

Anticipating a Post-COVID-19 Society
(1) The Wacoal Business (Domestic)

We will rigorously analyze the diversifying lifestyles of customers and consumers and create real value that meets the needs of a new era.

Tomoyasu Ito

Director, Vice President Corporate Officer
Wacoal Holdings Corp.
Representative Director, President and Corporate Officer
Wacoal Corp.



Looking Back at Our Plan's First Fiscal Year

Returning to a growth trajectory and improving profitability are the overriding goals of the current medium-term management plan, which we began in fiscal 2020, the year ended March 31, 2020. To these ends, Wacoal Corp. will enhance productivity to realize solid growth. Moreover, we will establish robust brand value by building deeper, broader, and longer relationships with individual customers.

In fiscal 2020, we concentrated on enhancing the customer experience through such initiatives as the introduction of 3D body scanners and AI-enabled customer service systems to six stores.

Further, we progressed steadily with the building of an original omni-channel strategy and a related “lifetime value” strategy. These efforts entailed coordinating and integrating online and off-line operations by utilizing customer databases more efficiently. Specifically, we completed the construction of a system that enables us to directly manage data on approximately 3.0 million customers held by directly managed stores, in-house e-commerce operations, and department stores.

As for business results, the operating income of the retail and online sales businesses surpassed targets. However, these performances were outweighed by a greater-than-expected decrease in the revenues of the wholesale business—particularly in the department store sales channel—due to sluggish consumer spending in the wake of a consumption tax hike.

Other downside factors included the effects of the COVID-19 pandemic and higher IT costs. Consequently, Wacoal’s net sales and operating income declined year on year.

Remaining Essential in a New Era

In such crises as the current COVID-19 pandemic, revisiting our management philosophy—our starting point in other words—becomes particularly important. I believe that rigorously discussing market characteristics and redefining Wacoal accordingly is extremely important if the Company is to achieve renewed growth. We must analyze the types of beauty and products that customers will want and love in the coming era. Also, with a view to providing such value in the new era, we must consider which aspects of Wacoal must and must not change.

The format of customer service in stores is a good example of how we must retain some elements while changing others. The painstaking customer service and consultations that beauty advisors provide will remain a major competitive advantage. However, in anticipation of a post-COVID-19 society, we have to ensure the safety of beauty advisors and customers. With this in mind, we can cater to the needs of customers while shortening the time they spend in stores by introducing a customer service format with a self-service component. More specifically, we can proactively introduce 3D body scanners and AI-enabled customer service systems and

Initiatives that should be implemented in an accelerated manner during the current medium-term management plan

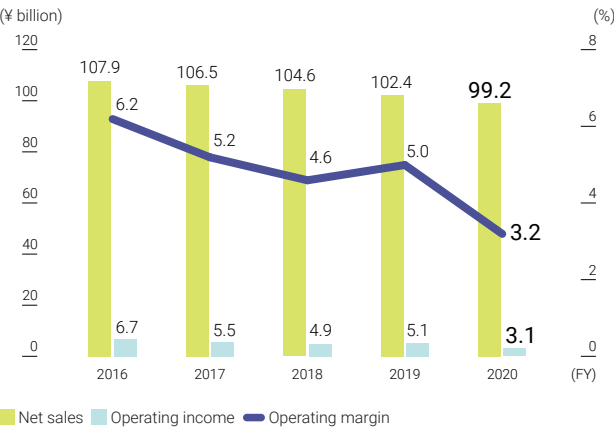
Preparing a foundation for a return to growth over the next three years and using the pandemic as an opportunity to accelerate business structural reform

- Ascertain future demand with an eye on the “with” and “after” coronavirus periods
- In line with channel reform, transition to a “self-managed business” (directly managed stores, own e-commerce)
- Fuse and blend store and e-commerce operations (improve customer experience)
- Develop and evolve a unique business model via efficient use of customer data
- Accelerate initiatives aimed at improving profitability (decrease the fixed cost ratio, which remains high)

Fiscal 2020 Performance

Net sales	¥99.2 billion (−3.1% YoY)
Operating income	¥3.1 billion (−38.4% YoY)
Operating margin	3.2% (−1.8pt YoY)

Net Sales, Operating Income, and Operating Margin



encourage customers to use them in combination with the services beauty advisors provide.

