



**Fiscal Year Ended March
31, 2019
Business Results
Presentation
[U.S. Accounting Standards]**

**Wacoal Holdings Corp.
May 2019**



FY2019 Financial Results Summary

**Masaya Wakabayashi,
Director and Vice President**

Changes of Accounting Policy Accompanying Revisions of Accounting Standards, etc.



● With the revision of the United States' Generally Accepted Accounting Principles (GAAP), as of this fiscal year the following rules have been applied to our consolidated financial statements.

(1) Rules concerning profit occurring from contracts with customers

We consider amounts expected to be gained through the exchange of goods or services in accordance with a contract with a customer to be revenue. With the application of these rules, the liabilities pertaining to returned products that were included in the allowance for returns and doubtful receivables for current assets until the previous year are, as of this year, now recorded as refund liabilities under current liabilities, and rights of recovery for returned products are recorded in return assets in current assets.

(2) Rules concerning perception and measurement of financial instruments

We appraise equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) with a fair value, and count the fluctuation in this value in net income and losses. With the application of these rules, other income or expenses in the consolidated income statement for this year include approximately ¥5.6 billion in valuation loss on marketable securities and investments.

(3) Rules concerning statements of periodic pension cost and periodic postretirement benefit cost

Of the periodic pension cost and periodic postretirement benefit cost, we count structural elements other than service cost as other income or expenses. In order to backdate the application of these rules, we have reclassified ¥1,040 million of operating expenses as other income or expenses in the consolidated cumulative period of the same period in the previous year.

*For details, see page 17 of the appendix of the summary of consolidated financial statements.



- Net sales dropped ¥1.5 billion YoY, but sales profit grew ¥700 million through the enhancing business efficiency.
- Operating income decreased ¥6.6 billion, but the profit in real terms, excluding the impact of the recognition of the impairment charges, was ¥10.7 billion, exceeding the estimate.
- In response to the revision to the U.S. Accounting Standards, a valuation loss on marketable securities and investments of ¥5.6 billion was posted in other income or expenses.

(*Reference info is written on the following page.)

Net sales

¥194.2 billion (Down ¥1.52 billion (0.8%) year on year)

- Sluggish domestic wholesale of Wacoal Corp.
- Struggling performance of Lecien and Ai

Operating income

¥4.88 billion (Down ¥6.62 billion (57.6%) year on year)

- Gross profit rate hit a record high.
- A loss from impairment charges on other intangible assets for Peach John and Ai amounting to ¥5.83 billion was posted.

Net income

¥340 million (Down ¥9.4 billion (96.5%) year on year)

- impacts of valuation loss on marketable securities and investments (¥3.86 billion (*after taking into account tax effects))

Financial Results Summary for FY2019



(Millions of yen)

	FY2018 results	FY2019 results	FY2019 target	Year on Year		Compared with Target	
				Change	% Change	Difference	% Difference
Consolidated net sales	Millions of yen (ratio) 195,725	Millions of yen (ratio) 194,201	Millions of yen (ratio) 200,000	-1,524	- 0.8%	-5,799	- 2.9%
Cost of sales (%)	92,032 47.0%	89,804 46.2%	96,000 48.0%	-2,228	- 2.4%	-6,196	- 6.5%
Sales profit (%)	103,693 53.0%	104,397 53.8%	104,000 52.0%	704	+0.7%	397	+0.4%
SG&A expenses (%)	92,701 47.4%	93,684 48.2%	94,000 47.0%	983	+1.1%	-316	- 0.3%
Compensation income (Return of SG&A expenses)	-708	—	—	708	—	—	—
A: Impairment charges on goodwill and other intangible assets	206	5,834	—	5,628	—	5,834	—
Operating income (%)	11,494 5.9%	4,879 2.5%	10,000 5.0%	-6,615	- 57.6%	-5,121	- 51.2%
Other profit or loss	2,789	2,894	3,000	105	+3.8%	-106	- 3.5%
B: Valuation gain (loss) on marketable securities and investments – net	3	-5,570	0	-5,573	—	-5,570	—
Income before taxes	14,286	2,203	13,000	-12,083	- 84.6%	-10,797	- 83.1%
Net income attributable to Wacoal Holdings Corp.	9,745	341	10,000	-9,404	- 96.5%	-9,659	- 96.6%
Reference figure (i): Operating income not taking into account A	11,700	10,713	10,000	-987	- 8.4%	713	+7.1%
Reference figure (ii): Income before taxes not taking into account A and B	14,489	13,607	13,000	-882	- 6.1%	607	+4.7%
Reference figure (iii): Net income not taking into account A and B	9,949	9,636	10,000	-313	- 3.1%	-364	- 3.6%

Exchange rates: USD = 110.91 yen (110.85 yen in the previous year); GBP = 145.68 yen (147.03 yen in the previous year); CNY = 16.72 yen (16.63 yen in the previous year)

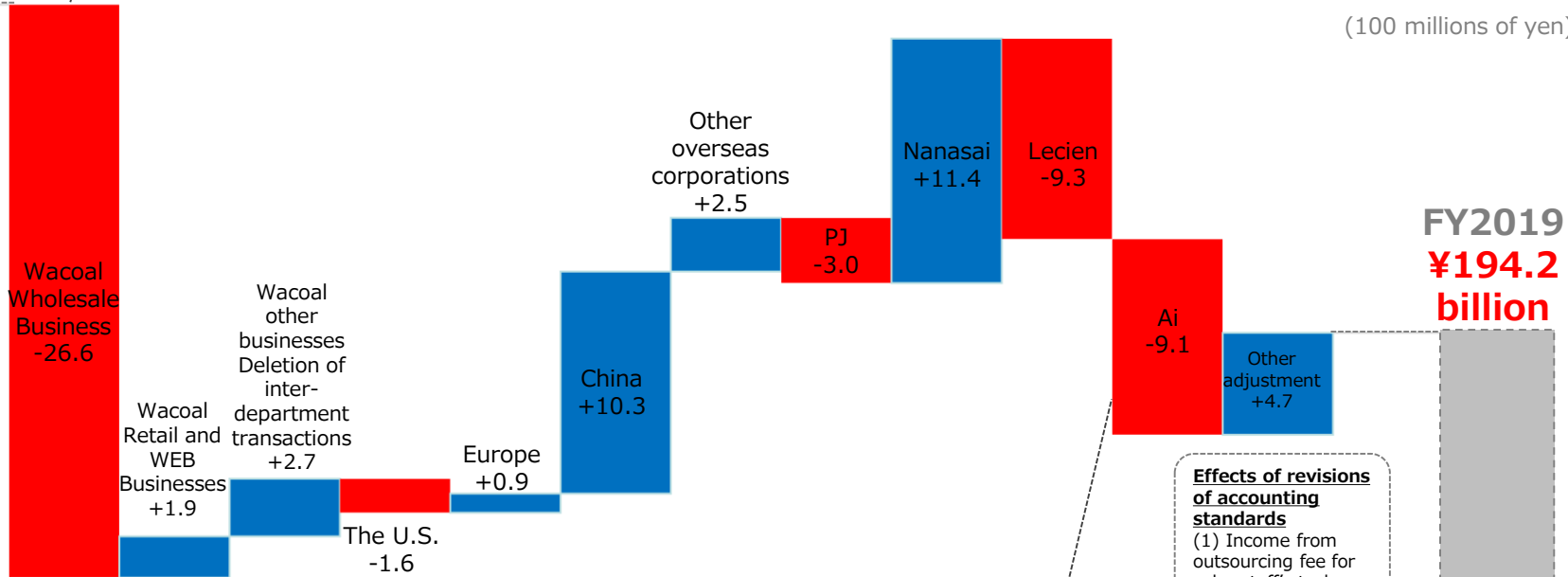
YoY Increase/Decrease in Net Sales of Each Business



• **Sales: Down ¥1.5 billion**

**FY2018
¥195.7
billion**

The wholesale business of Wacoal Corp. saw sluggish performance of products other than bras.



