



# **FY2020 to FY2022 Medium-Term Management Plan Briefing Session Material (U.S. Accounting Standards)**

**June 2019  
Wacoal Holdings Corp.**



# **Goals and Specific Efforts (Management Strategy from FY2020 to FY2022)**

**Hironobu Yasuhara,  
Representative Director and President**

Hello, everyone.

I'd like to express my thanks, as many people are attending this session today.

First of all, I'll talk about the management strategy of Wacoal Group for the coming 3 years until the term ending March 2022.



### ➤ **70th Anniversary: To be a company that is expected to survive beyond 100 years**

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

**Vision** We, the employees and management of Wacoal, will maintain a refined corporate culture based on mutual trust and will continually strive to make the Company a global leader in the industry.

When we rephrase “maintain a refined corporate culture based on mutual trust” in modern words, it is nothing less than:

- being a company that is trusted by all stakeholders; and
- implementing management with an emphasis on ESG and creating social value, instead of focusing only on economic value.

Please see page 3.

In November this year, our company will commemorate the 70<sup>th</sup> anniversary of establishment. What I want to explain first to you is what kind of state Wacoal Group aims to achieve, to become “a company that is expected to survive beyond 100 years.”

Our mission and vision are written here.

These two were announced by the founding president Koichi Tsukamoto broadly inside and outside our company in 1964, for the purpose of introducing his belief about business administration when our company was listed in the stock market, while commemorating the 15<sup>th</sup> anniversary.

Our vision is “to maintain a refined corporate culture based on mutual trust.” This remains an essential concept for our company.

In terms of the present age, our company needs to be trusted by all stakeholders. In parallel, we need to create social value in addition to economic value, by putting importance on ESG (environment, society, and governance) in our business administration.

I think that the founder Koichi Tsukamoto infused this ethos into the phrase: “a refined corporate culture.”



### ➤ **Aiming for the global Wacoal as a Group**

**“The vision of “global Wacoal” means:**

- 1. The Wacoal Group's products, services and actions on social issues are highly trusted by customers and all other stakeholders in the markets worldwide.**
- 2. The number of countries and regions in which we operate business keeps on increasing.**
- 3. Under the Group network, we are operating businesses in a coordinated manner on a global scale.**
- 4. We always provide pioneering products to the world market and continue to lead the field of underwear culture.**
- 5. Group mission and philosophy are instilled in employees across the world.**

Next, please see page 4.

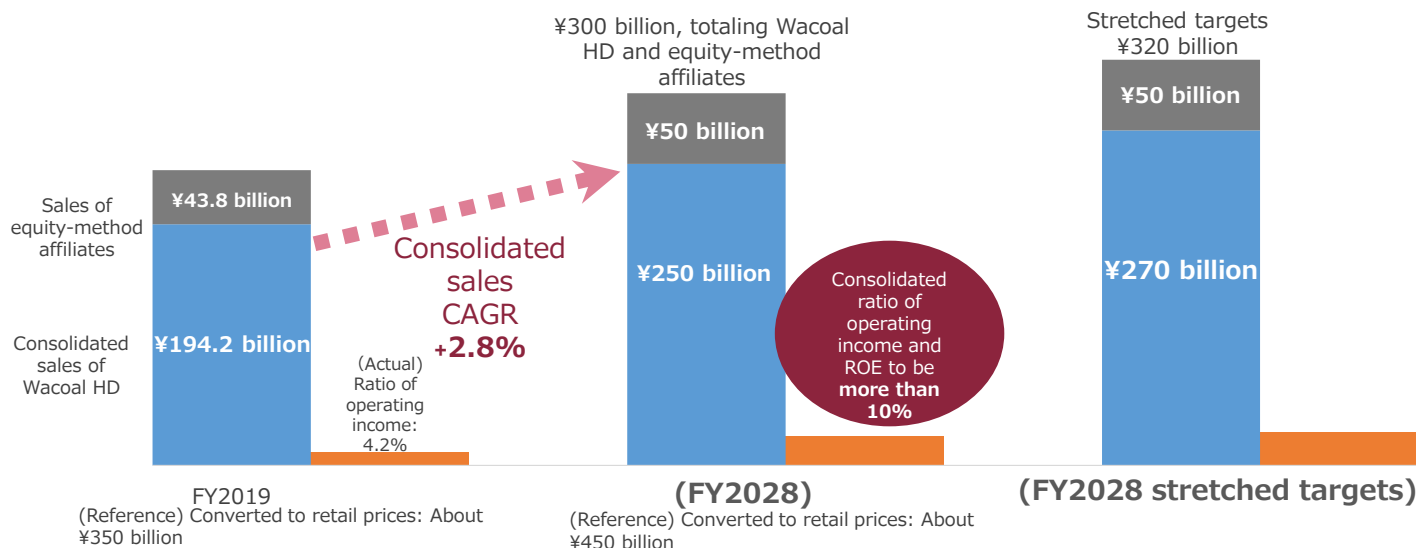
In the coming 3 years, our company will enhance our efforts to attain an ideal state, that is, a global Wacoal as a group.

By utilizing our managerial resources and group network as much as possible, we will fortify the system for always supplying pioneering products to the global market. At the same time, we will keep cultivating the domain of the underwear culture, by utilizing digital technology, etc.

We'd like to evolve our company, so that our stakeholders around the world will deeply trust Wacoal Group's products, services, and activities of tackling social issues.



- **The goals in 9 years (FY2028):**  
**Sales combined with equity-method affiliates (overseas joint ventures):**  
**To exceed ¥300 billion**  
**Consolidated ratio of operating income/ROE: Both to exceed 10%.**



Please see page 5.

Last year, it was decided that Expo Osaka is scheduled to be held in 2025 for the first time since it was held in 1970, which was the historical year for our company, too.

In that year, we established joint ventures in South Korea, Thailand, and Taiwan, to start selling the Wacoal brand in overseas markets. As the next year will see the 50<sup>th</sup> anniversary of start of our overseas business, the total net sales in these three regions have exceeded 40 billion yen. Wacoal brand’s market shares in these regions are equal to or larger than that in Japan.

As shown here, we’d like to aim to achieve net sales of 300 billion yen, including the sales of overseas joint ventures subject to the equity method, in the term ending March 2028, 9 years from now, as a medium- and long-term business goal. In parallel, we’d like to aim to increase consolidated ratio of operating income and ROE to over 10%.

It is still nearly 10 years ahead, so we plan to actively invest in new and promising business domains, to generate competitive advantage in the global market, while setting stretched targets. We’ll endeavor to achieve non-continuous growth and improve our corporate value further.



➤ **Face the reality, identify future demand, boldly reform, and focus on growth.**

- 1. Achieve strong growth in Japan and overseas**
- 2. Examine the potential of unprofitable businesses and brands, and promote review and structural reform of group businesses where no business will be safe from such review or structural reform**
- 3. Enhance corporate value by improving economic and social values**

With a focus on the above:

- ❑ We will respond quickly to individual business issues.
- ❑ We will establish sustainable business foundations such as CSR procurement, diversity and inclusion and focus on creating new values.
- ❑ In addition to improving profitability and capital efficiency, we will carry out appropriate shareholder return and reduction of strategically held shares, and build proper asset balance.

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Next, please see page 6.

Considering the ideal business outcome 9 years from now, this page defines the coming 3 years and describes our basic policy. In the coming 3 years, I'd like to "grasp the actual situation, estimate future demand, and then implement drastic reform, while putting importance on growth."

At the result briefing session last month, I talked about these 3 basic policies.

Under these policies, we'll address each business issue in a swift manner. In addition, we'll improve profitability and capital efficiency, return profits to shareholders appropriately, reduce strategically held shares, and realize a proper asset balance.



### Results from the past 3 years

1. Breaking out of the business model that overemphasized domestic wholesale
2. Improvement of management efficiency through reorganization and sales policy review - Return reduction, discount sales reduction
3. Completion of preparation for commercialization of next-generation customer service by digital technology
4. Growth of the second brand that is a pillar in Europe, America and China
5. Accelerated growth potential by aggressively developing e-commerce channels
6. CSR procurement operation began in collaboration with manufacturing consignees
7. Implementation of the total return ratio of over 100%

### Targets for the next 3 years

1. **To reform the conventional business model: improving the competitiveness of Peach John, Lecien, Ai, and CW-X**
2. **To carry out omni-channel policy where competitors cannot keep pace**
3. **To reduce and optimize brands and product line-up**
4. **To launch high value-added new products that can sell both domestically and internationally**
5. **To cooperate with major e-commerce websites or enhance our own e-commerce websites, with an eye on national and regional characteristics**
6. **Growth investment and business foundation improvement for strengthening the businesses in countries and regions where the business scale is small**
7. **Group-wide restructuring of competitive value chain structure and supply chain network**

Next, I'll talk about the issues we should tackle first in the coming 3 years.

Firstly, conventional ways of sales and marketing are no longer effective, so we have to reform the business models of domestic consolidated subsidiaries, which are facing a turning point. Secondly, we'll implement omni-channel policy that cannot be imitated by competitors. In addition, we'll downsize and optimize our brand and product compositions. Furthermore, we'll release new products with high added value around the world. We'll also cooperate with major third-party e-commerce websites inside and outside Japan, strengthen our own e-commerce websites, and expand still immature business scales in some countries or regions.

Next, I'll explain our strategies for dealing with individual management issues in the coming 3 years in detail.



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# **New 3-Year Medium-Term Management Plan**





### Change in the distribution channels

- Stagnating department store/GMS and supermarket sales
- E-commerce and global SPA are making rapid progress.

### Accelerate technology reform (Informatization - always spend time with a terminal)

- Digitization at the time of consumption and experience is accelerated.
- A society where consumers can directly connect will expand. (SNS community, C2C, D2C)

## Further spread of diverse values

- Consumers obtain information from various networks and make their own consumption choice -

### Change in consumers (globalization, urbanization)

- Increasing number of women active in society
- Increasing number of people who want to achieve their own beauty (personalization)
- Development of casual clothing
- There is a continuous trend among the Japanese to save money with anxiety in the future.

### Trend of industry and industrial structure

- Disappearance of companies that can produce high quality underwear
- It is difficult to secure sales personnel.
- Social and ethical business activities are the challenge.

Page 9 outlines the changes in the environment surrounding our businesses.

Needless to say, the changes and trends in consumption behavior are becoming noticeable, as “diverse values have spread, and consumers now get information via various networks, select and consume things by themselves.”

The proposal for a stereotypical value is no longer accepted. Namely, we, Wacoal Group, are required to offer more personalized services to help individual consumers become more beautiful in their own ways.

On the other hand, it is noteworthy that enterprises that can manufacture high-quality underwear are on the verge of extinction around the world. Many underwear makers in Europe and the U.S. have stopped manufacturing underwear in house.

We are well aware that customers around the world care for quality, including how comfortable underwear is, in the end. Accordingly, our company needs to fulfill the roles as one of leading high-quality underwear makers in the world, without making compromises. This is an essential strategy for maintaining our advantage sustainably.



**Positive comments**

**Negative comments**

1. Wacoal's business efficiency improvement results are reflected in gross profit rate, and it will continue to be positive.
2. Wacoal's development in next-generation customer service using digital technology cannot be imitated by the other companies. It is promising.
3. We are having a highest expectation in growth in the Chinese market. We are interested in how Wacoal is strategically depicting business expansion in China in the long-term (10-20 years).
4. We value the strengths including brand value, competitive advantage of Wacoal's unique value chain, and quality control in the own factories.
5. Wacoal is prioritizing and working on social issues such as CSR procurement faced by the apparel industry and employment of foreign technical interns, ahead of other companies.

