



**FY2017 – FY2019**

**Medium-Term Management  
Plan Summary**

**May 2016**  
**Wacoal Holdings Corp.**



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## **Review of FY2014 – FY2016 Medium-Term Management Plan**

The Wacoal Group's Operating Environment

Medium-Term Management Plan and  
Key Measures to Achieve It

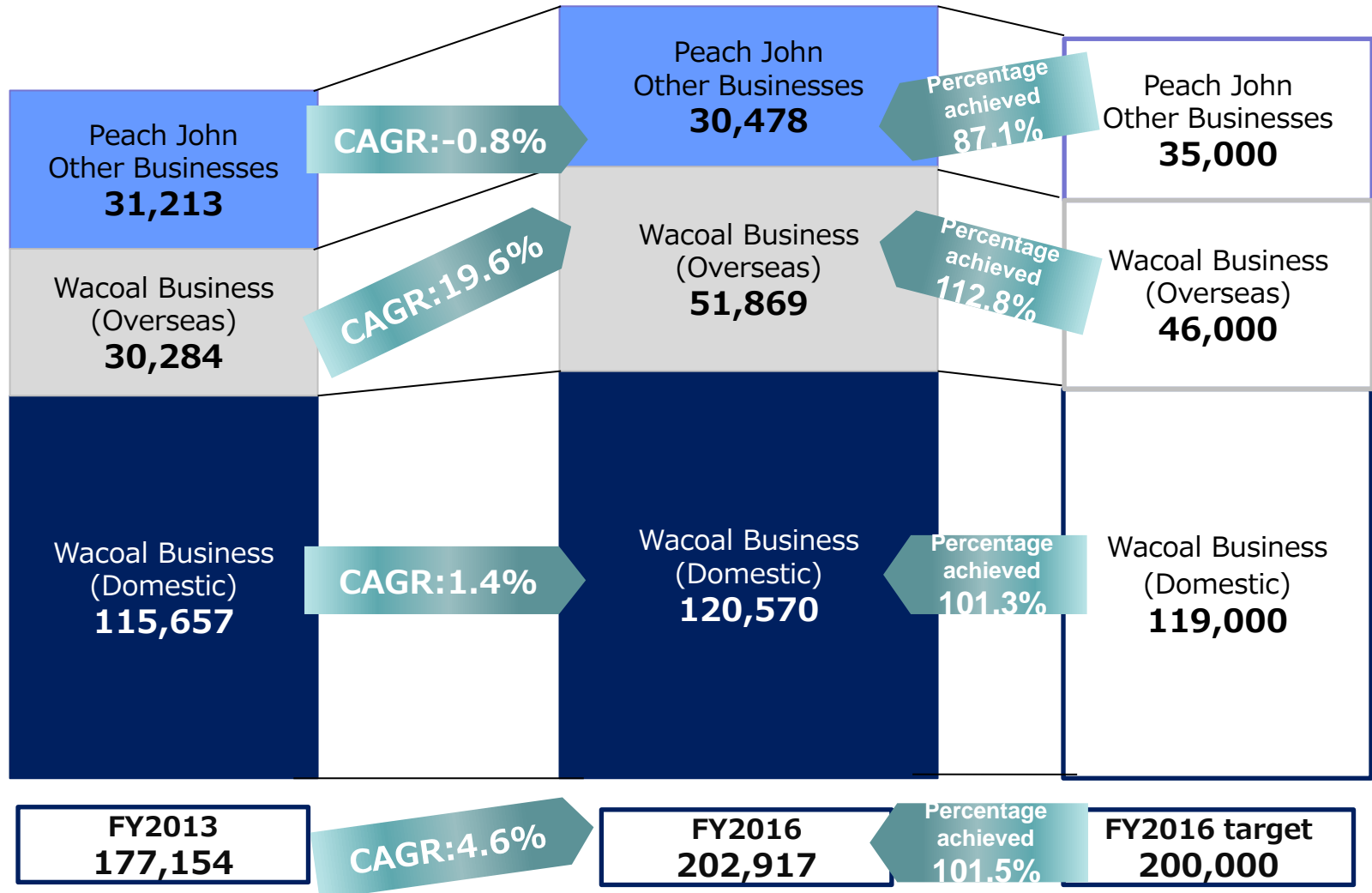
Reference Data

# Review: Sales Growth



## Net sales reached plan target

(Millions of yen)