(100 millions of yen)

**FY2019
¥194.2
billion**

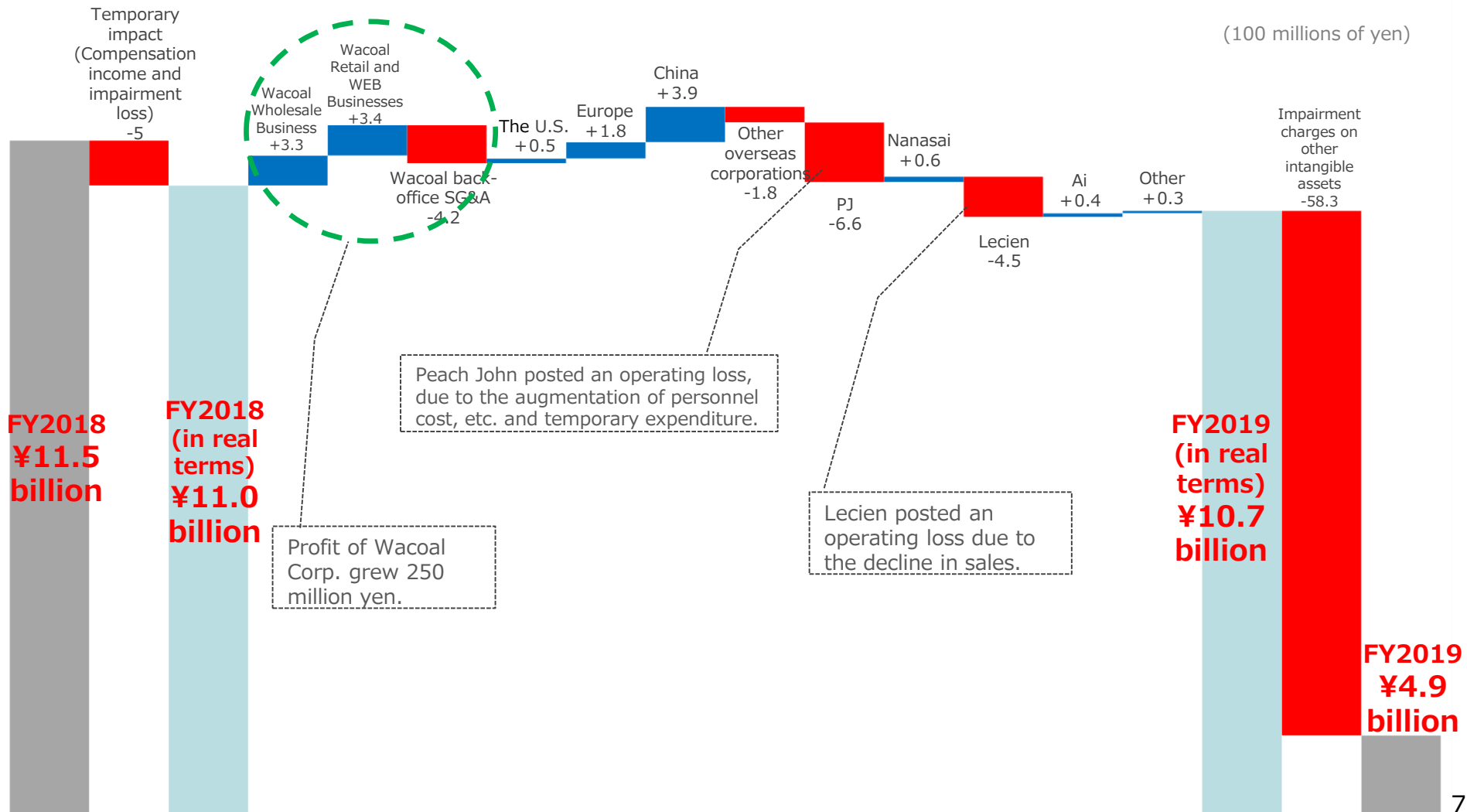
Lecien and Ai delayed in responding to market changes.

Effects of revisions of accounting standards
 (1) Income from outsourcing fee for sales staff's tasks
 (2) Deletion of sales from the fee for using logistic centers by clients, etc.

YoY Increase/Decrease in Operating Income of Each Business



- Operating income: Down ¥6.6 billion, but operating income in real terms was down ¥300 million.



Overview of Each Operation Segment for FY2019



(Millions of yen)

	FY2018 results	FY2019 results	FY2019 target	vs. Prev. FY	vs. Target
Consolidated net sales	195,725	194,201	200,000	-1,524	-5,799
Wacoal Business (Domestic)	116,085	113,400	117,000	-2,685	-3,600
Wacoal Business (Overseas)	51,888	53,100	54,500	1,212	-1,400
Peach John Business	10,795	10,491	11,000	-304	-509
Other Businesses	16,957	17,210	17,500	253	-290
Operating income	11,494	4,879	10,000	-6,615	-5,121
Wacoal Business (Domestic)	6,845	6,325	5,800	-520	525
Wacoal Business (Overseas)	3,852	4,581	3,400	729	1,181
Peach John Business	441	-5,859	400	-6,300	-6,259
Other Businesses	356	-168	400	-524	-568



- Our own EC site: Double-digit growth
- Weak sales at department stores, and stagnant sales at sports chain stores
- GMS and supermarkets: Performing well with enhanced product competitiveness
- Directly managed retail stores: Remained healthy

Yearly change in sales at stores by sales channel of Wacoal Corp.

(Unit: %)

		1Q	2Q	3Q	4Q	Annual	
Wholesale	Department store	97	93	97	96	96	↓
	GMS, Supermarket (Wacoal Brand)	100	98	106	103	102	↑
	GMS, Supermarket (Wing Brand)	103	96	106	105	102	↑
	Specialty Stores	99	101	101	100	100	
	Sports Chains	91	85	96	85	90	↓
	Third Party EC Sites	109	98	97	96	99	↓
Retail	Retail stores	105	99	100	98 (※)	100	101
	Wacoal's Own EC Site	110	109	116	111 (※)	111	↑ 112
	Catalog mail-order	79	96	94	92	89	

Real growth rate

*The decrease in sales worsened by extension of the expiration period for points earned under the customer's loyalty program.



Net sales

¥102.36 billion (Down ¥2.2 billion (2.1%) year on year)

- Wholesale: The performance of innerwear (such as lingerie) other than bras was stagnant.
- The functional tights “CW-X,” nightwear, innerwear for children and pregnant women did not sell well. (Innerwear: -¥1.1 billion; CW-X, etc.: -¥600 million; nightwear: -¥600 million; innerwear for children and pregnant women: -¥400 million)
Affected by the closure of department stores and GMS and supermarkets
- Retail: Directly managed retail stores performed well, but the increase in sales was slight, due to the decrease of discount sale and the revision to the loyalty program

■ Sales of each business in Wholesale Business Division of Wacoal Corp. (Millions of yen)

		FY2018 results	FY2019 results	FY2019 target	vs. Prev. FY	vs. Target
Innerwear Business	Wacoal	42,223	41,387	42,110	-836	-722
	Wing	20,256	19,963	19,950	-292	13
Personal Business	Wacoal	5,631	5,361	5,825	-271	-464
	Wing	957	666	622	-291	44
Family wear Business	Wacoal	3,779	3,406	3,840	-373	-434
Good Age Business	Wacoal	1,516	1,544	1,651	28	-107
Men's inner Business	Wacoal·Wing	1,903	1,927	2,100	24	-173
Wacoal·Wing total		76,266	74,255	76,098	-2,011	-1,843
CW-X Business		4,483	4,047	4,747	-436	-701
Others (Shoes·Swimwear etc)		1,557	1,365	1,533	-192	-168
Wellness		6,040	5,411	6,280	-629	-869
Others		2,701	2,680	2,822	-21	-142
Wholesale Division total		85,007	82,346	85,200	-2,661 - 3.1%	-2,854 - 3.3%



Operating income

¥5.1 billion (Up ¥250 million (5.1%) year on year)

- Wholesale: Gross profit rate improved thanks to the decline in rate of return of products, and SG&A was reduced.
- Retail: Gross profit rate improved through the strengthening of regular products (The sales volume of the bra “Bragenic” was 700,000 pcs, up 62% YoY)
- Back-office SG&A: Expenses for retirement benefits and IT development cost for omni-channel strategies augmented.

■ Net sales and operating income of Wacoal Corp.

(Millions of yen)

	FY2018 results	FY2019 results	FY2019 target	vs. Prev.FY	vs. Target
Wholesale Division	85,007	82,346	85,200	-2,661	-2,854
Retail end WEB Business Department	24,423	24,616	26,200	193	-1,584
Others(Intersegment transactions,etc.)	-109,430	-106,962	-111,400	2,468	4,438
Net sales (*1)	106,535	103,990	107,600	-2,545	-3,610
Wholesale Division (*2)	15,017	15,349	15,000	332	349
Retail and WEB Business Department (*2)	1,660	1,997	1,795	337	202
Indirect department SG&A expenses	-11,826	-12,247	-12,695	-421	448
Operating income	4,851	5,099	4,100	248	999

(*1The figures before consolidation adjustment)

(*2 The operating income of the division is the figure before the transfer of internal expenses.)



