Review of the Fiscal Year Ended March 31, 2021, and Initiatives for the Fiscal Year Ending March 31, 2022

Hironobu Yasuhara

Representative Director, President and Corporate Officer
Wacoal Holdings Corp.
May 20, 2021
FY2021 Review

Against a backdrop of rapid changes in distribution and customer needs stemming from the COVID-19 pandemic, the initiatives we have been focusing on for the past few years, such as strengthening EC and the CX strategy by introducing 3D measurement technology, are starting to bear fruit. Additionally, structural reforms aimed at improving the high cost structure are accelerating.

- **Ensuring the “health and safety” of customers and employees:** Providing services such as fitting while working to prevent the spread of COVID-19
- **Implementing thorough cost reductions:** Carrying our bold reviews of measures and spending plans, and avoiding excess inventory
- **Promoting the CX strategy:** Making progress with “digitalization” and “personalization” efforts
- **Accelerating EC growth:** Growing the EC business globally in response to rising demand for EC due to COVID-19
- **Progressing with structural reforms:** Accelerating structural reforms aimed at improving the high cost structure
FY2021 Results (1) Promoting the CX Strategy

Making progress with “digitalization” and “personalization” efforts: Wacoal (Japan)

- The number of people trying 3D measuring increased due to COVID-19
- Progress with centrally managing customer data

**Changes in the number of people trying 3D Smart & try**

Cumulative no. of people (up to Mar 31, 2021)

**About 52,000**

*Introduced to 16 stores as of the end of March

Cumulative no. of people (up to Mar 31, 2020)

**About 14,000**

*Introduced to 9 stores as of the end of March

**Active customer ratio trends**

- No. of members making a purchase in one year/Wacoal members

- **20.9%** (About 920,000) (FY2018)
- **20.5%** (About 1 million) (FY2019)
- **22.8%** (About 1.3 million) (FY2020)
- **24.6%** (About 1.6 million) (FY2021)

**No. of people making a purchase within the last 5 years**

- **About 2.2 million** (FY2018)
- **About 2.4 million** (FY2019)
- **About 2.8 million** (FY2020)
- **About 3.6 million** (FY2021)

**No. of people making no purchase within the last 5 years**

- **About 2.8 million**

**Progress with centrally managing customer data**

- FY2020
  - About 38,000 people
  - Purchase rate during period: 30%
  - Average customer spending: ¥18,600

- FY2021 (Jan-Mar)
  - About 38,000 people
  - Purchase rate during period: 30%
  - Average customer spending: ¥18,600

**Changes in the number of people trying 3D Smart & try**

- New customers: 800,000
- Existing customers: 800,000

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<table>
<thead>
<tr>
<th>No. of Members</th>
<th>Period</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2018</td>
<td>About 4.4 million</td>
</tr>
<tr>
<td></td>
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<tr>
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<td>FY2021</td>
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Efforts Aimed at the CX Strategy to Date: Wacoal (Japan)

FY2017 IT infrastructure development

- Development of omni-channel service infrastructure
- Digitalization of customer data management
- Start operation of tablets for customer service
- Core IT integration
- Cross-brand products, building inventory data management system

IT investment amount: FY2017 ¥1.5 billion
FY2018 ¥1.9 billion

Start trial introduction of RFID (electronic tags) at directly managed stores

FY2018 Implementation of CX strategy

(Omni-channel Strategy Promotion Department established)

Start cooperation/linkage between directly managed stores and EC
Launch “Wacoal Carnet” app

Information management system operation

(Wacoal and Wing system integration)

IT investment amount: FY2019 ¥2.4 billion

Sharing client (department store) customer data
(Migration to electronic records)

Build omni-channel strategy infrastructure

(Complete practical use preparation)
- Operation of centralized data management system
- Inventory, products, customer purchasing data
- Development of next-generation customer service using body scanners and AI

FY2019 IT investment amount: ¥3.1 billion

Cooperation/linkage between own EC and directly managed stores

- Introduction of 3D customer service
- Introduction of 3D body scanner system
- Introduction of avatar service

IT investment amount: FY2021 ¥2.4 billion

Growth of own EC

Start cooperation/linkage between directly managed stores and EC
Launch “Wacoal Carnet” app

Implement marketing activities that actively utilize customer data (directly managed stores, own EC)

Complete development of client (dept. store) customer data infrastructure

Establish CX Design Department to utilize customer data. Start integration of dept. store, directly managed store, and own EC customer data.