1. The domestic subsidiaries that cannot stop the decline in business results need to be taken care of.
2. We are concerned about the moral hazard of Wacoal's domestic subsidiaries. They not only degrade corporate value, but also detract the motivation of the employees in the Group.
3. We feel that raising awareness at the subsidiary and business unit levels is essential to improve capital efficiency that falls short of the expected ROE level.
4. We would like Wacoal to try to clarify medium- and long-term growth investment areas that have not yet reached the initial plans.
5. Isn't the reduction of strategically held shares or capital policy becoming a goal?

Page 10 summarizes institutional investors' expectations toward our company they mentioned during dialogue after reviewing the last 3 years.

They positively evaluated the outcomes of efforts made by Wacoal Corp. to streamline business operation and development of services for attending to customers by utilizing digital technology. In addition, they highly evaluated the business growth in the Chinese market, advantages of brand value and the value chain, and CSR procurement.

On the other hand, they considered that outcomes did not reach up to their expectations regarding the sluggish performance of domestic consolidated subsidiaries, the business administration focused on capital cost, and the active investment for growth from the medium- and long-term viewpoint.



Priority Strategies for the Medium-Term Management Plan FY2020 – FY2022	Basic Policies		
	Achieve strong growth in Japan and overseas	Review and structural reform where no business will be safe from such review or structural reform	Improving economic and social values
1. Sustainable growth and improved profitability of Wacoal Corp	◎	◎	◎
2. Revitalization of domestic consolidated subsidiaries	◎	◎	
3. Acceleration of the expansion and growth of overseas businesses	◎		◎
4. Reform of Group's production and supply systems		◎	◎
5. Challenge to the expansion of the business portfolio and new business	◎	◎	
6. Enhancement of social value (work on ESG challenges)			◎
7. Management with capital cost in mind			◎

Considering the situation of our company that I have described, we have set these 7 priority strategies for the coming 3 years.

The first is “sustainable growth and improved profitability of Wacoal Corp.”

The second is “revitalization of domestic consolidated subsidiaries.”

The third is “acceleration of the expansion and growth of overseas businesses.”

The fourth is “reform of Group’s production and supply systems.”

The fifth is “challenge to the expansion of the business portfolio and new business.”

The sixth is “enhancement of social value.”

The seventh is “management with capital cost in mind.”



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## **1. Sustainable Growth and Improved Profitability of Wacoal Corp.**

Then, please let me describe each priority strategy one by one in a little more detail.

Firstly, I'll describe the strategy, "Sustainable growth and improved profitability of Wacoal Corp."



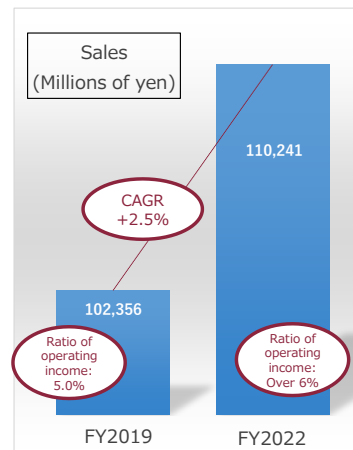
➤ **Through all business activities including product planning, production, communication and sales, we will establish “deeper, wider, and longer” relationships with each customer, enhance brand value, and achieve solid growth.**

## 1. Market Environment

- ① Conversion of business categories of the department stores and GMS and supermarkets, and closure of unprofitable stores
- ② Increasing presence of global SPA as innerwear competitors
- ③ Diffusion of cheap items (i.e. pajamas and men's underwear, knit lingerie, baby and kids)
- ④ Activation of the bra market in pursuit of comfortable products
- ⑤ Increasing awareness of size behind digital technology and customized wear
- ⑥ Increasing interest in sports as a result of the Tokyo Olympics
- ⑦ Rising needs among the people over 50 years old who want to extend their healthy lifespan

## 2. Business Targets

- ① To establish more solid market valuation as the top brand. To realize the sustainable sales growth again. (Sales CAGR: 2-2.5%)
- ② To achieve stable profit growth by maximizing organizational productivity (over 6% of ratio of operating income)



In the coming 3 years, Wacoal Corp. will aim to establish deeper, wider, and longer relationships with each customer, enhance brand value, and achieve solid growth through all business activities.

While there are severe market trends, such as the remodeling and closure of department stores and GMS and supermarkets, the enhancement of the presence of competing global SPA, and the spread of low-priced items, we can see some favorable trends for our company, such as the energization of the market of bras and the enhancement of awareness of size.

As No.1 brand, we'll ensure rock-solid market valuation, and achieve an annual sales growth rate of around 2.5% on average. In addition, we'll try to maximize organizational productivity and achieve over 6% of ratio of operating income in the term ending March 2022.



➤ **Transforming into a company that holds and uses the world’s largest body and mind (preference) data**

- Nationwide development of strategic stores based on Wacoal’s omni-channel
- Realization of customized wear business based on personal data and health support related business

To create the “future” of the customer experiences for innerwear

To create new products and services based on personal data



“3D body scanner + personalized app”

“Digitalization of customer records”

“Customer-consultation AI”

Collaboration between “stores” and “e-commerce”

[https://www.wacoal.jp/smart\\_try/](https://www.wacoal.jp/smart_try/)

**Nationwide development**

- “3D smart & try”  
3D body scanner/Customer-consultation AI (Installing 100/3 years)
- Floor reform  
<Place to sell⇒ Place to experience>
- Collaboration with e-commerce

**To provide personalized customer services at any sales floors**

- To increase repeat customer ratio
- To obtain young people
- To optimize sales opportunities

**Top line growth of wholesale, retail and our own e-commerce**

**To be a company that holds and uses the world’s largest body and mind data**

- Use them for research and development
- New product and service development
- Next-generation business development, such as health area

The first priority strategy for attaining these business goals is “innovation.”

Wacoal Corp. recognizes the coming 3 years as the period for evolving into an enterprise that holds and uses the world’s largest body and mind data.

On the 30th day of the previous month, we opened the first next-generation underwear shop named “Wacoal 3D Smart & Try” on the 4<sup>th</sup> floor of Tokyu Plaza Omotesando Harajuku. The number of visitors to the shop exceeds our estimate every day. In addition, customers can book personal counseling in advance via our website, and the counseling service is fully booked until the end of June, including weekdays.

We’ll open such shops with omni-channel strategy in a speedy fashion. Based on the personal data accumulated by strategic shops and Human Science Research Center, we’ll develop new products and customer services utilizing digital terminals. Furthermore, we plan to utilize such data for the new customized wear business and health support-related business.

## Priority Strategy of Wacoal Corp. (2): Market Strategy (Number One Strategy)



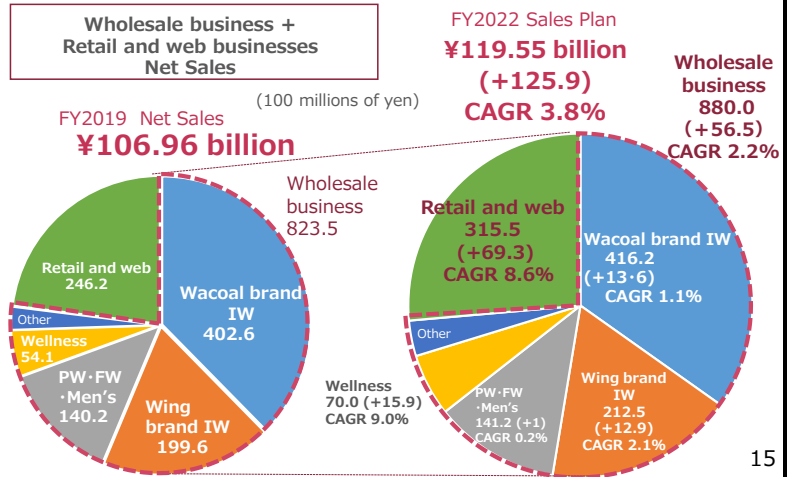
- **To reduce product brands and groups in the wholesale business, and review transaction conditions with department stores (selection and concentration)**
  - To review the brand definition and strengthen the power of each product group, and, at the same time, make efforts to expand market share (from 63 to 50 groups (20% reduction))
  - To review the business practices and transaction conditions with department stores and improve profitability
- **To strengthen corporate brand communication that conveys "Wacoal's feelings for the body"**
  - To enlighten the importance of size, raise the value of underwear, gain support among introductory population (teens) and mature population (in the 50s to 60s)
- **To enhance the growth potential by strengthening measures that take advantage of the characteristics of each channel and products other than innerwear**

### Strategies to strengthen by innerwear and channels

Department stores	To enhance the Wacoal brand value by strengthening prestige and semi-order bras
GMS and supermarkets	To expand self-store sales by comfort bra "Date."
Directly managed retail stores	To actively implement advertising and promotion to raise brand recognition
Our own e-commerce site	To develop apps to strengthen cooperation with department stores and specialty stores

### Strategies to strengthen the range of products other than innerwear

CW-X	To acquire female user centered on "sports bra"
Pajamas	To improve the added value of the "Think Sleeping" brand
Junior	To acquire introductory generation by expanding recognition of the "Pulilli" brand
Men's	To enhance business efficiency by brand integration
Shoes	To continuously strengthen pumps for work



Next, I'll talk about the market strategy for improving our existing businesses.

As for the wholesale business, we'll strive to downsize our product brand and group, and strengthen the power of each group, to expand its market share. In addition, we'll review the conventional business practices and transaction conditions at department stores, and improve profitability.

In parallel, we'll enhance corporate brand communication for conveying "Wacoal's feelings for the body" in order to diffuse the importance of appropriate size, re-recognize the value of underwear, and gain support from introductory population and mature population.

Furthermore, we'll enhance the growth potential by strengthening measures that take advantage of the characteristics of each channel and products other than innerwear. Through these measures, we aim to grow net sales of the wholesale business at an annual average rate of 2.2% and net sales of the retail and web businesses at an annual average rate of 8.6%.



- To implement “work style and rest style reform” to increase output (To increase productivity per worker and beauty advisor)
- To realize increased added value of products (new material development and manufacturing technologies), reduction of material disposal and distribution costs, and optimization of company-wide inventory
- To improve profitability of the business that proposes culture and beauty (sensibility) (examination of tangible and intangible asset value maximization)

<b>Operating income per office worker</b> <b>Up 60%</b> (Comparison between FY2022 target and FY2019 result)	<b>Inventory turnover rate</b> <b>3.3 turnover</b> (Comparison between FY2022 target and FY2018 result + 0.4 turnover)	<b>3-year cumulative investment</b> <b>¥11.5 billion</b> <ul style="list-style-type: none"> <li>• 3D body scanner installation: ¥0.5 billion</li> <li>• Remodel of directly managed retail stores: ¥1 billion</li> <li>• IT system renewal: ¥7.5 billion</li> <li>• Building renovation: About ¥1 billion</li> </ul>
<b>Store sales per beauty advisor at department store</b> <b>Up 13%</b> (Comparison between FY2022 target and FY2018 result)	<b>3-year cumulative advertisement expenses</b> <b>¥22.5 billion</b> (Comparison with previous 3-year cumulative +6%) Out of which, investment in corporate brand communication: ¥2 billion	

Next, I'll talk about our efforts to fortify our business foundations.

In order to maximize productivity, we have set some goals.

The objective of work style and rest style reform is to boost output. For each business unit, we'll grasp the necessary number of workers, and strive to improve productivity per office worker or beauty advisor.

In addition, we'll enhance the added value of each product, and keep reducing discount sale. By utilizing personal data and sales data, we'll raise the precision of demand forecast, reduce material disposal and distribution costs, and optimize inventory in the entire company, including shops.

Furthermore, we'll start discussions for maximizing the value of tangible and intangible assets, and radically improve profitability of the business that proposes the culture and sensibility of beauty.





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## **2. Revitalization of Domestic Consolidated Subsidiaries**



➤ **To implement transformation and reform from traditional business models**

- The old sales and marketing style is no longer valid, and urgent reform of our business model is required.
- There is no way that underwear and swimwear demand will improve dramatically in Japan.
- A key is to build a foundation that can be extended overseas and form alliances with other companies.
- In the first half of the next three years, if no path is established to generate a permanent business surplus, we will shift the business to the action plan for revitalization.