Net sales

¥18.49 billion (Down ¥160 million (0.8%) year on year)

- The sales from our own EC site and third-party e-commerce sites grew 10% YoY.
- Affected by the sluggish sales at department stores and the closure of some department stores due to business failure

Operating income

¥2.1 billion (Up ¥50 million (2.6%) year on year)

- Inventory valuation loss augmented, and gross profit rate worsened.
- Rebound from the temporary expense for structural reform posted in the previous term

■ (The U.S.) Yearly change in sales in major channels and regions (in local currency) (Unit: %)

			1Q	2Q	3Q	4Q	Annual	ratio (※)
Channel	Store	Department store	89	98	86	109	95	71
		Outlet· Directly managed store	125	142	205	149	146	
		Store sales total	90	98	87	109	95	
	EC sites	Department store EC sites	105	121	74	108	102	29
		Third Party EC sites	105	113	129	127	116	
		Wacoal's Own EC Site	121	107	117	110	114	
		EC sales total	109	114	103	114	110	
	Area	America	93	98	91	110	98	96
Canada		107	135	91	107	112	4	



Net sales

¥14.11 billion (Up ¥90 million (0.6%) year on year)

- In the U.K., sales were on a plateau, due to the inventory adjustment, etc. as the performance of department stores worsened.
- EC sales grew rapidly.
- The presence of the brands “elomi” and “Wacoal” got stronger.

Operating income

¥1.41 billion (Up ¥180 million (14.8%) year on year)

- Profitability improved, as the recommended retail prices were raised and unprofitable directly managed retail stores were closed down in the U.K.
- As the development of our own EC site was delayed, related expense was curtailed.

■ (Europe) Yearly change in sales in major channels and brands (in local currency) (Unit: %)

			1Q	2Q	3Q	4Q	Annual	ratio (※)
Channel	store	Department store	110	87	81	93	93	23
		Specialty store	98	104	103	109	103	53
		Directly managed store	87	79	76	74	80	6
	EC sites	Third party EC sites/other	130	124	112	120	121	18
Brand(※)		Fantasia	103	93	83	108	96	30
		Freya	102	85	88	92	92	23
		Goddess	102	105	90	92	98	7
		Elomi	121	120	111	121	119	25
		Wacoal	102	109	99	111	106	15
		B.Tempted	114	81	69	81	84	1



Net sales

¥11.62 billion (Up ¥1.03 billion (9.7%) year on year)

- EC growth was accelerated through the enhancement of customer data marketing (up 47% YoY).
- Healthy performance of department stores whose sales promotion in the demand season bore fruit

Operating income

¥910 million (Up ¥390 million (75.9%) year on year)

- Gross profit rate improved thanks to the improvement in inventory efficiency and the ratio of EC sales.

■ (China) Yearly change in sales in major channels and brands (in local currency)

(Unit: %)

		1Q	2Q	3Q	4Q	Annual	ratio (※)
Channel	Department store	107	107	103	106	106	83
	Third party EC sites	168	144	128	146	147	17
Brand	Wacoal	117	115	107	117	114	80
	Salute	108	97	96	94	99	10
	LA ROSABELLE	48	50	98	68	63	2
	Peach John	107	95	88	106	97	9

Net sales

¥8.89 billion (Up ¥250 million (2.9%) year on year)

- The sales of mold pads, etc. of material factories in Thailand increased.
- Business in India: 3 directly managed retail stores opened in the current term (a total of 12 stores as of the end of the term)

Operating income

¥170 million (Up ¥100 million (155.4%) year on year)

(*Total for overseas affiliates: ¥450 million; consolidated adjustment (unrealized revenue, etc.): down ¥280 million)

- Enhancement of productivity of factories in Vietnam
- As the clothing lace business of material factories in Thailand was discontinued, gain on sale of land and buildings was posted.
- Rebound from the impairment charges on goodwill posted in the previous term



Vietnam factory



Directly managed
retail store operated
by Wacoal India

Overview of Domestic Subsidiaries (1)



Peach John (PJ)

Net sales

¥10.49 billion (Down ¥300 million (2.8%) year on year)

- The sales of the domestic stores declined year on year for the 11th consecutive month.

Operating loss

-¥220 million (Down ¥660 million year on year (excluding effect of impairment charges))

- Augmentation of personnel cost due to the treatment improvement of sales staff, increase in logistic cost and temporary expenditure for office relocation
- Slowing growth rate of business in China

■ Peach John Sales by domestic business・Year-on-year change

(Unit: %)

	1Q	2Q	3Q	4Q	Annual	ratio (※)
Mail-order	99	105	94	80	94	46
Store	93	94	94	95	94	54

Ai

Net sales

¥4.18 billion (Down ¥910 million (17.9%) year on year)

- Downturn of the core swimwear business in the summer season, in which demand is highest.

Operating loss

-¥320 million (Up ¥40 million year on year)

- The underwear business moved into the black, through the enhancement of sales of Wacoal products.

■ Ai Sales by division・Year-on-year change

(Unit: %)

	1Q	2Q	3Q	4Q	Annual	ratio
Swimwear	71	77	98	96	78	72
Innerwear	93	91	97	99	95	28

Overview of Domestic Subsidiaries (2)



Lecien

Net sales

¥6.28 billion (Down ¥930 million (12.9%) year on year)

- The sales of the core innerwear business were sluggish, as the number of PB products adopted at GMS and supermarkets decreased.

Operating loss

-¥380 million (Down ¥450 million year on year)

- Operating loss due to the drop in sales

■ Lecien Sales by division・Year-on-year change (Unit: %)

	first half	second half	Annual	ratio
Innerwear Div.	84	99	91	69
Art Hobby Div.	86	92	88	16
Material Div.	76	85	81	10
Apparel Div.	57	94	74	5

Nanasai

Net sales

¥9.41 billion (Up ¥1.14 billion (13.7%) year on year)

- The construction business grew significantly, due to the completion of remodeling of leading department stores and the acquisition of an order for new interior finishing work.

Operating income

¥280 million (Up ¥60 million (27.0%) year on year)

- Due to the rise in the ratio of the construction business, gross profit rate declined, but the ratio of operating income to net sales grew due to the reduction of SG&A.

■ Nanasai Sales by division・Year-on-year change (Unit: %)

	first half	second half	Annual	ratio
Rental and lease	102	99	100	21
Production sales	130	100	113	19
Construction	149	101	121	60



Capital Policy and Shareholder Returns

Medium-Term Management Plan

Cash Generated Mid-term Goals

1) Profitability improvement

2) Working capital reduction

3) Review of strategic shareholdings

Cash Generated Net income + Depreciation + (Asset impairment) ¥45 billion or more

Cash Used Mid-term Goals

1) Investment in existing businesses New businesses ¥25 billion or more

2) Stable dividends

3) Flexible share repurchases

FY2016 Shareholders' equity ¥224 billion

ROE 4.9%

FY2019 Shareholders' equity ¥220 billion

ROE 5% or higher

3-year results

(100 millions of yen)

		FY2017	FY2018	FY2019	Cumulative total for medium-term management plan
Cash Generated	Net income 1)	125.3	97.5	96.4(*)	319.2
	Depreciation	50.3	54.9	56.5	161.7
	Sale of marketable securities	8.2	1.3	18.3	27.8
Cash Used	Capex	74.5	58.8	57.8	191.1
	Total dividends 2)	46.5	73.9	47.8	168.2
	Purchase of treasury stock 3)	45.2	40.1	69.2	154.5

FY2019 Shareholders' equity ¥216.5 billion

Net income ¥340 million

ROE 0.2%

(*) For the fiscal year ended March 31, 2019, net income was calculated without consideration for valuation gain (loss) on marketable securities and investments, impairment charges of PJ, and related taxes.)

Total payout ratio (= (2)+3)/1)	73%	117%	121%	101%
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(For reference) Real ROE 4.2%



Outcomes and Issues of the Medium-Term Management Plan (Review of FY2107 to FY2019)

Hironobu Yasuhara,

Representative Director and President

Degree of Achievement of Quantitative Goals Set in the Medium-Term Management Plan (Executive Summary)



- Net sales were ¥20.8 billion lower than the goal (or ¥18.8 billion lower than the goal in real terms, excluding the effects of exchange rates)
- Operating income was ¥10.1 billion lower than the goal (or ¥3.2 billion lower than the goal in real terms, excluding the effects of revision to the accounting principles and impairment charges)
- Excluding the effects of impairment charges, the ratio of operating income to net sales was 5.5%, and real ROE 4.2%.

