Management's Discussion and Analysis

Wacoal Holdings Corp. and Subsidiaries

Financial information contained in this section is based on the consolidated financial statements included in this integrated report, prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP).

The Wacoal Group consists of one holding company (the Company), 57 consolidated subsidiaries, and eight equity-method affiliates. The Wacoal Group manufactures, wholesales, and—for certain products—retails women's foundation garments and lingerie, nightwear, children's underwear, outerwear and sportswear, hosiery, and other textile products. Other operations include restaurant businesses, cultural and service-related operations, and the construction of interiors for commercial premises.

OVERVIEW

We are a leading designer, manufacturer, and marketer in Japan of women's intimate apparel, with the largest share of the Japanese market for foundation garments and lingerie. Foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips, and women's briefs) accounted for 75.5% of our consolidated net sales for fiscal 2019. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile goods, and provide several other services.

OVERVIEW OF STATUS OF BUSINESS PERFORMANCE, ETC.

Status of Financial Position and Operation Results Status of Financial Position

Total assets at the fiscal year ended March 31, 2019 (fiscal 2019) was ¥281,767 million, a decrease of ¥16,767 million compared with the end of the previous fiscal year, due to a decrease in investments resulting from a decrease in market value and impairment charges on goodwill.

Total liabilities at the end of fiscal 2019 was ¥60,623 million, a decrease of ¥414 million compared with the end of the previous fiscal year, due to decreases in trade payables and deferred tax liabilities, despite an increase in short-term bank loans and a recognition of refund liabilities.

Total Wacoal Holdings Corp. shareholders' equity at the end of fiscal 2019 was ¥216,494 million, a decrease of ¥16,218 million compared with the end of the previous fiscal year, due to cash dividend payments, repurchase of treasury stock, and decreases in pension liability adjustments.

As a result of the above, shareholders' equity ratio at the end of fiscal 2019 was 76.8%, a decrease of 1.2 percentage points compared with the end of fiscal 2018.

Results of Operation

(Millions of Yen)

	2018	2019	YoY Change	
			Amount	%
Net sales	195,725	**194,201**	−1,524	−0.8%
Cost of sales	92,032	**89,804**	−2,228	−2.4%
Sales profit	103,693	**104,397**	+704	+0.7%
Selling, general and administrative expenses	92,701	**93,684**	+983	+1.1%
Compensation income	(708)	**—**	+708	—
A: Impairment charges on goodwill and other intangible assets	206	**5,834**	+5,628	—
Operating income	11,494	**4,879**	−6,615	−57.6%
Other income/expenses	2,789	**2,894**	+105	+3.8%
B: Valuation gain (loss) on marketable securities and investments−net	3	**(5,570)**	−5,573	—
Income before income taxes and equity in net income of affiliated companies	14,286	**2,203**	−12,083	−84.6%
Net income attributable to Wacoal Holdings Corp.	9,745	**341**	−9,404	−96.5%

Summary of Business Results

During the fiscal year under review (from April 1, 2018 to March 31, 2019), which is the last year of our current mid-term (three-year) business plan (from fiscal 2017 to fiscal 2019), in order for our business to return to growth during the period covered by our next mid-term business plan, the Wacoal Group proceeded to build a foundation to enhance its business efficiency and to invest in fields where it can expect growth. Wacoal Corp. improved business efficiency in its wholesale business through reorganization and profitability in its retail business on improved brand value, and completed preparation for the introduction of 3D body scanning and AI (artificial intelligence)-based customer service as a part of its omni-channel strategy. In overseas markets, we strengthened our business framework in response to e-commerce channels, which continue to show a high rate of growth in sales, and expanded our brand awareness in Chinese, North American, and European markets. On the other hand, in our efforts to improve our production base, we were successful in enhancing the production capabilities of highly competitive products in Dalian and Vietnam, while structural reform in our raw materials factory in Thailand is requiring time.

