

PEACH JOHN

**Efforts to Improve the Profitability of
the Peach John Business and Its Future**

Tochio Manabu

Peach John Co., Ltd.

President

Tochio Manabu

1989 Joined Wacoal Corporation

2002 Manager of the Products Division, Wacoal China Co., Ltd.

2008 CW-X Brand Manager of the Wellness Business Department,
Wacoal Corp.

2012 General Manager of Peach John Shanghai Co., Ltd.

2017 President and Vice General Manager of Wacoal China Co., Ltd.

2019 President of Peach John Co., Ltd.

(President and General Manager of Peach John Shanghai Co., Ltd.
since January 2020)



Company Overview

Company Name: Peach John Co., Ltd.

Established: June 1994

History: 1988 Published the first catalog

1994 Established as a mail-order company for imported underwear, and opened the first retail store

2006 Capital business alliance with Wacoal Holdings

2008 Became a wholly owned subsidiary of Wacoal Holdings

2008 Opened a directly-managed store in Hong Kong (first overseas expansion)

2010 Opened a directly-managed store in Shanghai

2017 Opened a directly-managed store in Taiwan

Sales: JPY 10.48 billion (FY end Mar. '20 Peach John Segment)

Number of Employees: 491 (including 326 sales staff) Note: As of January 2021

Number of Directly-managed Stores: 36 in Japan and 11 overseas

Subsidiaries: Peach John Hong Kong, Peach John Shanghai, and Taiwan Peach John

Products: Bras, lingerie, innerwear, loungewear, etc.



Brand Lineup: Peach John as its master brand, with two sub-brands with a shared value and for different generations

PEACHJOHN



Target: Around thirties
A brand of lingerie, loungewear, body care cosmetics, etc. for women who celebrate who they are

GIRLS
by PEACH JOHN



Target: Late teens to early twenties
The sister brand of Peach John, created for girls who seek happiness and excitement every day (Launched in 2020)

SALON
by PEACH JOHN



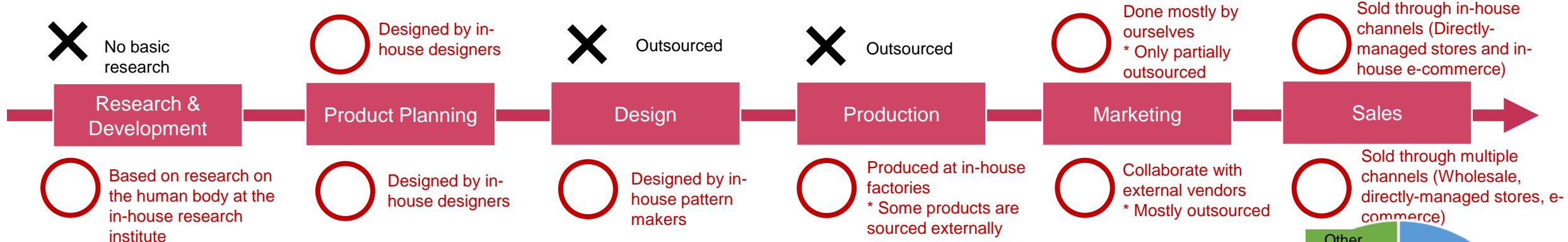
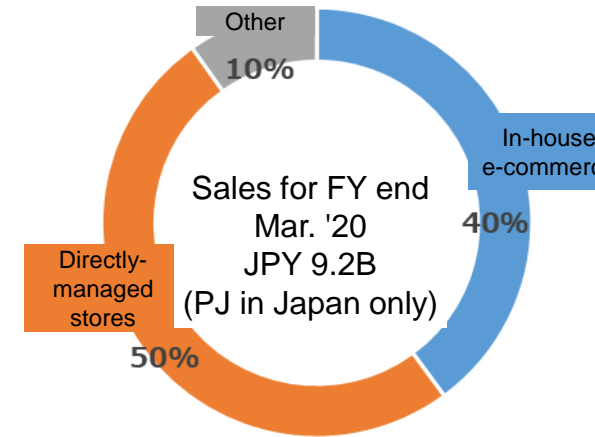
Target: Around mid-forties
A brand of lingerie and other products designed for adults who enjoy their lives in their own ways (Launched in 2013)