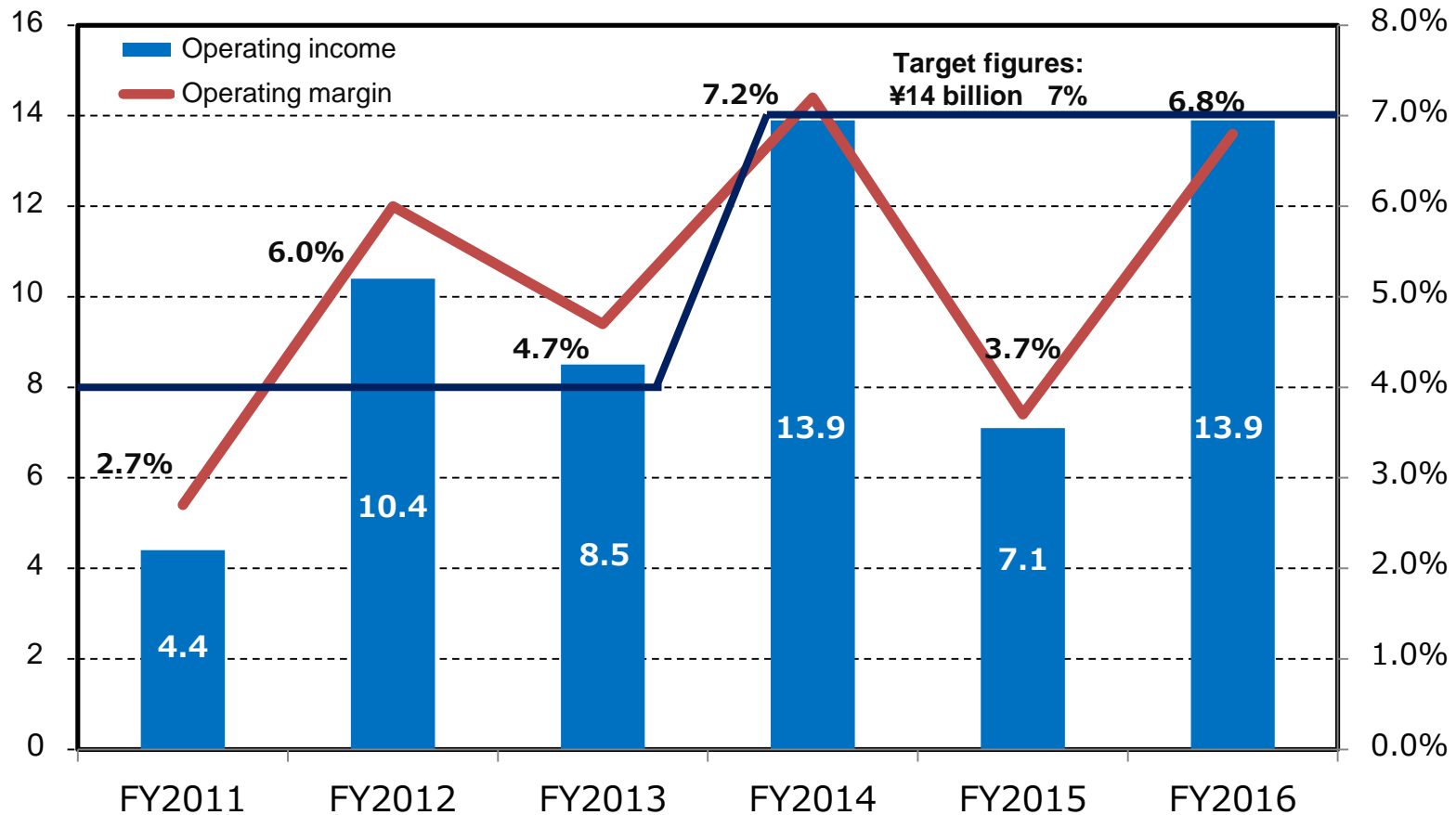


# Review: Operating Income



## Operating income fell just short of the plan target

(Billions of yen)



## Review: Performance Indicators after the Shift to a Holding Company



In the medium term, we have improved profitability and strengthened our financial position. On the other hand, decreasing investment opportunities led to a buildup of free cash flow.

Millions of Yen, %	FY2006	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Net sales</b>	164,122	165,548	171,897	180,230	193,781	191,765	202,917
<b>Operating income</b>	1,333	4,401	10,377	8,499	13,860	7,082	13,865
<b>Operating margin</b>	0.8%	2.7%	6.0%	4.7%	7.2%	3.7%	6.8%
<b>Net income</b>	2,821	2,785	6,913	7,880	10,106	8,444	11,159
<b>Free cash flow (Operating + investment)</b>	-1,350	8,508	6,593	-10,685	10,607	14,501	1,227
<b>Total assets</b>	242,296	215,276	221,098	254,536	271,988	300,272	292,854
<b>Shareholders' equity</b>	186,475	167,480	171,496	186,646	205,106	228,857	224,375
<b>EPS (yen)</b>	19.60	19.73	49.08	55.95	71.75	59.95	79.23
<b>Dividends per share (yen)</b>	20	20	28	28	30+3	30	33
<b>ROE</b>	1.6%	1.6%	4.1%	4.4%	5.2%	3.9%	4.9%
<b>Overseas sales ratio</b>	12.5%	12.4%	13.0%	18.9%	22.7%	25.3%	25.7%