While e-commerce sales from our business in China expanded and sales from Nanasai showed significant growth resulting from its active construction business, overall sales were affected by the slow growth in our domestic wholesale business of Wacoal Corp. due to weak sales from department stores and decreased revenue from our domestic consolidated subsidiaries, including Lecien Corporation ("Lecien"), Ai Co., Ltd., and Peach John Co., Ltd. ("Peach John"), due to delays in addressing market changes. While Wacoal Corp. recorded an increase in profit as a result of a record-high gross profit rate and our overseas business recorded an increase in profit as a result of an increase in revenue, operating income was affected by the impairment charges on goodwill and other intangible assets with respect to Peach John.

Although we have recorded impairment charges on goodwill, etc., with respect to Peach John several times in the past, we took one step further in examining the future potential of our *Peach John* brand, as the current fiscal year was the last year of our current mid-term (three-year) business plan for completing the building of our business foundation. Accordingly, we recorded impairment charges of ¥5,639 million as a result of our reevaluation of fair value of goodwill and trademarks.

Our *Peach John* brand products are well known among influencers in China and East Asia as a Japan-originated high fashion brand and have high brand equity when compared to competitive brands. *Peach John* has a fan base and strong name recognition all over Japan, and in fact it remains as an important brand in our Group in terms of creating fashion trends. It has the potential to be recognized as one of the "Cool Japan" products in Asian markets. We plan to focus on strategies aimed at revitalizing Peach John, based on the current brand value, by confronting bold and unprecedented challenges, with an understanding of the changes in consumer consciousness and trends.

Our consolidated net sales for the fiscal year under review was ¥194,201 million, a decrease of 0.8%, or ¥1,524 million, from consolidated net sales for the previous fiscal year. Consolidated operating income was ¥4,879 million, a decrease of 57.6%, or ¥6,615 million, from consolidated operating income for the previous fiscal year, and consolidated income before income taxes and equity in net income of affiliated companies was ¥2,203 million, a decrease of 84.6%, or ¥12,083 million, from consolidated income for the previous fiscal year.

Our Group uses U.S. accounting standards, and we are required to record impairment charges on goodwill and other intangible assets of ¥5,834 million as operating costs and expenses.

As a result, operating income decreased significantly. Consolidated income before income taxes and equity in net income of affiliated companies also decreased significantly due to recognition of valuation loss of ¥5,570 million following the changes in U.S. accounting standards that required us to record "gain (loss) on valuation of marketable securities and investments" as "Other income (expenses)" starting from the fiscal year under review.

As a result of the above, net income attributable to Wacoal Holdings Corp. was ¥341 million, a decrease of 96.5%, or ¥9,404 million, from the previous fiscal year. The ratio of operating income to net sales and the ratio of net income attributable to Wacoal Holdings Corp. to shareholders' equity for the fiscal year under review were 2.5% and 0.2%, respectively.

As references, we have provided in the above statements of income the real operating income and income before income taxes and equity in net income of affiliated companies not taking into account this series of impairment charges and valuation loss on marketable securities and investments, which were not accompanied by decreases in cash flows. Both operating income and income before income taxes and equity in net income of affiliated companies decreased from the previous fiscal year but exceeded the respective estimates that we provided at the beginning of the fiscal year under review, i.e., ¥10,000 million in operating income and ¥13,000 million in income before income taxes and equity in net income of affiliated companies. Accordingly, the real ratio of operating income to net sales and the real ratio of net income attributable to Wacoal Holdings Corp. to shareholders' equity were 5.5% and 4.2%, respectively.

The key exchange rates used for the fiscal year under review were: ¥110.91 to the U.S. dollar; ¥145.68 to the British pound sterling; and ¥16.72 to the Chinese yuan.

The following is a summary of operations by operating segment.

(Millions of Yen)

	2018		2019		YoY Change	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Total Net Sales	195,725	100.0%	**194,201**	**100.0%**	−1,524	−0.8%
Wacoal Business (Domestic)	116,085	59.3%	**113,400**	**58.4%**	−2,685	−2.3%
Wacoal Business (Overseas)	51,888	26.5%	**53,100**	**27.3%**	+1,212	+2.3%
Peach John Business	10,795	5.5%	**10,491**	**5.4%**	−304	−2.8%
Other	16,957	8.7%	**17,210**	**8.9%**	+253	+1.5%
Operating Income (Loss)	11,494	5.9%	**4,879**	**2.5%**	−6,615	−57.6%
Wacoal Business (Domestic)	6,845	5.9%	**6,325**	**5.6%**	−520	−7.6%
Wacoal Business (Overseas)	3,852	7.4%	**4,581**	**8.6%**	+729	+18.9%
Peach John Business	441	4.1%	**(5,859)**	**—**	−6,300	—
Other	356	2.1%	**(168)**	**—**	−524	—

