. (U.S.)	2,099	<b>1,660</b>	1,880	-439	- 20.9%	-220	- 11.7%	- 20.7%	- 12.8%
	Wacoal Europe Ltd.	668	<b>843</b>	540	175	+26.2%	303	+56.1%	+25.7%	+59.9%
	Wacoal China Co., Ltd.	659	<b>820</b>	620	161	+24.4%	200	+32.3%	+21.8%	+33.1%

# Peach John (PJ) Business/Other Business: [year-on-year]



PJ

**Net sales**

**¥8.01 billion**  
-1.1% -¥90 million

**Operating losses**

**-¥30 million**  
Year-on-year difference  
-¥540 million

Sales: Business at domestic stores in the Q3 cumulative period (nine months) continuously fell below the same month of the previous year ↓ Taiwan saw a 44% year-on-year increase ↑  
Operating income: Impact of reduced domestic revenue ↓ Increased labor costs/recording of costs for moving offices ↓ Slowing growth rate of business in China ↓

Other

**Net sales**

**¥12.73 billion**  
+7.9% +¥930 million

**Operating losses**

**-¥120 million**  
Year-on-year difference  
-¥290 million

Lecien

Sales: Reduced orders from major general merchandise store PB ↓ Art/hobby, material and apparel sales also sluggish ↓  
Operating income: Operating loss due to impact of reduced revenue ↓

Nanasai

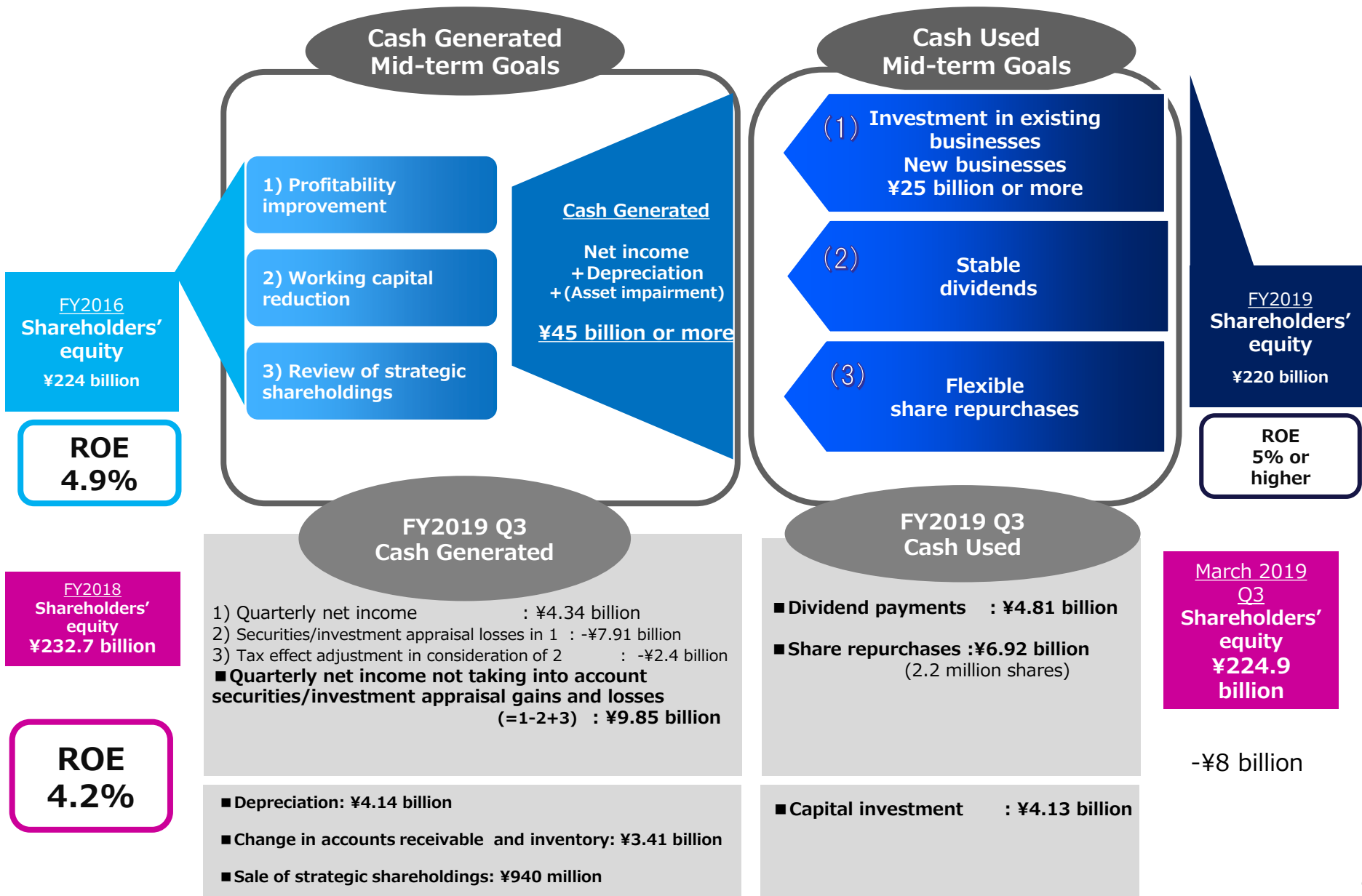
Sales: Completion of renovation of flagship branch of major department store ↑ Expanded orders for new decoration work ↑  
Operating income: No change in rental from last year ⇄ Effect of increased revenue ↑ Increased works to sales ratio, decrease in gross margin ratio ↓

