

Revised Medium-Term Management Plan FY2024 to FY2026

November 17, 2023
Wacoal Holdings Corp.

Revised Medium-Term Management Plan Outline

Causes of Deterioration in Profitability (Summary of Group Strategy Committee)

The speed of changes in the external environment were quicker than expected, and weaknesses in our supply chain management have become apparent

- With diversifying customer needs, we recognize that conventional advertising, product planning, and production systems are not enough to respond to market changes, causing deterioration in profitability and excessive inventory (especially with the existing product planning and development lead time (LT), which takes more than one year to market, and improvements are urgently needed).
- As for the harmful effects of functional organizations, various coordinated tasks and complicated profit and loss management hinder prompt decision-making
- The responsibility for the management strategy is not clear, and the effectiveness of the strategy is not improving. In addition, the holding company's supervisory function over its subsidiaries is insufficient, and improvements are needed



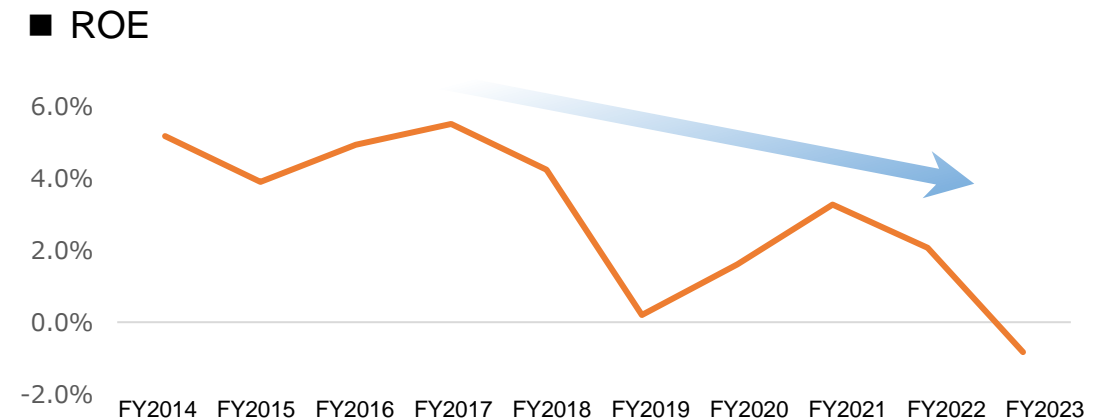
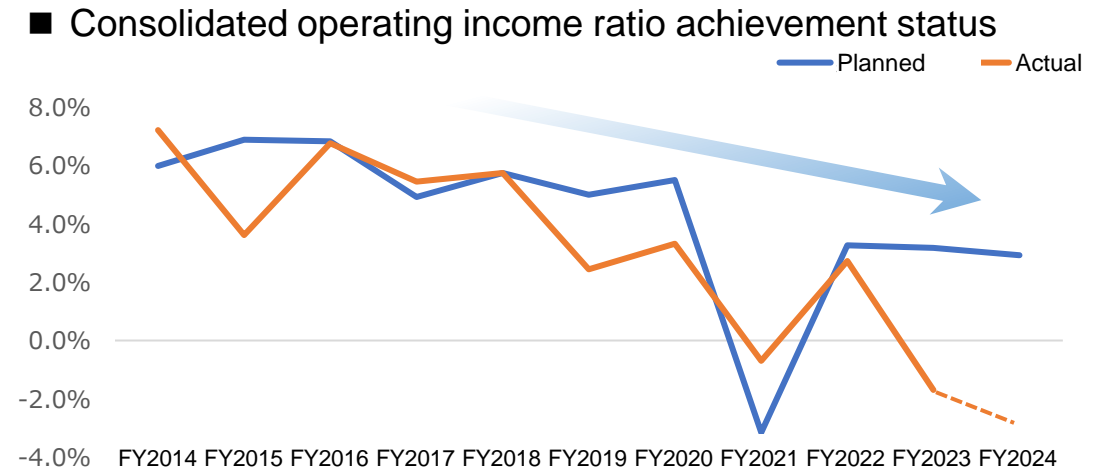
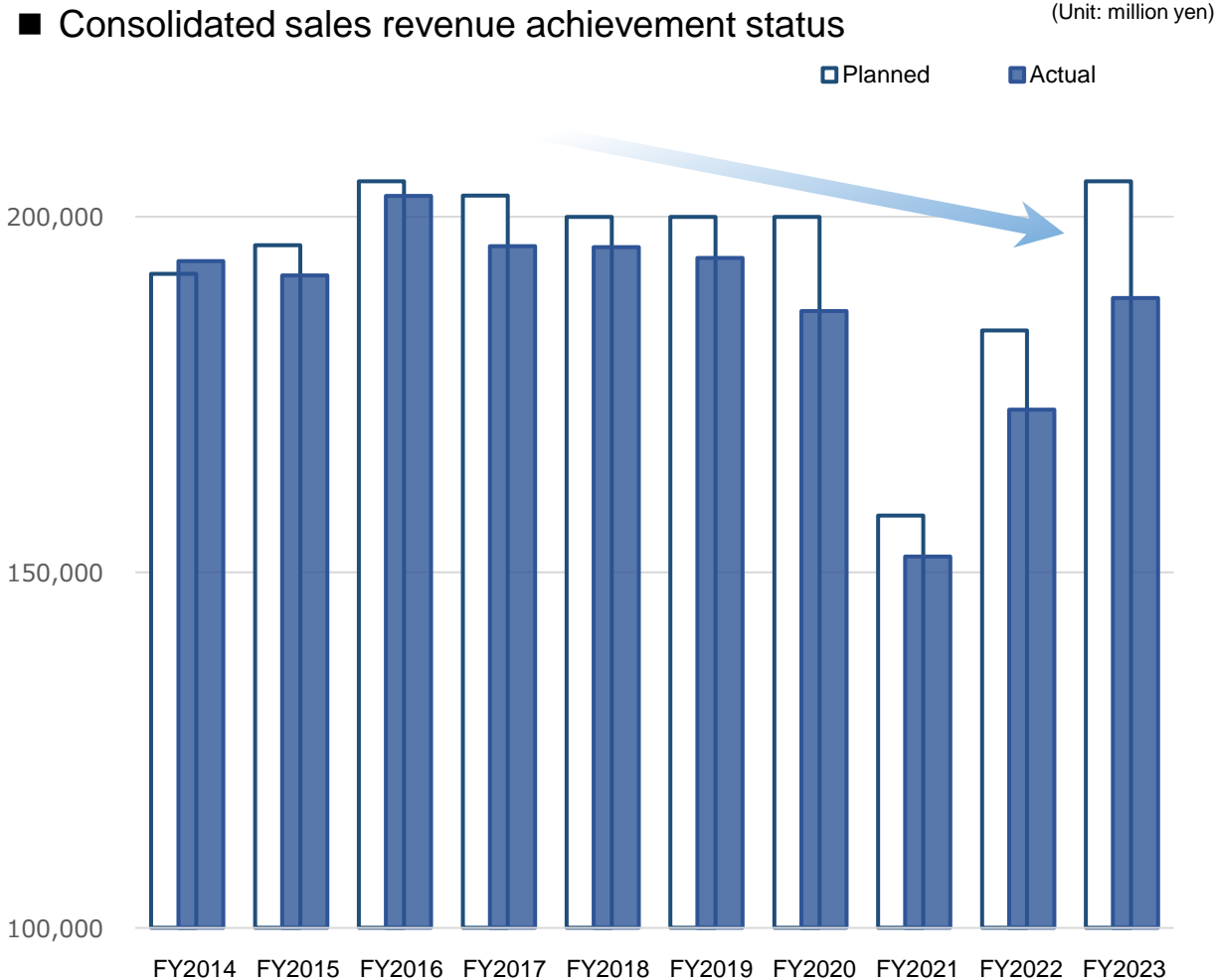
Policies of Revised Medium-Term Management Plan