Wacoal Business (Domestic)
Sales attributable to our "Wacoal Business (Domestic)" segment decreased by 2% compared with sales for the previous fiscal year. As a result of developing high-value-added products that are comfortable and well designed for both the *Wacoal* and *Wing* brands, sales of our core brassiere products in our wholesale business of Wacoal Corp. were strong. However, overall sales from our wholesale business decreased due to weak sales of nightwear, maternity innerwear, and junior innerwear, as well as weak sales of *CW-X* brand products. In our retail business, although overall sales were driven by sales of our wireless brassiere *BRAGENIC*, which showed significant growth throughout the year, sales increased only slightly in our retail business as a result of a reduced volume of discount sales intended to improve profitability and a decrease in sales due to the expiration period for points earned under the customer loyalty program. Sales from Ai Co., Ltd. decreased by 18% compared with sales for the previous fiscal year, as we were significantly affected by the weak sales from our core swimwear business in the summer season, which is the period of peak demand.

Operating income decreased by 8% compared with operating income for the previous fiscal year. While Wacoal Corp. recorded an increase in operating profit as a result of improving the gross profit rate, operating income was affected by the increase in profit recorded in the previous fiscal year in respect of one-time compensation income from leaving a factory space occupied by our subsidiary.

Wacoal Business (Overseas)
Overall sales attributable to our "Wacoal Business (Overseas)" segment on a Japanese yen basis increased by 2% compared with sales for the previous fiscal year. Sales on a local currency basis decreased by 1% from Wacoal International Corp. (United States), increased by 2% from Wacoal Europe, and increased by 10% from Wacoal China Co., Ltd. compared with corresponding sales for the previous fiscal year. In the United States, while e-commerce sales through our e-commerce website and third-party e-commerce websites were strong, sales were affected by weak over-the-counter sales at department stores (physical stores) and closings of certain department stores that went bankrupt. E-commerce sales in Europe showed significant growth along with strong sales of our plus-size brand *elomi*, despite the impact of inventory adjustments at certain department stores in the United Kingdom, where business conditions deteriorated. In China, we enhanced our customer data marketing and distribution system, and expanded growth through third-party EC websites. Over-the-counter sales at department stores were also strong as a result of our successful sales promotion conducted during China's high-demand seasons.

Operating income on a Japanese yen basis increased by 19% compared with operating income for the previous fiscal year. Positive factors attributable to the increase in operating income include: increased revenue, an improvement in inventory efficiency, and an improvement in the gross profit rate resulting from a higher percentage of e-commerce sales in China; reevaluation of suggested retail prices, and closings of our unprofitable directly managed retail stores in the United Kingdom; productivity enhancement in our factory in Vietnam; gain on sale of property related to a raw materials factory and the absence of one-time impairment charges recorded during the previous fiscal year in Thailand.

Peach John Business
Overall sales attributable to our "Peach John Business" segment fell by 3% compared with sales for the previous fiscal year. This decrease was due to poor sales from our own EC website and failure to expand the number of customers visiting our domestic retail stores, although we made efforts to develop products and cultivate sales channels that respond to changes in the market trend. On the other hand, sales in Taiwan, where we commenced operations in May 2017, increased by 34% for the fiscal year under review as a result of the expansion of brand awareness through events and blogs.

Operating income was affected by decreased revenue from our domestic business, weak growth from our Chinese business resulting from aggressive competition, an increase in labor costs to retain personnel and distribution expenses, as well as the impact of non-recurring expenses incurred for the relocation of the head office. As a result, we recorded an operating loss of ¥220 million, as well as impairment charges of ¥5,639 million on goodwill and other intangible assets.