Net sales

Medium-term goal: ¥215 billion → Results: ¥194.2 billion
(¥20.8 billion (9.7%) below the goal)

- Sluggish domestic wholesale of Wacoal Corp. (¥3.6 billion below the goal)
- Struggling performance of Peach John, Lecien and Ai (total for 3 companies: ¥9.1 billion below the goal)
- Effect of exchange rate fluctuations (¥2 billion below the goal)

Operating income

Medium-term goal: ¥15 billion → Results: ¥4.9 billion
(¥10.1 billion (67.5%) below the goal)

- Effect of sluggish sales of Peach John, Lecien, and Ai (total for 3 companies: ¥2.2 billion below the goal)
- Delay in the full-scale operation of material factories in Thailand (¥500 million below the goal)
- Revisions to accounting principles (¥1.1 billion below the goal) · Impairment charges on other intangible assets (¥5.8 billion below the goal)

Net income

Medium-term goal: ¥11 billion → Results: ¥300 million
(¥10.7 billion (96.9%) below the goal)

- Effects of valuation loss on marketable securities and investments (¥3.9 billion below the goal (*after taking into account tax effects))

ratio of operating income to net sales

Medium-term goal: 7.0% → Results: 5.5%
(in real terms excluding the effects of impairment charges)

ROE

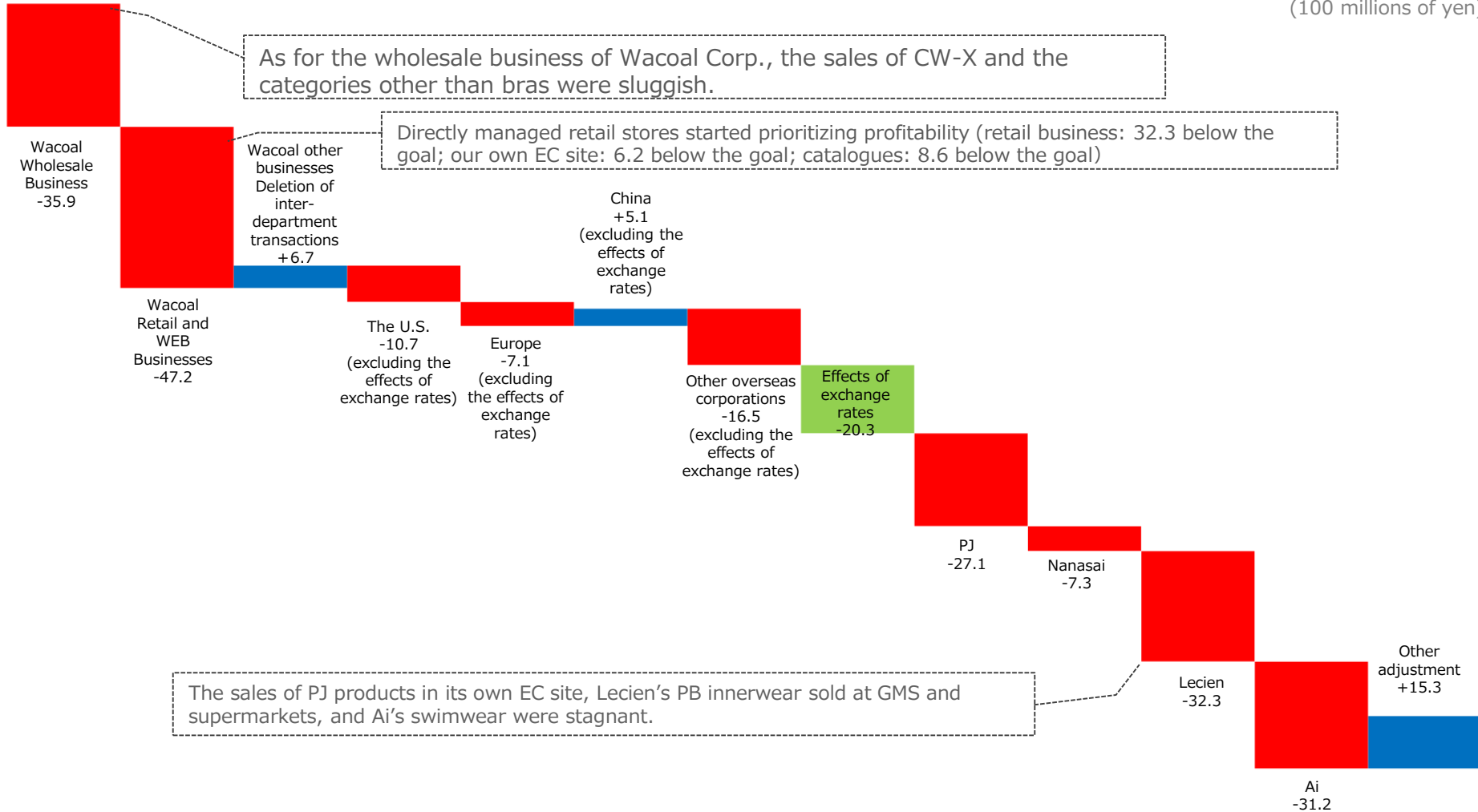
Medium-term goal: 5.0% or higher → Results: 4.2%
(in real terms based on a simple method)

Situation of Sales of Each Business [Compared with Medium-term Goals]



• Net sales: ¥20.8 billion below the goal

(100 millions of yen)

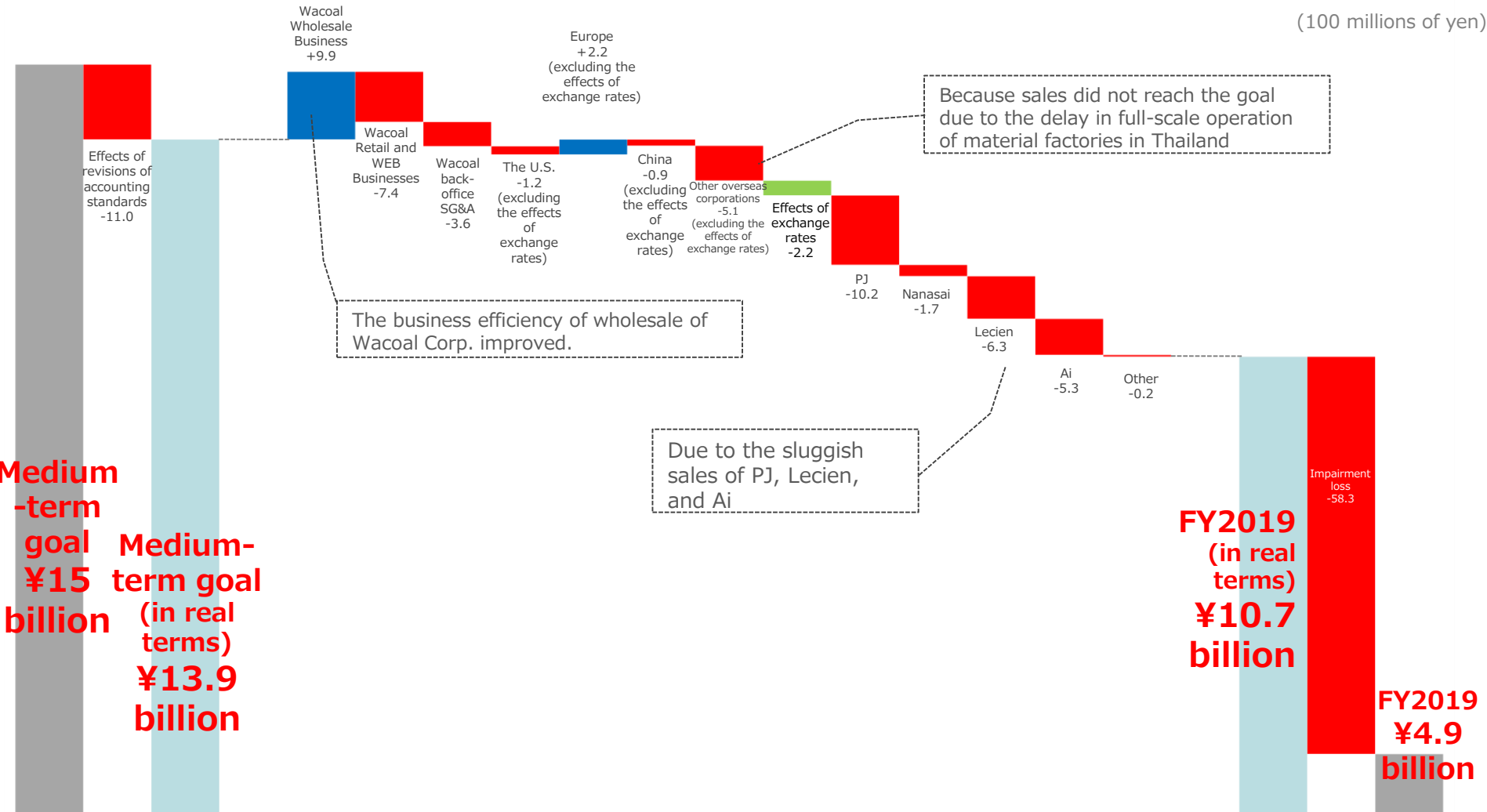


Situation of Operating Income of Each Business [Compared with Medium-term Goals]



