

Financial Strategy (A Message from the CFO)



Accelerating the PDCA cycle for the revised medium-term management plan initiatives to drive profitability and capital efficiency improvements as we push into the final sprint

Akira Miyagi

Representative Director,
Vice President and Executive Officer and CFO
Wacoal Holdings Corp.

■ Review of Fiscal 2025

Fiscal 2025 was a year in which we steadily implemented various measures aimed at improving profitability, as outlined in our revised medium-term management plan. However, the business environment both domestically and internationally proved significantly more challenging than anticipated, resulting in a disappointing performance for the Group as a whole. Domestically, the recovery in personal consumption was sluggish, and overall market demand also fell below initial projections. Overseas, the decline in personal consumption in the U.S. market was particularly pronounced, impacting not only local subsidiaries but also European operations with a high sales ratio to North America. In the Chinese market, in addition to sluggish personal consumption, the overall economic slowdown has persisted, and the outlook remains uncertain.

Even under these challenging conditions, we have steadily advanced the review of unprofitable businesses and improvements in asset efficiency in line with our revised medium-term

management plan. For fiscal 2025 and the current fiscal year, we have also achieved a significant improvement in free cash flow through real estate sales, making solid progress toward strengthening our financial position. Furthermore, our European operations, including the UK-based Bravissimo Group acquired in September 2024, are achieving steady growth, and the diversification effect of our global portfolio is beginning to materialize. Even amid challenging economic conditions, new seeds of growth are steadily taking root.

On the other hand, while steady progress has been made on supply chain management reform and cost structure reform—key pillars of structural reform—delays in realizing effects and execution speed issues have become apparent in some initiatives. Greater momentum is now required going forward. We will continue to strengthen our management foundation by sincerely addressing not only the revenue decline stemming from the challenging external environment, but also internal issues such as the pace of reform implementation and delays in realizing the effects of brand rebuilding.

■ Progress Status of the Revised Medium-Term Management Plan

Regarding the progress of the revised medium-term management plan, considering the challenging business environment both domestically and internationally, delays in the realization of the effects of revision measures, and the revenue reduction impact from addressing unprofitable businesses not anticipated at the planning stage, we have revised downward the targets for this year, which is the final year of the plan period. Specifically, revenue has been revised from the initial ¥203.5 billion to ¥187.5 billion, and business profit has been revised from ¥13.0 billion to ¥4.7 billion.

Domestically, while awareness among younger consumers has expanded through initiatives like the rebranding of “WACOAL,” unexpected impacts have also emerged, like driving away some of our core customers from the middle-aged and senior demographics. Furthermore, improvements in inventory turnover and fulfillment rates resulting from supply chain management reforms have taken longer than anticipated to materialize. This has

Financial Strategy (A Message from the CFO)

hindered the ability to make timely, flexible course corrections, impacting profitability.

Overseas, we were somewhat slow to respond to shifting market demands—from functionality to comfort—and the expansion of e-commerce channels. In the U.S. market, uncertainties like tariff measures persist, while in China, consumer purchasing preferences are shifting toward low-priced goods, particularly on e-commerce sites. To further enhance the Group's overall competitiveness, swift business model transformation is essential.

Furthermore, the sluggishness in implementing the PDCA cycle is a point requiring reflection. We must accelerate not only planning and execution but also the speed of review and subsequent action, thereby strengthening our ability to respond to change.

On the other hand, Wacoal Corp. itself is seeing steady results from structural reforms in profitability, such as reducing SG&A expenses by over ¥3 billion from fiscal 2023 to fiscal 2025. We are confident that the direction of the revised medium-term management plan itself is right for improving profitability. We will drive forward with the determination to thoroughly execute what needs to be done to realize VISION 2030.

■ Asset Reduction for Improved Capital Efficiency

We have positioned the promotion of asset-reduced operations as a key strategy in our revised medium-term management plan to improve capital efficiency across the entire Group. Initiatives such as the disposal and sale of held real estate, the consolidation of business locations linked to work-style reforms, and the promotion of free-addressing in offices are progressing according to plan. We will continue to closely monitor market conditions and business performance, responding flexibly as necessary. These real estate sales are not intended to cover deficits but are part of a planned effort to normalize capital and strengthen financial soundness, which had been challenges. Additionally, they are generating secondary benefits, such as enhanced cross-departmental communication through office consolidation and improved work styles and productivity through better office environments.

We are also systematically reducing our strategic shareholdings. Although there has been some delay, we expect to achieve our

overall three-year target as planned. The acquisition of treasury stock is also proceeding according to plan, and we anticipate the equity ratio will settle in the high 60% range. Moving forward, we will continue to pursue a capital policy that balances maximizing capital efficiency with building a sound financial foundation, all aimed at the sustained enhancement of corporate value.

■ Progress in Implementing ROIC Management

Regarding ROIC management, which we have been pursuing for some time, starting with fiscal 2026, we have broken down the company-wide ROIC target into its constituent elements. This enables each department to formulate and execute plans with a focus on capital efficiency. At the subsidiary level, we have also incorporated ROIC targets into annual plans, advancing the visualization of profitability and capital efficiency across the entire Group. Concurrently, we have established a system enabling monthly monitoring of profit and loss by brand and channel, achieving granular management control. This allows for timely situation awareness and enables more strategic decision-making.

In addition to reviewing our financial policies, we are currently rebuilding our decision-making criteria and investment rules for M&A and growth investments. We have also newly introduced ROIC as one of the metrics for the performance-based stock remuneration system in executive remuneration, clearly establishing a framework where management is committed to improving capital efficiency. In evaluating and deciding on new M&A opportunities, we will rigorously prioritize management decisions that contribute to long-term corporate value enhancement, focusing on asset efficiency exceeding the cost of capital and the generation of ROIC.

	Until now	Going forward
Awareness of capital costs	Focus on P&L	Focus on P&L & BS, WACC < ROIC
KPI/PDCA	Disconnect between division/company KPIs and corporate KPIs (ROE)	Division/company KPIs linked to corporate KPIs (ROIC)
Business portfolio management	Evaluation at division/company level	Customer-centric evaluation at supply chain level



■ Contributions to Enhancing Corporate Value as CFO

The CFO's role extends beyond that of a mere financial officer. It involves accurately understanding the expectations of all stakeholders, including shareholders and investors, and supporting the formulation and execution of management plans. While traditionally described in Japanese corporate terms as the “head clerk,” we recognize this position as more than just an assistant. It is a core management role that spans finance, strategy, and organization, bearing responsibility for the sustainable growth of the entire Group. If the CEO is the driving force who leads the whole with passion and vision, I see myself as the one who calmly makes decisions based on data, builds the numbers, and supports the management. Even in structural reforms and capital efficiency initiatives like this one, my personal mission is to convey external perspectives and capital market expectations internally, and to embed them as realistic plans.

On the other hand, our employee engagement survey revealed challenging results, and as CFO, I deeply regret not having effectively communicated our message. Moving forward, my mission is to further embed within the entire Company the understanding that moving away from a sales-first mindset and focusing on improving profitability, capital efficiency, sustainable management, and meaningful work—in other words, enhancing “quality”—directly contributes to corporate value.

In line with our revised medium-term management plan strategy, we will continue striving to maximize corporate value through both quantitative improvements in capital efficiency and qualitative enhancements in human capital. We will also fulfill our accountability to investors and capital markets by maintaining transparent communication and proactively advancing expected KPIs and information disclosure.

Under the banner of “Empowering. WACOAL,” as CFO, I will unite the entire Company to strengthen our growth foundation and drive continuous reform.