Start expansion work on distribution center

FY2020 IT investment amount: ¥3.1 billion

FY2021 IT investment amount: ¥2.4 billion

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FY2021 Results (2) Growing the EC Business

Growing the EC business globally in response to rising demand for EC due to COIVD-19

- FY2021 EC business status at major business units (rate of increase/decrease)

<table>
<thead>
<tr>
<th>Wacoal (Japan)</th>
<th>Peach John (Japan)</th>
<th>Wacoal International (US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021 Own EC Sales</td>
<td>About ¥8 billion (+56%)</td>
<td>About ¥132% (+72%)</td>
</tr>
<tr>
<td>*Own EC ratio 9.8% (+4.8pt)</td>
<td>Own EC ratio 68% (+32%)</td>
<td>Own EC ratio 74% (+63%)</td>
</tr>
<tr>
<td>FY2021 Own EC Sales</td>
<td>About ¥5.6 billion (+43%)</td>
<td>Own EC ratio 33% (+46%)</td>
</tr>
<tr>
<td>*Own EC ratio 50.5% (+10.7pt)</td>
<td>Specialty EC ratio 31% (+42%)</td>
<td>Specialty EC ratio 19% (+48%)</td>
</tr>
<tr>
<td>FY2021 EC Sales</td>
<td>About ¥7.3 billion</td>
<td>Own EC ratio 6% (+3%)</td>
</tr>
<tr>
<td>About ¥3.9 billion for US Wacoal alone (+27%)</td>
<td>US Wacoal: EC ratio of 54.4% (+20.7pt)</td>
<td></td>
</tr>
</tbody>
</table>
TOPICS – Wacoal’s Own EC Site Growth

**Net Sales** ￥7.97 billion (YoY +55.8%)
*Own EC only

**Start cooperation/linkage with physical stores**
- Launch in-house project with directly managed stores and web members to study a system for mutual customer transfer

**Strengthen to link/blend between online and offline**
- Canceled secret sales at directly operated stores and shifted to own EC
- Strengthen personalized actions via marketing automation

**Strengthen chat consulting services that utilize experienced sales associates**

**FY2021 Major KPI *Own EC only**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Customers Visiting Our Website</td>
<td>+20%</td>
</tr>
<tr>
<td>Number of Purchases</td>
<td>+50%</td>
</tr>
<tr>
<td>Conversion Rate</td>
<td>1.91 (+0.45pt)</td>
</tr>
<tr>
<td>Order Amount</td>
<td>+50%</td>
</tr>
<tr>
<td>Price per Order</td>
<td>↓ About ¥10,500</td>
</tr>
<tr>
<td>Number of Purchases by New Customers</td>
<td></td>
</tr>
<tr>
<td>Number of Purchases by Existing Customers</td>
<td></td>
</tr>
<tr>
<td>Number of Purchases per Customer</td>
<td></td>
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</table>

*The percentage of customers who purchased more than once increased

**FY2020**

**FY2021**

The number increased due to higher demand from consumers staying home

About 1.5times

**Number of Customers Visiting Our Website**

**Number of Purchases**

**Conversion Rate**

**Order Amount**

**Price per Order**

**Number of Purchases by New Customers**

**Number of Purchases by Existing Customers**

**Number of Purchases per Customer**
TOPICS – Peach John’s Growth

Net sales ¥5.63 billion (YoY +43.5%)
*Own EC Only

April 2019～
Start structural reforms

Own EC growth
Operating profit margin over 15%

Issues
(1) Worsening management efficiency
   - Continued investment in unprofitable businesses
   - Discounts becoming commonplace
   - Declining merchandising ability
(2) Decrease in new customers
   - Unclear customer target

Measures
- Suspend catalog, withdraw from unprofitable businesses
- Review sales methods, curb SALES
- Initiatives to link “strengths” to business performance
- Increase in new customers
- Increase the number of annual purchases by retaining existing customers (CRM activities)

<table>
<thead>
<tr>
<th>FY2021 Major KPI *Own Domestic EC only</th>
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<tbody>
<tr>
<td>Number of Customers Visiting Our Website</td>
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</table>
Net sales **$31.8 million** (YoY +94.1%)  
*Own EC only*

**TOPICS – LIVELY’s Growth**

**Made subsidiary at end of July 2019**  
(Consolidated from August 2019)

**Aggressive marketing investment aimed at growth**

- Increase the ratio on comfort-orientated products while at the same time introducing “bundle pack,” a system that allows customers to purchase products with just two clicks
- Transfer logistics operations to US Wacoal