**Fundamental business reform**

- Selection and concentration of businesses
- Alliance with distribution channels (e-commerce, etc.) and other companies
- Strengthen intra-group collaboration, reorganization of companies
- Review business structure and HR system

**Decision to shift to the action plan for revitalization**

**1. Peach John Business**

- ◆ Progress of the FY2021 business plan

**2. Ai Business and Lecien Business**

- ◆ To achieve the equilibrium level of operating profit and loss in FY2020.

I'll talk about the revitalization of domestic consolidated subsidiaries, which is the second priority strategy.

The results of Peach John, Ai, and Lecien fell below the mid-term goals in the last 3 years, and posted an operating loss in the term ended March 2019. This is considered because the conventional ways of sales and marketing developed by Peach John, Ai, and Lecien became old-fashioned, and now is the time to reform our business models.

In the Japanese market, the demand for underwear and swimwear won't improve dramatically. Therefore, in the coming 3 years, our performance will depend on whether we'll be able to develop a base for overseas business growth and whether we'll be able to form successful alliances with other companies. We'll work on drastic business reform, and if we cannot pave the way for earning an operating profit continuously in the first half of the 3 years, we'll implement a plan for revitalization.

As for the Peach John business, I'll review the progress of our management plan together with President Tochio, who was appointed in April. Considering the outcomes and issues in the first year, we'll revise the action plan for the next year, to complete the management plan sufficiently in the term ending March 2021, that is, the second year.

As for the Ai and Lecien businesses, we are expected to earn an operating profit, achieving the equilibrium level of operating profit and loss this term. But, if it becomes difficult to achieve it, we'll think of shifting to a more active plan.



➤ **Based on the current brand value and high profile, the company will capture the consumption behavior and trends of young people, boldly focus on e-commerce, and regenerate into "a brand that can win in e-commerce."**

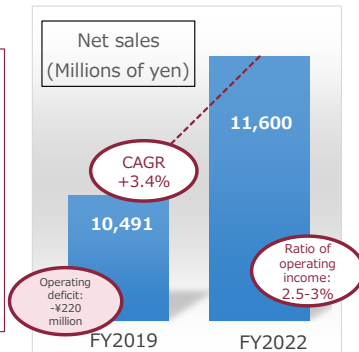
### 1. Market trends to achieve the growth

- ① Rapid expansion of the e-commerce market in Japan and overseas
- ② Consumption behavior of young people who want to try various inexpensive cute things
- ③ Increasing fans in Greater China (China, Hong Kong, Taiwan)

### 2. Business targets

- ① To form a basis for creating a 5% ratio of operating income
- ② Milestone: To achieve the plans in the second year of the medium-term management plan\* (FY2021)

\*Modification of action plan based on result and issues of the first year is anticipated.



### 3. Priority strategies

- ❑ To organize and consolidate unprofitable directly managed retail stores in Japan
- ❑ To strengthen our own e-commerce website (collaboration between the flagship stores and omni-channel)
- ❑ To review product plans – Reestablishment of “Brand x Price x e-commerce channel x advertisement”
- ❑ To accelerate growth of business in China (opening stores + collaboration with third-party e-commerce websites)
- ❑ To grow in Greater China - To open stores in Taiwan (Taichung, Kaohsiung)
- ❑ To use Wacoal products effectively



Please see page 19. I'll explain the business targets and priority strategies for Peach John.

For Peach John, we'll focus on e-commerce and revitalize it as a brand that can survive e-commerce competition in the coming 3 years.

While proceeding with the liquidation and integration of unprofitable directly managed retail stores in Japan, we'll strengthen our e-commerce. In addition, we'll study the consumption behavior of young people who want to try a variety of cute things at low cost, and review our product plans. Then, we'll redesign our marketing while combining brand and retail price strategies as well as e-commerce channels and advertisements.

In addition, we'll cement the cooperation with third-party e-commerce websites, and strive to accelerate the growth of the business in China. While boosting growth potential in Greater China, we'll develop a foundation for achieving a ratio of operating income of 5%.



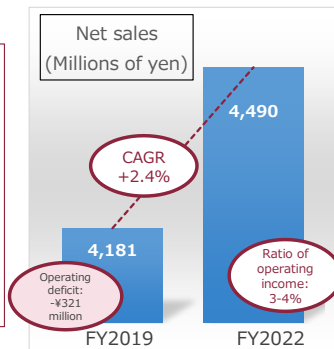
➤ The company will establish the high-value added “San-ai Resort” brand by combining swimwear and underwear and gaining support from adult women. We will also develop the Chinese market.

### 1. Market trends to achieve the growth

- ① Swimwear needs among the adult population who want to cover the body shape
- ② Lack of swimwear for the wealthy women in Asia
- ③ Detailed size development that only the Wacoal Group can achieve

### 2. Business targets

- ① To review the business model to achieve a 5% ratio of operating income
- ② Milestone: Balance of operating profit and loss in the first year of the medium-term management plan (FY2020)



### 3. Priority strategies

- ❑ To effectively utilize the domestic customer database of Wacoal
- ❑ To develop value-added swimwear utilizing the results of Human Science Research Center
- ❑ To begin e-commerce sales in China
- ❑ To improve profitability by reducing seasonal/special event stores and increasing in-house product ratio



Next, I'll talk about the business targets and priority strategies for Ai.

For Ai, we'll strive to establish the Sai-ai Resort brand with high added value for gaining support from adult women, and start the cultivation of the Chinese market.

The swimwear market, in which we conduct conventional sales promotion, is shrinking inevitably, but there are not a few wealthy people who are looking for swimwear that can dispel their worries about their body shapes or swimwear that fits their body shapes like personalized one.

By taking full advantage of intangible assets of Wacoal Group, including the domestic customer database and the results of R&D at Human Science Research Center, we'll strengthen the San-ai Resort brand. In addition, we'll establish a business model that can soon achieve a ratio of operating income of 5% by starting e-commerce in China, and so on.

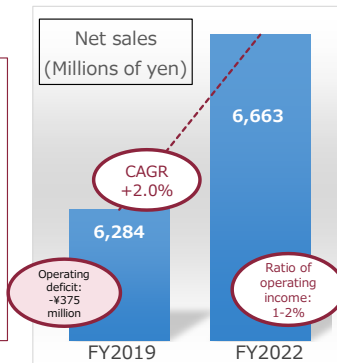
- **The company will be reorganized into a simple, flat business structure in anticipation of shrinking business of domestic OEM destinations and declining demand from material destinations. In addition, it will develop a new business model in collaboration with GMS and supermarkets. At the same time, it will start OEM supply to overseas.**

### 1. Business environment

- ① Sales of PB innerwear for GMS and supermarkets in Japan, which account for a majority of sales, will inevitably dwindle.
- ② The Material Business producing clothing lace and the Art and Hobby Business selling handicraft products will be less competitive.

### 2. Business targets

- ① To establish a foundation that can create a business surplus on a regular basis
- ② Milestone: Balance of operating profit and loss in the first year of the medium-term management plan (FY2020)



### 3. Priority strategies

- ❑ To develop a new business model for domestic GMS and supermarkets
- ❑ To begin overseas OEM supply (Taiwan, South Korea, etc.)
- ❑ To cancel unprofitable business (embroidered lace for outerwear, etc.)
- ❑ To utilize the supply capacity of affiliate factories in cooperation with Wacoal Corp.



Next, I'll describe the Lecien business.

The sales of underwear account for about 70% of total sales of Lecien. Out of them, over 80% are from OEM supply of the private brand for leading GMS and supermarkets. In addition, the sales from supply of clothing laces account for about 10%. Namely, Lecien earns over two thirds of total sales from the business of supplying apparel materials to domestic clients. Accordingly, it is difficult to be optimistic about our business environment.

In these circumstances, we'll restructure our business and develop a new business model in cooperation with domestic GMS and supermarkets. In addition, we'll start overseas OEM supply for equity-method affiliates in Taiwan and South Korea. In addition, we'll discontinue unprofitable businesses, such as the business of embroidered lace for outerwear. Furthermore, we'll strive to exert the supply capability of affiliated factories based on the cooperation with Wacoal Corp. Through these activities, we'll redevelop a business base for earning an operating profit continuously.

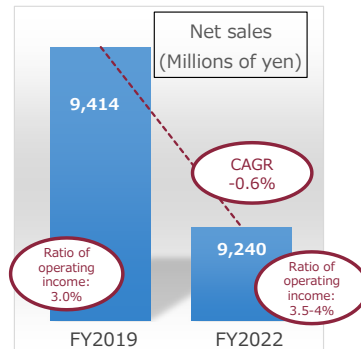
➤ **The company will enhance its position as an advanced mannequin company and develop value-added products. At the same time, it will develop new industries as a customer of construction business. Meanwhile, it will enhance the management with a focus on profit.**

### 1. Market trends to achieve the growth

- ① Increased needs for artificial intelligence (AI) as an alternative to human labor and eco compatible (eco-friendly) mannequins
- ② Enhanced demands for interior finish work with refined taste for the restaurant industry and public facilities

### 2. Business targets

- ① To attain the gross profit rate by business
- ② To challenge the ratio of operating income of 4% based on ①



### 3. Priority strategies

- ❑ To develop service mannequins which enable unmanned customer service and sales forecast with evolved Interactive mannequin program (IMP), made from biodegradable materials or paper
- ❑ To develop construction business customers in new industries in addition to department stores and apparel manufacturers
- ❑ To enhance business efficiency using the low construction period
- ❑ To strengthen the management with a focus on profit – Item number consolidation, joint delivery within the same industry, review of unprofitable overseas business
- ❑ Working style reform (Reduction of total working hours by 20%, renewal of the core ERP)



Lastly, I'll explain the business targets and priority strategies for Nanasai.

As for Nanasai, it undertook a project of renovating the headquarters of a leading department store in the term ended March 2019, so sales growth cannot be expected, but by promoting profit-oriented business administration, we'll strive to achieve a ratio of operating income of 4%.

Due to the shortage of manpower and the popularization of AI, the business chances related to mannequins are increasing. In addition, there is growing demand for refined interior design for restaurants and public facilities such as airports and schools. In addition to department stores and apparel makers, we'll increase clients in new construction fields, to grow further.



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### **3. Acceleration of the Expansion and Growth of Overseas Businesses**



## ➤ The key is to strengthen the e-commerce business.

- It is essential to strengthen collaboration with third-party e-commerce websites and integrate our own e-commerce websites and CRM like we did in Japan, taking into account China, which is the world's largest e-commerce market, and the US, where significant growth in e-commerce sales will continue.
- In addition, we will carry out growth investment to strengthen the countries and regions where business scale is small including India, Latin America and Europe.
- We will try to gradually expand CSR procurement operations at overseas affiliates as well.

### New growth investment amount (three-year cumulative total) (excluding production equipment)

**¥2.5 billion**

- US: To strengthen the directly managed retail store business
- Europe: To develop our own e-commerce website and expand the region
  - Europe and US: PLM software
- China: Logistics and other infrastructure development for e-commerce business
  - Asia: To establish a common e-commerce platform
    - India: Investment in growing businesses

Next, I would like to talk about “acceleration of the expansion and growth of overseas businesses,” which is our third priority strategy.

It is no exaggeration to say that department stores are on a decline in all the major overseas markets. The results of the last 3 years show the net increase in sales from e-commerce exceeding those from real stores in the U.S., Europe and China.

This trend is expected to get stronger in the coming 3 years. The key to success is to strengthen the e-commerce business. We are making efforts to strengthen collaboration with third-party e-commerce websites in various regions and countries, or integrate our own e-commerce and CRM by following the omni-channel strategy in Japan.