In order to improve the probability of achieving VISION 2030, we will first shift to a structure that can steadily generate cash

- 1. Implementing business model reforms (supply chain management reforms and cost structure reforms) to restore basic profitability**
- 2. Carrying out “brand strategy” and “customer strategy”, utilizing the power of digital resources and our Company's strengths to lead to further growth**
- 3. Introducing ROIC management as business management infrastructure that supports measures to enhance profitability and the effectiveness of strategies**
- 4. Improving capital efficiency by reducing inventories, policy shareholdings, and streamlining real estate holdings**

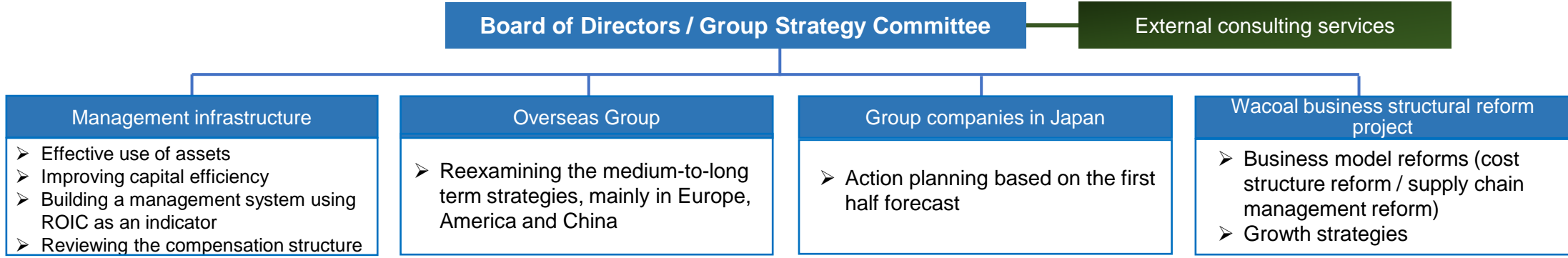
Background of Reviewing the Medium-Term Management Plan