Other
Overall sales attributable to our "Other" segment increased by 2% from such sales for the previous fiscal year. Sales from Lecien decreased by 10% from sales for the previous fiscal year. This was due to weak sales of our core innerwear business, which was affected by a decrease in the number of our private products handled at general merchandise stores, as well as sales from our material business, art & hobby business, and apparel business, which were also weak. On the other hand, Nanasai was successful in receiving new orders for interior finishes, in addition to renovating a major department store's headquarters, and as a result, sales from Nanasai increased by 14% compared with sales for the previous fiscal year due to significant growth in our construction business, along with an expansion in our sales business.

Although the gross profit rate decreased due to a higher percentage of construction business at Nanasai, we recorded an increase in operating income resulting from increased revenue. However, we recorded an operating loss for our "Other" segment as the amount of operating income from Nanasai was not enough to offset the amount of operating loss recorded with regard to Lecien.

UNDERSTANDING, ANALYSIS AND CONSIDERATION WITH RESPECT TO STATUS OF BUSINESS PERFORMANCE, ETC., FOR FISCAL 2019

Our understanding on the management accomplishments and issues in the medium-term management plan for the three-year period, the last year of which is the fiscal year under review, is as follows.

The management accomplishments in our domestic business include the successful exit from and rebuilding of our wholesale-oriented business model, and the completion of introducing next-generation customer service using digital technology. On the other hand, issues that we faced include increased customer defection as a result of reduced competitiveness of our *Peach John* brand products, as well as that of Lecien's private products handled at general merchandise stores, fashion swimwear products from Ai Co., Ltd., and *CW-X* sports leggings in our major markets, as a result of failure to adapt to changes in the competitive environment of their major market.

In the new medium-term management plan period, we believe that we need to push forward to implement unrivaled plans for distribution channels by providing customer service advanced by digital technology, and to pursue maximization of organizational productivity throughout the entire Group or business collaboration by promoting structural reform of and cooperation within the value chain, as well as making efforts to reduce the number of, and/or optimize the composition of, brands and products.

As a result of promoting brand portfolio strategies that match the geographical characteristics in our overseas business, we improved brand awareness of *elomi* products in Europe and *Peach John* products in China, each as our second signature brand after *Wacoal* brand products. In addition, we actively cultivated e-commerce sales channels and reinforced growth. Sales from our e-commerce business now account for 20%–30% of entire sales in the United States, Europe, and China. On the other hand, the issue that we face in our overseas business is the declining business of department stores and specialty stores in key countries as has been the case in Japan. Also, we need to accelerate building of the supply chain for the raw materials factory in Thailand as we are behind schedule. We also need to enhance the competitiveness of our sewing factory in Myanmar with respect to quality, cost, and technology.

Under the new medium-term management plan, we need to strengthen our business framework so that we can flexibly adapt to changing market conditions where digital transformation is accelerating and accelerate our growth rate. At the same time, we need to make investments and build our operating foundation for business expansion in countries and regions where our business remains small, and establish a more competitive ASEAN supply chain network.

We also believe that our Group needs to aim for higher social value and not only pursue the enhancement of economic value, by committing ourselves to achieving sustainable growth along with the communities surrounding our businesses. "Wacoal Group CSR-based Procurement Guidelines" were established in October 2017, and we established and began operation of a series of CSR procurement cycles that include cooperation with manufacturing outsourcees, and identify, correct and/or improve the outsourcees' compliance with respect to human rights and labor practices. Through each dialogue, we have gained an understanding of society's expectations of us and the highly important social issues from our stakeholders' perspectives and confirmed which important issues should be addressed by our CSR activities in light of their importance to our business. We are also facing new challenges along with the changes in trends. We need to reduce and avoid reputational risk of controversial social media posts from advertisement, and address the increasing risk of information leakage while digital transformation of customer information continues to accelerate. We also need to work harder on reducing plastic use and unsold inventory to better live within the global environment.

We also made efforts to establish a system to enhance corporate governance with a high degree of transparency. We decided to discontinue our defensive measures against takeovers during the fiscal year ended March 31, 2018. In addition, in line with the enforcement of the amended Corporate Governance Code, we revised our corporate governance guidelines to reflect such amendments. We also established a policy of reducing cross-shareholdings, and we revised the committees for the appointment and remuneration of officers. As one of the challenges that we face, we believe that we need to make appropriate disclosure in terms of both quality and quantity regarding our medium- to long-term vision that contributes to the enhancement of corporate value, KPIs that enhance both economic and social value, and succession plans. We also plan to make appropriate disclosure about targets for reducing cross-shareholdings.