(Millions of yen)

		FY2018 3Q results, 3 months	FY2019 3Q results, 3 months	FY2019 3Q target, 3 months	Year on Year		Compared with Target	
					Change	% Change	Difference	% Difference
Net sales	Peach John	9,098	<b>8,880</b>	9,700	-218	- 2.4%	-820	- 8.5%
	Lecien	6,988	<b>6,289</b>	7,500	-699	- 10.0%	-1,211	- 16.1%
	Nanasai	5,992	<b>7,608</b>	6,400	1,616	+27.0%	1,208	+18.9%
Operating income	Peach John	512	<b>-29</b>	330	-541	- 105.7%	-359	- 108.8%
	Lecien	59	<b>-334</b>	70	-393	-	-404	-
	Nanasai	22	<b>230</b>	30	208	+945.5%	200	+666.7%



# Capital Policy and Shareholder Returns





Summary

**FY2019 Full Year Results Forecast**

Reference

# FY2019 Full Year Results Forecast



Net sales

¥200 billion  
+2.2%

Operating  
income

¥10 billion  
-13.0%

- No changes to FY2019 results forecast or dividend forecast.
- Impact of fluctuation in securities/investment appraisal gains and losses not incorporated in results forecast

(Millions of yen)

	FY2018		FY2019					
	2Q results	Full-year results	2Q results	Full-year forecast	Full-year target	vs. FY2018		vs. target
						Change	% Change	
Net sales	148,416	195,725	147,247	<b>200,000</b>	200,000	4,275	+2.2%	0
Operating income	12,246	11,494	11,174	<b>10,000</b>	10,000	-1,494	- 13.0%	0
Net income attributable to Wacoal Holdings Corp.	9,868	9,745	4,342	<b>10,000</b>	10,000	255	+2.6%	0
Exchange rates	USD = ¥111.70 GBP = ¥145.75 CNY = ¥16.47	USD = ¥110.85 GBP = ¥147.03 CNY = ¥16.63	USD = ¥111.14 GBP = ¥143.34 CNY = ¥16.85		USD = ¥110.00 GBP = ¥150.00 CNY = ¥17.00			

- Dividend per share: Interim ¥36.00\*; Year-end ¥36.00 (planned)



[Upside]: Likelihood of better than expected results due to improved business efficiency in domestic and overseas business

[Downside]: Sluggish sales at domestic subsidiaries, potential impairment of intangible assets