Business performance has been sluggish for a long period of time, continuing to fall short of the medium-term management plan and initial annual plans. Capital efficiency also remains low
 We will review the medium-term management plan and take actions to improve the effectiveness of management



Formulating a Process of the Revised Medium-Term Management Plan

■ Main items to consider in the revised medium-term management plan



■ Process for formulating key items of the revised medium-term management plan

Implemented items	Specific activities	Members	Number of holdings
Group Strategy Committee	<ul style="list-style-type: none"> ● Reviewing key issues in the revised medium-term management plan ● Determination of management strategies 	<ul style="list-style-type: none"> ● Board Members ● Outside directors/auditors 	7 times
Wacoal(Japan) business structural reform project	<ul style="list-style-type: none"> ● Formulating growth strategies ● Studying the implementation items of cost structure reform and estimating the effects ● Reviewing and determining measures for supply chain management reforms 	<ul style="list-style-type: none"> ● Directors & Outside directors ● Executive officers, relevant department members ● External consulting services 	Monthly average: 2 or 3 times (WS will be held separately)
Building a management system using ROIC as an indicator	<ul style="list-style-type: none"> ● Reviewing and formulating basic policies for introducing ROIC ● Examining and conducting simulations of ROIC calculation method ● Considering internal inculcation methods 	<ul style="list-style-type: none"> ● Directors & Outside directors ● Executive officers, relevant department members ● External consulting services 	The general meeting is held 3 times (WS will be held separately)
Effective use of assets and improving capital efficiency	<ul style="list-style-type: none"> ● Reviewing and formulating a basic policy on asset holdings ● Inspection of asset holdings by outside directors 	<ul style="list-style-type: none"> ● Directors & Outside directors ● Executive officers ● External consulting services 	Examining as an agenda for the Strategy Committee (WS will be held separately)

* WS: Workshop

Targets of the Revised Medium-Term Management Plan

Opportunities

- Diversifying the need to "be yourself"
- Increasing the need for health and comfort
- Social inculcation of sustainability awareness
- Developing markets with significant growth potential

Risks

- Increasing procurement costs due to changes in the external environment
- Declining domestic demand due to population decline
- Lack of competitiveness due to slow innovation
- Declining corporate attractiveness and a serious shortage of staff

Wacoal Group's strengths



Personalized body and soul database



Research/knowledge of various body types / life stages



Manufacturing technology for products that suit each customer



Organizational ability to meet individual needs and embody services

1

Business model reforms to improve profitability

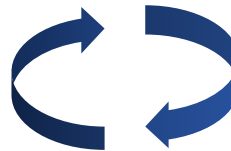
- Reviewing supply chain management
- Cost structure reform ● Dealing with unprofitable businesses

2

Growth strategy to achieve VISION 2030

- Reviewing brand strategies ● Focusing on growth markets
- Human resource development and organizational development to enhance corporate value

Improving profitability and capital efficiency



Growth investments and stakeholder returns

3

Introducing ROIC management

- Monitoring profitability and strategy effectiveness
- Business portfolio management

4

Promoting asset reduction

- Reducing inventories
- Reducing strategic shareholdings
- Streamlining real estate holdings