In order to achieve a vital corporate culture that respects diversity, we promoted a friendly working environment through the introduction of a leave policy for self-education and accompanying their family members, in addition to the introduction of teleworking. Our challenge is to build an inclusive organizational system with more diverse human resources by recruiting personnel at core career levels to create new value and create a results-oriented environment where everyone is proud to work.

The understanding, analysis, and consideration with respect to improvement of capital efficiency through implementation of our financial strategies and initiatives regarding shareholder returns are as follows:

Under the medium-term management plan, which concluded at the end of the fiscal year under review, our target was to reduce shareholders' equity to ¥220,000 million and to increase consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for the fiscal year under review) to 5% or higher, by the end of the fiscal year under review, based on the business results for the fiscal year ended March 31, 2016. However, we achieved very low levels of net income attributable to Wacoal Holdings Corp. and consolidated ROE for the fiscal year under review, at ¥341 million and 0.2%, respectively, due to the impact of the impairment charges on intangible assets and valuation loss on marketable securities and investments. Real net income attributable to Wacoal Holdings Corp. not taking into account the impact of these impairment charges and valuation loss, which were not accompanied by decreases in cash flows, was ¥9,636 million. Accordingly, real consolidated ROE was 4.2%, which was lower than our target.

Our basic policy on profit distributions to shareholders is to provide stable distributions based on our consolidated results, while seeking to increase our enterprise value through active investment for improving profitability, and to increase net income per share attributable to Wacoal Holdings Corp. With respect to retained earnings, in addition to actively investing in expanding customer contacts in domestic business and expanding overseas business, from the viewpoint of enhancing our enterprise value, we will make strategic investments to maintain our competitiveness and strengthen our growth potential. With these efforts, we aim to maximize shareholder returns through improved earnings. In addition, we will acquire treasury shares flexibly while taking into account the free cash flow level and market environment, and improve capital efficiency and returns to our shareholders. The amount of capital investment for the fiscal year ended March 31, 2019 was ¥5,783 million. Our capital investment was used in IT infrastructure for omni-channel services in Japan, and the introduction of a management system for planning and designing operations, as well as construction of overseas factory facilities. We will return profits to our shareholders in the amount of ¥11,730 million in total, ¥4,811 million in the form of dividends, and ¥6,919 million in the form of repurchases.

We will continue to work to improve our potential business profitability by prioritizing our efforts to make optimal growth investment choices. We will also implement an active capital policy and shareholder returns in anticipation of an increase in the ROE level on a medium- to long-term perspective.

CAPITAL RESOURCES AND LIQUIDITY

Our current policy is to fund our cash needs from cash flows from operating activities, which allows us to secure the majority of our working capital, make capital investments, and pay dividends without relying on substantial borrowings or other financing from outside of our Group companies. As of March 31, 2019, we had credit facilities at financial institutions totaling ¥31,336 million, and the balance of short-term loans that established a line of credit amounted to ¥8,253 million. Of these short-term loans, ¥4,000 million was available to Wacoal Holdings Corp., ¥1,505 million was available to Wacoal Europe Ltd., ¥2,611 million was available to Wacoal Service Co., Ltd., and ¥137 million was available to Nanasai.

In general, most of our credit facilities have automatically renewed terms, and we are not aware of any issues with respect to any of our lenders that could cause these facilities to become unavailable. Even if any of our subsidiaries loses access to funds from our credit facilities, we believe that it is possible for other companies in our Group to provide the necessary funds. Our borrowing requirements are not affected by season.

We are not aware of any restrictions on the transfer of funds from a subsidiary to a parent company in the form of a cash dividend. We believe our working capital is adequate for our present requirements and for our business operations in the short-to-long term.

CASH FLOW STATUS

The balance of cash and cash equivalents at the end of fiscal 2019 was ¥30,133 million, an increase of ¥646 million compared with the end of the previous fiscal year.