Further, changes in lifestyles and work styles, such as refraining from going outdoors and working from home, are changing consumption patterns. That is to say, people are gathering in completely different “places.” For example, if shopping near one’s home becomes more common than shopping downtown, our points of contact with consumers will change. As a consequence, product lineups will also have to change. Furthermore, as working from home becomes popular and opportunities for going out become fewer, values with respect to beauty may change. Setting its sights on the new era that such changes will bring about, Wacoal will take maximum advantage of the assets that it has developed both as a company and as a brand to provide customers in a wide range of life stages with new value focused on helping women to express their beauty.

Accelerating the Structural Reform of Businesses

Our operating environment remains challenging due to the public’s continued reluctance to visit downtown and a slump in consumer spending because of the COVID-19 pandemic. Given these conditions, in fiscal 2021, the year ending March 31, 2021, we will accelerate the measures of the current management plan in anticipation of a post-COVID-19 society while putting the safety of customers and employees first. Across the board, Wacoal will steadily advance priority strategies,

including revamping the brand portfolio to reflect the relationship between sales channels and brands, implementing an omni-channel strategy that leverages the characteristics of online and off-line operations, improving profitability through the relocation of sales areas and through the revision of transaction terms, and repositioning non-innerwear products. Also, we will enhance productivity by implementing strict inventory control and by promoting work-style reforms that allow each person to work in their own way.

As the roles of and relationships between online and off-line operations evolve rapidly, in implementing the aforementioned omni-channel strategy our top priority is to expedite the establishment of a service network that is based on the customer’s viewpoint. In these efforts, we will optimize our portfolio in terms of brands and points of contact with customers by analyzing customer behavior and determining which brands and product lineups should be carried by the online, retail, directly managed store, or department store sales channels. At the same time, we will leverage data on approximately 3.0 million customers to implement relationship marketing. Also, we will maximize the differentiated value that brick-and-mortar stores provide while stepping up the pace of measures to boost profitability by introducing digital tools and redeploying personnel. By decisively integrating and coordinating online and off-line operations, our measures will grow in-house e-commerce sales as a percentage of net sales from the current level of 5% to around 20% in three to five years’ time.