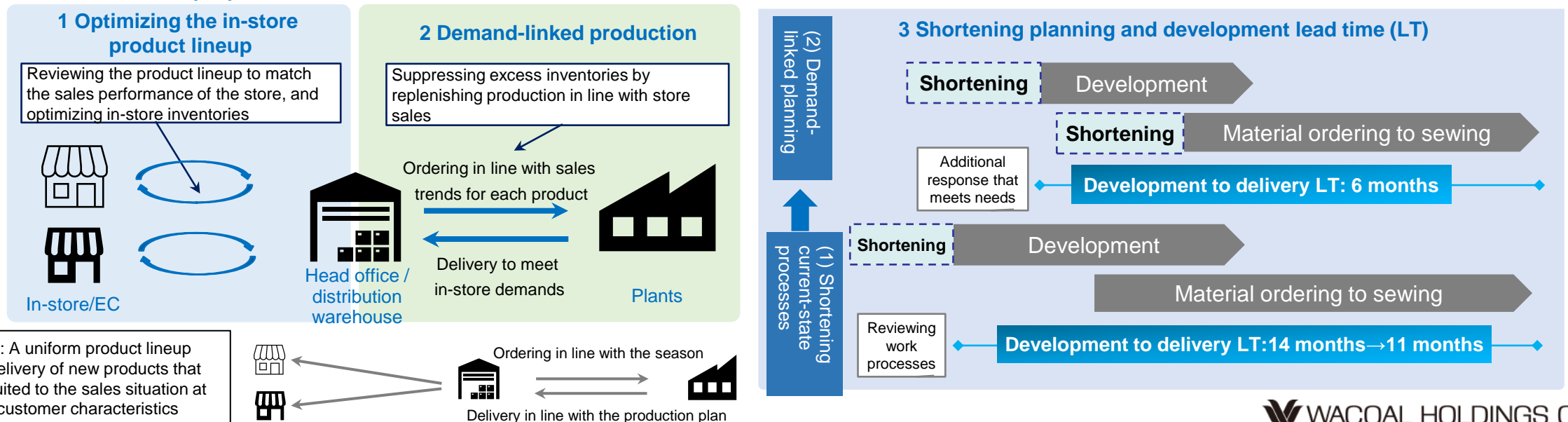
Business Model Reform (1) Supply Chain Management Reform

Implementing SCM reforms at Wacoal(Japan) to respond quickly to changes in customer needs and the market environment
 With the use of digital technology to build SCM linked to demand from the customer's point of view, thoroughly selecting and focusing to optimize the cost structure

* SCM: supply chain management

■ Process for establishing supply chain management linked to demand

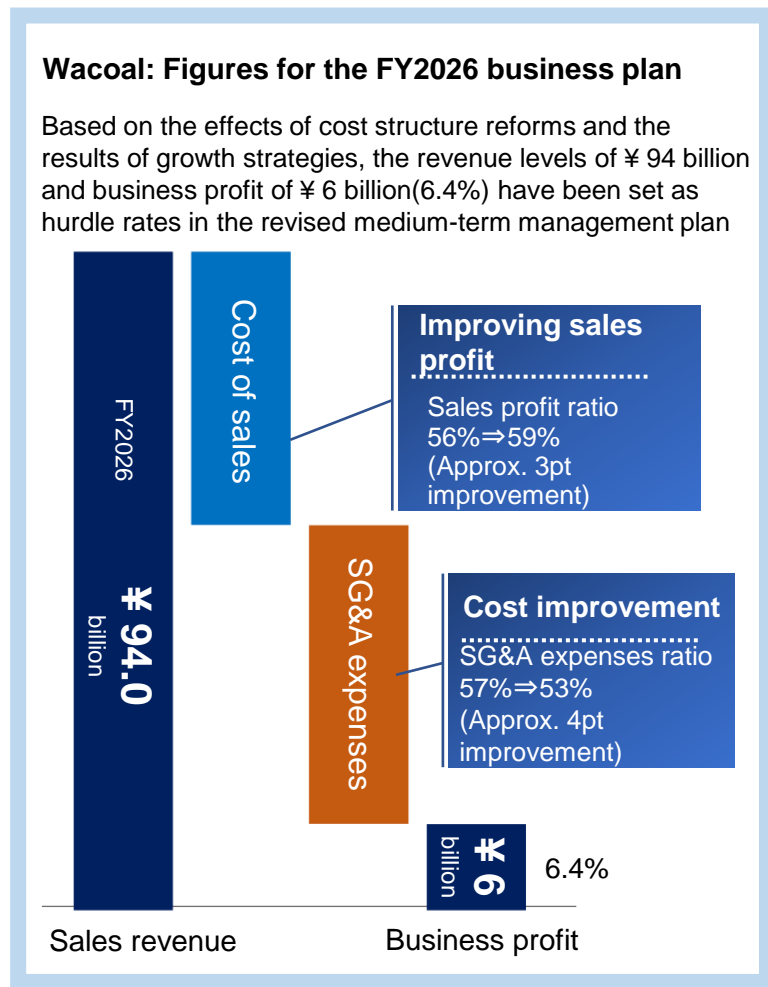
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| 1 | Optimizing in-store product lineup | <ul style="list-style-type: none"> By reviewing the uniform product mix and delivery style of new products, we establish a model that reliably delivers top-selling products to stores (including e-commerce) | <ul style="list-style-type: none"> Operational establishment within the period of the medium-term management plan |
| 2 | Demand-linked production | <ul style="list-style-type: none"> Changing the production system to match the demand situation at the store, optimizing/reducing excess inventories | <ul style="list-style-type: none"> Trial from standard products and gradually become operational within the medium-term management plan period. |
| 3 | Shortening planning and development lead time (LT) | <ul style="list-style-type: none"> Shortening development and delivery LT by utilizing existing patterns and reviewing business processes such as planning and development meetings Accelerating the PDCA cycle and the launch of products that meet customer needs | <ul style="list-style-type: none"> By the FY2025, we will gradually change the business process and try to shorten additional plans |



Business Model Reform (2) Cost Structure Reform

In order to restore Wacoal(Japan)'s basic profitability, a radical cost structure reform will be implemented. Setting reduction target to ¥ 7bn. We plan to improve the sales profit ratio by 3 pts to 4 pts and SG&A expenses by 4 pts to 5 pts by FY2026 (compared to FY2023).