Business Characteristics (Compared With Wacoal)

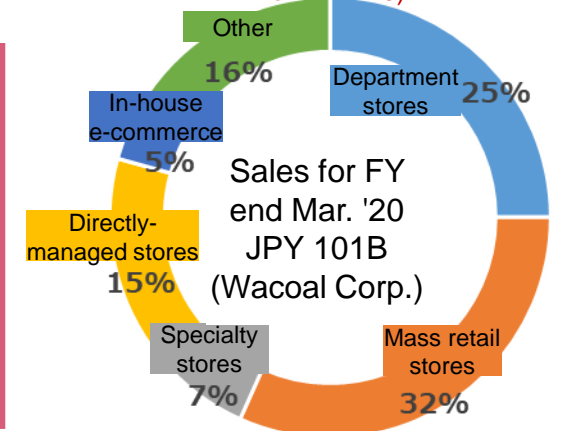
PEACH JOHN

PEACH JOHN

- Value Chain Characteristics: Fables business model
→ **Low cost and short delivery times**
- Product Characteristics: Outsource design and production to external vendors rather than doing them in-house
→ **Immediately reflects the sensibilities of trends and consumers in product planning**
- Sales Characteristics: Sales through in-house sales channels, high marketing capabilities
→ **Leverages content development capabilities and social media (directly-managed stores are media)**