- Operating income: ¥10.1 billion below the goal; in real terms, ¥3.2 billion below the goal

(100 millions of yen)





1. Secure earnings in domestic business

2. Generate further growth in overseas business

3. Create Group synergies and strengthen competitiveness

4. Expand our business portfolio

5. Improve our Group management infrastructure





Outcomes

- **Breakaway from the wholesale-biased business model of Wacoal Corp. and redevelopment of a business model**
 - : Net sales did not reach the goal, but operating income was around the medium-term goal.
 - : Business efficiency improved through the organizational restructuring and revision of sales customs in the wholesale business.
 - : Enhancement of profitability through the brand value increase of the retail business.
- **Completion of the preparation for next-generation services of attending to customers**
 - : Practical application of the customer information database
 - : Development of services for attending to customers by utilizing 3D body scanners and AI

Issues

- **Decrease of customers due to the decline in product competitiveness of Peach John**
- **Delay in response to remarkable changes in the competitive environment of major markets**
 - : Downturn of Lecien's PB products for GMS and supermarkets, fashionable swimwear of Ai, and sporting tights of CW-X

Countermeasures

- **Distribution channel strategies that cannot be imitated by competitors, by evolving customer services with digital technologies**
- **Downsizing and optimization of brand and product compositions, and maximization of organizational productivity in the corporate group or business alliances through the structural reform and cooperation of the value chain**



Outcomes

- Development of the second pillar of our brands based on the brand portfolio strategy suited for regional characteristics
: Expansion of sales of “elomi” in Europe and the U.S. and “Peach John (PJ)” in China
- Acceleration of growth potential through the active cultivation of EC channels
: Ratio of EC sales in FY2019: 29% (20%) in the U.S., 19% (13%) in Europe, 21%* (12%*) in China (The parenthesis represents the value in FY2016) (*In China, the EC sales of PJ included)

Issues

- Waning of department stores and specialty store channels in major countries (the U.S., China, the U.K., and France)
- Delay in the development of a supply system of material factories in Thailand and enhancement of competitiveness of sewing factories in Myanmar

Countermeasures

- To swiftly respond to changes in the market due to accelerated digitization, and strengthen our business structure that can accelerate growth
- Investment and development of a business base for expanding businesses in countries and regions where our businesses are still small-scale
- Establishment of a supply chain with competitive advantages (high quality and added value)
- Challenge to non-continuous growth

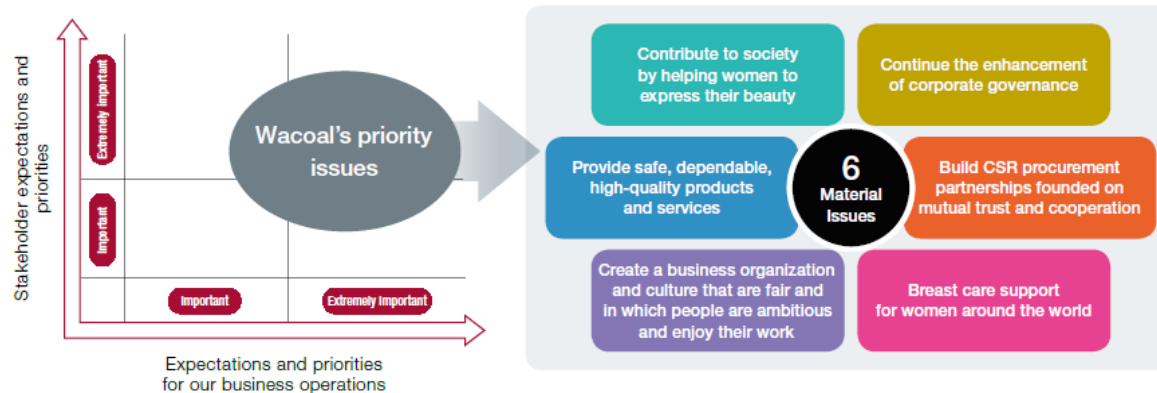


Outcomes

- Start of CSR procurement in cooperation with entrusted manufacturers (October 2017)
: Human rights, labor practices, the environment and ethics
- Determination of important missions (materiality) as our CSR

We have identified 6 material issues relevant to our business activities and our commitment to:

sustainable development **a society that values diversity** **highly transparent organizational structures**



- Start of the accommodation business by renovating traditional townhouses in Kyoto (April 2018)
- To support the “breast care (breast cancer)” issues around the world

Issues

- Risk of coming under fire by posting an ad that would deny diverse values
- The digitization of customer information increases the risk of information leak by hackers, etc.
- Coexistence with the earth environment by doing without plastics for packaging and reducing the amount of unsold products discarded

Outcomes and Issues of the Medium-Term Management Plan [Social Value]: Transparent System for Tightening Corporate Governance



Outcomes

- Discontinue the anti-takeover measures
- Decrease of strategically held shares, and compliance with corporate governance guidelines for nomination, remunerations, etc. of executives
- Continuation of education about corporate philosophy and compliance

Issues

- Appropriate disclosure of mid/long-term visions, KPIs, succession plans, etc. that would contribute to the improvement of corporate value
- To decrease strategically held shares further

Outcomes and Issues of the Medium-Term Management Plan [Social Value]: Vibrant Corporate Culture Utilizing Diversity



Outcomes

- Development of a comfortable working environment through the reform of ways of working and taking days off (telecommuting and temporary retirement systems)

Issues

- Development of an organizational structure that accepts diverse personnel
- Succession of skills and abilities at production sites around the world
- Improvement of a worthwhile working environment where we put importance on results



Net sales

Medium-term goal: ¥110 billion → Results: ¥102.4 billion
(¥7.6 billion (6.9%) below the goal)

- ① Medium-term goal of wholesale business: ¥85.9 billion → Results: ¥82.3 billion (¥3.6 billion (4.2%) below the goal)
 - Downturn of the wellness business (CW-X), and sluggish sales of nightwear, men's underwear, and knit-underwear
 - Impacts of closure (19 shops closed down at department stores in 3 years)

- ② Medium-term goal of retail and WEB businesses: ¥29.3 billion → Results: ¥24.6 billion (¥4.7 billion (16.1%) below the goal)
 - We refrained from opening directly managed retail stores excessively, and started prioritizing profitability. (¥3.2 billion below the goal)
 - Our own EC site (Wacoal Webstore) grew with a CAGR of 13%, but did not reach the goal. (¥620 million below the goal)



"SUHADA ONE"
with more
comfortable texture



"BRAGENIC"
non-wired bras available at
directly managed retail stores



Operating income

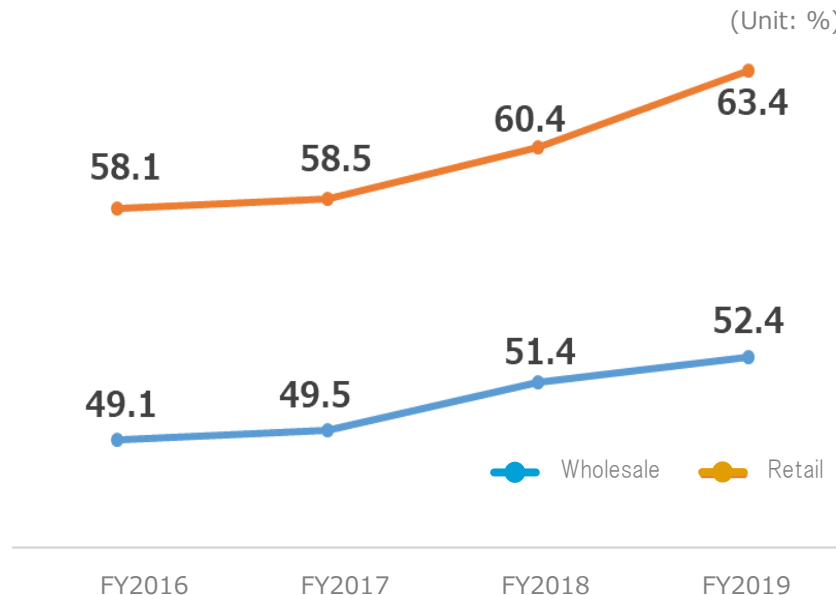
Medium-term goal: ¥5.2 billion → Results: ¥5.1 billion (¥100 million (1.9%) below the goal)

- ① Medium-term goal of wholesale business: ¥14.3 billion → Results: ¥15.3 billion (¥1 billion (6.9%) above the goal)
 - As the loss from evaluation decreased through the reduction of returned products, gross profit rate improved. Through organizational restructuring, business efficiency improved.
 - Less profitable stores were closed down.