# Review: Progress of Priority Measures (1)

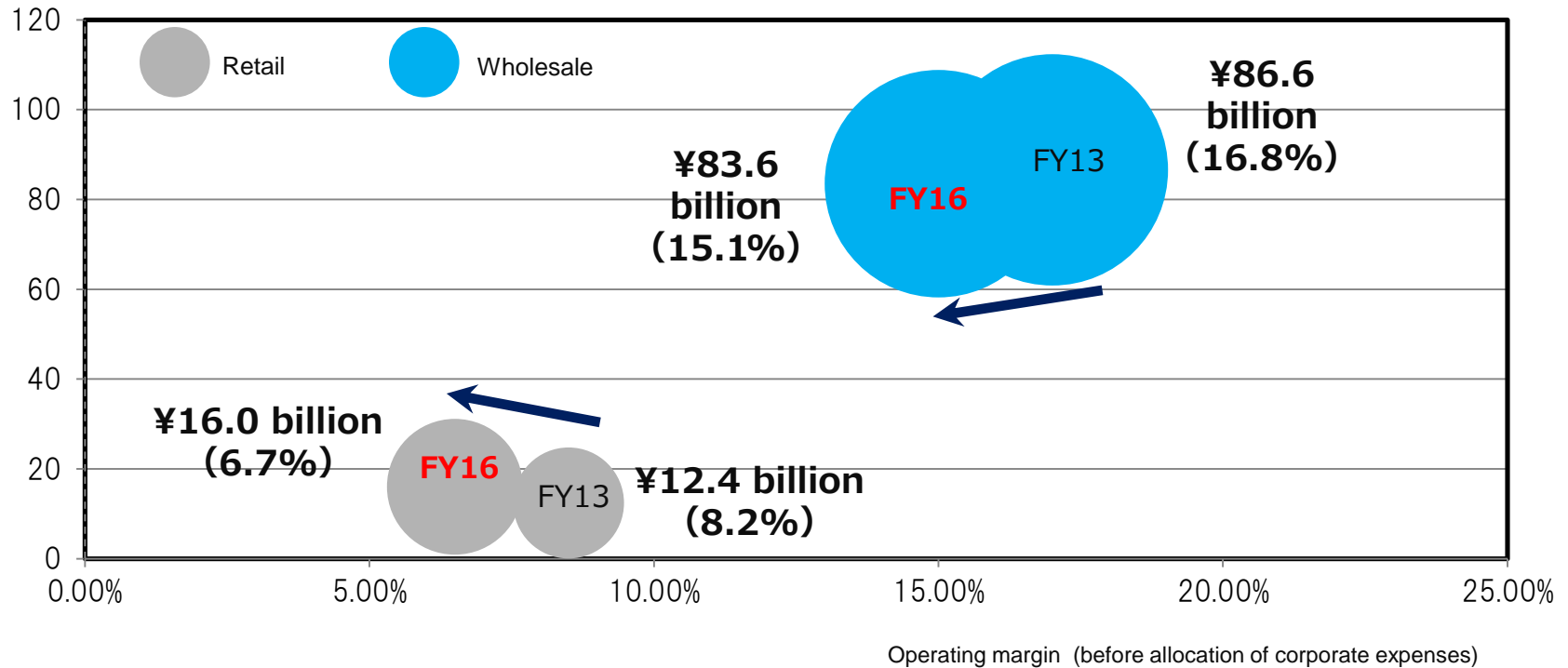


Domestic wholesale operations contracted while retail business grew, but profitability was an issue.

## Response to diversification of domestic market

- Increased focus on first-time wearers and seniors
- Expansion of products in mid-price range
- Cultivation of regions where our share is relatively low
- Diversification of directly managed store formats

Sales (Billions of yen)