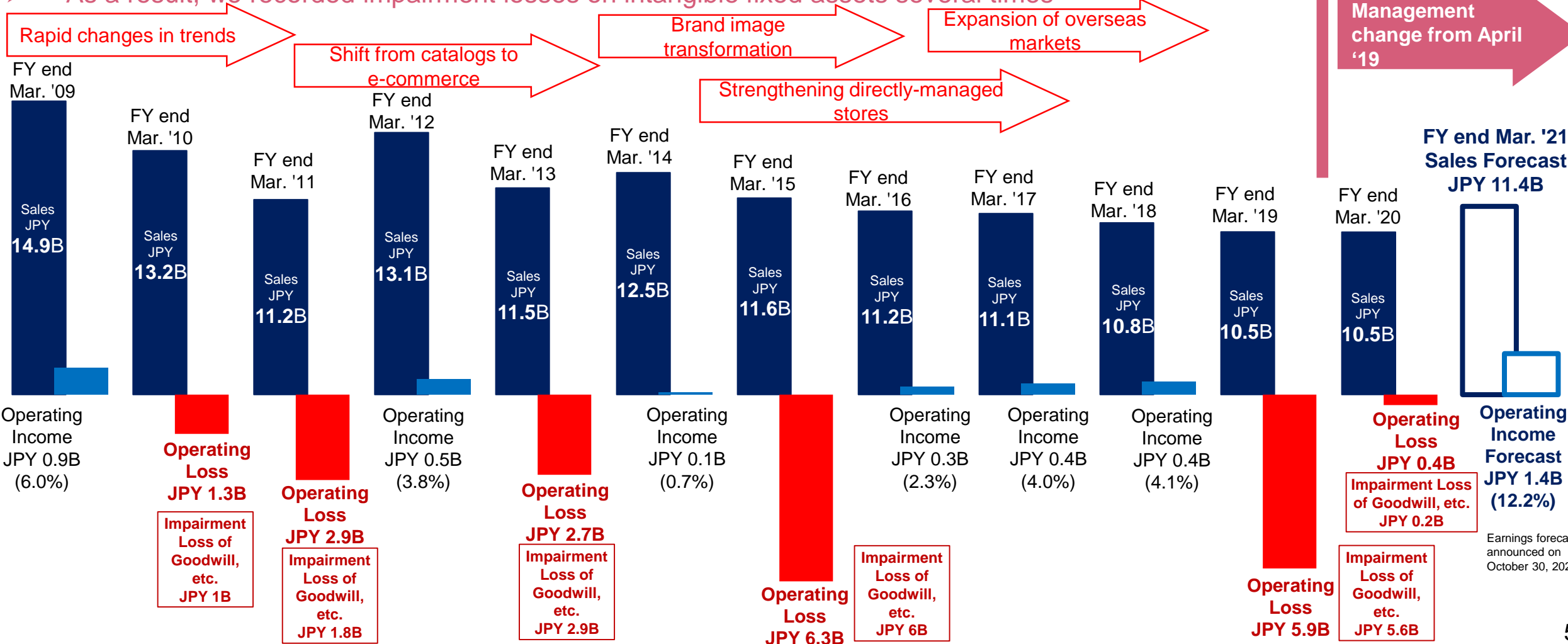


- Value Chain Characteristics: Vertically-integrated business model
→ **High quality, stable production**
- Product Characteristics: Product development based on basic research, planning and design by in-house designers
→ **High functionality and fit, and meets diverse needs**
- Sales Characteristics: Sales through multiple channels, high consulting capabilities
→ **Link online and offline sales, and further leverage customer data**



Changes in Business Performance Since Becoming a Subsidiary

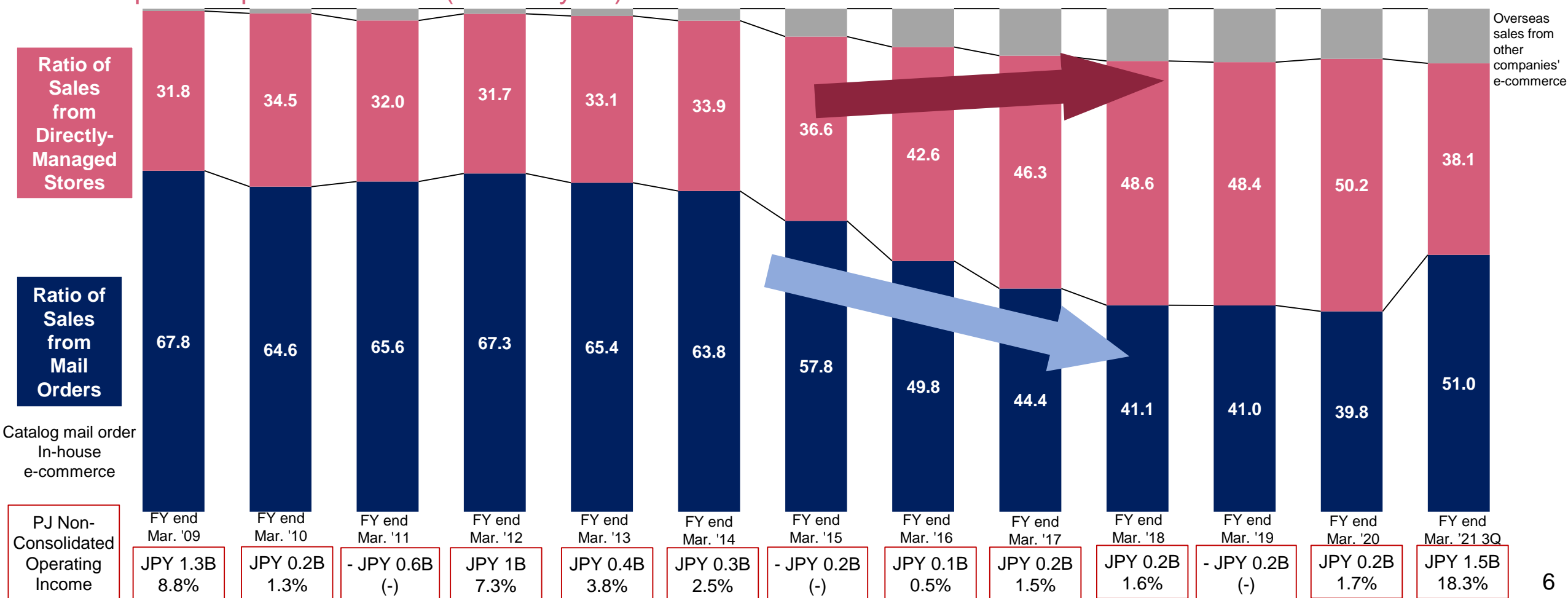
- Unable to achieve growth and expansion as planned. This was due to the decline in demand for underwear, which strongly reflects current trends and shrinking mail orders
- Aimed for growth through transforming our brand image and strengthening our product capabilities, enhancing our stores and e-commerce, and growing our overseas business, but we couldn't improve profits
- As a result, we recorded impairment losses on intangible fixed assets several times