CHART A
Building a Transformative, Customer-Data-Driven Business Model

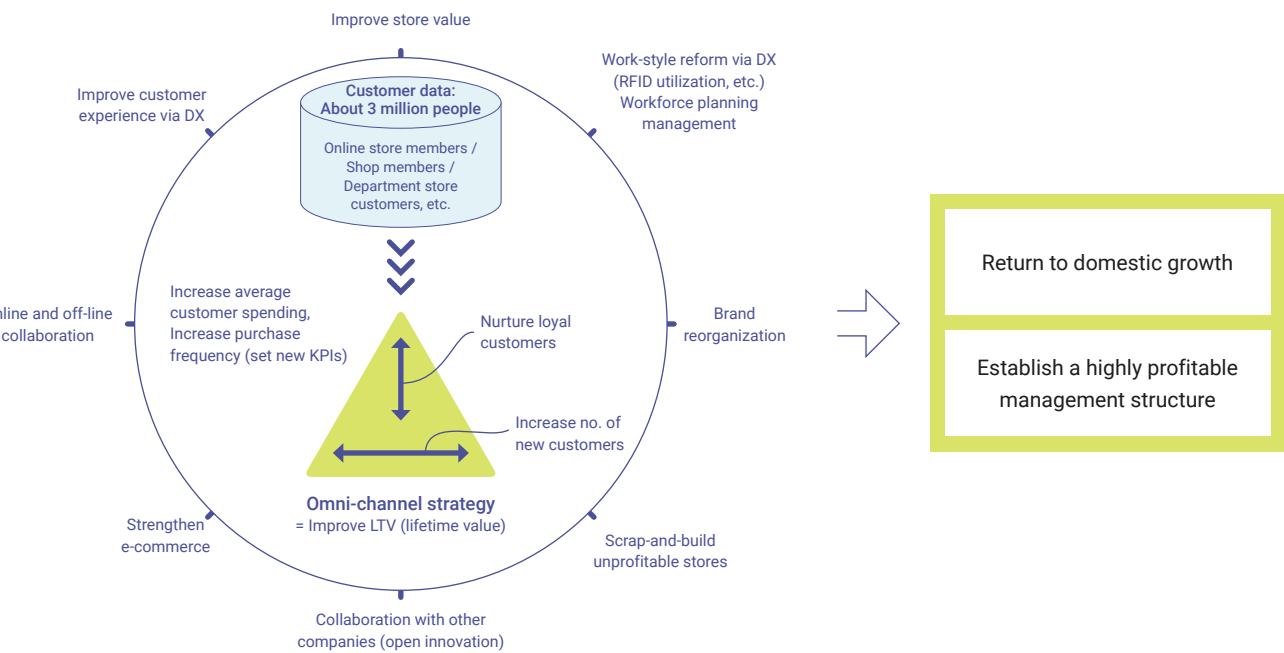
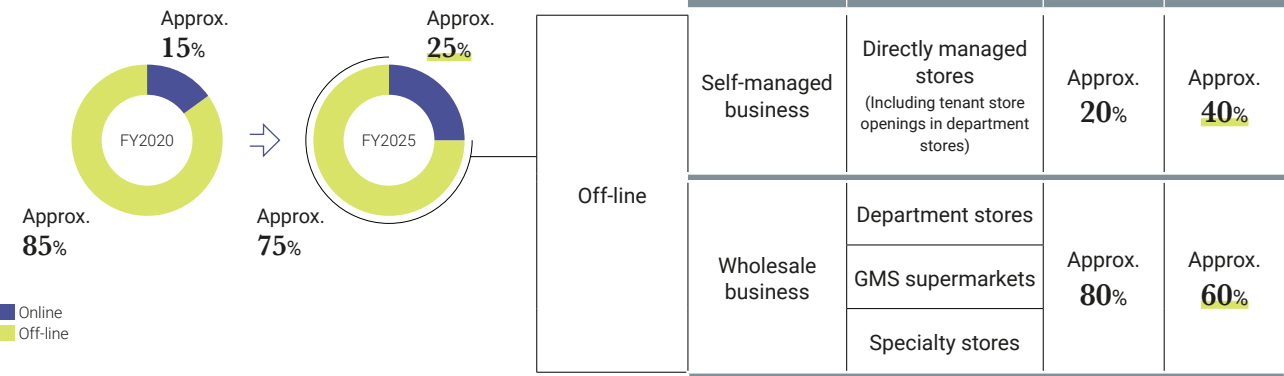


CHART B
Shifting Toward Directly Managed Retail Operations That Integrate and Coordinate Off-Line and Online Operations

Have online operations account for **25%** of net sales, and have directly managed stores account for **40%** of the off-line portion



Redeploying Personnel and Optimizing Organizations

As I mentioned, approximately 3,400 beauty advisors play a crucial role in our sales activities. Specialized knowledge and advanced skills in the provision of services that match customer needs make Wacoal’s beauty advisors indispensable for customers’ selection of products as well as for the cultivation of points of contact with customers. Nonetheless, we need to adapt the roles of beauty advisors to reflect changes in customer-service methods and the structural reform of businesses that are resulting from the COVID-19 pandemic.