On the other hand, we plan to enhance the directly managed retail store business in the U.S. and invest in businesses in India for growth in addition to strengthening the e-commerce business, and the new growth investment amount is expected to be around 2.5 billion yen for a 3-year cumulative period.





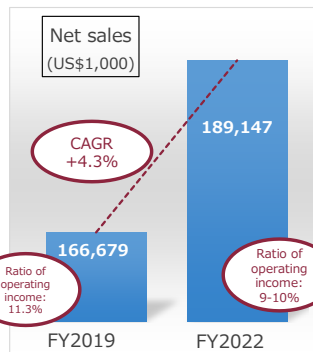
➤ **We will maintain the top market share in department stores in the U.S. and strive to improve the market share. At the same time, we will strengthen e-commerce and directly managed retail stores, achieve non-continuous growth through business investment in growing markets, and reform cost structure to solidify the foundation for achieving net sales of ¥30 billion in the Americas.**

### 1. Market environment

- ① Sales of department stores in the United States are declining, while e-commerce market is rapidly expanding.
- ② Exhaustion of stores that can provide high-quality service
- ③ Increasing brand recognition in neighboring countries (Canada, Brazil)

### 2. Business targets

- ① Improvement of gross profit rate (2-2.5 points)
- ② Appropriate balance between growth investment and operating income (\*) (Ratio of operating income: 9-10%)
- ③ \*Due to the rise of rents of directly managed retail stores and offices as well as the increase in upfront investment for strengthening e-commerce, etc.



### 3. Priority strategies

- ❑ To reform the mobile site, strengthening e-commerce by implementing CRM. (towards e-commerce sales composition of 35%)
- ❑ To establish a business model of the directly managed retail stores and carry out its test outside the US.
- ❑ To pursue product development ability and fitting quality (improvement of superiority).
- ❑ Productivity improvement and cost structure reform coupled with process engineering, implementation of PLM, factory expansion, logistics maintenance, etc.
- ❑ To strengthen the business in Canada and Brazil and expand the business in Chile.
- ❑ To start new management system led by President M. Kauffman.



Then, I will talk about business in each region.

Page 25 shows the business targets and priority strategies in the Americas.

The declining of department stores in the U.S. is certainly a matter of concern, but we will maintain the top market share of nearly 25% for department stores and we strive to improve the market share. At the same time, we will strengthen e-commerce and directly managed retail stores, and achieve non-continuous growth through business investment in growing markets. Furthermore, we will enhance our product development ability, reform the cost structure and expand our business in neighboring countries to solidify the foundation of net sales of 30 billion in the Americas, which we aim to achieve in the fiscal year ending March 2028.

Also, we strive to improve gross profit rate through a higher sales ratio of e-commerce and increased business efficiency. In parallel, we aim to achieve a ratio of operating income of 9 to 10% by ensuring an appropriate balance between growth investments and operating income.



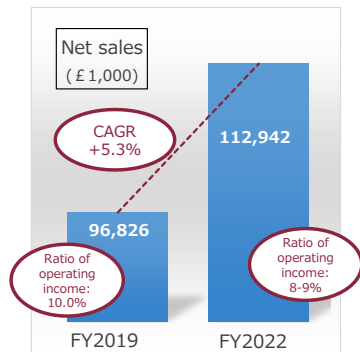
➤ We will develop full-figured products that we excel at, expand brand portfolio marketing according to country, region, and channel characteristics, and achieve stable growth and profit generation.

### 1. Market environment

- ① Trend to respect the diversity of beauty
- ② Sluggish business or failure of UK department stores
- ③ Accelerated expansion of the e-commerce market, while price competition among third-party e-commerce websites prevails
- ④ Opacity of Brexit

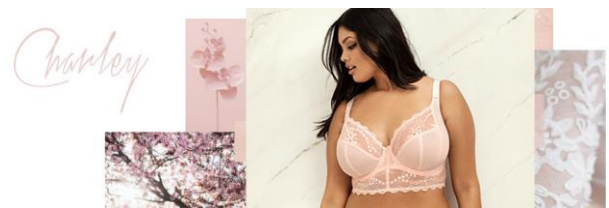
### 2. Business targets

- ① To give top priority to growth investment (B2B, B2C site, office and distribution warehouse, ERP update, affiliated plants, etc.)
- ② Appropriate balance between growth investment and operating income (Ratio of operating income: 8-9%)



### 3. Priority strategies

- ❑ To strengthen full-figured brand "Goddess" after "elomi"
- ❑ To expand the areas to use the renewed our own e-commerce website (B2C). To review partnership strategy with third-party e-commerce websites.
- ❑ To implement support and strategic initiatives for revitalizing specialty store channels. (strengthening B2B systems, proposal by data analysis, review of incentives)
- ❑ To expand the business in Europe (Germany, Italy and Spain)
- ❑ To enhance capacity and productivity of the affiliate factory in Sri Lanka (joint venture)
- ❑ Integration and modernization of offices and distribution warehouses



Next, I will talk about the business targets and priority strategies in Europe.

In the coming 3 years, we will enhance the development of full-figured brands and products after "elomi," and expand the brand portfolio marketing according to the characteristics of countries and distribution channels.

In addition, we will renew our own e-commerce. Later, we will expand our business areas to improve gross profit rate. Also, we will implement strategic initiatives for revitalizing specialty store channels. Furthermore, we will be expanding the business in the euro area, including Germany and Italy.

On the other hand, despite the smoldering uncertainty regarding the Brexit, our company considers integration and modernization of the Wacoal Europe office and the distribution warehouse located in England as an important mission. We believe that growth investments, such as renewal of our own e-commerce and strengthening of each brand, which have been running behind the previous 3-year plan, must be prioritized.

We strive to achieve an annual sales growth rate of 5% on average and a ratio of operating income of around 8 to 9%.



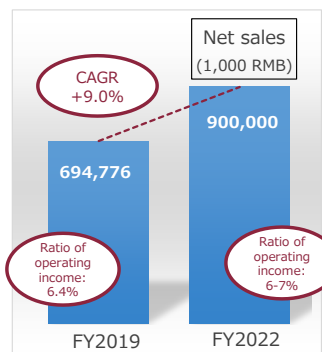
➤ We will strengthen branding and marketing in the e-commerce market by enhancing collaboration with Japan, and make efforts to acquire young customers and new customers. At the same time, we will carry out marketing investment and business foundation improvement that can sustain high growth.

### 1. Market environment

- ① Consumption expansion among young people
- ② Accelerated growth of the world's largest e-commerce market
- ③ Overwhelming competition by global brands, and early arrival of the brand selection

### 2. Business targets

- ① Prioritized investment to secure growth
- ② Creation of the current ratio of operating income (Ratio of operating income: 6-7%)



### 3. Priority strategies

- ❑ Flexible arrangement of the "Japanese origin" brand that captures the fast-moving young people
- ❑ To shore up prestigiousness of "Salute" (rebranding)
- ❑ To strengthen growth capability of the e-commerce business (utilization of customer database, increasing and strengthening information contents)
- ❑ To expand the in-store share of department stores, and make effective use of outlet channels
- ❑ To develop a rational business base that can respond to growth - Logistics base, backbone IT system, management system, mechanism of waste loss reduction



Next, I will talk about the business targets and priority strategies in China.

In the coming 3 years, we will enhance brand development and marketing in the e-commerce market by strengthening collaboration with Japanese companies, and make efforts to acquire young customers and new customers. At the same time, we will invest in marketing to strengthen the growth capability of the e-commerce business and expand the in-store share of department stores, to maintain a high level of growth potential.

In addition, we will develop an efficient business base, by enlarging distribution warehouses and improving the backbone IT system, to tolerate growth. We hope to achieve an annual sales growth rate of 9% on average and a higher ratio of operating income through these initiatives.



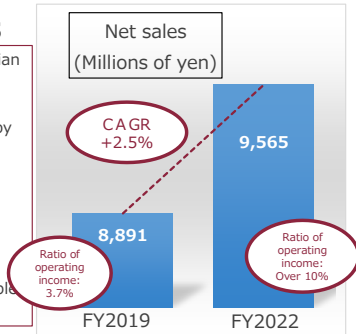
- To achieve accelerated growth of the Indian business and balance of operating profit and loss
- In addition to strengthening our ability to respond to the growing e-commerce market, we will enhance regional collaboration and improve business efficiency

### 1. Our business environment in Asia

- ① Wacoal India (Sales corporation, Established in FY2016)  
- End of FY2019: Directly managed retail stores: 12; sales: ¥120 million
- ② Small-scale sales corporations (Hongkong, Singapore, the Philippines, etc.)
- ③ Sewing factories (China, Vietnam and Myanmar), material factory (Thailand)
- ④ Equity-method companies that perform manufacturing and sales (Taiwan, South Korea and Thailand)

### 2. Business targets

- ① To accelerate growth of the Indian business
- ② To improve business efficiency by strengthening regional collaboration
- ③ To get the material factory in Thailand on track
- ④ Ratio of operating income: Double digits



### 3. Priority strategies

- ❑ To expand the business in India and achieve the balance of operating profit and loss (FY2022 net sales: ¥1.8 billion)  
-Acceleration of opening stores (directly managed retail stores + department stores), strategic marketing investment
- ❑ To develop our own e-commerce platform common in Asia
- ❑ To enhance brand image and value in Asia and improve marketing efficiency
- ❑ To improve cost by enhancing technical quality and productivity of the ASEAN factories
- ❑ New market development (Turkey, etc.)



\*Including consolidated adjustment

Next, I will talk about the business targets and priority strategies in other Asian countries.

We started our business in India in the fiscal year ended March 2016, and after 3 years, we have finally started to understand the local consumption trend and preferences. Therefore, we strive to achieve accelerated growth in the Indian market in the coming 3 years through active investment. Also, we will develop our own common e-commerce platform in Asia to strengthen our capability of responding to the growing e-commerce market. Furthermore, we will enhance regional collaboration and improve marketing efficiency and cost.

We aim to achieve the balance of operating loss and profit in the Indian business by the fiscal year ending March 2022. Furthermore, we strive to attain a ratio of operating income of over 10% by getting the sewing factories in Myanmar and the material factory in Thailand on track and making them help improve operating income.



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## **4. Reform of Group's Production and Supply Systems**



- **We will establish a Group-wide production management system that can supply competitive products and materials beyond the boundaries of brands and regional businesses.**
- **Furthermore, we will identify the future supply and demand of each business and reorganize the factory system in anticipation of optimal supply capacity (capacity, quality/cost, scrap and build).**

**1. Environment and issues of the production and supply business**

- ① Production system emphasizing vertical division according to brand and regional business
- ② Regional arrangement of factories that effectively supply high value-added products
- ③ Expansion of utilization of the material factory in Thailand
- ④ Organization of the supply system to the growing markets including China and India
- ⑤ Declining operating rate of the factories under Lecien

**Capital investment amount (three-year cumulative total)**

**¥1.5 billion**

- Material factory in Thailand (A Tech): ¥400 million (Dyeing machine, accessories for warp knitting, etc.)
- Vietnam: ¥300 million (e.g. increasing production facility)
- Dalian: ¥200 million (increasing production facility including bonding machine)  
In addition, building repair costs, equipment maintenance, etc.

**2. Priority strategies**

- To reinforce the Group's production planning and management system  
- To strengthen the ASEAN bases, facilitate in-house production, and use the capacity of the Lecien factories
- To expand supply bases for bonding and non-sewing products
- To develop high-quality, high-value-added production capacity for Europe and the US (Dominican Republic)
- To establish a global materials representative meeting (to improve material superiority and promote standardization)
- To improve production technology such as molding and mass production, and conduct standardization at domestic and overseas factories



Please see page 30.

I would like to explain about the 4th priority strategy, "reform of production and supply systems."

Firstly, I will be discussing the environment and issues of our company's production and supply business. Our company has a production system that emphasizes vertical division according to brand and regional business, mostly due to the characteristics of products. In addition, regional arrangement of factories that effectively supplies high value-added products, expansion of utilization of the material factory in Thailand and organization of the supply system to the growing markets including China and India are some of the issues that the company must deal with.