Earnings forecasts announced on October 30, 2020

Changes in the Sales Ratios in Domestic Business

- Tried to shift from catalog mail orders to a business model in which people see a catalog and buy products through e-commerce, but struggled
- Opened more directly-managed stores as a measure to expand sales, but the cost structure deteriorated and profitability declined
- Opened up to 44 stores (Currently 36)



Challenges

- ① Continued investment in unprofitable businesses
- ② Regular discounting
- ③ Decline in merchandising capabilities
- ④ Ambiguous customer targets

Deterioration in management efficiency
Decrease in new customers

⇒ Formulated a Strategy for Regrowth, with the Strengthening of Our Own E-Commerce as the Pillar of Restructuring Peach John's Business

Initiatives

1. Discontinue catalogs (discontinued after '19 fall issue)
In addition, withdraw from unprofitable stores (9 stores in total for FY end Mar. '20)
⇒ **Reduce SG&A**
2. Review sales methods and curb excessive sales (thoroughly manage inventory)
⇒ **Improve sales profit ratio**
3. Strengthen initiatives to link Peach John's advantages to business performance
⇒ **Explained later**

Improve Profit-Generating Capabilities

Changes in Performance and Indices through Structural Reform

PEACH JOHN

Note: Non-consolidated figures for Peach John in Japan (including internal sales)

		FY end Mar. '19	FY end Mar. '20		FY end Mar. '21 3Q	
Sales (JPY M)		9,943	9,840	↓	8,284	↑
	Sales Profit Ratio (%)	60.3	61.5	↑	65.9	↑
	SG&A (JPY M) (SG&A Ratio [%])	6,204	5,890	↓	3,942	↓
		62.4	59.9	↓	47.6	↓
Operating Income (JPY M)		-208	163	↑	1,513	↑

		FY end Mar. '19	FY end Mar. '20		FY end Mar. '21 1st Half*	
Number of Purchases (K) * 6 months for FY end Mar. '21 1st Half	In-house e-commerce	508	497	↓	387	↑
	Stores	857	875	↑	328	↓
New Customer Ratio (%)	In-house e-commerce	25.5	28.6	↑	33.6	↑
	Stores	47.9	47.8	↓	43.2	↓
Number of Purchases per Year (Times/Year) * "Times/6 months" for FY end Mar. '21 1st Half	In-house e-commerce	1.65	1.59	↓	1.41	↑
	Stores	1.46	1.46	→	1.25	↑

PEACH JOHN

Strengthening Initiatives to Link Peach John's Advantages to Business Performance

- (1) Leverage our advantages as a mail-order company
- (2) Strengthen customer acquisition and retention
 1. Efficiently link the buzz to an increase in new customers
 2. Increase the number of purchases per year by existing customers through retention (CRM activities)

- Peach John is essentially a "mail order company"
- Female employees plan products and promotions on their own from the users' (women) perspective
- Refine the ability to create a buzz using the outstanding creativity cultivated through catalog making



Example 1. Think out a launch that women can empathize

Who to choose as the muse, and when and how to launch the inauguration of the muse are all based on the research and discussions of our female employees.