# Review: Progress of Priority Measures (2)

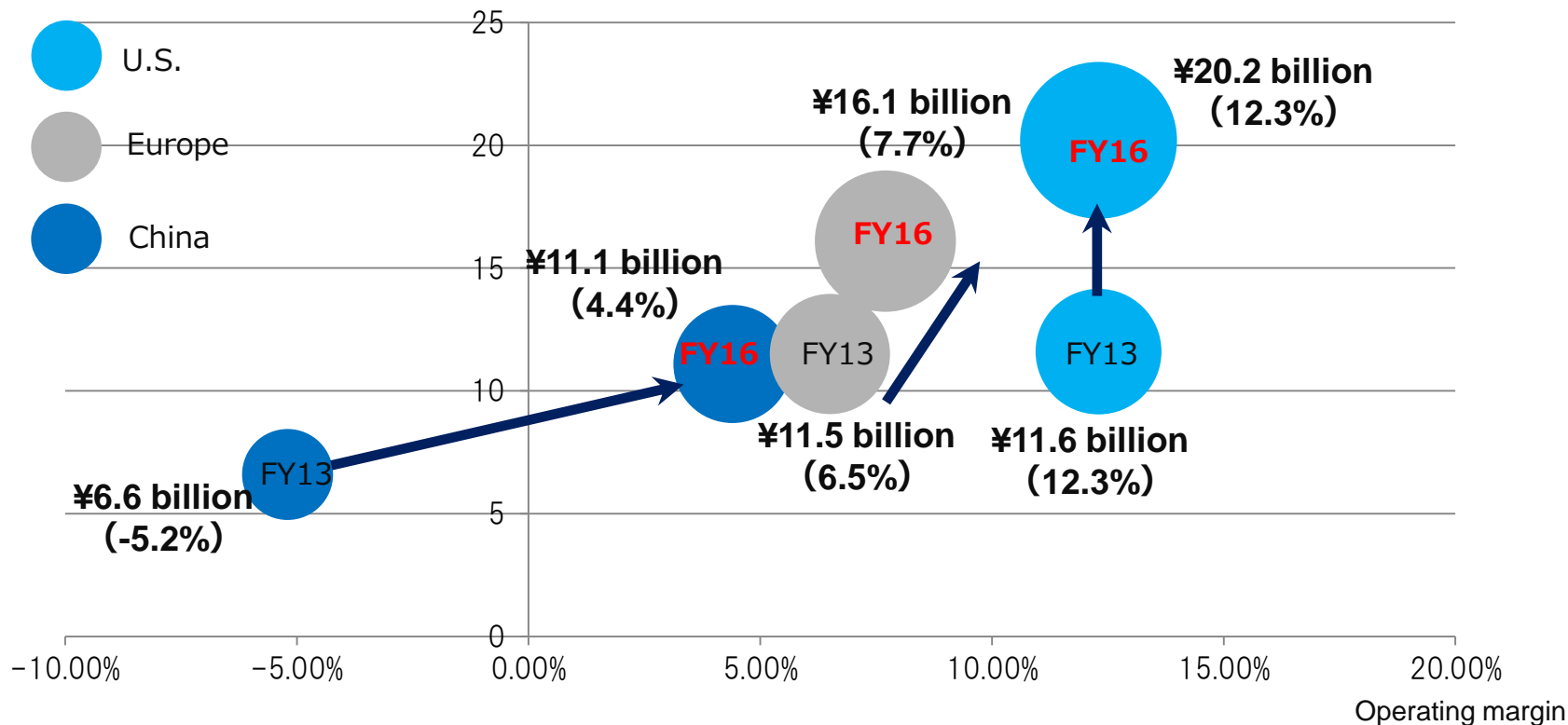


The overseas sales ratio increased and profit growth was significant, but issues emerged.

## Sales and profit growth in each country and region

- In the Americas, recaptured share in high-end segment and expanded new sales channels (e-commerce, neighboring countries)
- Built robust earnings foundation by restructuring operations in Europe
- Improved profitability in China and made inroads in growing middle-class segment

Sales (Billions of yen)





# Review: Progress of Priority Measures (3)



Peach John and Lecien could not fully absorb the rise in costs due to the yen's depreciation.

## Rebuilding of customer base (Peach John)

- Maintained and expanded number of customers by reorganizing brands, reopening stores and reorganizing the EC infrastructure
- Re-examined China business

Sales: ¥12.0 billion (98%)  
Operating income: ¥260 million (77%)

## Supporting Group strategy while maintaining profitability (Lecien)

- Secured sales and gross profit by strengthening proposal of OEM solutions
- Contributed to Group as a supplier of products in mid-price range

Sales: ¥11.6 billion (99%)  
Operating loss: ¥40 million (-)

Began building production operations primarily in ASEAN to prepare for future growth

## Establishment of Myanmar Wacoal

- JV with Thai Wacoal scheduled to begin operations in Sept. 2016
- Will start with production for Thai market, then develop as a global supply base

## Establishment of A Tech Textile and G Tech Material

- JVs with Japanese supplier, Saha Group and Thai Wacoal
- Enable local procurement of high-value-added materials
- Secure competitive edge in quality and cost by handling knitting and dyeing in an integrated process