Looking ahead, we will increase the efficiency of store operations by introducing digital tools. Further, we will rightsize our pool of beauty advisors to heighten the profits attributable to each person. That being said, we recognize that beauty advisors have the best understanding of customer needs. With the aims of extensively utilizing the experience and expertise of beauty advisors and enabling them to play even more important roles in our businesses, we are establishing and introducing human resources systems that encourage beauty advisors to realize diverse careers and work styles. The number of former beauty advisors engaged in fields other than in-store customer service is already increasing. For example, many former beauty advisors now work as managers in the sales division or respond to customer inquiries via the chat services of our online stores.

The aforementioned initiatives are making maximum use of beauty advisors’ experience and expertise while helping to improve cost structures through personnel redeployment. Naturally, our efforts are not just focused on beauty advisors. We are also reassessing a variety of other in-house jobs and redeploying personnel in pursuit of an optimal organizational structure.

Realizing Renewed Growth

As the operating environment remains particularly challenging, the term of the current management plan will have to be devoted to laying the foundations for the next three-year plan. However, we will use this period as a favorable opportunity to accelerate the structural reform of our businesses.

Since its establishment, Wacoal has provided consumers with added value suited to the needs of each era by partnering with clients, suppliers, and many other stakeholders to build a unique value chain that encompasses research, development, production, and sales. Further, the physique data that the Human Science Research Center has accumulated over its 55-year history has enabled the development of an array of different products. Moreover, new physique data obtained through 3D body scanner technology promises to be useful in a wide variety of ways. In addition to the relationships with customers we have cultivated through beauty advisors, the utilization of the purchasing data of roughly 3.0 million customers will enable us to develop these relationships even further. Thus, we are a real manufacturer and a genuine specialty store retailer of private label apparel (SPA) that conducts integrated management of operations from manufacturing to sales. Furthermore, Wacoal is a data-driven company. Taking pride in our status as a creative company, we will move toward a great future by accomplishing reform without fail. In tandem with these measures, we will rigorously analyze the diversifying lifestyles of customers and consumers and create real value that meets the needs of a new era without restricting ourselves to the fields of existing products and services.

As we transform, I would like to ask all of our stakeholders to continue their support in anticipation of a promising future for the Wacoal Group.

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Wholesale Business



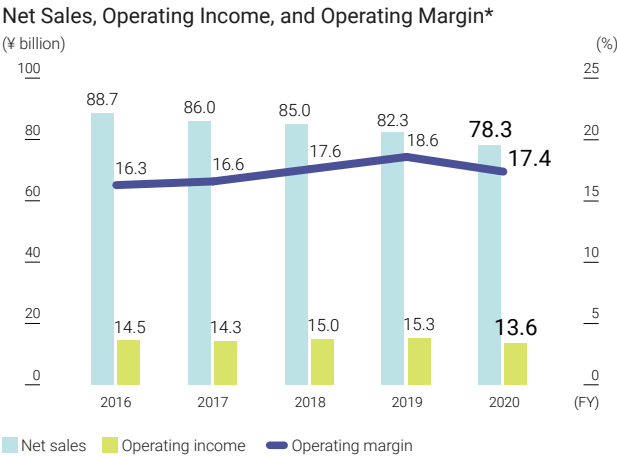
Viewing the irreversible changes resulting from the COVID-19 pandemic as an opportunity for renewed growth, we will achieve reforms with unwavering resolve.

Masaaki Yajima
Director, Managing Corporate Officer
General Manager of Wholesale Division
Wacoal Corp.

Fiscal 2020 Performance

Net sales	¥78.3 billion (−5.0% YoY)
Operating income*	¥13.6 billion (−11.1% YoY)
Operating margin	17.4% (−1.2pt YoY)

* Before transfer of company expenses



* The Wholesale Business Division was established through a reorganization in fiscal 2019. For ease of comparison, figures for fiscal 2016 through fiscal 2018 have been calculated based on the supposition that said reorganization was implemented in fiscal 2016.