In January 2021, freelancing anchorwoman and actress Minami Tanaka was appointed as our new muse. Named as "Most Beautiful Woman" in a women's magazine in 2020, she is an icon of women in Japan. While leveraging her personality and character, **we thought out a launch that women can empathize**, and developed a launch plan along with one for promotion visuals. We held a press conference for her appointment on January 20, and it became a hot topic of conversation through the media and social media. It has had a very positive impact on sales with promotion products selling out in a few days after the announcement. We plan to conduct various promotions with Minami Tanaka for each season over the course of this year.





Example 2. Try (a project realized from an idea of our employees)

This project was originally started with the theme of **making Peach John more accessible to women around the world.**

The idea came about from daily discussions by our female employees.

We recruited people from the general public via social media to serve as models, and our female employees screened over 600 applicants in auditions. The Real Size Models project consisting of people of various ages, body types, and occupations launched in 2019.

The original purpose was to help customers buying bras personalize the image of wearing the products by seeing on the e-commerce website more "realistic" models of similar size and shape to themselves wearing the products, rather than professional models.

It has also become a hot topic as an example of incorporating the idea of being Body Positive, which is becoming a trend in the world, ahead of others in Japan. As such, we have been featured in the fashion magazine *WWD JAPAN*, and have been receiving requests for interviews one after another.



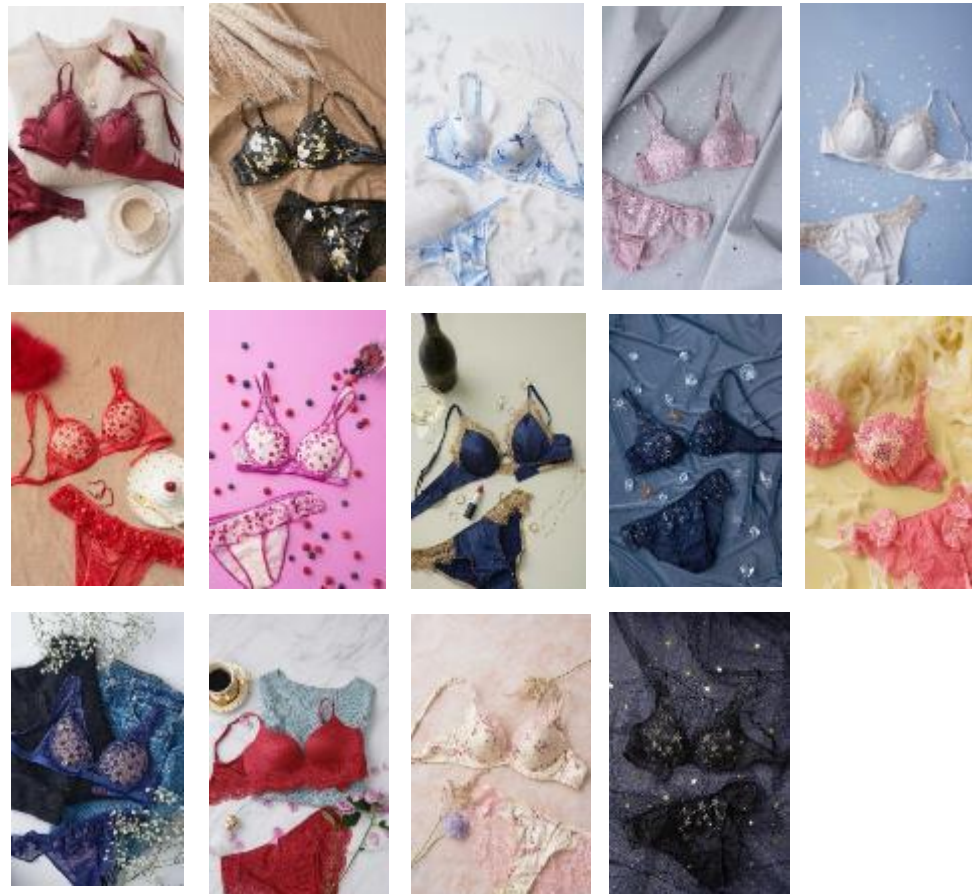
Example 3. Make products that we think are cute