**LIVELY**  
- A brand that encourages women to live passionately and confidently

**Intimates Online CEO Michelle Cordeiro Grant**

**FY2021 Major KPI**

<table>
<thead>
<tr>
<th></th>
<th>FY2021 Major KPI</th>
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<tbody>
<tr>
<td>Number of Customers Visiting Our Website</td>
<td>↑</td>
</tr>
</tbody>
</table>
| Number of Purchases             | ↑ | New Customers 75%  
Existing Customers 25% |
| Conversion Rate                 | ↑ | 3.44 (+0.58pt) |
| Price per Order                 | ↑ | About $72 (+$4.3) |
| Cost of Marketing               | ↑ | $18.6 million (+15%) |

Note: YoY comparisons are against the cumulative results for the last 12 months  
(Since IO Inc. was newly consolidated from Aug 2019, the values listed are for reference purposes only)
## FY2021 Results (3) Progress on structural reforms

### Improve store profits

- Switched **about 30 dept. stores** to consumption-based transactions (Equivalent to about 23% of department store over-the-counter sales)

### Optimize personnel expense

- Through personnel planning management, reduce total personnel expense by **-¥1 billion** (progress rate 20%)

### Optimize other costs

- Execute thorough cost reductions in light of deteriorating business conditions

### FY2021 Status

<table>
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<tbody>
<tr>
<td>➢ Convert to self-managed stores</td>
</tr>
<tr>
<td>➢ Review sales floor environments (From displays on multiple floors to centralized sales corners)</td>
</tr>
<tr>
<td>➢ Review business conditions, etc. (Revise multiplier rates, introduce personnel/store manager systems)</td>
</tr>
</tbody>
</table>

### Future targets

- Aiming to convert all dept. stores to consumption-based by the end of FY2024

- Continue to promote initiatives (KPIs noted on P14)

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**Accurate structural reforms aimed at improving the high cost structure:** Wacoal (Japan)
FY2021 Review (4)

Issues continuing into the current fiscal year and beyond

1. Addressing and reforming domestic subsidiaries (Nanasai, Ai) whose business environments have deteriorated significantly due to the impact of COVID-19
2. Establish re-growth strategies in China, where the competitive environment for EC is intensifying, and in Europe, where the impact of COVID-19 is lingering

- FY2021 performance (rate of increase/decrease)

Nanasai
- Product sales business: -39% (1Q), -41% (2Q), -50% (3Q), -56% (4Q)
- Rental business: -26% (1Q), -23% (2Q), 19% (3Q), 37% (4Q)
- Construction business: -43% (1Q), -41% (2Q), -50% (3Q), -50% (4Q)

Ai
- Product sales business: -37% (1Q), -57% (2Q), 25% (3Q), -15% (4Q)
- Underwear business: ±0% (1Q), ±0% (2Q), 15% (3Q), 42% (4Q)

Wacoal Europe, China Wacoal
- China Wacoal EC sales (excl. Peach John): +15% (1Q), +9% (2Q), +7% (3Q), +4% (4Q)
- China Wacoal Physical store sales (excl. Peach John): -13% (1Q), -21% (2Q), -16% (3Q), -10% (4Q)
- Resort wear (swimsuits) business: -51% (1Q), -21% (2Q), -16% (3Q), -16% (4Q)

*China Wacoal settles accounts at the end of Dec
FY2022 Roles and Initiatives
FY2022 Roles and Initiatives

- A year for “completing structural reforms” aimed at returning to a highly profitable business structure

Implementation of profit structure reforms
1. Reduce fixed costs
2. Address and reform unprofitable businesses

Promotion of growth strategy
3. Customer-oriented value chain reform
4. Promote CX strategy

Promotion of sustainable activities
5. Re-identify key business growth issues
6. Strengthen response to human rights and environmental issues
FY2022 Initiatives - Implementation of profit structure reforms

1. Reduce fixed costs

- Continue to optimize personnel through thorough staff planning and reduce the personnel expense ratio
- Review cost effectiveness of fixed general expenses (Review/reduce inefficient investment costs)

2. Address and reform unprofitable businesses

- Re-examine the profit structure for all businesses, and determine the unprofitable businesses to be dealt with
- Act on unprofitable businesses in FY2022 so that they will not be carried over to the next medium-term management plan (Continue to implement business reforms)
FY2022 Initiatives - Implementation of profit structure reforms

Reduce fixed costs and improve profits of existing businesses (KPIs)

Review general expenses (Wacoal)