(Cash flow from operating activities)
Net cash provided by operating activities during fiscal 2019 was ¥13,620 million, a decrease of ¥1,873 million compared with the previous fiscal year. This was the result of net income of ¥395 million being adjusted for depreciation expenses, deferred taxes, and changes in assets and liabilities.

(Cash flow from investing activities)
Net cash used in investing activities during fiscal 2019 was ¥2,474 million, a decrease of ¥4,888 million compared with the previous fiscal year due to acquisition of property, plant and equipment and intangible assets, despite proceeds from the sale of equity securities.

(Cash flow from financing activities)
Net cash used in financing activities during fiscal 2019 was ¥10,872 million, a decrease of ¥1,431 million compared with the previous fiscal year, due to cash dividend payments and repurchase of treasury stock.

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2019, was ¥5,783 million. A majority of our capital investment was used in information system investment for our subsidiaries and maintenance and repair work implemented for real properties held by the Company.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were ¥3,382 million, ¥1,837 million, ¥494 million, and ¥70 million, respectively.

DIVIDEND POLICY

Our basic policy on profit distribution to shareholders is to make stable distributions based on consideration of our consolidated performance, while seeking to increase our enterprise value through active investment aimed at higher profitability and to increase net income per share.

Our basic policy is to distribute earnings twice a year in the form of interim and year-end dividends, and the Board of Directors is the decision-making body for distribution of earnings.

Based on such policy, we plan to distribute a year-end dividend of ¥36.00 per share as a distribution of earnings for the fiscal year under review. As a result, the annual cash dividend per share, including an interim dividend of ¥36.00 per share, will be ¥72.00 for the fiscal year under review.

As for retained earnings, with the aim of improving our corporate value, we have actively invested in expanding new points of contact with consumers for our domestic business and our overseas businesses. We also plan to use our retained earnings in our strategic investments for maintaining competitiveness and reinforcing growth. With these efforts, we seek to benefit our shareholders by improving future profitability. We also intend to acquire treasury stock in a flexible manner and will make efforts to improve capital efficiency and return profits to our shareholders.

We also provide that the Company may distribute earnings subject to the resolution of the Board of Directors pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act.

RESEARCH AND DEVELOPMENT

Our research and development activities are mainly conducted by our Human Science Research Center to achieve harmony between the human body and clothing and to support better product making.

Since 1964, we have been conducting research into the female body in order to accurately understand the Japanese woman's physique. In particular, we have developed a silhouette analysis system and introduced a three-dimensional measuring system. We are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological, and mental aspects of garment design. One of our most important research results was the enrichment of our research on sensory comfort through our participation in a project led by the Ministry of Trade and Industry (currently the Ministry of Economy, Trade and Industry) from 1995 to 1998. Based on this research, we have been focusing on developing new products that are not only comfortable for the wearer but also have a positive physiological effect based on basic study from three factors, which are pressure, heat, and touch. In 2005, we developed and created a new market for our breakthrough Style Science series products, which support the creation of a healthy and beautiful body by changing the idea of everyday walking to walking for exercise. In 2010, we conducted an analysis and announced principles on the physiological changes associated with the aging period from a person's 20s to their 50s. We also strengthened the development of new products coping with aging and have been working on developing new functional products based on the lifestyle habits of people as they undergo small physical changes associated with aging.

Our Human Science Research Center is promoting research and development, which is based on a survey analysis of the body shapes and needs of young customers including customers of an age at which products are introduced for the first time, and the senior generation.

During the fiscal year ended March 31, 2019, we worked on research and development focusing on "anti-gravity" to target the market for comfort products and on research and development of high-value-added products, to cultivate new market opportunities.

As a result of the above, we recorded ¥739 million for our research and development during the fiscal year ended March 31, 2019.

Our research and development activities cover a wide range of research from basic research to product development, mainly of women's innerwear. Therefore, it is difficult to relate each of such activities to a specific segment, and thus, we do not provide information regarding such research and development by segment.

In order to promote "the realization of an industry supporting women with unbounded living beauty," we will make efforts to enrich research and development activities that contribute to the improvement of customer satisfaction and corporate value based on the key concepts of beauty, comfort, and health. We will also work toward strengthening product appeal and developing new products and services that can gain support from and satisfy our customers.