This year's Valentine's Day promotion. This is a successful example of creating the iconic Peach John atmosphere with visuals that are happy, eye-catching, and exciting for women.

These visuals **instantly excited our female employees the moment they saw them in the early stages of production.** Visuals like these that were successful in boosting the honest mood and empathy of the creators involved **are likely to be accepted by women around the world as a result, leading to purchases.**

Traditionally, we have done promotions with themes like "have fun with your lover" for Valentine's Day. However, for this year, in response to the pandemic, we chose the theme **"Happy Valentine's Day to Me"** and **launched a promotion that's more empathetic to customer sentiment.**

This content **generated a buzz on social media and among customers** after it was featured by an influential media outlet via social media on the day of its release.



Example 4. Re-shoot the pictures of unsuccessful products from a women's point of view

There were some products that didn't sell well with the visuals that were originally prepared. **We re-shot their main visuals while listening to the opinions of our employees** to replace them with photos that would look attractive on SNS and **boosted women's mood**. Making them look better has led to more purchases than expected.

1. Efficiently link the buzz to an increase in new customers

⇒ Advertising that leads to SALES rather than PR (impressions)

How to Pursue Advertising Efficiency

- (1) Establish clear KPIs such as the number of new customers and the number of purchases (in-house e-commerce/retail stores)
- (2) Establish a method for measuring the effectiveness of advertising
 - Before: Focus on IMP
 - Now: Measure effectiveness through actions from clicks leading to purchases
- (3) Compare the expectation of achieving KPIs with the cost of investment and adopt the more efficient advertising media

2. Increase the number of purchases per year by existing customers through retention (CRM activities)

⇒ Retain customers and increase the number of loyal customers by enhancing member benefits and constant approach to members

Strength

Highly successful content unique in a mail-order company



Acquisition

Review communication methods (Focus on effects on sales)



Retention

Retain existing customers (CRM activities)



Increased new customer ratio
Increased number of purchases

Buzz Increased

High-profile



Ad Views Increased

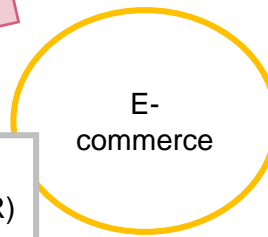
Web advertising costs
↕
Effect (IMP, click, etc.)

Social media spreading costs
↕
Effect (IMP, clicks, shares, comments, likes)

Number of Visitors Increased

Effect (CVR)

Effect (Number of visits, CVR)



Purchase Rate Increased



Number of Purchases Increased

CRM Activities

- Member Retention Measures (example)
 - Enhancement in membership benefits and making announcements
 - Double discounts for members four times a year
 - Invitation to store events (by lottery)
 - Participation in product trials (by lottery)
 - Participation in amateur models (by lottery)
 - Novelty goods (for VIP members)
 - Birthday coupons (500 - 1000 yen discount)

1. Strengthen the ability to develop content and disseminate information

⇒ Express Peach John's management philosophy of Energetic, Happy, and Sexy in accordance with the changing times

2. Develop human resources who can verify the effectiveness of advertising and make management decisions based on data

⇒ Need to train future managers who can develop strategies to evolve Peach John into a company that can always grow

3. Regrow the overseas business and improve profitability

Challenges

(1) Decline in competitiveness due to a weakened brand power (both directly-managed stores and e-commerce)