Therefore, we will establish a group-wide production management system that can supply competitive products and materials beyond the boundaries of brands and regional businesses in the coming 3 years. Furthermore, we will grasp the future supply and demand of each business and reorganize the factory system in anticipation of optimal supply capacity.

In addition to these, we will expand supply bases for bonding and non-sewing products, enhance the factory in Dominican Republic to improve production capacity for Europe and the U.S., and establish a global materials representative meeting. The cumulative 3-year equipment investment amount related to reorganization is expected to be around 1.5 billion yen.



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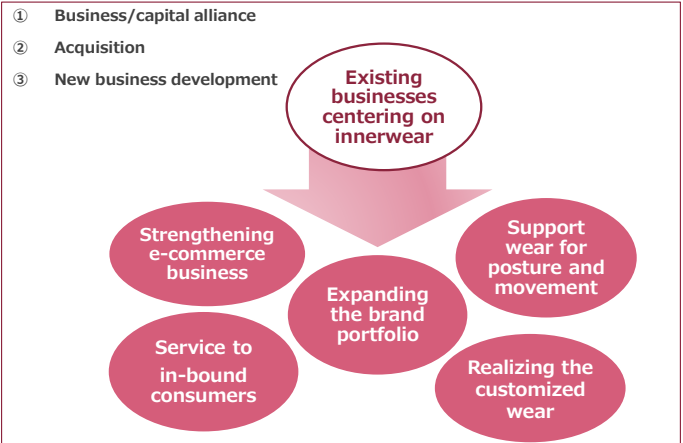
## **5. Challenge to the Expansion of the Business Portfolio and New Business**



➤ We will be aware of “selection and concentration” of the business areas and implement growth investment to achieve discontinuous growth from a medium- to long-term perspective.

1. “Selection and concentration” of the business areas      2. Growth investment

- ❑ Wacoal should have a trusted and fifty-fifty relationship with consumers (customers) and be a “valued” presence that will support the realization of their own beauty.
- ❑ “Values” provided through the businesses
  - ① **Beauty**, ② **Comfort**, and ③ **Well-being**



Next, I will talk about the fifth priority strategy, “challenge to the expansion of the business portfolio and new business.”

In the coming 3 years, we will be aware of “selection and concentration” of business domains and actively implement growth investment to achieve non-continuous growth from a medium- to long-term perspective.

We think it is highly important that consumers acknowledge Wacoal Group as a “valued” presence that will support the realization of their own beauty. In order to provide values such as “beauty,” “comfort” and “well-being” and become an irreplaceable existence, we must encourage business collaboration as well as capital alliance with various companies, as we consider more rational than starting from scratch by ourselves.

Furthermore, we are actively considering acquisition as one of the initiatives for enhancement of new businesses such as expansion of the brand portfolio and strengthening of the e-commerce business.





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## **6. Enhancement of Social Value (Work on ESG Challenges)**



➤ **To value people and the environment**

- From product planning and development to material procurement, production, and sales, we have a unique network and build a value chain, and our greatest management resource is human resources.
- We will establish close partnerships with all suppliers and business partners, and comply with and respect social requirements such as “human rights,” “working practices,” “environment” and “ethics” together.

**A vibrant climate based on human rights, ethics and diversity**

- To improve CSR procurement efforts (continuous improvement and expansion of the target areas)
- Advertising expression respecting diverse values
- To support breast care issues across the world (Contributing 1% level of final profit to the solution of global breast care issues.)
- To satisfy both “job satisfaction” and “ease of work” - Development of an outcome-oriented environment and diverse working environment
  - Creating new value by encouraging diversity and inclusion

**Coexistence with the global environment and local communities**

- Implementation of plastic removal for packaging materials, etc.
- Reduction of discarded unsold products
- Reduction of resource loss at the production stage by creating smart factories
- Conservation of kyo-machiya townhouses/townscape and value improvement of local communities

Please see page 34.

Lastly, I will be talking about “enhancement of social value,” which is our sixth priority strategy.

To realize a sustainable society and develop with society, we must, needless to say, take initiatives to solve ESG issues. Our company has a unique network and built a value chain through interaction with a large number of people, and our greatest management resources are human resources.

In addition, we will establish close partnerships with all suppliers and business partners, and comply with and respect social requirements such as “human rights,” “working practices,” and “environment.” In the coming 3 years, we will continue to improve CSR procurement efforts by continuously grasping the revision and improvement status and expanding the target areas.

Furthermore, we strive to improve the quality of diversity management by enhancing the awareness of ad and communication expressions that respect diverse values and addressing breast care issues across the world, and foster a company culture for creating new value.

In parallel, we will strengthen initiatives for plastic removal for packaging materials, reduction of discarded unsold products, promotion of smart factories, etc., and realize harmonious coexistence with global environment and local communities.



➤ **We will strive to work on trusted corporate activities based on active dialogue with all stakeholders. At the same time, we will optimize the value allocation for each stakeholder.**

### Development of corporate governance

- To improve effectiveness according to the principles of the corporate governance code
  - Analysis and evaluation of the effectiveness of the Board of Directors
  - Increasing transparency of appointment and remuneration of the directors
  - Reduction of strategically held shares (\*To be described later)
- To develop Business Continuity Plan/Business Continuity Management (BCP/BCM)
- To strengthen measures against the information leakage risk of personal information, etc.
- To strengthen appropriate disclosure of information related to corporate value improvement/corruption
  - Medium- to long-term vision, KPI, future risks
  - Succession plan



Please see page 35.

We will continue to improve our corporate governance further to strengthen the management and organizational structures with higher transparency. In addition to enhancing the effectiveness of governance, we will strengthen measures against the information leakage risk and for appropriate disclosure of information.

In the coming 3 years, the management team, including myself, will strive to make decisions based on active dialogue with all stakeholders and optimize the value allocation to each stakeholder.

That's it from me. Thank you for your attention.



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# **Performance Objectives and Financial Strategy (Management Plan from FY2020 to FY2022)**

**Akira Miyagi,  
Director, General Manager of Corporate Planning**

Hello everyone, it's nice to be here today.

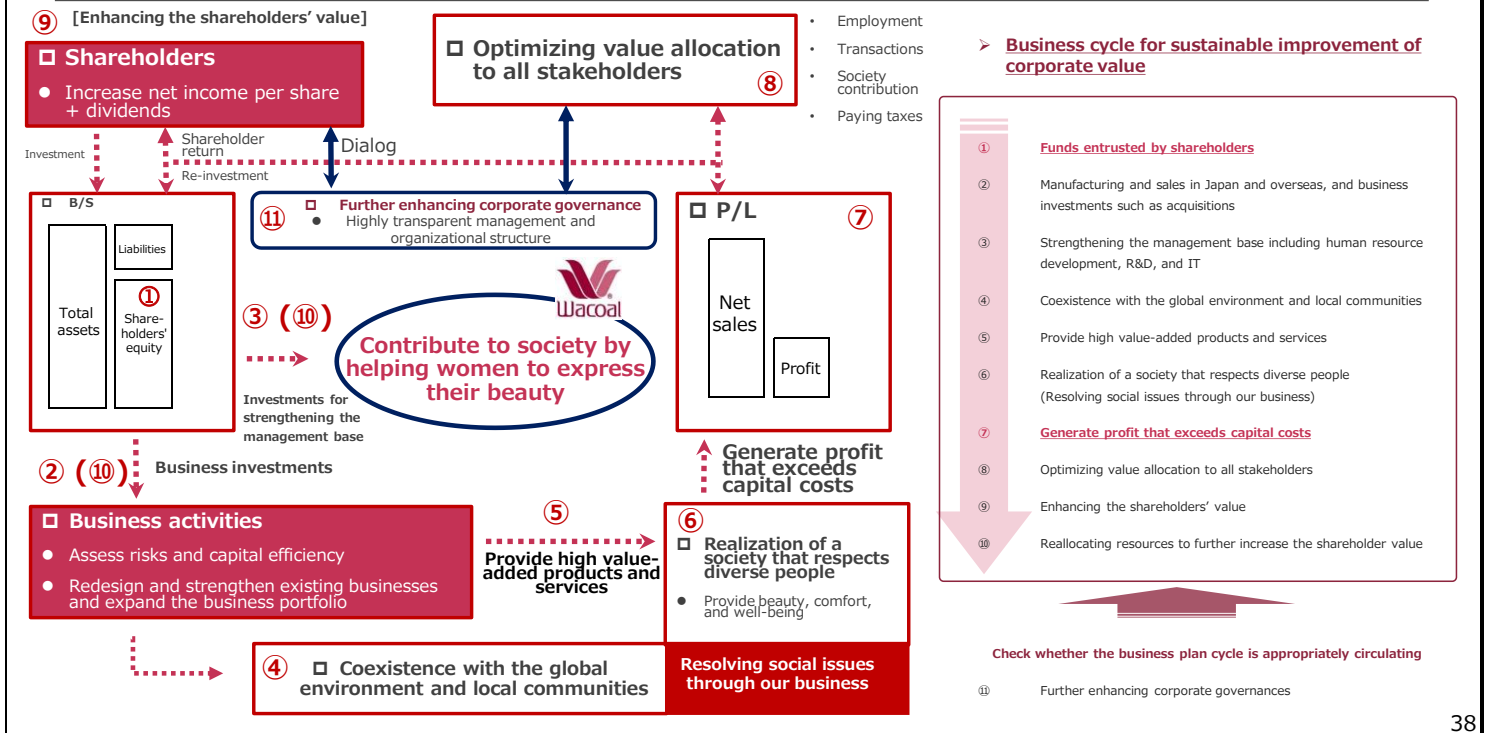
As for me, I would like to speak about our 3-year management plan focusing on the performance objectives and the financial strategy.



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## 7. Management with Capital Cost in Mind



In the medium-term management plan, we raised “management with capital cost in mind” as the 7th priority strategy.

First, I would like to briefly explain the resource allocation concept, on which our company is putting focus, to achieve a sustainable corporate value improvement.

We utilize the funds we receive from our shareholders and allocate them to make business investments, namely, we invest in strengthening the management base, through which we respond to the needs of our customers around the world by providing high-added-value products and services. The basis for this concept is, as president Yasuhara mentioned in the beginning, the key philosophy of “contribute to society by helping women to express their beauty”.

Moreover, we work towards achieving harmonious coexistence with the global environment and local communities and respect human rights and ethics for the realization of a society that respects diverse people. In the coming 3 years, we will improve our initiatives for solving social problems through our business. In addition, we will generate a profit that exceeds capital costs. This is the core that defines the “management with capital cost in mind” we raised in our priority strategies.

As a result, we plan to optimize value allocation to all stakeholders and improve the shareholders' value.



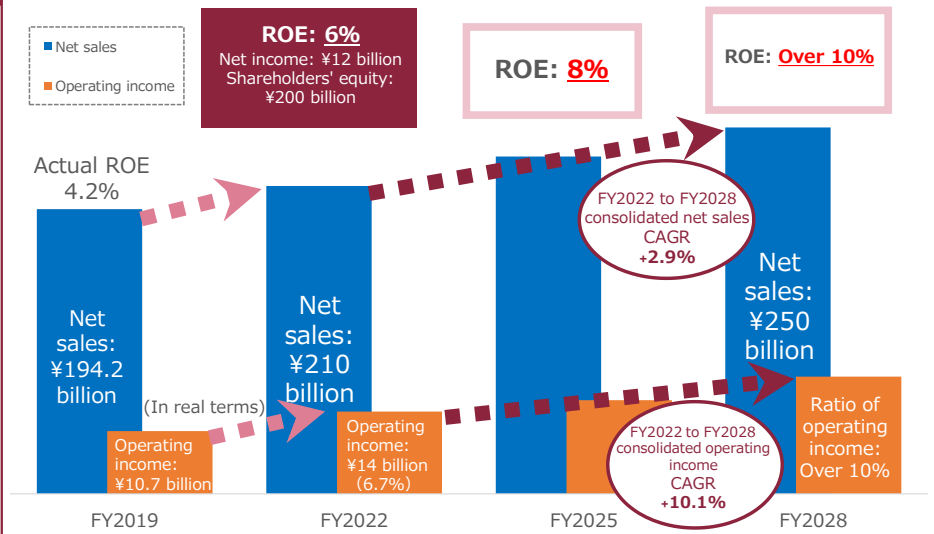
**Medium-Term Management Plan (FY2022)**

Consolidated net sales:  
**¥210 billion**

Operating income:  
**¥14 billion**  
(Ratio of operating income: 6.7%)

Net income attributable to Wacoal Holdings Corp.:  
**¥12 billion**

**ROE: 6%**



Please see page 39.