Review of FY2014 – FY2016  
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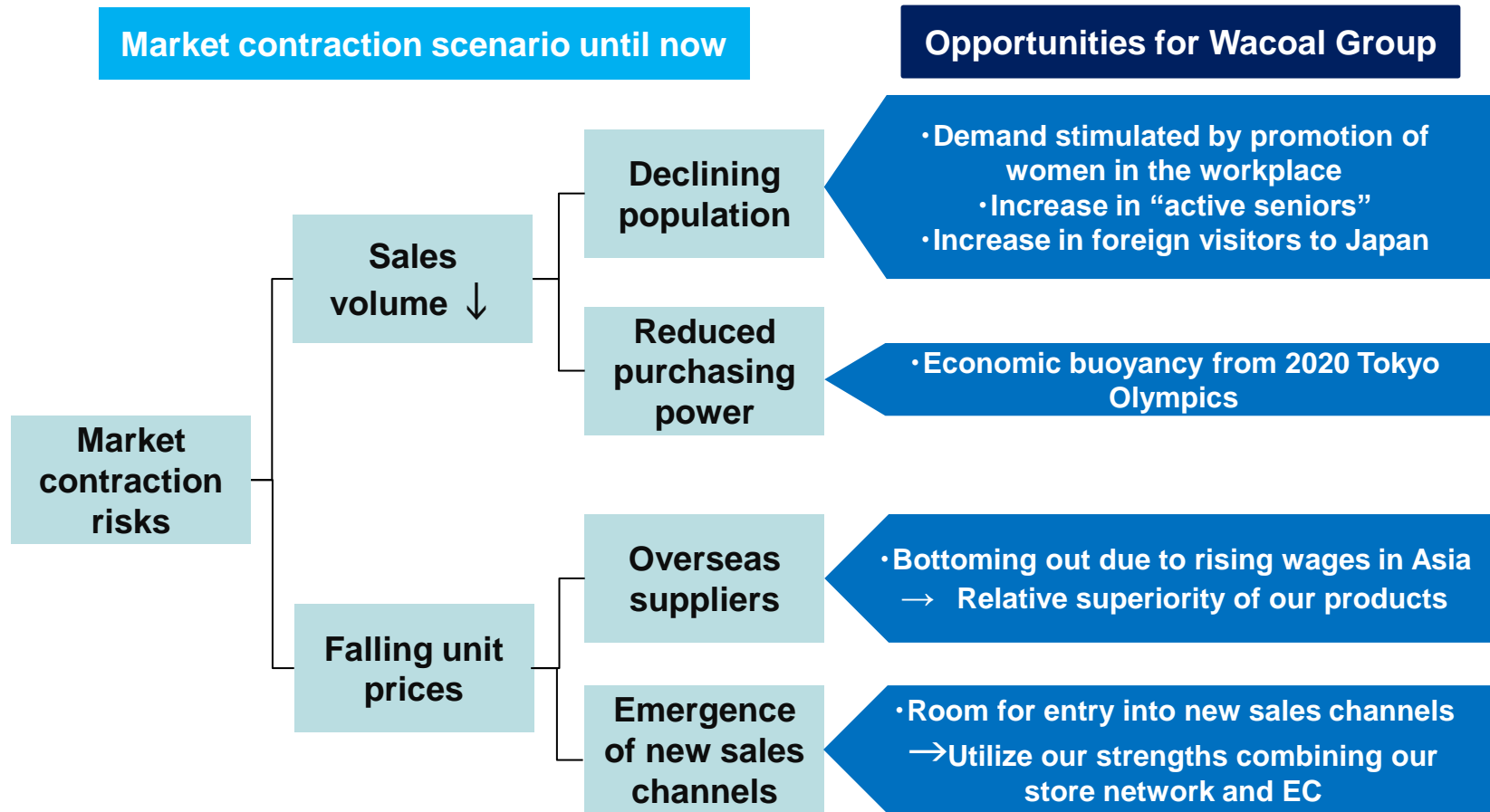
## **The Wacoal Group's Operating Environment**

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# The Wacoal Group's Operating Environment—Domestic

The environment will remain challenging, but we can face the changes and seize new opportunities.



Increasing our presence in each country and region will be key.

## Previous conditions

- High growth in emerging countries
- Excess money supply worldwide
- Rising resource prices
- Global population increase



Could expect broad-based growth backed by macro-economic expansion

## Current and future conditions

- Slowing growth in emerging countries, concerns about Chinese economy
- Rising political and geopolitical risk
- Increasing volatility in financial markets, resource prices
- Population increase will continue, but aging will proceed in advanced countries
- Accelerating move toward regional economic cooperation/integration



Need to deal with structural changes in the global economy and adopt individual strategies



**Our integrated business model in each country and region will be a strength and will present opportunities to establish a solid foothold**



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**Net sales: ¥215 billion**  
**Operating income: ¥15 billion** (Operating margin 7%)  
**Net income: ¥11 billion**