- ② Medium-term goal of retail and WEB businesses: ¥2.7 billion → Results: ¥2 billion (¥700 million (26.9%) below the goal)
 - Discount sale was reduced at directly managed retail stores and the ratio of products shared among shop brands increased. As a result, gross profit rate hit a record high.
 - On the other hand, the expenses for the improvement of treatment of sales staff, renting shops, logistics for our own EC site, etc. augmented.

■ Variation in gross profit rate of the wholesale and retail businesses

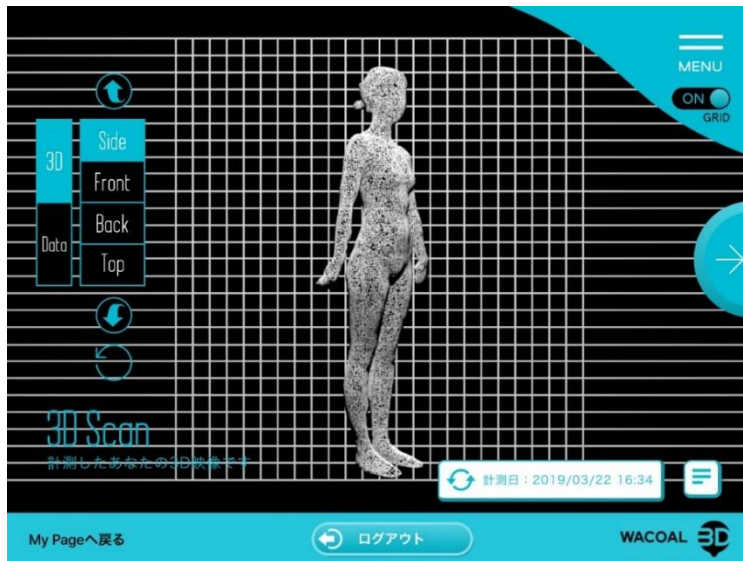
Gross profit rate hit a record high for both businesses.





Outcomes

- **Business efficiency improvement of the wholesale business**
: Organizational restructuring and fortification (streamlining of the back-office section, improvement of mobility of sales staff and BA)
- **Enhancement of profitability of the retail business**
: Gross profit rate grew significantly, and profit/loss at stores improved (efforts for making all shops in the black)
- **Investment in the infrastructure for omni-channel strategies and finished the preparation for practical application**
: Operation of a unified information management system (data of inventory, products, and purchase by customers)
: Development of next-generation services for attending to customers by utilizing 3D body scanners and AI



Issues

- Optimization of the composition of brands, products, and channels for important markets of products other than innerwear (concentration and selection)
 - : Design of strategies for each category (ladies' sports, men's, shoes, personal wear (pajamas), kids')
- Redevelopment of the innerwear brand portfolio and reduction of the number of products
- To make foreign consumers visiting Japan loyal customers
- Drop in profitability of the department store business
- Low profitability of the business that suggests lifestyles, apparel, and underwear cultures and beauty (sensibility) (Spiral and traditional townhouses in Kyoto)
 - : To make the business profitable as soon as possible by setting a deadline or design a constructive exit plan



◆ “Kyo no Ondokoro Fuyacho-nijo”
utilizing a traditional townhouse in Kyoto



◆ Spiral, a cultural complex facility

Comparison, Outcomes and Issues in Relation to the Medium-Term Goals: Wacoal International Corp. (The U.S.)



Net sales

Medium-term goal: \$176.4 million → Results: \$166.7 million
(\$9.7 million (5.5%) below the goal)

- The second brand “b.tempt’d” (\$6 million below the goal) and “CW-X” (\$5 million below the goal) did not grow well.
- Our own EC site performed well (\$4 million above the goal), but the sales at department stores (\$9 million below the goal) and sports shops (\$5 million below the goal) were sluggish.

Operating income

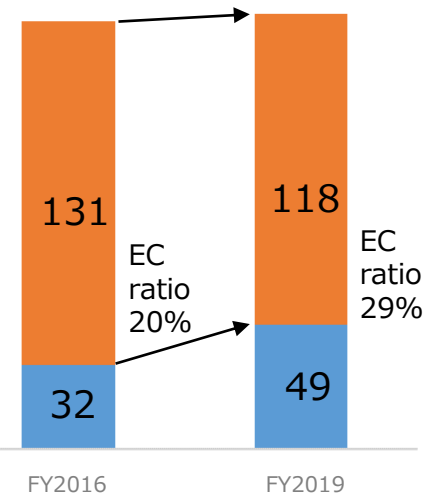
Medium-term goal: \$19.9 million → Results: \$18.9 million
(\$1 million (5.0%) below the goal)

- Due to the sales of the CW-X business stagnated (\$1 million below the goal).
- As Wacoal America absorbed the U.S. subsidiary of CW-X in March 2018, and its brand business moved into the black for the first time in FY2019.
- As for the “Wacoal” brand business, gross profit rate improved and SG&A was curtailed as the ratio of our own EC sales increased, attaining the goal.

Outcomes and issues

(Millions of dollar)

■ Wacoal’s Own and third party EC Site
 ■ Department store and others



Mid-term Goals	Outcomes	Issues
1 To plan and develop high value-added products through process engineering, and stick to the high-end market	<ul style="list-style-type: none"> ■ Strengthened design and pattern making capabilities ■ Established superiority of the strapless bra ■ Improved productivity at the factory in the Dominican Republic 	<ul style="list-style-type: none"> ■ The decline in “b.tempt'd” brand competitiveness ■ Business is slow for “CW-X”
2 To cultivate the surrounding market and develop new channels	<ul style="list-style-type: none"> ■ Canada is on track for meeting mid-term goals ■ Expanded our own EC site sales ■ Made steady progress following the opening of a directly-managed store in the U.S. 	<ul style="list-style-type: none"> ■ Expand the market in Brazil ■ Maintain a business foundation focused on accelerating our own EC site sales ■ Business in U.S. department stores continues to decline at a rapid pace
3 To establish a succession plan and train future leaders	<ul style="list-style-type: none"> ■ Planning to launch a new organization in FY2020 	<ul style="list-style-type: none"> ■ Handing over corporate culture and corporate philosophy

Comparison, Outcomes and Issues in Relation to the Medium-Term Goals: Wacoal Europe



Net sales

Medium-term goal: £101.3 million → Results: £96.8 million
(£4.4 million (4.4%) below the goal)

- As the “huit” brand was transferred to another company, its sales disappeared. (£5 million below the goal) = **exceeding the goal in real terms**
- “elomi” grew steeply. (£9 million above the goal). “Wacoal” sales reached the goal.
- Delayed in starting our own EC site, which was scheduled to be launched in FY2018 (£3 million below the goal). Then, the sales of Fantasie or Freya did not reach the goal.

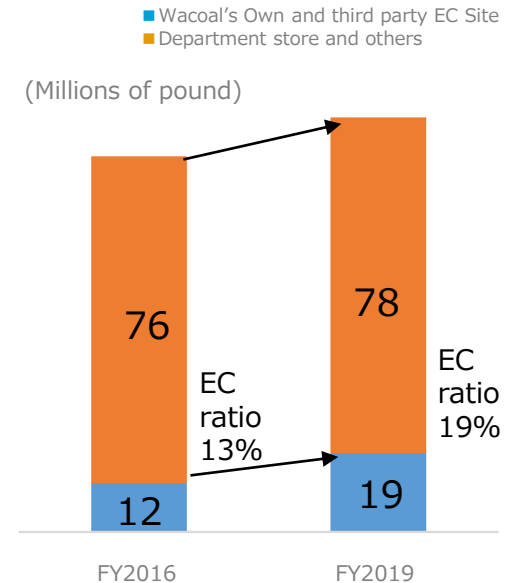
Operating income

Medium-term goal: £8.4 million → Results: £9.7 million
(£1.2 million (14.4%) above the goal)

- As the unprofitable “huit” business was discontinued, it improved (£1 million above the goal). But the pound depreciation, cost augmented.
- The recommended retail prices in the U.K. were raised, the inventory valuation loss decreased, and SG&A was curtailed as the delay in developing our own EC site. Then, operating income was secured.