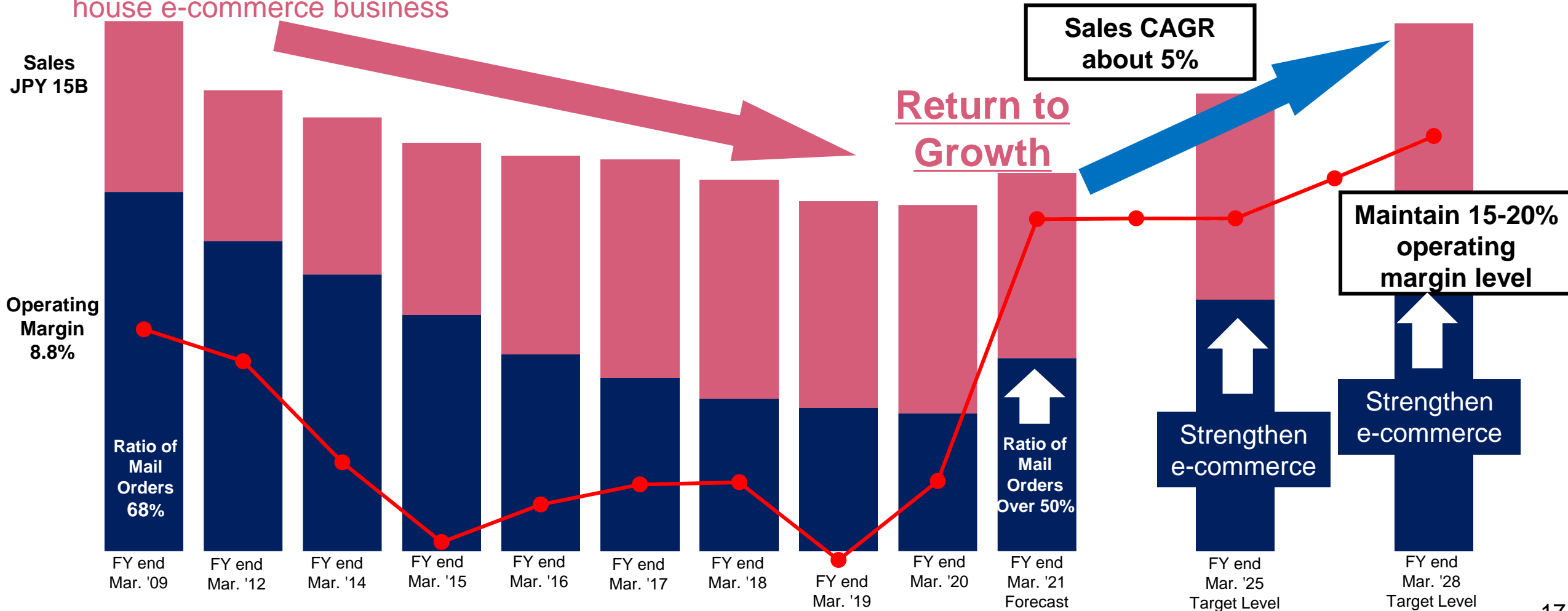
(2) Decline in inventory management capabilities

⇒ Improve the cost structure and achieve sales growth by making good use of the successful Japanese content, as well as with the help of local influencers

⇒ Re-evolve into a brand that is supported by customers in Asia

Medium- to Long-Term Targets

- Return to the sales level immediately after the acquisition (about JPY 15B) by continuing to acquire new customers and increasing the number of purchases made by existing customers
- Consistently generate a high operating income level (15-20%) by increasing the ratio of sales in high-margin in-house e-commerce business



WACOAL HOLDINGS CORP.

The information contained herein regarding prospects for future performance has been prepared based on information available at the time of the creation of this document, and it does not warrant or promise its fulfillment or achievement. It is also subject to change without notice.

While we have paid the utmost care when providing this information, we assume no responsibility for any errors that may be included.