**About ¥2 billion**

- Amount of reduction excluding growth investments

Optimize personnel expenses (Wacoal)

**About ¥2 billion**

- Progress rate about 40%

Effect of profit improvement on unprofitable businesses

**About ¥1.5 billion**

- Peach John: ¥1 billion
- Other businesses: ¥500 million

Improving sales profit ratio

- Brand consolidation, decrease in no. of item codes
- Curb valuation loss by reducing inventory and returns

Expected progress for FY2022 profit structure reforms (vs FY2020)

About ¥5.5 billion~

Target value of profit structure reforms by end of FY2023 (vs FY2020)

About ¥10 billion

*Comparison between FY2022 plan figures and FY2020 results
*Growth investments for Wacoal, IO Inc., US Wacoal, etc. will increase by about ¥5 billion vs FY2020
FY2022 Initiatives - Promotion of growth strategy

3. Customer-oriented value chain reform: Wacoal reorganization

Implement organizational restructuring to strengthen the ability to respond to customer purchasing behavior and distribution structures, realize renewed growth, and build a highly profitable management structure (from April 1, 2020)

(1) Review the organization by channel, and shift to a system in which each area has control of all sales channels in its area

(2) Integrate product planning to maximize the value provided by each brand and improve the efficiency of planning operations

(3) Integrate marketing operations to realize cross-brand/channel advertising strategies and optimize investment

FY2022 Initiatives (Organizational integration issues and processes for solving them)

- Verify the ideal form of operational management that improves effectiveness and identify problems in order to generate results from FY2022 onward

- Verify the allocation of brands and products according to customer and area characteristics, and implement flexible personnel placement accordingly
FY2022 Initiatives - Promotion of growth strategy

What Wacoal’s new organization aims to achieve

- Implement area marketing (Optimal personnel and product placement for each area)
- Improve store profits and centralize inventory management
- Link/blend online and offline channels (Offer a stress-free shopping experience)
- Ensure loyalty of existing customers
- Acquire new customers
- Establish a sales system that balances the self-managed business and the wholesale business
- Consolidate core brands and strengthen marketing (Maximize the value offered by the brand)
- LTV improvement

Reorganization/newly established (from April 2021)

- Sales Division
  - Directly managed stores
  - Department stores
  - Mass retailers
  - Specialty stores

- Web Sales Division

- Human Chemical Research Institute
  - Utilize customer data

- Technology and Production Division
  - Develop products customers want
  - Improve manufacturing profitability

- Brand Group
  - Linked planning / MD / marketing

- Customer data base

- Reorganization/newly established (from April 2021)

- Develop organizational infrastructure to support growth
- Ensure employee health & safety
- Work style reform
  - Work style reform including DX and remote work
- Human resource development strategy
  - Review of skills/roles
  - Promote transfer of authority
- Foster a highly rewarding organizational culture
FY2022 Initiatives - Promotion of growth strategy

4. Promote CX strategy

Wacoal: Promote CX strategy to build “deep, broad, and long-lasting” relationships with customers

- Improve customer experiences via “integration of on/offline services” and “customer data utilization,” etc.
- Expand new areas of business via the development of new technology and collaboration with other companies, etc.

Overseas: In addition to Europe, the US, and China, implement the CX strategy in Asia, where rapid EC growth is expected

- US Wacoal: Expand own EC by promoting “Digital First Strategy”
- IO Inc.: Verify optimal marketing mix and improve efficiency of advertising investment
- Wacoal Europe: Promote marketing using 3D Smart & Try
- China: Improve sales per physical store and continue EC expansion by acquiring new customers
- Asia: Expand business in India and develop new customers through a common EC platform
FY2022 Initiatives - Promotion of sustainable activities

5. Re-identify key business growth issues

- Promote “ESG Management” to create future “growth opportunities” by addressing increasingly complex social issues
- Identify key ESG issues to achieve sustainable growth and enhance corporate value
- Set long-term targets aimed at solving problems
  (Launched the “Sustainability Promotion Project” with the participation of both management and employees)

6. Strengthen response to human rights and environmental issues

- Calculate emissions and set reduction targets for greenhouse gases, and establish management processes accordingly
- Examination/formulation of Group-wide human rights policy that is compatible with the “Action Plan for Business and Human rights”
- “Formulate Environmental Standards to Guide Product and Material Development,” and “Establish a System to Manage the Progress of Each Division”
- Ongoing promotion of CSR procurement activities
New Medium-Term Management Plan (FY2023~)

To be announced around May 2022 (planned)
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