


Main Items in Revised Plan (Overseas Business) | Global Initiatives


U.S.	FY2023	FY2026 target	<div><div><div>Mitch Kauffman</div><div>President &amp; CEO Wacoal America, Inc.</div></div></div>
<div>Note: Results and targets are for Wacoal America, Inc. only. Includes internal sales revenue. FY2026 targets are based on internal management figures.</div>	<b>Sales Revenue</b>	<b>184.2 million</b> US dollars	
	<b>Business Profit</b>	<b>10.6 million</b> US dollars	
	<b>Business Profit ratio</b>	<b>5.8%</b>	
		<b>198.7 million</b> US dollars	
		<b>9.4 million</b> US dollars	
		<b>4.7%</b>	

Current Situation and Issues Faced by Each Subsidiary

Since the post COVID sales surge of FY 2021 Wacoal America has been faced with a very different business environment which has challenged both sales growth and profitability. Consumer trends of casual dressing and the prioritization of spending on experiences over things, along with inflation has resulted in declining sales for apparel and Department Stores. Digital privacy initiatives and higher advertising costs have slowed the rate of online sales growth. Government mandated wage increases at our Wacoal Dominicana factory along with higher freight and material costs continue to put pressure on gross margins. Wage and benefit inflation in the U.S. have also driven other expense growth. These challenges together have resulted in a reduction in historical Operating Profit levels. During the period of the medium-term management plan (Revise), we intend to focus on addressing these issues.

Specific Initiatives for Achieving the Revised Plan

To address the sales and profitability challenges and achieve our plan goals, a key strategy continues to be growing our DTC online business. Wacoal Direct online is our fastest growing (107% of LY through H1 '23) and most profitable business (19.7% Op. Inc through H1 '23). During the period of the medium-term management plan (Revise), We will continue to invest in infrastructure (CRM system, and Loyalty program) that will enable us to realize further growth of the DTC online business. In addition, to improve profitability, we have taken wholesale and retail price increases this year and took steps to reduce material costs. From now on, we are also diversifying our production by placing more new programs with contractors that can offer needed technical capabilities and/or better margins than we can achieve in Wacoal Dominicana. Also, we will plan to optimize the cost structure by optimizing staff in the Distribution Center and through a previously completed restructure of the Sales Organization.


Europe	FY2023	FY2026 target	<div><div><div>Geoff Embley</div><div>CEO Wacoal Europe Ltd.</div></div></div>
<div>Note: Includes internal sales revenue. Business profit includes brand depreciation expense. FY2026 targets are based on internal management figures.</div>	<b>Sales Revenue</b>	<b>117.7 million</b> GB pounds	
	<b>Business Profit</b>	<b>16.3 million</b> GB pounds	
	<b>Business Profit ratio</b>	<b>13.8%</b>	
		<b>132.5 million</b> GB pounds	
		<b>14.5 million</b> GB pounds	
		<b>10.9%</b>	

Current Situation and Issues Faced by Each Subsidiary

Over the past year, most Western economies have experienced high inflation rates, which has prompted central banks to raise interest rates. Consequently, there has been a discernible reduction in consumer spending, with a notable shift toward risk aversion among retailers who are reluctant to invest in inventory or commit to forward orders. The growth in e-commerce, which witnessed an unprecedented rise during the COVID-19 pandemic, has markedly decelerated with the relaxation of restrictions and the resurgence of consumers patronizing brick-and-mortar establishments. In addition, businesses within the e-commerce sector, are contending with escalating digital advertising costs and the necessity to modify their operational models in response to the impact of privacy initiatives on digital advertising.

Specific Initiatives for Achieving the Revised Plan

To address these challenges related to market access and inventory management, our strategic approach consists of three key initiatives. Firstly, we aim to assert control over the route to market by expanding our proprietary e-commerce platforms into new territories. Secondly, where advantageous, we intend to adapt the traditional wholesale model to broaden our reach to a larger audience. Additionally, we are willing to take calculated risks on what we perceive as key performing styles. Thirdly, We are also focused on reducing lead times for products, thereby enhancing the business's responsiveness to market changes. This, combined with more stringent inventory collections, empowers us to deliver excellent service to our customers. This strategic approach underscores our dedication to resilience and adaptability in navigating the ever-evolving landscape, reflecting our commitment to sustained growth and operational excellence.