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**ROE: 5.0% or higher**

\* Exchange rate assumptions

1USD = 110 yen

1GBP = 160 yen

1CNY = 17 yen



**Secure earnings in domestic business**

**Generate further growth in overseas business**

**Create Group synergies and strengthen competitiveness**

**Expand our business portfolio**

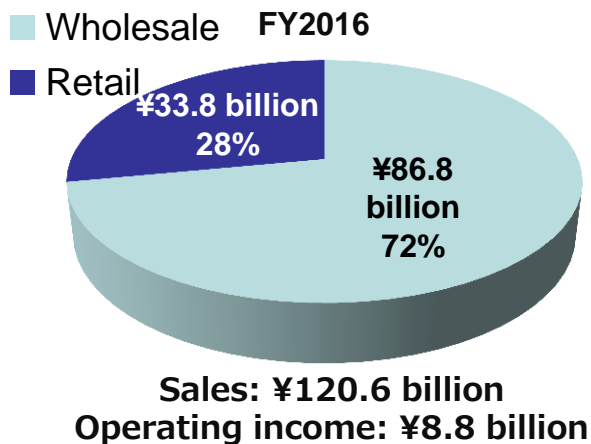
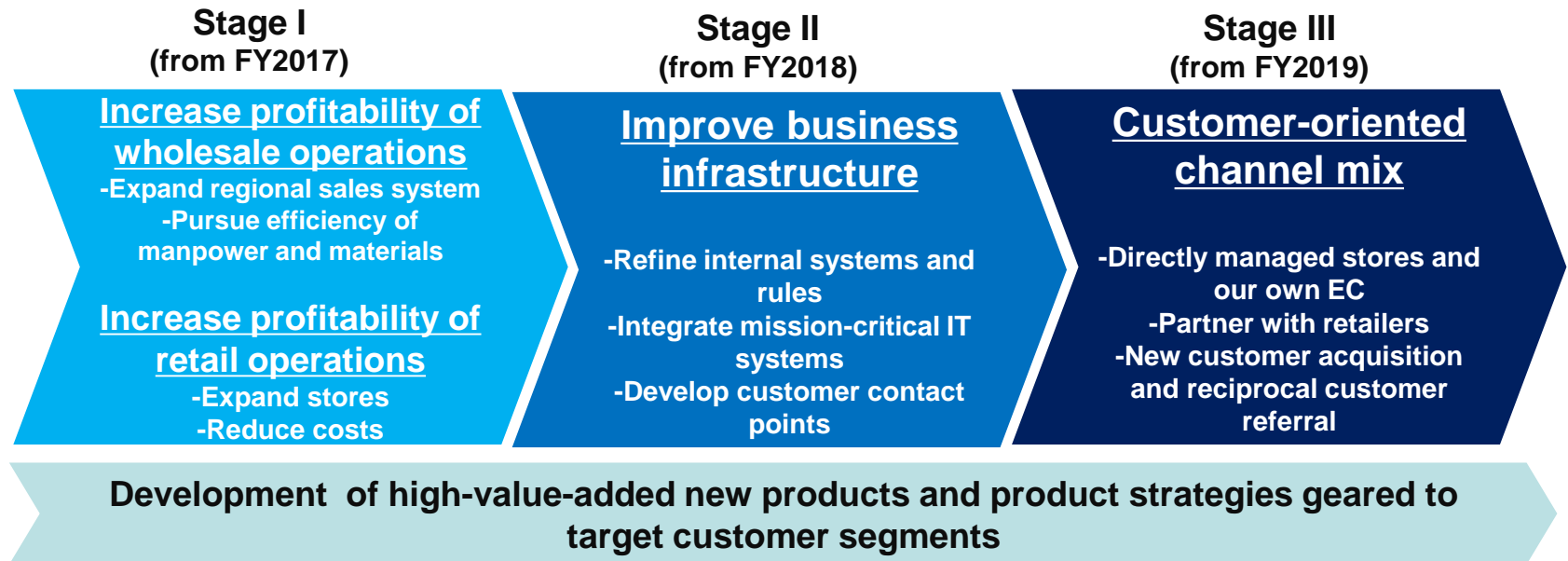
**Improve our Group management infrastructure**



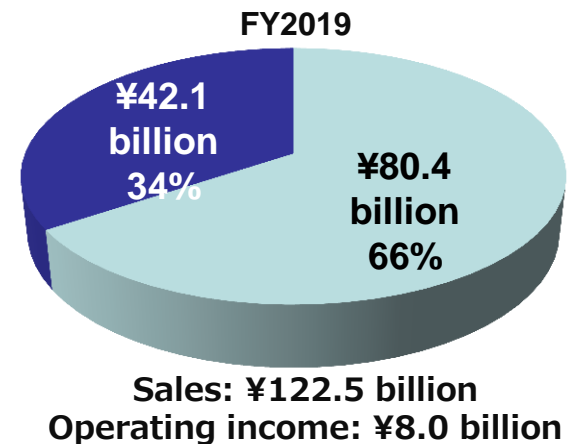
# Secure Earnings in Domestic Business



Focus on “how customers want to buy,” and build a mix of sales channels



• Wholesale CAGR: -2.5%  
• Retail CAGR: 7.6%  
• Profit decline due to increased expenses