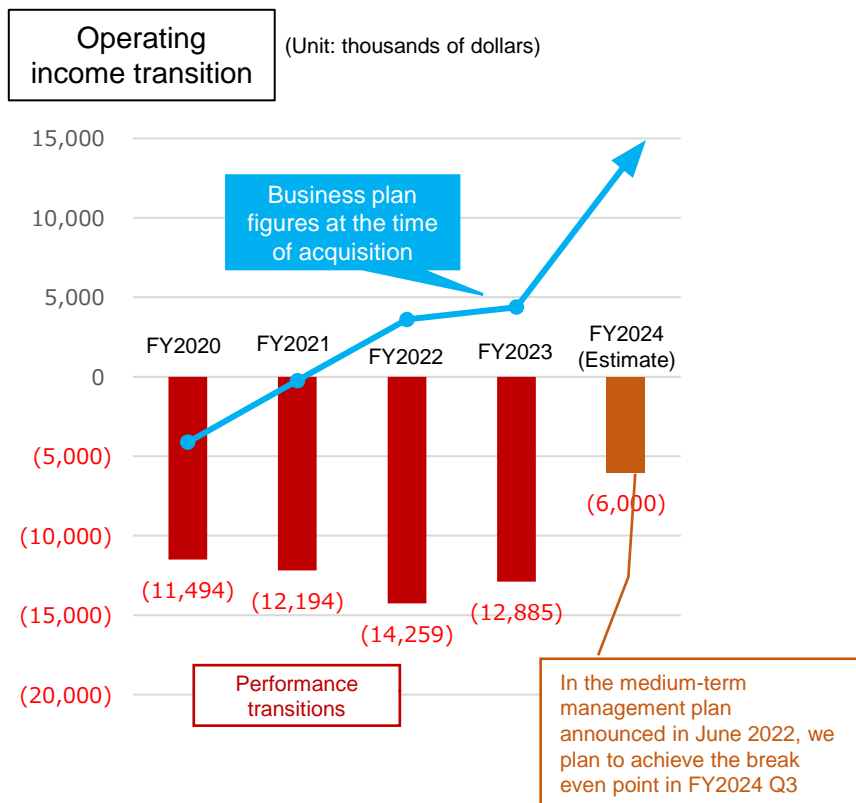
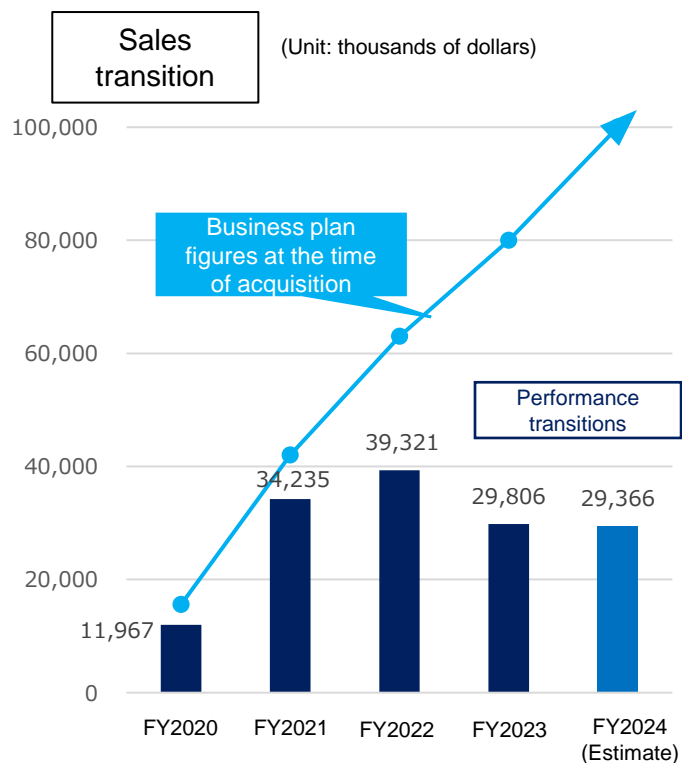
Implemented items	Specific activities	Implementation timing	Effects
Brand focus and selection	<ul style="list-style-type: none"> Reducing losses on returns and discounting by aggregating product numbers, etc. (Reducing production lines by approx. 40% and the number of product number by more than 10%) Reviewing sales price setting 	<ul style="list-style-type: none"> Aggregating production lines will start at 24AW and be completed during FY2025 	¥ 1.9 billion
Reducing production costs	<ul style="list-style-type: none"> Improving inspection process efficiency Reducing man-hours by aggregating product numbers, etc. 	<ul style="list-style-type: none"> Will be completed by FY2025 	¥ 0.6 billion
Reducing production and material costs	<ul style="list-style-type: none"> Reviewing the production system Aggregating materials and master colors 	<ul style="list-style-type: none"> Will be completed by FY2025 	¥ 0.4 billion
Improving the profit and loss of stores	<ul style="list-style-type: none"> Reviewing the terms and conditions of business with business partners Withdrawing stores that are in the red (up to 32 stores) Optimizing personnel in order to improve productivity 	<ul style="list-style-type: none"> Considering the withdrawal from stores that are in the red and those that are not expected to revise transaction terms during FY2024 	¥ 0.9 billion
Offering voluntary retirement	<ul style="list-style-type: none"> Optimizing personnel in order to improve productivity 	<ul style="list-style-type: none"> Will be completed by FY2024 	¥ 0.9 billion
Optimizing other sales promotion expenses	<ul style="list-style-type: none"> Optimizing expenses for IT Optimizing advertising/promotion costs 	<ul style="list-style-type: none"> Will be completed by FY2025 	¥ 1.6 billion
Reducing distribution costs, etc.	<ul style="list-style-type: none"> Improving distribution business profitability 	<ul style="list-style-type: none"> Will be completed by FY2025 	¥ 0.6 billion
			Approx. ¥ 7.0 billion