Roles of the Wholesale Business

In addition to the core brands *Wacoal* and *Wing*, the Wholesale Business Division handles a portfolio of other brands, including the sportswear brand *CW-X*. The division is responsible for wholesale operations that supply mainstay sales channels, namely, department stores, general merchandise stores, specialty stores, and the operators of e-commerce malls. For many years, Wacoal Corp.'s organization comprised separate product planning and sales functions for each brand. By competing with each other almost as rivals, the departments in charge of each brand provided customers with high-value-added products and established large market shares.

However, inefficiencies emerged in our previous business model as changes in sales channels and consumer behavior forced many department and general merchandise stores to close

or change business formats. In responding to these changes and maintaining robust profitability amid a shrinking market, we needed to reform our vertical organization and make effective use of management resources across brand boundaries. With this in mind, we set out the measures of the previous medium-term management plan and reorganized multiple businesses to form the Wholesale Business Division in April 2018.



Fiscal 2020 Achievements and Issues

In the general merchandise store sales channel, sales benefited from the integration of the *Wacoal* and *Wing* sales systems, which entailed flexible redeployment of sales personnel. In addition, the sales margin improved steadily thanks to the timely delivery of products in appropriate volumes. Nonetheless, the current organization is not producing favorable results, reflecting the significant impact of a series of department store closures, particularly in regional cities. Further, non-innerwear product lineups for which department stores have been the primary sales channel, such as nightwear (pajamas), products for children, maternity products, and sportswear continue to face challenging conditions.

In fiscal 2020, the year ended March 31, 2020, the spread of COVID-19 from March onward coupled with the prolongation of a slump in consumer spending due to a consumption tax hike resulted in a significant year-on-year decrease of 5% in net sales, to ¥78.3 billion. The downward trend in net sales has been difficult to halt, with the CAGR (compound annual growth rate) declining 4% over the past two fiscal years. Consequently, in fiscal 2020 sales personnel expenses as a percentage of net sales* rose to the extremely high level of 26.3%, presenting the Wholesale Business Division with a major issue.

Also, changes in customer behavior accompanying the COVID-19 pandemic are proving to be an additional challenge for the

division. As of August 2020, a second wave of infection, over which there was concern, has caused downtown department store sales to flag once again. A prolonged pandemic is sure to change consumer sentiment and behavior. For this reason, we must take forward-looking measures to survive. We must accelerate existing initiatives, such as the maximization of store value by integrating and coordinating off-line and online operations and by introducing 3D body scanners to more stores. At the same time, we need to evolve value chain systems so that we can expedite the provision of products sought in a new era.

* Sales personnel expenses as a percentage of net sales at department stores (excluding discount sales)



Measures Going Forward in Anticipation of Post-COVID-19 Conditions

The COVID-19 pandemic has caused irreversible changes in the business environment. Adopting the attitude that there is no going back to the way things were, we will have to achieve renewed growth by revamping existing business models and adapting to the new environment with greater flexibility and speed. Until now, we have mainly provided the *Wacoal* and *Wing* brands to clients on a wholesale basis. However, increasing e-commerce as a percentage of net sales is imperative. Moreover, given the likelihood of further changes in department store business models and consumer behavior, plans call for strengthening our development of directly managed stores and other directly managed operations.

Additionally, measures for integrating and coordinating operations are set to become even more important. Since its previous medium-term management plan, Wacoal has been advancing an original omni-channel strategy with a view to catering to customers' diversifying purchasing behavior more flexibly and rapidly. As of July 31, 2020, 10 stores have introduced our new *3D smart & try* customer service system, which utilizes 3D body scanners and AI. We have also digitized information on approximately 700,000 customers who purchased our products at department stores. Other initiatives include unifying inventories and establishing links between Wacoal's e-commerce websites and clients. By maximizing store value and managing customer databases efficiently, we will provide a shopping environment where there are no barriers between off-line and online operations. Through the aforementioned initiatives, we will increase customer acquisition and retention and return to a growth trajectory.