Outcomes and issues

Mid-term Goals	Outcomes	Issues
1 Business Restructuring (PMI) -Train staff to be leaders -Maintain and strengthen the business foundation	<ul style="list-style-type: none"> ■ Rearranged and transferred the “huit” brand business ■ Started an organization under a new president in Apr. 2016 ■ Reorganized and integrated the sales and distribution system ■ Launched a support system for specialty stores (B2B) 	<ul style="list-style-type: none"> ■ Innovations for our own EC site ■ Brexit risks
2 To restructure the brand portfolio -To match the characteristics of local regions and distribution channels	<ul style="list-style-type: none"> ■ “elomi” grew remarkably (sales up 91% from FY2016) ■ The presence of Wacoal intensified (up 30% from FY2016) 	<ul style="list-style-type: none"> ■ Expedite growth of a brand for curvy women ■ Falling sales in department stores and specialty stores
3 Product development based on the results of Human Science Research Center	<ul style="list-style-type: none"> ■ Wacoal won DOY (Designer of the Year) at the International Lingerie Show 	<ul style="list-style-type: none"> ■ Implementation to other brands in addition to Wacoal



Comparison, Outcomes and Issues in Relation to the Medium-Term Goals: Wacoal China



Net sales

Medium-term goal: CNY664.7 million → Results: CNY694.8 million
(CNY30.1 million (4.5%) above the goal)

- The sales of the Wacoal brand via shops and third-party e-commerce sites grew (CNY40 million above the goal). The sales of PJ, too, increased (CNY27 million above the goal).
- LA ROSABELLE for the middle class market was closed down, because business efficiency did not improve (CNY27 million below the goal).
- EC sales achieved the goal of over 80% growth from FY2016 and more than doubled (CNY24 million above the goal).

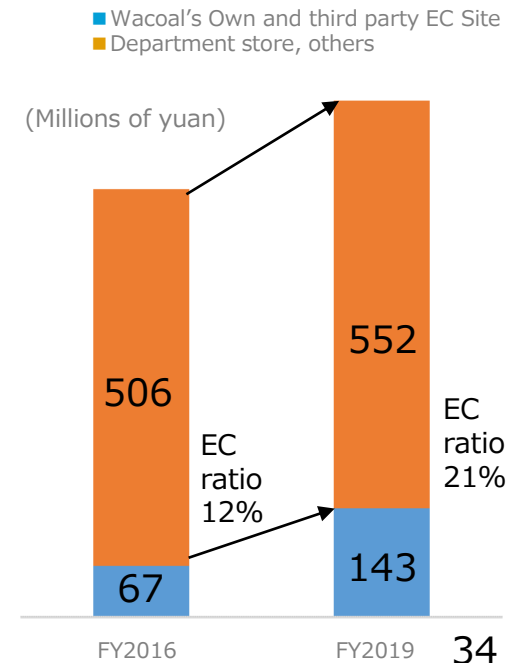
Operating income

Medium-term goal: CNY59.9 million → Results: CNY54.6 million
(CNY5.3 million (8.9%) below the goal)

- SG&A rate was reduced, achieving the medium-term goal, but the reduction in cost rate did not reach the goal.
- As a result, the ratio of operating income to net sales was 7.9%. (medium-term goal: 9.0%)

Outcomes and issues

Mid-term Goals	Outcomes	Issues
1 To launch competitive products and demonstrate superiority in the high-end market	<ul style="list-style-type: none"> ■ Rapid progress of the “Wacoal” brand -Introduced the comfortable bra to wear and other products sold in Japan ■ Improved the share of individual stores instead of opening new locations ■ Improved ratios for continuity (standard) products 	<ul style="list-style-type: none"> ■ Sluggish growth of the “Salute” brand ■ Stagnant growth of the “PJ” brand
2 To improve profitability of the LA ROSABELLE brand	<ul style="list-style-type: none"> ■ Decided to slowly withdraw from the brand business -Closed stores 	<ul style="list-style-type: none"> ■ Lack of brands targeting younger age groups
3 To strengthen online sales by enhancing product development and sales promotion	<ul style="list-style-type: none"> ■ Major breakthrough in online sales ■ Strengthened the logistics structure ■ Developed database marketing and products exclusively for online sale 	<ul style="list-style-type: none"> ■ Large sales growth of competitor's products in third-party e-commerce sites ■ Develop a business foundation that stays ahead of business expansion ■ Strengthen brands and products targeting younger age groups





Net sales

Medium-term goal: ¥13.2 billion → Results: ¥10.49 billion
(¥2.71 billion (20.5%) below the goal)

- Sluggish sales in the domestic market (our own EC site: ¥2.9 billion below the goal; stores: ¥700 million below the goal)
- The demand for underwear, which strongly reflects trends, decreased, and competitors advertised comfortable texture. Then, our customers decreased.
- The renewal of our own EC site and brand sites turned out to be ineffective. High-priced products, such as loungewear, did not sell well.

Operating income

Medium-term goal: ¥800 million → Results: -¥220 million*
(¥1.02 billion below the goal)

- In addition to sluggish sales, rising costs for the improvement of treatment of sales staff for coping with the severe recruitment situation, rents, and so on had an impact.
- influence of changes in transaction conditions for the business in China (¥200 million below the goal)

(*In addition, impairment charges on other intangible assets (-¥5.64 billion) was posted, but it was excluded in the results.)

Issues and countermeasures

- High brand equity for influencers in China and East Asia as the fashionable brand from Japan
- Valuable brand that has popularity and many supporters throughout Japan, and can trigger a trend inside the Wacoal group
- Possibility of becoming part of “Cool Japan” in the Asian market filled with youngsters who spend a lot
- **To revitalize our business with new bold endeavors while grasping the minds of consumers and changes in trend based on the current brand value**



Net sales

Medium-term goal: ¥7.3 billion → Results: ¥4.18 billion
(¥3.12 billion (42.7%) below the goal)

- The performance of swimsuits was sluggish (¥2.6 billion below the goal)
- Immediately after the business transfer, medium-term goals were set while excessively expecting the utilization of sales channels of Wacoal Corp. and EC promotion.
- The sales of swimsuits dropped nearly 33% from FY2016, due to the changes in the competitive environment and the difficulty in securing sales staff for seasonal stores.

Operating income

Medium-term goal: ¥210 million → Results: -¥320 million
(¥530 million below the goal)

- The underwear shops under the name of “Northerly”, which directly managed, started handling more Wacoal products, and an operating income was posted.

Issues and countermeasures

- We strengthened swimwear for cultivating the “adult resort” market for year-round business, by improving added value while utilizing the outcomes of Human Science Research Center.
- Promotion of strategic cooperation with third-party e-commerce sites inside and outside Japan.
- Shift to business administration that concentrates on improvement of profitability, in order to seek for improved gross profit rate rather than sales growth.



Net sales

Medium-term goal: ¥9.51 billion → Results: ¥6.28 billion
(¥3.23 billion (33.9%) below the goal)

- Orders for PB innerwear for GMS and supermarkets dropped. (¥1.7 billion below the goal)
- The cultivation of the U.S. market for the art/hobby business was not realized. (¥800 million below the goal). The sales of materials or apparel did not reach the goal.

Operating income

Medium-term goal: ¥250 million → Results: -¥380 million
(¥630 million below the goal)

- As the orders for PB innerwear dropped, the productivity of affiliated factories declined, and cost augmented.

Issues and countermeasures

- Start of drastic structural reform, including the downsizing to an appropriate business structure, while foreseeing the future demand



Net sales

Medium-term goal: ¥10.14 billion → Results: ¥9.41 billion
(¥730 million (7.2%) below the goal)

- As the orders for remodeling of department stores and new construction works increased, the sales of the construction business exceeded the goal (by 5.8%).
- As the demand for sports-wear is growing, sporting mannequins are expected to increase, but the rental business did not reach the goal (24.3% below the goal).