Business Model Reform (3) Withdrawing LIVELY brand (IO)

Withdrawing from the LIVELY business of Intimates Online, Inc., a U.S. subsidiary, and liquidating the company

- ✓ Since its acquisition in July 2019, we have developed our business by e-commerce sales as our main sales channel, utilizing new digital media centering on SNS as a communication tool with customers
- ✓ Sales fell short of the plan due to entry by competitors and restrictions on targeted advertising due to heightened restrictions on the use of personal information
- ✓ After considering various possibilities for future business development, we determined that it would be difficult to improve the performance of the business in the future, and decided to withdraw
- ✓ As a result of the withdrawal from this business, approximately ¥ 7.3 billion will be recorded in FY2024, including an impairment loss on goodwill related to Wacoal International (Approx. ¥ 10 billion of impairment loss on goodwill in FY2023)



Acquisition prices

(Unit: thousands of dollars)

	FY2020	FY2021	
Acquisition prices	86,401	-	86,401
Earnout payments	-	26,825	26,825
Total	86,401	26,825	112,866

Summary of Intimates Online, Inc.

Company name	Intimates Online, Inc.
Address	136 Madison Avenue New York NY 10016 USA
Representative	Kristin DiCunzolo
Business description	Planning and sales of female innerwear
Capital	433,000 dollars
Date of establishment	May 1, 2015
Date of acquisition	July 30, 2019
Shareholders	WACOAL INTERNATIONAL CORP. (100% capital ratio)

Benefits and Temporary Expenses by Cost Structure Reform

Temporary expenses were recorded in FY2024 due to the cost structure reform of Wacoal (Japan)(withdrawal of brands and stores, optimization of personnel, etc.) and the withdrawal of IO in the U.S. (temporary expenses associated with structure reform will also be incurred in FY2025). The effects of cost structure reforms will gradually be shown from FY2025

	Initial plan FY2024 (May 12)	Revised target FY2024 (November 9)	Effects of profit improvement
Sales revenue	¥ 205 billion	¥ 196 billion	<p>Approx. ¥ 7.5 to 8 billion/year</p> <ul style="list-style-type: none"> ➢ Wacoal(Japan) Structural Reform: ¥ 7 billion ➢ IO deficit eliminated: ¥ 0.5 billion to ¥ 1 billion <ul style="list-style-type: none"> ● The above figures show only the effects of improvements in the implementation items of cost structure reforms(without taking into account the effects of supply chain management reforms and growth strategies). ● It is estimated that the effects of structure reforms will show themselves in FY2025, and the effects of improvements will continue from FY2026
Business profit	¥ 6 billion	¥ 1.7 billion	
Withdrawing from IO business	-	¥ -7.3 billion (*)	
Domestic structural reform expenses	-	¥ -6 billion	
Operating income	¥ 6 billion	¥ -12 billion	

* Temporary expenses associated with the withdrawal of the LIVELY brand and the liquidation of IO have already been booked in the second quarter of the FY2024. The difference in the recorded amount from the forecast for the full year is due to the impact of reversal of leased assets that will occur in and after the 3Q