Considering the management strategy and the ideal business outcome 9 years from now, which president Yasuhara talked about, the summary of the sales growth plan and the operating income plan are like this.

In the term ending March 2022, 3 years from now, we plan to achieve consolidated net sales of 210 billion yen, an operating income of 14 billion yen, a net income of 12 billion yen, and an ROE of 6%. After that, we will commit to the business administration focused on capital cost and aim for an ROE of 10% in 9 years. However, we aspire to reach the 8% level in 6 years.

Furthermore, the figures I've raised here in the management plan do not reflect the effects of business performance fluctuations caused by valuation gain or loss on marketable securities and investments that became required to be posted as other income or expenses in the statement of income in the previous term, according to the change to U.S. accounting standards.



(Millions of yen)

	FY2022 plan		FY2019 results		Comparison between FY2019 and FY2022		
		Distribution ratio		Distribution ratio	Amount	%	CAGR
<b>Consolidated net sales</b>	<b>210,000</b>	<b>100</b>	<b>194,201</b>	<b>100</b>	<b>15,799</b>	<b>+8.1%</b>	<b>+2.6%</b>
Wacoal Business (Domestic)	119,700	57.0	113,400	58.4	6,300	+5.6%	+1.8%
Wacoal Business (Overseas)	61,600	29.3	53,100	27.3	8,500	+16.0%	+5.1%
Peach John Business	11,600	5.5	10,491	5.4	1,109	+10.6%	+3.4%
Other	17,100	8.1	17,210	8.9	- 110	- 0.6%	- 0.2%

	FY2022 plan		FY2019 results		Comparison between FY2019 and FY2022		
		% to Sales		% to Sales	Amount	%	CAGR
<b>Operating income</b>	<b>14,000</b>	<b>6.7</b>	<b>4,879</b>	<b>2.5</b>	<b>9,121</b>	<b>+186.9%</b>	<b>+42.1%</b>
Wacoal Business (Domestic)	7,850	6.6	6,325	5.6	1,525	+24.1%	+7.5%
Wacoal Business (Overseas)	5,300	8.6	4,581	8.6	719	+15.7%	+5.0%
Peach John Business	350	3.0	- 5,859	-	6,209	-	-
Other	500	2.9	- 168	-	668	-	-

Exchange rate assumptions: 1USD = 110.00 yen; 1GBP = 145.00 yen; 1CNY = 16.50 yen

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Page 40 shows estimated net sales and operating income for each business segment 3 years from now.

In the domestic Wacoal business, centered around Wacoal Corp., we will achieve sustainable and steady sales growth by accelerating the omni-channel strategy in the wholesale business and increasing the sales of each store in the retail business. At the same time, we expect to see improvements in the ratio of operating income by increasing the efficiency of business operations.

As for the overseas Wacoal business, we will prioritize marketing investments for the realization of robust growth in the coming 3 years. We will form alliances with other companies, restructure our own e-commerce websites, and make advertising investments in order to accelerate e-commerce growth in Europe, America, and China. Furthermore, it will be necessary to upgrade the business bases including offices, distribution warehouses, and backbone IT in accordance with the business model reforms that take the advancement of e-commerce into account. As a result of prioritizing this series of growth investments, the ratio of operating income is expected to plateau.





(Millions of yen)

	FY2020 plan		FY2019 results		YoY	
		Distribution ratio		Distribution ratio	Amount	%
<b>Consolidated net sales</b>	<b>200,000</b>	<b>100.0</b>	<b>194,201</b>	<b>100</b>	<b>5,799</b>	<b>+3.0%</b>
Cost of sales	92,100	46.0	89,804	46.2	2,296	+2.6%
Sales profit	107,900	54.0	104,397	53.8	3,503	+3.4%
SG&A expenses	96,900	48.5	93,684	48.2	3,216	+3.4%
A: Impairment charges on goodwill and other intangible assets	—	0.0	5,834	3.0	- 5,834	—
<b>Operating income</b>	<b>11,000</b>	<b>5.5</b>	<b>4,879</b>	<b>2.5</b>	<b>6,121</b>	<b>+125.5%</b>
Other profit or loss	1,000	0.5	2,894	1.5	- 1,894	- 65.4%
B: Valuation gain (loss) on marketable securities and investments – net	—	—	- 5,570	—	5,570	—
<b>Income before income taxes and equity in net income of affiliated companies</b>	<b>12,000</b>	<b>6.0</b>	<b>2,203</b>	<b>1.1</b>	<b>9,797</b>	<b>+444.7%</b>
<b>Net income attributable to Wacoal Holdings Corp.</b>	<b>9,000</b>	<b>4.5</b>	<b>341</b>	<b>0.2</b>	<b>8,659</b>	<b>—</b>
<b>In real terms (reference figure)</b>						
Operating income not taking into account A	11,000	5.5	10,713	5.5	287	+2.7%
Income before taxes and equity in net income of affiliated companies not taking into account A and B	12,000	6.0	13,607	7.0	- 1,607	- 11.8%
Net income not taking into account A and B	9,000	4.5	9,636	5.0	- 636	- 6.6%

Exchange rate assumptions: 1USD = 110.00 yen; 1GBP = 145.00 yen; 1CNY = 16.50 yen

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Please see page 41. I'd like to talk about the business performance forecasts for this term.

We estimate that consolidated net sales will be 200 billion yen, up 3% year-on-year, operating income will be 11 billion yen, up 125% year-on-year, income before income taxes and equity in net income of affiliated companies will be 12 billion yen, and net income attributable to Wacoal Holdings Corp. will be 9 billion yen.

As for the previous term, the impairment charges on other intangible assets referred to as "A", and valuation gain or loss on marketable securities and investments referred to as "B" in the table have largely affected the profit; therefore, we showed the comparison data that excludes them, in real terms outside the table.

Regarding the operating income plans, Wacoal Corp. estimates 800 million yen decrease due to the increase in expenses for retirement benefits, distribution cost, and IT-related expenses. Also, in the U.S. and Europe, we expect that it will drop by approximately 600 million yen due to the effects of the expenses to restructure and strengthen the e-commerce platform, etc.

On the other hand, we aim to reach an equilibrium level of operating profit or loss for the businesses that had fallen into an operating deficit in the previous term including Peach John, Ai, and Lecien. In this perspective, we project about 300 million yen increase in profit overall in real terms.

The reason for the decline in income before income taxes and equity in net income of affiliated companies and net income attributable to Wacoal Holdings Corp. is a large increase in expenses for retirement benefits caused by the re-evaluation of liabilities for retirement benefits and the worsening of operating revenue.

Management Objectives (4): Net Sales and Operating Income of Each Business Segment for FY2020



(Millions of yen)

	FY2020 plan		FY2019 results		YoY	
		Distribution ratio		Distribution ratio	Amount	%
<b>Consolidated net sales</b>	<b>200,000</b>	<b>100</b>	<b>194,201</b>	<b>100</b>	<b>5,799</b>	<b>+3.0%</b>
Wacoal Business (Domestic)	116,200	58.1	113,400	58.4	2,800	+2.5%
Wacoal Business (Overseas)	55,500	27.8	53,100	27.3	2,400	+4.5%
Peach John Business	11,600	5.8	10,491	5.4	1,109	+10.6%
Other	16,700	8.4	17,210	8.9	- 510	- 3.0%

	FY2020 plan		FY2019 results		YoY	
		% to Sales		% to Sales	Amount	%
<b>Operating income</b>	<b>11,000</b>	<b>5.5</b>	<b>4,879</b>	<b>2.5</b>	<b>6,121</b>	<b>+125.5%</b>
Wacoal Business (Domestic)	6,600	5.7	6,325	5.6	275	+4.3%
Wacoal Business (Overseas)	4,000	7.2	4,581	8.6	- 581	- 12.7%
Peach John Business	170	1.5	- 5,859	-	6,029	-
Other	230	1.4	- 168	-	398	-

Exchange rate assumptions: 1USD = 110.00 yen; 1GBP = 145.00 yen; 1CNY = 16.50 yen

Page 42 shows the estimated net sales and operating income for each business segment for this term.

As for overseas businesses, in addition to strengthening the business bases in U.S. and Europe I mentioned before, we plan to make aggressive marketing investments to accelerate business growth in China and India this term. With this in mind, although operating income is projected to decline, we plan to prioritize growth investments from a medium to long term perspective.



### **1. Increasing the shareholders' value by improving ROE**

- We will work toward the sustainable improvement of shareholders' value and pursue continual profit growth and capital efficiency (ROE) improvement.
- In order to improve ROE, we will focus on improving "profitability (profit margin)" and "capital efficiency (turnover rate)," while maintaining a sound balance sheet.

### **2. Maintaining a sound balance sheet (shareholders' equity levels)**

- In order to ensure capturing the expanding business opportunities, we will maintain the appropriate shareholders' equity levels from the perspectives below.
  - Sufficient levels for business activities' risks
  - An adequate level to support continual capital investment and investment in growth that foresees future business opportunities

### **3. Policy for shareholder return**

- We view the returns to shareholders as one of the management's most important issues; thus we plan to increase shareholder returns, while paying attention to the free cash flow levels and maintaining financial strength as well as the funds for strategic investments for future growth.

Please see page 43. I'd like to talk about capital policies.

The first policy is to work on increasing the shareholders' value by improving ROE, through improving profitability and capital efficiency.

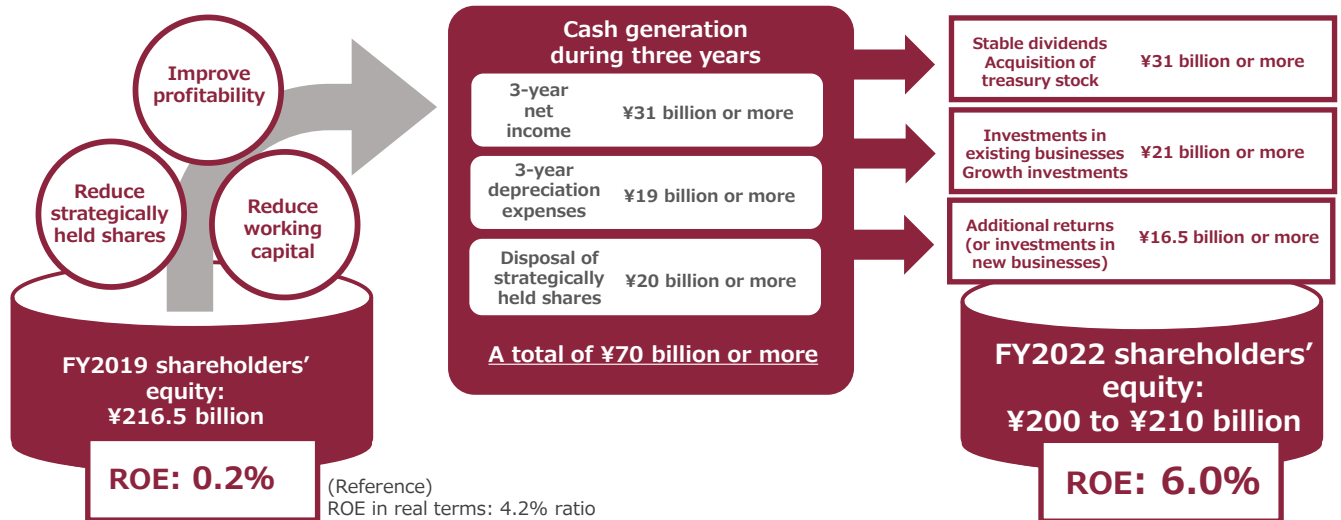
The second is to maintain a sound balance sheet. We will ensure an adequate level to support sustainable capital investments and deal with business opportunities and risks that come along the business activities.