Meanwhile, we will improve profitability by reforming the underperforming department store business. Through the rightsizing of our sales personnel workforce and adjustment of new hire intake, we will lower sales personnel expenses as a percentage of net sales from its persistently high current level to 20% or less by fiscal 2023. Further, we will strategically negotiate transaction terms with the aim of improving profitability by raising wholesale prices as a percentage of retail prices and changing over to *shoka* agreements whereby the manufacturer retains ownership of merchandise until its retail sale. We have already launched an in-house project tasked with deliberating transaction terms, and we will commence negotiations before the end of this year.

Although some may have misgivings about the ability of a historic business to achieve such reforms, we see the current pandemic as a favorable opportunity to reform ourselves, and we will tackle reforms with unwavering resolve.



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Retail Business



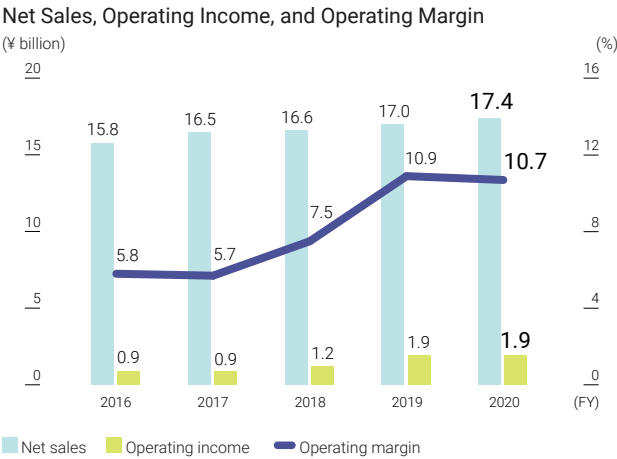
We will become the Group’s domestic growth engine by steadily improving customer retention through the continued creation of products that earn the endorsement of millennials and the utilization of stores as the bases for integrating and coordinating online and off-line operations.

Hidehiko Imaizumi
Director, Senior Managing Corporate Officer
General Manager of Retail Operation Division
Wacoal Corp.

Fiscal 2020 Performance

Net sales	¥17.4 billion (+2.6% YoY)
Operating income*	¥1.9 billion (+0.7% YoY)
Operating margin	10.7% (−0.2pt YoY)

* Before transfer of company expenses



Roles of the Retail Business

In 2001, when railway station buildings and fashion-themed commercial facilities were becoming increasingly prominent, we began opening directly managed stores to attract young customers, who were underrepresented in our customer mix. At present, we have a network of approximately 150 stores across Japan comprising four store formats: AMPHI, our mainstay store; WACOAL The Store; Brara; and Wacoal Factory Store, which operates in outlet malls.

Themed on reasonably priced lingerie, AMPHI stores offer the *amphi* brand, focused on providing “new and cute” value, as well as the BRAGENIC brand, which is carried by all of our directly managed stores and features brassieres with an average price of between ¥3,000 and ¥4,000—a more affordable price range than that of *Wacoal* brand products. Meanwhile, as boutiques featuring a selection of brands, WACOAL The Store

and Brara sell products developed by the Retail Operation Division as well as *Wacoal* brand offerings. Products developed by the division are also sold through Wacoal’s in-house e-commerce website, WACOAL WEB STORE. In fiscal 2020, the year ended March 31, 2020, e-commerce sales increased 1.7 percentage points year on year to account for 8.2% of the division’s net sales, excluding those of Wacoal Factory Store.

Low profitability was an issue for the retail business for many years. However, the value of brands has risen, and profitability has improved dramatically as a result of measures to reduce product varieties, roll out products common to all directly managed stores, and curb discount sales, which were implemented under the previous medium-term management plan between fiscal 2017 and fiscal 2019.