Growth Strategies to Achieve VISION 2030

By leveraging Wacoal's strengths and digital capabilities to continue providing products and services that empower customers' ability to "be themselves," we will develop beloved brands, build deep, broad, and long-term relationships with customers, and achieve growth as the Wacoal Group

1. Domestic business: To meet diversifying customer needs, we will contribute to the "beauty, comfort, and health of each customer"

Implemented items	Specific activities	Goals
Customer strategies	<ul style="list-style-type: none"> We aim to improve LTV through personalized customer experiences by using accumulated digital assets 	
Brand strategies	<ul style="list-style-type: none"> Through brand management from a "customer's point of view," we develop attractive brands with clear value 	FY2026 Wacoal sales revenue Return to ¥ 94 billion (+3.2% compared to FY2023)
Focus segments	<ul style="list-style-type: none"> Strengthening strategies tailored to market segments in the innerwear business (reinforcing high premium and affordable markets) Leveraging our strengths to reinforce our sports and health businesses to maximize market opportunities 	
Focus channels	<ul style="list-style-type: none"> Implementing measures to strengthen the channel for Wacoal EC, dedicated EC, and directly managed stores 	EC ratio for FY2026: 30% (+10 pts compared to FY2023)

2. Overseas business: Amid an uncertain business environment, we will first work to improve our management infrastructure and execute growth strategies for the next medium-term management plan

Implemented items	Specific activities	Goals
Brand strategies	<ul style="list-style-type: none"> Expanding contact points with new customers by developing and selling new products based on market analysis in China and other countries in Asia In Europe and the U.S., we will promote brand strategies to meet the diverse values of customers 	CAGR (FY2024 to FY2026) America: 3.9% Europe: 5.6% China: 12.4%
Efforts to strengthen EC business	<ul style="list-style-type: none"> Other companies EC: Strategically strengthen cooperation with EC marketplaces Wacoal EC: Enriching original content such as membership programs and strengthening cooperation with physical stores 	EC ratio for FY2026: 30% (+4 pts compared to FY2023)
Developing emerging areas	<ul style="list-style-type: none"> Formulating and promoting growth strategies in regions with growth potential, such as Germany, France and India 	FY2031 Sales in the German and French markets ¥ 6.7 billion (¥ +5 billion compared to FY2023)

Brand Strategies (Wacoal (Japan))

With thorough brand management from the "customer's point of view," we will develop an attractive brand with clear values

- Developing products and services tailored to each segment to meet the diverse values of customers and empower them to be themselves.

1	Innerwear	Brand portfolio setting tailored to market segments	<ul style="list-style-type: none"> By clarifying the value we provide to customers, expand the customer base targeting young and affordable customers, and providing products that meet diverse customer needs, we will develop brands with an eye on long-term connections with customers and expand LTV 	Starting from the 24 AW season product
		Rebranding Wacoal	<ul style="list-style-type: none"> From a brand that creates "beauty" to a brand that creates encounters with a "new you and new possibilities." Rebranding our core brand, Wacoal, to improve its value 	FY2028 ¥ 45 billion 125% compared to FY2023 (CAGR 4.6%)
2	Other than innerwear	Expanding our "beauty, comfort, and health" business	<ul style="list-style-type: none"> Expanding the beauty, comfort, and health business by utilizing our knowledge cultivated in the innerwear business Personalized services using 3D measurement systems and data Strengthening sports business such as CW-X 	FY2031 ¥ 20 billion

About market segments

Analyzing the market attractiveness of each segment based on the "compound annual growth rate" x "bra market size" for FY2018 to FY2022, setting market segments and developing brand strategies in line with the strengthened segments (market attractiveness of each market segment and other information not disclosed)

		Age group					
		15 to 19 yrs old	20 to 29 yrs old	30 to 39 yrs old	40 to 49 yrs old	50 to 59 yrs old	Age 60 and above
Price range	High premium		High premium				
	Premium	Young people	Rebranded Wacoal				Seniors
	Better						
	Moderate		Rebranded Wacoal				
	Affordable	Affordable					
	Cost saving						