The third one is about shareholder return. As I mentioned before, this policy presents plans to increase shareholders returns, while paying attention to the free cash flow levels and securing enough resources to cover investment opportunities.



➤ **We will prioritize the investments for future growth, while pursuing enriching shareholders returns**

- Achieve an ROE of 6% which exceeds capital costs
- Maintain a total return ratio of 100%
- Reduce strategically held shares (target: 30% reduction)



Page 44 outlines our concrete initiatives to improve capital efficiency and the concept concerning shareholders returns in the coming 3 years.

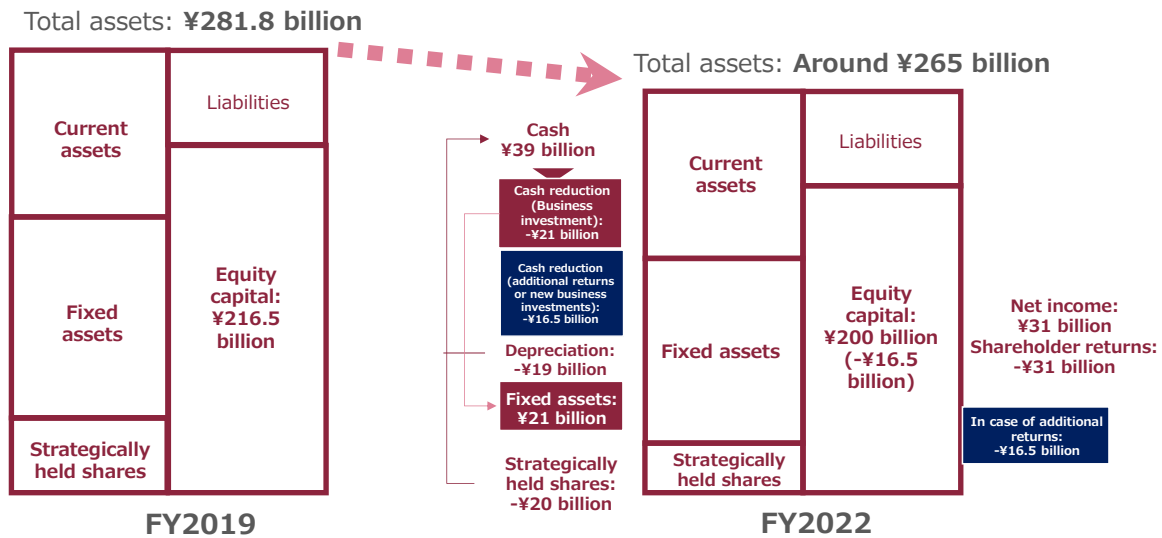
Firstly, as for generating cash, we will work to achieve profitability through business activities and reduce working capital. As a result, we estimate the increase in cash flow in 3 years to be 50 billion yen or more. At the same time, we plan to aggressively reduce strategically held shares and aim to sell off 20 billion yen or more in the coming 3 years, which is equivalent to nearly 30% of all strategically held shares.

Please find the information related to returns and investments on the right of the table. For the coming 3 years, we will continuously strive for stable dividends and swift acquisition of treasury stock in order to achieve a total return ratio of 100%. To give a concrete figure, this is approximately 31 billion yen.

Secondly, we estimated 21 billion yen as sustainable capital investment. This is due to upgrading of the domestic and international IT systems, establishment of the e-commerce platform, etc.



➤ **Continue reducing total assets, and innovate for management with a sound and appropriate balance sheet**



Note: Starting from FY2020, in line with the changes in U.S. Accounting Standards, the accounting method of lease transactions is scheduled to change. Accordingly, there will be the increase in fixed assets and liabilities. However, the above conceptual diagram does not reflect it.

Lastly, we included the expected balance sheet as of the end of the term ending March 2022.

We plan to conduct capital and growth investments by using our own funds; thus, this plan will curb the increase in total assets.

On the other hand, we plan to reduce equity capital by enriching shareholders returns.

In addition, we will try to improve inventory turnover; however, while the proportion of directly managed business will increase as distribution channels will change, we are not planning for a major increase in inventory assets.

For the coming 3 years, we aspire to be the kind of group company that not only manages the statement of income, but also the balance sheet, cash flow, etc. for both domestic and overseas consolidated subsidiaries.

We will continue our business endeavors aiming for sustainable growth, and we hope to have your support.

This is all from me today. Thank you very much for your attention.

# Reference Figures

## Business goals of major subsidiaries : Sales and operating income [external]

(Millions of yen)

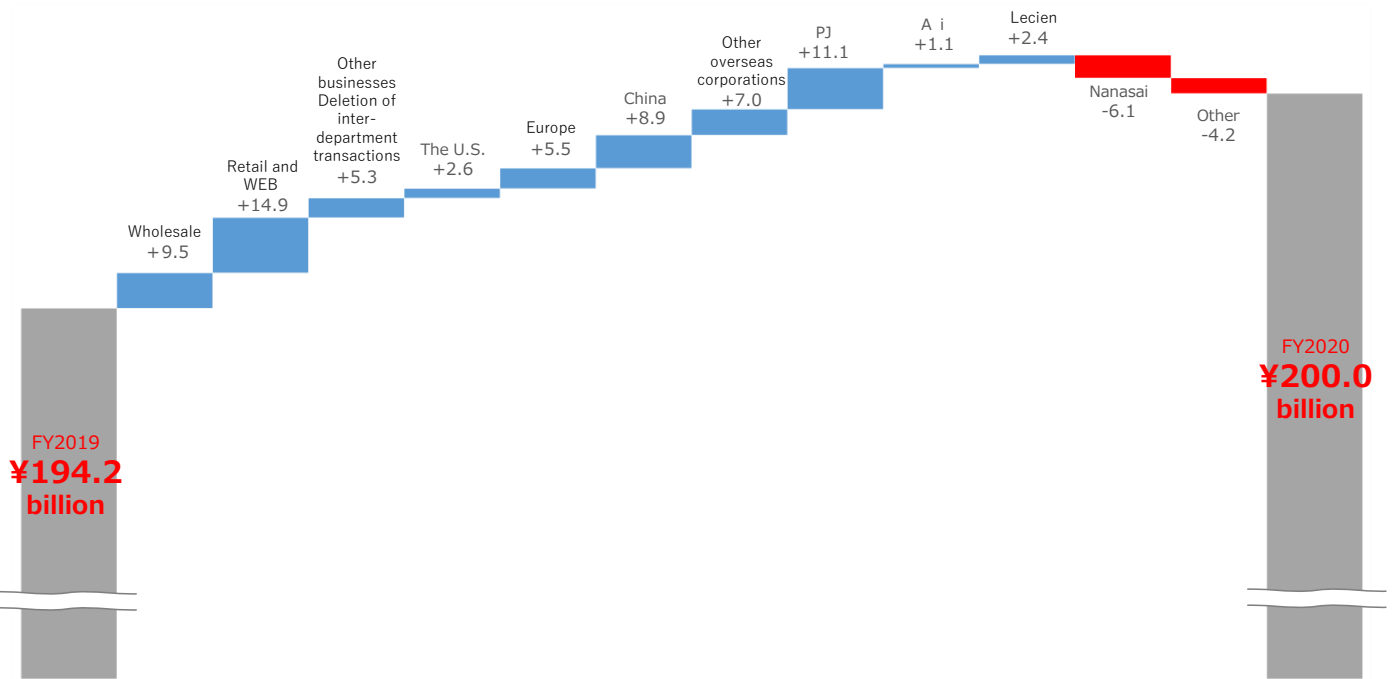
	Net Sales						Operating Income					
	FY2019 results	FY2020 target	FY2022 target	Year on Year			FY2019 results	FY2020 target	FY2022 target	Year on Year		
				Change	% Change	CAGR				Change	% Change	CAGR
Wacoal	102,356	105,327	110,241	7,885	+7.7%	+2.5%	5,099	4,300	6,694	1,595	+31.3%	+9.5%
Peach John	10,491	11,600	11,600	1,109	+10.6%	+3.4%	-220	170	350	570	-	-
Nanasai	9,414	8,800	9,240	-174	-1.8%	-0.6%	282	230	330	48	+17.0%	+5.4%
Lecien	6,284	6,528	6,663	379	+6.0%	+2.0%	-375	-9	140	515	-	-
Ai	4,181	4,290	4,490	309	+7.4%	+2.4%	-321	53	170	491	-	-
Wacoal International Corp. (U.S.)	18,486	18,750	20,807	2,321	+12.6%	+4.0%	2,095	1,667	1,969	-126	-6.0%	-2.0%
Wacoal Europe Ltd.	14,106	14,655	16,377	2,271	+16.1%	+5.1%	1,407	1,189	1,358	-49	-3.5%	-1.2%
Wacoal China Co., Ltd.	11,617	12,507	14,850	3,233	+27.8%	+8.5%	746	758	899	153	+20.5%	+6.4%

## Major Subsidiaries (Local Currency Basis)

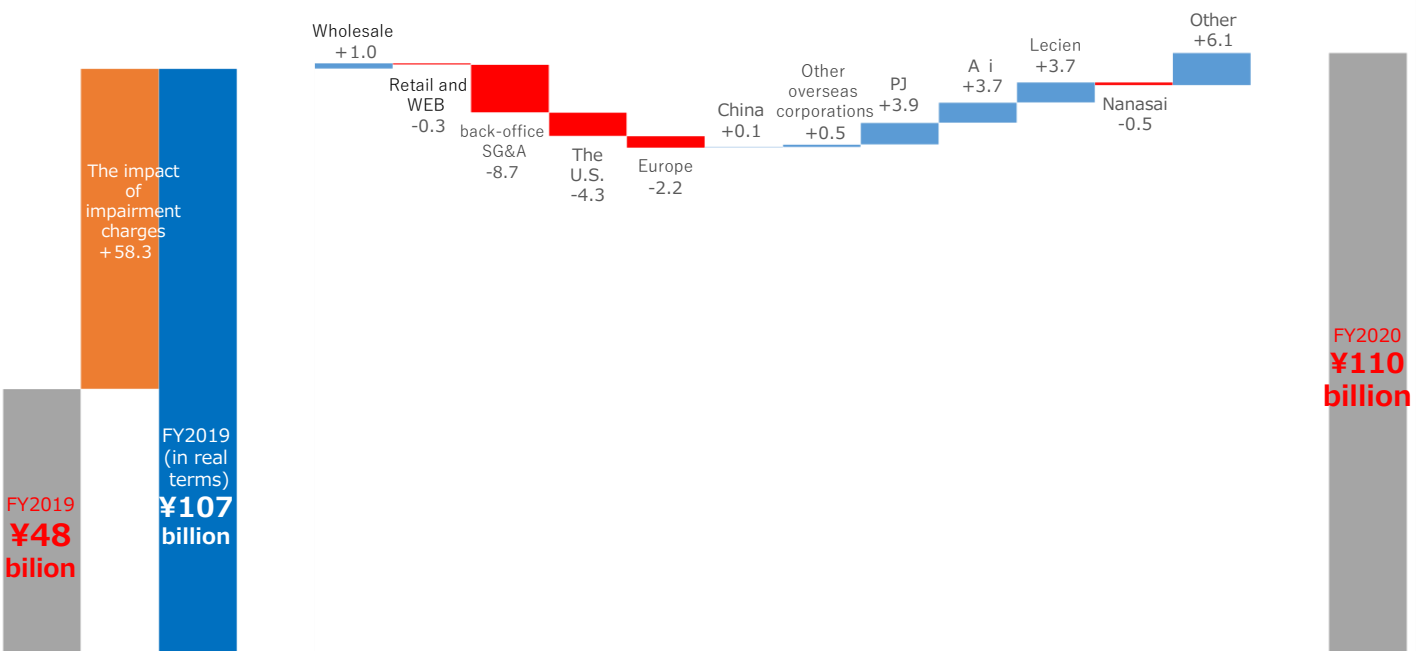
Wacoal International Corp. (U.S.)	166,679	170,465	189,147	22,468	+13.5%	+4.3%	18,900	15,150	17,900	-1,000	-5.3%	-1.8%	(USD'000)
Wacoal Europe Ltd.	96,826	101,062	112,942	16,116	+16.6%	+5.3%	9,658	8,198	9,368	-290	-3.0%	-1.0%	(GBP'000)
Wacoal China Co., Ltd.	694,776	758,000	900,000	205,224	+29.5%	+9.0%	44,594	45,900	54,500	9,906	+22.2%	+6.9%	(CNY'000)