# Generate Further Growth in Overseas Business



Build a robust operating foundation in the three largest markets

## Europe

- Complete organizational restructuring
- Review brand portfolio
- Conduct development trial based on human science research

Sales: ¥16.4 billion (102%)  
Operating income: ¥1,650 million (133%)

## U.S.

- Defend mid-range and high-end market
- Cultivate business in neighboring countries and new sales channels
- Develop management successor

Sales: ¥20.1 billion (99%)  
Operating income: ¥2,220 million (88%)

## China

- Use dominant product appeal in high-end market
- Improve LA ROSABELLE profitability
- Use other companies' EC, sales promotion development

Sales: ¥11.3 billion (102%)  
Operating income: ¥1,020 million (209%)



## Peach John

- Rebuild the brand image
- Enhance O2O communication
- Expand store network and strengthen customer base

Sales: ¥14.6 billion (123%)  
Operating income: ¥800 million (310%)

## Lecien

- Concentrate on core business
- Streamline planning and production
- Develop high-value-added products

Sales: ¥13.0 billion (112%)  
Operating income: ¥250 million (return to profitability)

## Ai

- Enhance year-round stores
- Expand resort wear products
- Overhaul business infrastructure

Sales: ¥7.3 billion (129%)  
Operating income: ¥200 million (20 times)

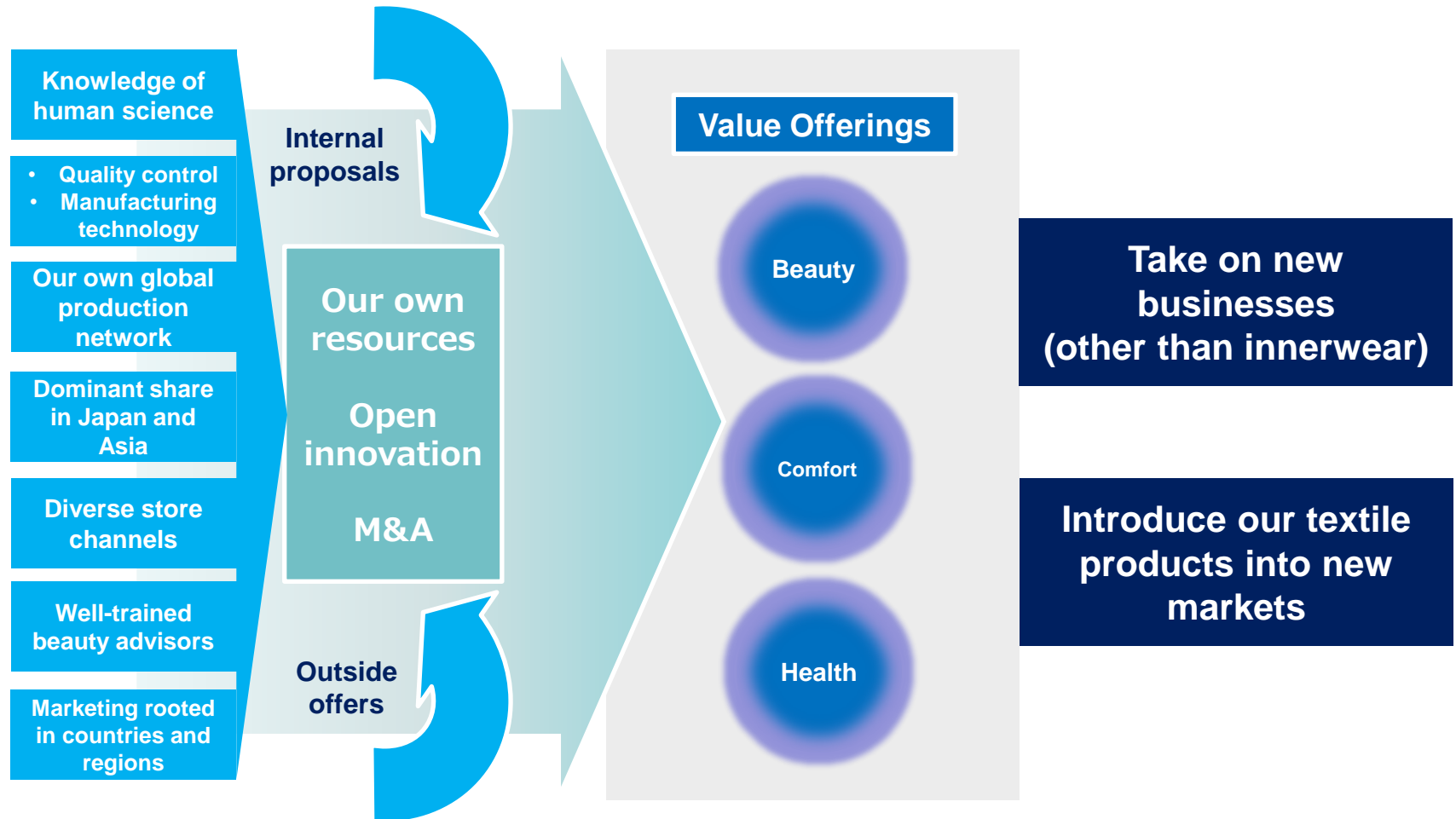
## Group Synergies

- Sharing of O2O Method of Wacoal and Peach John
- Sale of Peach John and Ai products in Wacoal's domestic & overseas sales channels
- Swimwear co-development by Ai and Wacoal
- Adoption of Ai's distribution functions at Wacoal
- Supply to companies using Lecien's OEM functions
- Development and internal use of ASEAN procurement bases