Fiscal 2020 Achievements and Issues

In fiscal 2020, despite the challenging environment produced by the spread of COVID-19 and lackluster consumer spending in the wake of a consumption tax hike, the Retail Operation Division continued achieving solid growth, posting a 2.6% year-on-year increase in net sales, to ¥17.4 billion. However, operating income rose only 1.0% year on year as an increase in sales personnel and the recognition of store opening and remodeling expenses outweighed sales margin improvements realized through a reduction in discount sales.

The most noteworthy achievement of the retail business in the fiscal year was the construction of a management system for efficient marketing to customers who belong to store membership programs. We have been stepping up efforts to acquire such members for some time. In fiscal 2020, we added 300,000 new members, giving a membership of 1.2 million at the end of March 2020. This large membership not only provides access to the profiles and purchase histories of customers but also enables us to analyze their purchasing behavior and provide each individual with timely, useful information accordingly. After the consumption tax hike in October 2019, new customers temporarily dipped. However, we were able to minimize the lull following last-minute demand through the successful strengthening of marketing to customers regis-

tered with our store membership programs.

Another achievement in fiscal 2020 was the beginning of efforts to lay the foundations for marketing that caters precisely to customer needs by transcending the boundaries of stores and in-house e-commerce. In providing convenient, comfortable shopping experiences that transcend sales channels, we must change the mindset of sales personnel. To this end, we began building a system that, when a store does not carry a product or it is not in stock, provides sales personnel with incentives for introducing customers to in-house e-commerce websites that are similar to incentives sales personnel receive for in-store sales. By continuing to build a sales style that integrates off-line and online operations and heightens customer satisfaction, we will realize top-line growth and increase profitability even further.



Measures Going Forward in Anticipation of Post-COVID-19 Conditions

Given the new lifestyles stemming from the COVID-19 pandemic, as mentioned earlier, we must reform the roles performed by off-line and online operations and combine them dynamically. With this in mind, in fiscal 2021, the year ending March 31, 2021, we will take on the challenge of seamlessly linking off-line and online operations by discarding the view of stores as simply places for selling merchandise and by beginning to develop them into information hubs. Through these initiatives, we will enhance customer experience. While heightening store capabilities and brand value, if we can create environments that allow customers to make purchases regardless of whether they are shopping off-line or online, in-house e-commerce will naturally grow to account for a larger share of net sales. The medium- to long-term goal of the Retail Operation Division is to have in-house e-commerce generate approximately half of net sales, excluding those of Wacoal Factory Store. As the first step toward this goal, we will raise in-house e-commerce sales to 15% of revenues in fiscal 2021. Also, in anticipation of the integration with online operations, we will revise the break-even points of brick-and-mortar stores. Other initiatives will continue enhancing our

ability to develop highly competitive products, analyze purchase data, and disseminate information. At the same time, we will establish environments that enable sales personnel and planning and development managers to communicate directly with customers through apps and SNS.

Due to the COVID-19 pandemic, the outlook is uncertain. Nonetheless, by revamping the retail business to better reflect the needs of customers and by building relationships with them that are deeper, broader, and longer, we will fulfill our role as the Group’s domestic growth engine.



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The Structural Reform of Wacoal Corp.

Given predictions that the effects of the COVID-19 pandemic may be prolonged, the business environment could not only remain challenging but also undergo major structural change. In response to this uncertain environment, Wacoal Corp. will sustain growth and ensure competitive superiority going forward by tackling fundamental structural reform. We will revamp underperforming businesses and rebuild sales channels to establish highly profitable business management and to realize the investment needed for our return to a growth trajectory. In conjunction with these efforts, we will heighten cost competitiveness and productivity through the rightsizing of our workforce.

Our structural reform initiatives will focus on three main goals: (1) revamping underperforming businesses, (2) reorganizing brands and optimizing inventories, and (3) reducing fixed costs by rightsizing our workforce. We will reflect these goals in operational plans and steadily advance initiatives accordingly.

Analyzing Our Value Chain Rigorously to Heighten Management Efficiency