	■Risks in the downside	□Risks in the upside
Domestic Business	<ul style="list-style-type: none"> <li>■Wacoal Corp.: Sluggish sales of department stores</li> <li>■Ai: Software impairment (*)</li> </ul>	<ul style="list-style-type: none"> <li>□Wacoal Corp.: Business efficiency enhancement (improvement in the gross profit rate, reduction in SG&amp;A expenses)</li> </ul>
Overseas Business	<ul style="list-style-type: none"> <li>■UK and USA: Sluggish sales of department stores channel (real store)</li> </ul>	<ul style="list-style-type: none"> <li>□Major corporate bodies: Reduction in SG&amp;A expenses</li> <li>□China: Sales increase during the EC shopping season</li> </ul>
Peach John Business	<ul style="list-style-type: none"> <li>■Impairment on intangible assets (*)</li> </ul>	
Other Businesses	<ul style="list-style-type: none"> <li>■Lecien: Receipt of fewer orders for private brand products</li> </ul>	

\*Depending on the transition of results this year, reevaluation regarding impairment losses may be necessary.

Even if these risks occur, they will not lead to a decrease in cash flow and therefore will not affect capital investment or shareholder returns.



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Summary

FY2019 Full Year Results Forecast

**Reference**



# List of Major Subsidiaries' FY2019 3Q Business Results

(Millions of yen)

	Net Sales							Operating Income						
	FY2018 3Q results, 3 months	FY2019 3Q results, 3 months	FY2019 3Q target, 3 months	Year on Year		Compared with Target		FY2018 3Q results, 3 months	FY2019 3Q results, 3 months	FY2019 3Q target, 3 months	Year on Year		Compared with Target	
				Change	% Change	Difference	% Difference				Change	% Change	Difference	% Difference
Wacoal	82,283	<b>80,148</b>	82,900	-2,135	- 2.6%	-2,752	- 3.3%	5,616	<b>5,764</b>	4,990	148	+2.6%	774	+15.5%
Peach John	9,098	<b>8,880</b>	9,700	-218	- 2.4%	-820	- 8.5%	512	<b>-29</b>	330	-541	-	-359	-
Lecien	6,988	<b>6,289</b>	7,500	-699	- 10.0%	-1,211	- 16.1%	59	<b>-334</b>	70	-393	-	-404	-
Nanasai	5,992	<b>7,608</b>	6,400	1,616	+27.0%	1,208	+18.9%	22	<b>230</b>	30	208	+945.5%	200	+666.7%
Ai	4,485	<b>3,593</b>	4,800	-892	- 19.9%	-1,207	- 25.1%	-213	<b>-233</b>	130	-20	-	-363	-
Wacoal International Corp. (U.S.)	15,108	<b>14,422</b>	15,200	-686	- 4.5%	-778	- 5.1%	2,099	<b>1,660</b>	1,880	-439	- 20.9%	-220	- 11.7%
Wacoal Europe Ltd.	10,296	<b>10,390</b>	10,900	94	+0.9%	-510	- 4.7%	668	<b>843</b>	540	175	+26.2%	303	+56.1%
Wacoal China Co., Ltd.	7,917	<b>8,811</b>	8,600	894	+11.3%	211	+2.5%	659	<b>820</b>	620	161	+24.4%	200	+32.3%
Wacoal Hong Kong Co., Ltd.	2,276	<b>2,071</b>	2,100	-205	- 9.0%	-29	- 1.4%	211	<b>183</b>	140	-28	- 13.3%	43	+30.7%
Major Subsidiaries (Local Currency Basis) (USD1=JPY111.14, GBP1=JPY146.34, CNY1=JPY16.85, HKD1=JPY13.98)														
Wacoal International Corp. (U.S.)	135,260	<b>129,762</b>	138,400	-5,498	- 4.1%	-8,638	- 6.2%	18,804	<b>14,916</b>	17,100	-3,888	- 20.7%	-2,184	- 12.8% (USD'000)
Wacoal Europe Ltd.	70,641	<b>70,994</b>	72,800	353	+0.5%	-1,806	- 2.5%	4,580	<b>5,756</b>	3,600	1,176	+25.7%	2,156	+59.9% (GBP'000)
Wacoal China Co., Ltd.	480,719	<b>522,893</b>	505,800	42,174	+8.8%	17,093	+3.4%	40,016	<b>48,725</b>	36,600	8,709	+21.8%	12,125	+33.1% (CNY'000)
Wacoal Hong Kong Co., Ltd.	158,371	<b>148,148</b>	156,100	#####	- 6.5%	-7,952	- 5.1%	14,735	<b>13,052</b>	10,200	-1,683	- 11.4%	2,852	+28.0% (HKD'000)

Note: Figures are before consolidation adjustment.