[Exchange rate]	USD	GBP	CNY
	110.00 yen	145.00 yen	16.50 yen

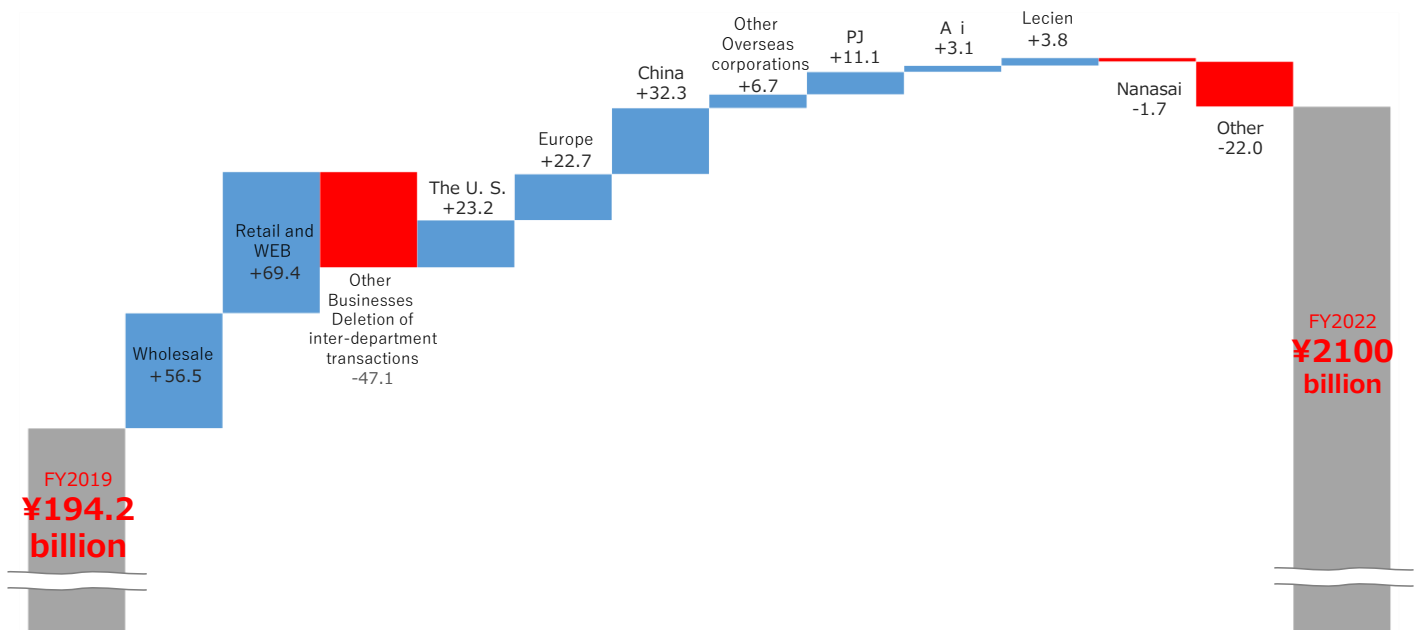
## FY2020 Increase/Decrease plan in sales



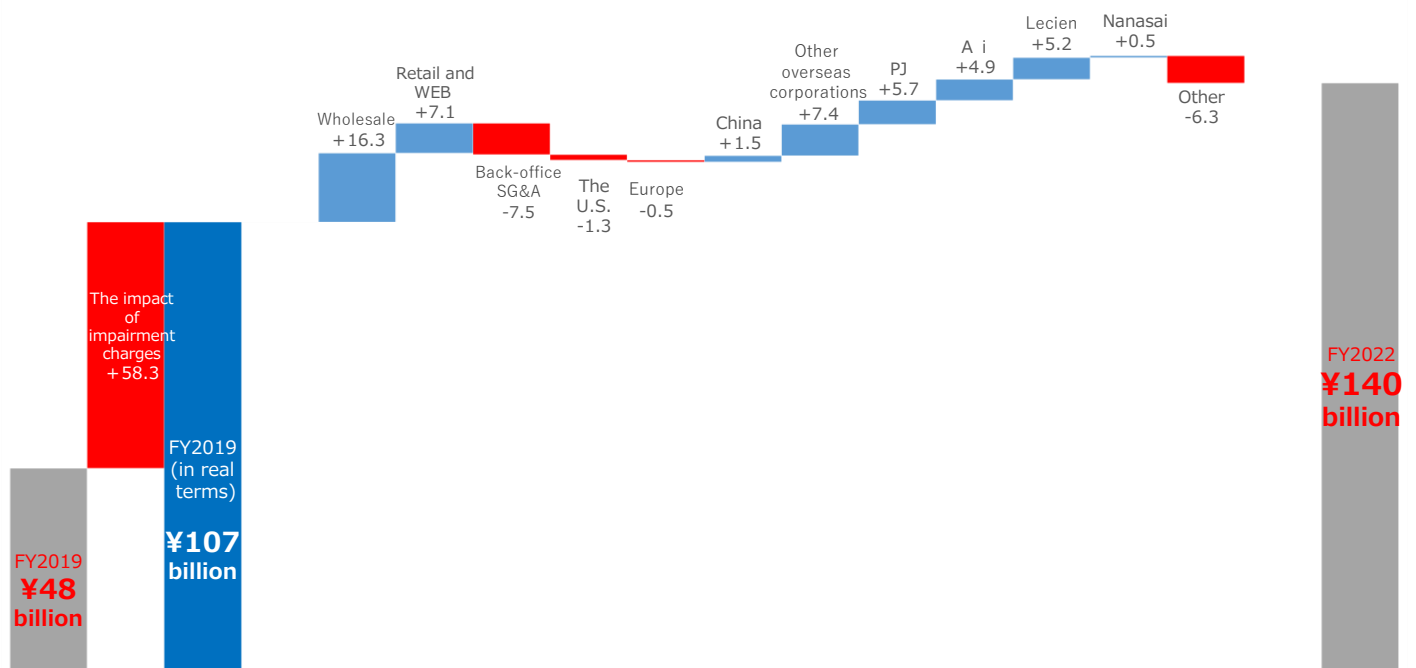
## FY2020 Increase/Decrease plan in operating income



## FY2022 Increase/Decrease plan in sales



## FY2020 Increase/Decrease plan in operating income



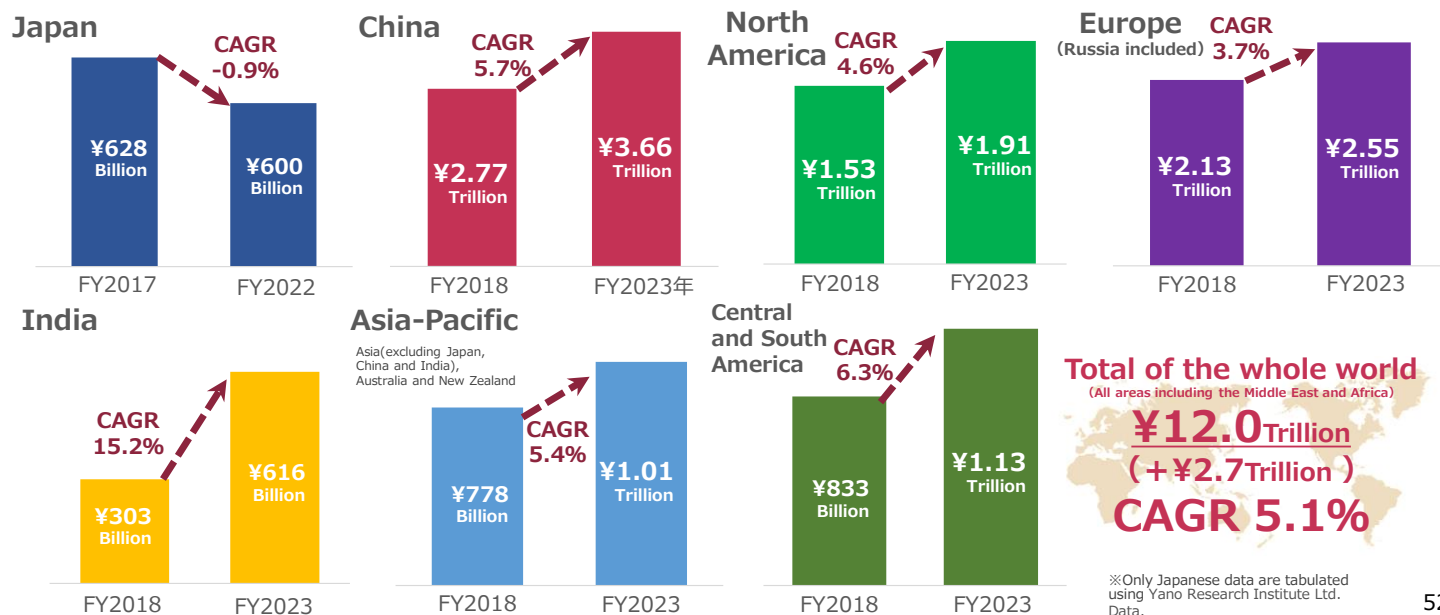


## Innerwear market size



### Five-year market size · Growth rate forecast (Based on retail prices)

Source: Euromonitor International Limited [2019] © All rights reserved and Yano Research Institute Ltd. (Japan only)



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## Sales of overseas equity method affiliates (Excluding export sales)



(Millions of yen)

Company name	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Shinyoung Wacoal	13,584	18,619	18,278	18,815	16,471	17,790	17,013
Thai Wacoal	7,983	9,066	9,007	11,536	8,694	11,386	12,972
Taiwan Wacoal	8,899	10,846	11,332	11,809	10,129	10,721	10,338
Indonesia Wacoal	1,404	1,925	2,229	2,418	2,199	2,309	2,249
Wacoal Malaysia	1,026	1,273	1,370	1,258	1,085	1,186	1,253
<b>Equity method affiliates total</b>	<b>32,896</b>	<b>41,729</b>	<b>42,216</b>	<b>45,836</b>	<b>38,578</b>	<b>43,392</b>	<b>43,825</b>
ratio[%]	58.8%	48.9%	46.7%	46.9%	44.3%	45.5%	45.2%
<b>Wacoal business(overseas)</b>	<b>23,081</b>	<b>43,636</b>	<b>48,107</b>	<b>51,869</b>	<b>48,423</b>	<b>51,888</b>	<b>53,100</b>
ratio[%]	41.2%	51.1%	53.3%	53.1%	55.7%	54.5%	54.8%

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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.