Operating income

Medium-term goal: ¥450 million → Results: ¥280 million
(¥170 million (37.3%) below the goal)

- Due to the rise in the ratio of the construction business, gross profit rate declined, but SG&A was curtailed.
- Due to the decline in sales and the business composition ratio, the ratio of operating income to net sales was 3.0% (medium-term goal: 4.4%)

Issues and countermeasures

- To increase the ratio of operating income to net sales while concentrating on the optimization of the ratios of sales of the existing three businesses (rental, product sale, and construction)
- To increase new customers, to compensate for the decrease of shops at department stores, apparel shops, etc. used as existing customers



- DESCENTE has accumulated the knowledge of sports engineering mainly for men.
- Both companies have the sincere attitude and passion for manufacturing high-quality products; so we have similar corporate cultures.
- Through collaboration, we can foster a complementary relation for each other's business. In addition, it is important to create and offer unprecedented value via products and services, to redevelop trusting relationships with customers.

Original goals	Progress
1 To create new businesses that go beyond the current business domain	<ul style="list-style-type: none"> ■ Both companies confirmed their respective intentions to continue the business tie-up. ■ The tasks and details of the business tie-up are to be rediscussed by the two companies while reviewing previous activities.
2 To develop products that combine both companies' manufacturing strengths	
3 To effectively utilize assets owned by both companies	



Net sales

¥200 billion
+3.0%, +¥5.8 billion

Operating income

¥11 billion
+126%, +¥6.1 billion

Dividend per share

We plan to pay 80 yen per share, including the dividend for commemorating the 70th anniversary of the establishment of our company. <40 yen/share for interim and year-end dividends, respectively (ordinary dividend: 36 yen, special anniversary dividend: 4 yen)>

(Millions of yen)

	FY2020		FY2019		vs. FY2019	
	Full-year target	% of net sales	Full-year results	% of net sales	Change	% Change
Consolidated net sales	200,000	100%	194,201	100%	5,799	+3.0%
Operating income	11,000	5.5%	4,879	2.5%	6,121	+125.5%
Income before taxes	12,000	6.0%	2,203	1.1%	9,797	+444.7%
Net income attributable to Wacoal Holdings Corp.	9,000	4.5%	341	0.2%	8,659	—

*The impact of the changes in the valuation loss or gain on marketable securities and investments to our business results is not reflected in the forecast above.

*Major exchange rates estimated: USD = 110.00 yen; GBP = 145.00 yen; CNY = 16.50 yen

We are designing a mid/long-term strategic vision, while recognizing the 3 years from FY2020 to FY2022 as the period for achieving the following three objectives:

- 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**

We plan to announce a new 3-year medium-term management plan in mid-June, while disclosing the details of our business strategy in the next term, which is the initial year of the plan.



Reference Figures

List of Major Subsidiaries' FY2019 Business Results



(Millions of yen)

	Net Sales							Operating Income						
	FY2018 results	FY2019 results	FY2019 target	Year on Year		Compared with Target		FY2018 results	FY2019 results	FY2019 target	Year on Year		Compared with Target	
				Change	% Change	Difference	% Difference				Change	% Change	Difference	% Difference
Wacoal	104,557	102,356	105,725	-2,201	- 2.1%	-3,369	- 3.2%	4,851	5,099	4,100	248	+5.1%	999	+24.4%
Peach John	10,795	10,491	11,396	-304	- 2.8%	-905	- 7.9%	441	-220	431	-661	-	-651	-
Nanasai	8,278	9,414	8,200	1,136	+13.7%	1,214	+14.8%	222	282	180	60	+27.0%	102	+56.7%
Lecien	7,215	6,284	8,138	-931	- 12.9%	-1,854	- 22.8%	73	-375	185	-448	-	-560	-
Ai	5,090	4,181	5,550	-909	- 17.9%	-1,369	- 24.7%	-361	-321	56	40	-	-377	-
Wacoal International Corp. (U.S.)	18,643	18,486	19,153	-157	- 0.8%	-667	- 3.5%	2,042	2,095	1,925	53	+2.6%	170	+8.8%
Wacoal Europe Ltd.	14,018	14,106	14,843	88	+0.6%	-737	- 5.0%	1,226	1,407	898	181	+14.8%	509	+56.7%
Wacoal China Co., Ltd.	10,586	11,617	11,764	1,031	+9.7%	-147	- 1.2%	519	913	646	394	+75.9%	267	+41.3%

Major Overseas Subsidiaries (Local Currency Basis)

Wacoal International Corp. (U.S.)	168,184	166,679	174,114	-1,505	- 0.9%	-7,435	- 4.3%	18,418	18,900	17,500	482	+2.6%	1,400	+8.0%	(USD'000)
Wacoal Europe Ltd.	95,342	96,826	98,951	1,484	+1.6%	-2,125	- 2.1%	8,339	9,658	5,987	1,319	+15.8%	3,671	+61.3%	(GBP'000)
Wacoal China Co., Ltd.	636,504	694,776	692,000	58,272	+9.2%	2,776	+0.4%	31,295	54,594	38,000	23,299	+74.4%	16,594	+43.7%	(CNY'000)

(USD1=JPY110.91, GBP1=JPY145.68, CNY1=JPY16.72, HKD1=JPY14.09)

Comparison with the Medium-Term Management Plan (Overview of Major Companies)



(Millions of yen)

	Net Sales							Operating Income						
	FY2016 results	FY2019 results	Target of Medium-term Management Plan	Year on Year		Compared with Target		FY2016 results	FY2019 results	Target of Medium-term Management Plan	Year on Year		Compared with Target	
				Change	% Change	Difference	% Difference				Change	% Change	Difference	% Difference
Wacoal	107,907	102,356	110,000	-5,551	- 5.1%	-7,644	- 6.9%	6,743	5,099	5,200	-1,644	- 24.4%	-101	- 1.9%
Peach John	11,190	10,491	13,200	-699	- 6.2%	-2,709	- 20.5%	258	-220	800	-478	-	-1,020	-
Nanasai	8,878	9,414	10,142	536	+6.0%	-728	- 7.2%	306	282	450	-24	- 7.8%	-168	- 37.3%
Lecien	8,948	6,284	9,512	-2,664	- 29.8%	-3,228	- 33.9%	-41	-375	250	-334	-	-625	-
A i	5,691	4,181	7,300	-1,510	- 26.5%	-3,119	- 42.7%	11	-321	210	-332	-	-531	-
Wacoal International Corp. (U.S.)	19,571	18,486	19,400	-1,085	- 5.5%	-914	- 4.7%	2,491	2,095	2,200	-396	- 15.9%	-105	- 4.8%
Wacoal Europe Ltd.	15,899	14,106	16,200	-1,793	- 11.3%	-2,094	- 12.9%	1,029	1,407	1,350	378	+36.7%	57	+4.2%
Wacoal China Co., Ltd.	11,052	11,617	11,300	565	+5.1%	317	+2.8%	487	913	1,020	426	+87.5%	-107	- 10.5%

Major Overseas Subsidiaries (Local Currency Basis)

Wacoal International Corp. (U.S.)	162,904	166,679	176,364	3,775	+2.3%	-9,685	- 5.5%	20,731	18,900	19,900	-1,831	- 8.8%	-1,000	- 5.0%	(USD'000)
Wacoal Europe Ltd.	87,687	96,826	101,250	9,139	+10.4%	-4,424	- 4.4%	5,674	9,658	8,440	3,984	+70.2%	1,218	+14.4%	(GBP'000)
Wacoal China Co., Ltd.	575,010	694,776	664,706	119,766	+20.8%	30,070	+4.5%	25,341	54,594	59,900	29,253	+115.4%	-5,306	- 8.9%	(CNY'000)

[Exchange rate]	USD1	GBP1	CNY1
FY2018 results	JPY120.14	JPY181.31	JPY19.22
At the time of mid-term plan formulation	JPY110.00	JPY160.00	JPY17.00
FY2019 results	JPY110.91	JPY145.68	JPY16.72

Comparison with Medium-Term Goals



(Millions of yen)

	FY2018 results	FY2019 results	FY2019 target	Year on Year		Compared with Target	
				Change	% Change	Difference	% Difference
Consolidated net sales	202,917	194,201	215,000	-8,716	- 4.3%	-20,799	- 9.7%
Operating income (%)	13,865 +6.8%	4,879 +2.5%	15,000 +7.0%	-8,986	- 64.8%	-10,121	- 67.5%
Net income attributable to Wacoal Holdings Corp.	11,159	341	11,000	-10,818	- 96.9%	-10,659	- 96.9%

Reference figure (i): Operating income not taking into account impairment charges on goodwill and other intangible assets	13,865	10,713 (*)	15,000	-3,152	- 22.7%	-4,287	- 28.6%
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(*) 10,713 = Operating income (4,879) + Impairment charges on goodwill and other intangible assets (5,834)



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.