# Expand Our Business Portfolio



Seek new business areas and markets base on our strengths





## Sincerely engage with stakeholders to achieve sustainable growth

### Fulfillment of our management philosophy

**“We will contribute to society by helping women to express their beauty.”**

### Response to social demands and issues

- Comply with laws, regulations and voluntary standards, and respect international standards of conduct
- Strictly adhere to our code of conduct
- Foster our ability to listen to and perceive the views of society

### Ongoing improvement of corporate governance

- Improve the governance framework to enhance the Board of Directors
- Practice appropriate disclosure and engage in constructive dialogue with shareholders

### Development of human resources

- Respect diversity and promote opportunities for women to succeed
- Cultivate global-minded human resources

# Capital Policy and Shareholder Returns



Invest in future growth and enhance returns to shareholders while maintaining a strong financial position





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# Reference Data: Sales and Operating Income Targets by Segment



(Millions of yen)

	Net Sales				Operating Income			
	FY2016	FY2019			FY2016	FY2019		
	Results	Target	Difference vs. FY2016	Compared with FY2016	Results	Target	Difference vs. FY2016	Compared with FY2016
Wacoal Business (Domestic)	120,570	<b>122,500</b>	1,930	102%	8,810	<b>8,000</b>	-810	91%
Wacoal Business (Overseas)	51,869	<b>58,000</b>	6,131	112%	4,433	<b>5,300</b>	867	120%
Peach John Business	11,190	<b>13,200</b>	2,010	118%	258	<b>800</b>	542	310%
Other Businesses	19,288	<b>21,300</b>	2,012	110%	364	<b>900</b>	536	247%
Total	202,917	<b>215,000</b>	12,083	106%	13,865	<b>15,000</b>	1,135	108%

# Reference Data: Sales and Operating Income Targets of Main Subsidiaries



(Millions of yen)

	Net Sales		
	FY2016	FY2019	
	Results	Target	Comparison with FY2016
Wacoal	110,123	<b>112,000</b>	102%
Peach John	11,965	<b>14,600</b>	122%
Lecien	11,645	<b>13,000</b>	112%
Nanasai	10,504	<b>12,000</b>	114%
Ai	5,715	<b>7,350</b>	129%
Wacoal International (U.S.)	20,222	<b>20,100</b>	99%
Wacoal Europe	16,096	<b>16,400</b>	102%
Wacoal China	11,067	<b>11,300</b>	102%

Operating Income		
FY2016	FY2019	
Results	Target	Comparison with FY2016
6,743	<b>5,200</b>	77%
258	<b>800</b>	310%
-41	<b>250</b>	-
306	<b>450</b>	147%
11	<b>210</b>	1909%
2,491	<b>2,200</b>	88%
1,238	<b>1,650</b>	133%
487	<b>1,020</b>	209%

## 【Performance of Major Subsidiaries (Local Currency Basis)】

Wacoal International (U.S.)	168,323	<b>182,700</b>	109%
Wacoal Europe	88,771	<b>102,200</b>	115%
Wacoal China	575,820	<b>667,000</b>	116%

			Currency
20,731	<b>19,900</b>	96%	Thousands of US\$
6,828	<b>10,220</b>	150%	Thousands of Pounds
25,341	<b>59,900</b>	236%	Thousands of Yuan

Note: Figures are before adjustment for consolidation.



# Reference Data: Sales Targets for Business Divisions of Wacoal Corp.



(Millions of yen)

	FY2016	FY2019 Net Sales		
	Results	Target	Compared with FY2016	Difference vs. FY2016
Wacoal Brand Business	58,241	<b>55,000</b>	94%	-3,241
Wing Brand Business	25,416	<b>24,400</b>	96%	-1,016
Retail Business	15,809	<b>19,900</b>	126%	4,091
Wellness Business	7,135	<b>8,050</b>	113%	915
Catalog Sales Business	5,164	<b>6,620</b>	128%	1,456
Intersegment transactions, etc.	-1,642	<b>-1,970</b>	-	-
<b>Total</b>	110,123	<b>112,000</b>	102%	1,877

Note: Figures are before adjustment for consolidation.



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