China	FY2023	FY2026 target	<div><div><div>Zhang Mao</div><div>Director and General Manager Wacoal China Co., Ltd.</div></div></div>
<div>Note: Includes internal sales revenue. FY2026 targets are based on internal management figures. Sales by department stores (store prices) are included unchanged in the totals.</div>	<b>Sales Revenue</b>	<b>525.4 million</b> renminbi	
	<b>Business Profit</b>	<b>-34.9 million</b> renminbi	
	<b>Business Profit ratio</b>	<b>—</b>	
		<b>660.0 million</b> renminbi	
		<b>44.0 million</b> renminbi	
		<b>6.8%</b>	

Current Situation and Issues Faced by Each Subsidiary

The recovery of China's economy after the lifting of the country's zero-COVID policy has been slow, and consumer spending has been sluggish. Our sales have not even reached 70% of the pre-pandemic level, and we continue to face a challenging situation in terms of bottom line. Under these circumstances, we face three challenges. The first is to improve the efficiency of brick-and-mortar stores, where the bottom line is deteriorating due to diminished customer traffic. The second is the restructuring of our e-commerce business, which continues to underperform, despite the fact that the ratio of e-commerce to total retail sales in China has exceeded 50%. The third is to improve the efficiency of our organization and operations and respond to changes in our business structure. In particular, the e-commerce business is on the rise due to the diversification of platforms, while our sales remain stuck at a low level. We will step up our response to new platforms, raise visibility among young people, who are our main consumer group, and accelerate the development of products that meet their needs, while at the same time transforming our business structure and returning to a growth trajectory.

Specific Initiatives for Achieving the Revised Plan

In terms of brick-and-mortar stores, we will focus on increasing sales per store by encouraging customers to return to the store by improving CRM. Additionally, we will strive to increase the number of customers by improving the loyalty program and increasing convenience, such as by standardizing membership measures with our own e-commerce site. In terms of unprofitable stores, we plan to improve business efficiency by optimizing the number of employees per store, while also restructuring. In the e-commerce business, we plan to increase the number of new customers among young people by raising our visibility and renewing the brand image through improved sales promotion measures while opening stores on new platforms. In addition, we will develop competitive products and strive to cultivate hit products in conjunction with intensive promotions. Through these measures, we will bring our e-commerce ratio up to the 30% level during the period of the revised Medium-Term Management Plan. With regard to the issue of profitability, we intend to improve our operating profit margin by expanding sales through the above measures and reducing costs and SG&A ratio.

Asia	FY2023	FY2026 target	<div><div><div>Takehiko Yonekawa</div><div>CEO Responsible for Asia Sales Headquarters Wacoal Singapore Private Limited</div></div></div>
<div>Note: Results and targets are for Wacoal India only. Includes internal sales revenue. FY2026 targets are based on internal management figures.</div>	<b>Sales Revenue</b>	<b>402.3 million</b> Indian rupees	
	<b>Business Profit</b>	<b>-91.1 million</b> Indian rupees	
	<b>Business Profit ratio</b>	<b>—</b>	
		<b>733.1 million</b> Indian rupees	
		<b>-89.0 million</b> Indian rupees	
		<b>—</b>	

Current Situation and Issues Faced by Each Subsidiary

Our subsidiaries in Asia recovered well after the pandemic was brought under control, but the situation remains challenging due to the subsequent surge in inflation and the slowdown in China's economic growth. In response to rapid fluctuations in sales, it is becoming more difficult to secure profits than before due to the increasing difficulty of inventory management and larger SG&A expenses, such as labor costs and increased costs for store and office rent. We are also seeing changes in customer buying channels and product trends. As in Japan, e-commerce usage is increasing in Asian countries, and demand for conventional highly molded or fitted innerwear has decreased due to changes in values after the pandemic, and more consumers are seeking products with comfort in mind. This trend was also evident in our analysis of the characteristics of the best-selling products of major e-commerce marketplaces in China and Asia conducted in May 2023. Delays in responding to changes in customers have become a common issue for our subsidiaries in Asia.

Specific Initiatives for Achieving the Revised Plan

In order to strengthen our sales structure and improve business efficiency in Asia, we established a headquarters to oversee sales in April 2022. The target is five companies in Singapore, Hong Kong, Malaysia, the Philippines, and Vietnam. Under this new structure, we are also promoting information sharing and coordination of measures among each company while maintaining a basic policy of locally-led management. In order to respond to the growing e-commerce market, we have developed a common platform for our own e-commerce and have started rolling it out in each country. In the future, we plan to strengthen cooperation with brick-and-mortar stores centered on CRM. We will also conduct promotions in cooperation with other companies' e-commerce companies in Asian countries to raise brand visibility and acquire new customers. With regard to the value we provide, which is an issue, we will develop products that meet consumer needs based on "comfort of wear," "affinity with fashion trends," and "solutions tailored to the climate of Southeast Asia." In addition, we will share measures related to inventory and expense management in an effort to improve the growth and profitability of our operations in Asia as a whole.