# FY2019 Sales and Income Targets for Major Subsidiaries



(Millions of yen)

	Net Sales				Operating Income			
	FY2018 results	FY2019 target	Year on Year		FY2018 results	FY2019 target	Year on Year	
			Change	% Change			Change	% Change
Wacoal	106,535	<b>107,600</b>	1,065	+1.0%	4,851	<b>4,100</b>	-751	- 15.5%
Peach John	12,076	<b>13,200</b>	1,124	+9.3%	441	<b>450</b>	9	+2.0%
Lecien	9,342	<b>10,400</b>	1,058	+11.3%	73	<b>200</b>	127	+174.0%
Nanasai	9,320	<b>9,200</b>	-120	- 1.3%	222	<b>200</b>	-22	- 9.9%
Ai	5,114	<b>5,600</b>	486	+9.5%	▲ 361	<b>60</b>	421	- 116.6%
Wacoal International Corp. (U.S.)	19,123	<b>19,700</b>	577	+3.0%	2,042	<b>1,900</b>	-142	- 7.0%
Wacoal Europe Ltd.	14,062	<b>14,900</b>	838	+6.0%	1,226	<b>900</b>	-326	- 26.6%
Wacoal China Co., Ltd.	10,593	<b>11,800</b>	1,207	+11.4%	519	<b>650</b>	131	+25.2%
Wacoal Hong Kong Co., Ltd.	2,924	<b>2,800</b>	-124	- 4.2%	168	<b>150</b>	-18	- 10.7%

Major Subsidiaries (Local Currency Basis) (USD = 110.00 yen, GBP = 150.00 yen, CNY = 17.00 yen, HKD = 13.68 yen)

Wacoal International Corp. (U.S.)	172,514	<b>178,700</b>	6,186	+3.6%	18,418	<b>17,500</b>	-918	- 5.0% (USD'000)
Wacoal Europe Ltd.	95,641	<b>99,300</b>	3,659	+3.8%	8,339	<b>6,000</b>	-2,339	- 28.0% (GBP'000)
Wacoal China Co., Ltd.	636,936	<b>692,000</b>	55,064	+8.6%	31,295	<b>38,000</b>	6,705	+21.4% (CNY'000)
Wacoal Hong Kong Co., Ltd.	203,053	<b>206,000</b>	2,947	+1.5%	11,729	<b>11,000</b>	-729	- 6.2% (HKD'000)

Note: Figures are before consolidation adjustment.

# FY2019 Wacoal Corporation Sales Plan by Division/Department



(Millions of yen)

Net Sales of Wacoal Corp.	FY2018 results	FY2019 target	Year on Year	
			Change	% Change
Wacoal Brand Business	53,150	<b>53,400</b>	250	+0.5%
Wing Brand Business	23,115	<b>22,700</b>	-415	- 1.8%
Wellness Business	6,040	<b>6,300</b>	260	+4.3%
<b>Wholesale business subtotal</b>	82,305	<b>82,400</b>	95	+0.1%
Others (Intersegment transactions, etc.)	2,702	<b>2,800</b>	98	+3.6%
<b>Wholesale business total</b>	<b>85,007</b>	<b>85,200</b>	<b>193</b>	<b>+0.2%</b>
Retail Business Div.	16,952	<b>18,000</b>	1,048	+6.2%
Web Sales Operation Dept.	7,567	<b>8,200</b>	633	+8.4%
Intersegment transactions, etc. eliminations	▲ 2,991	▲ <b>3,800</b>	-809	—
<b>Total</b>	<b>106,535</b>	<b>107,600</b>	1,065	+1.0%

Note: Figures are before consolidation adjustment.





Information within this document with respect to business plans, forecasts, strategies and other statements, including business performance figures, is based on Wacoal's assumptions in the light of the information currently available, and in no way precludes the uncertainties and risks inherent in these forward-looking statements. Furthermore, actual business results may, as a result of numerous factors, differ significantly from those expressed in statements in this document.