A Review of the Previous Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

Basic Policy

Secure earnings in domestic business	● Continue to develop attractive new products with high added value ● Improve the productivity of our wholesaling business and the profitability of our retailing business ● Create original omni-channel services to enhance customer convenience
Generate further growth in overseas business	● Enhance product added value through the reinforcement of planning and development systems ● Collaborate across regions on product planning and production management ● Improve our ability to keep pace with the accelerating global growth of e-commerce markets ● Use global supply chains to develop highly competitive materials
Create Group synergies and strengthen competitiveness	● Act on the management problems of individual companies ● Reciprocally use each company's strengths to increase overall competitiveness
Expand our business portfolio	● Expand our business portfolio using Wacoal's tangible and intangible strengths
Improve our Group management infrastructure	● Continually analyze society's needs and expectations and reflect them in our management policies

Improving profitability
Improving business efficiency

Capital policy

Shareholder returns

Achievements under the Previous Plan and Tasks to Be Addressed

	Achievements	Tasks
Wacoal Corp. and domestic subsidiaries	● Rebuilding conventional business models to depart from an overdependence on the domestic wholesale business ● Enhancing management efficiency through the reorganization and reform of sales practices • Achieving the highest-ever sales margin (Reducing product returns and discount sales) • Strengthening profitability by enhancing the brand value of the retail business ● Completing preparations for the introduction of digital technology-enabled, next-generation customer services in stores • Developing 3D body scanners and AI-enabled customer services	● Reform conventional business models (Improve the competitiveness of Peach John, Lecien, Ai, and CW-X) ● Implement an omni-channel strategy that competitors cannot match ● Reduce and optimize the number of brands and the product mix
Overseas business	● Growing secondary brands that help support businesses in North America, Europe, and China (*elomi* and *Peach John*) ● Accelerating business growth through the proactive development of e-commerce channels	● Introduce high-value-added products that transcend boundaries between Japan and other countries ● Collaborate with major e-commerce websites or strengthen in-house e-commerce websites depending on the characteristics of countries and regions ● Conduct growth investment and develop business foundations with the aim of strengthening small-scale operations in certain countries and regions ● Build a value chain with competitive superiority and rebuild supply chains on a Groupwide basis
ESG measures **Capital strategies**	● Beginning CSR-focused procurement through collaboration with contract manufacturers ● Discontinuing defensive measures against takeovers ● Maintaining a total payout ratio of 100% ● Developing employee-friendly environments through reform of work styles and methods of taking leave	● Reduce the risk of being subject to criticism as a result of using expressions in advertising that are not in the spirit of diversity ● Strengthen the management of customer information even further ● Reduce strategic shareholdings ● Develop an inclusive organization that comprises diverse personnel

A Review of the Previous Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

Consolidated

(¥ billion)

	2017/3	2018/3	2019/3			
	Results	Results	Results	In real terms*2	Targets (Announced in May 2016)	Comparison to targets
Net Sales	195.9	195.7	194.2		215.0	–20.8
Operating Income*1 (Operating Margin)	10.3 (5.3%)	11.5 (5.9%)	4.9 (2.5%)	10.7 (5.5%)	15.0 (7.0%)	–10.1 (–4.5 pts.)
Net Income Attributable to Wacoal Holdings Corp.	12.5	9.7	0.3	9.6	11.0	–10.7
ROE	5.5%	4.2%	0.2%	4.2%	5% or more	

*1 Beginning from fiscal 2019, components of net periodic pension costs and net periodic post-retirement benefit costs, other than the service cost component, will be recognized as other income or expenses. The above table has been retrospectively amended to reflect the application of this change.
*2 These figures do not take into account impairment loss on intangible fixed assets and valuation gains and losses on marketable securities and investments.

Causes

Net sales: Nonachievement of ¥20.8 billion
(Nonachievement of ¥18.8 billion, excluding the effect of foreign exchange rates)

(1) Lackluster performances of three domestic consolidated subsidiaries (Peach John, Lecien, and Ai)
(Total shortfall of three companies: –¥9.1 billion)
(2) Change in the strategy of the retail business of Wacoal Corp. to emphasize profitability (Shortfall: –¥4.7 billion)
(3) Slumping wholesale business of Wacoal Corp. (Shortfall: –¥3.6 billion)

Operating income: Nonachievement of ¥10.1 billion
(Nonachievement of ¥3.2 billion in real terms, excluding the effects of accounting standard changes and impairment)

(1) Changes in U.S. GAAP accounting policies (–¥1.1 billion)
(2) Sluggish sales of three domestic consolidated subsidiaries
(Total shortfall of three companies: –¥2.2 billion)
(3) Recognition of impairment loss on intangible fixed assets of Peach John, etc. (–¥5.8 billion)

→ Operating margin of 5.5% in real terms, excluding the effect of impairment loss
→ ROE of 4.2% in real terms, excluding the effects of impairment loss and valuation gains and losses on marketable securities and investments

Subsidiaries

Net Sales (¥ billion) / Operating Income (¥ billion)

	Net Sales: 2019/3 Results	Net Sales: Targets (Announced in May 2016)	Net Sales: Comparison to targets	Operating Income: 2019/3 Results	Operating Income: Targets (Announced in May 2016)	Operating Income: Comparison to targets
Wacoal	102.4	110.0	–7.6	5.1	5.2	–0.1
Peach John	10.5	13.2	–2.7	–0.2	0.8	–1.0
Nanasai	9.4	10.1	–0.7	0.3	0.5	–0.2
Lecien	6.3	9.5	–3.2	–0.4	0.3	–0.7
Ai	4.2	7.3	–3.1	–0.3	0.2	–0.5
Wacoal International (U.S.)	18.5	19.4	–0.9	2.1	2.2	–0.1
Wacoal Europe	14.1	16.2	–2.1	1.4	1.4	0
Wacoal China	11.6	11.3	0.3	0.9	1.0	–0.1
Total	177.0	197.0	–20.0	8.9	11.6	–2.7

Causes

Wacoal Corp.

Net sales: Nonachievement of ¥7.6 billion
Wholesale business: Effect of store closures and the flagging performance of non-brassiere products
Retail business: Change in strategy aimed at reforming the business structure to emphasize profitability
Operating income: Nonachievement of ¥0.1 billion
Retail and online sales businesses:
Although an improvement in profitability, increases in store rents, distribution costs, and other expenses

Four domestic subsidiaries (Peach John, Nanasai, Lecien, and Ai)

Net sales: Nonachievement of ¥9.7 billion
Lackluster performances reflecting an inability to respond to changes in consumer needs
Operating income: Nonachievement of ¥2.4 billion
Lower profit on sales due to a decrease in revenues

Three overseas subsidiaries (United States, Europe, and China)

Net sales: Nonachievement of ¥2.7 billion
United States: Sluggishness of department store sales and stagnating growth of the CW-X business
Europe: Effect of foreign exchange rates and sluggishness of department store sales
Operating income: Nonachievement of ¥0.2 billion
United States: Decrease in revenues of the CW-X business
China: Short of target for reduction in cost of sales as a percentage of net sales