Introducing ROIC management

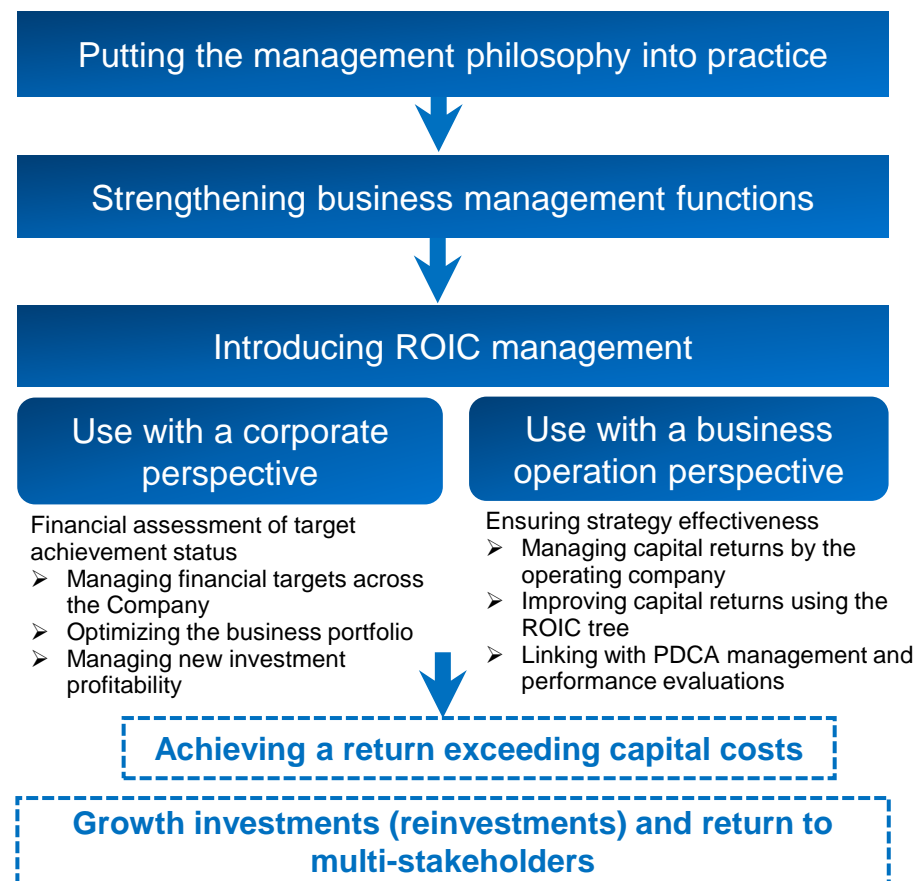
Introducing ROIC management to improve capital efficiency and achieve a robust corporate structure

In addition to portfolio management, it is also used as a means of performance management to accurately measure results, and quantitatively link improvement activities on the ground with improvements in profitability and capital efficiency expected by investors and other stakeholders

■ Introducing the process of ROIC management to business departments

KPIs	Target Companies	Inculcation process		
		FY2024	FY2025	FY2026
FY2026 ROIC 6 to 7%	HD	<ul style="list-style-type: none"> Consider introducing ROIC Conducting simulations to grasp ROIC values 	<ul style="list-style-type: none"> Starting ROIC management 	<ul style="list-style-type: none"> Links to compensation
	Wacoal (Japan)	<ul style="list-style-type: none"> Sharing ROIC management introduction policy ROIC study meetings Incorporating into business activities (ROIC tree building) 	<ul style="list-style-type: none"> Starting ROIC management 	<ul style="list-style-type: none"> Linking to compensation Linking to compensation
	Domestic and overseas subsidiaries	<ul style="list-style-type: none"> Sharing ROIC management introduction policy 	<ul style="list-style-type: none"> ROIC study meetings Incorporating into business activities (ROIC tree building) 	<ul style="list-style-type: none"> Starting ROIC management Linking to compensation

■ Purpose of introducing ROIC management



Promoting Asset Reduction

The Company's basic policy is to sell any assets that do not contribute to raising corporate value
When selling, we will search for investment opportunities that will contribute to business growth, and determine the businesses that should be invested in from the perspective of ROIC

Implemented items	Specific activities	Goals
Reducing inventories	<ul style="list-style-type: none">● Reducing inventories through business model reforms (supply chain management reform and cost structure reform)● Appropriate disposal of inventory resulting from the withdrawal and consolidation of unprofitable brands	Wacoal: Inventory turnover ratio in FY2026: 2.5 turns
Reducing strategic shareholdings	<ul style="list-style-type: none">● Gradually selling the shareholdings that we have agreed to sell	During FY2024 to FY2026 we will sell approx. ¥ 30 billion of strategic shareholdings (Reducing less than 10% of net assets by FY2026)
Streamlining real estate holdings	<ul style="list-style-type: none">● As for real estate that does not contribute to enhancing corporate value, we will proceed with consideration based on the basic policy of selling	While carefully examining the feasibility and validity, we will gradually respond (starting the phase from FY2024)

Quantitative Targets in the Revised Medium-Term Management Plan

In light of the external environment, initial sales targets have been revised downward. On the other hand, through business model reforms and growth strategies, we will strengthen our ability to respond to customer changes and profitability while striving to improve capital efficiency. In addition, we aim to achieve a ROE of 7% and a PBR of 1 time or more.

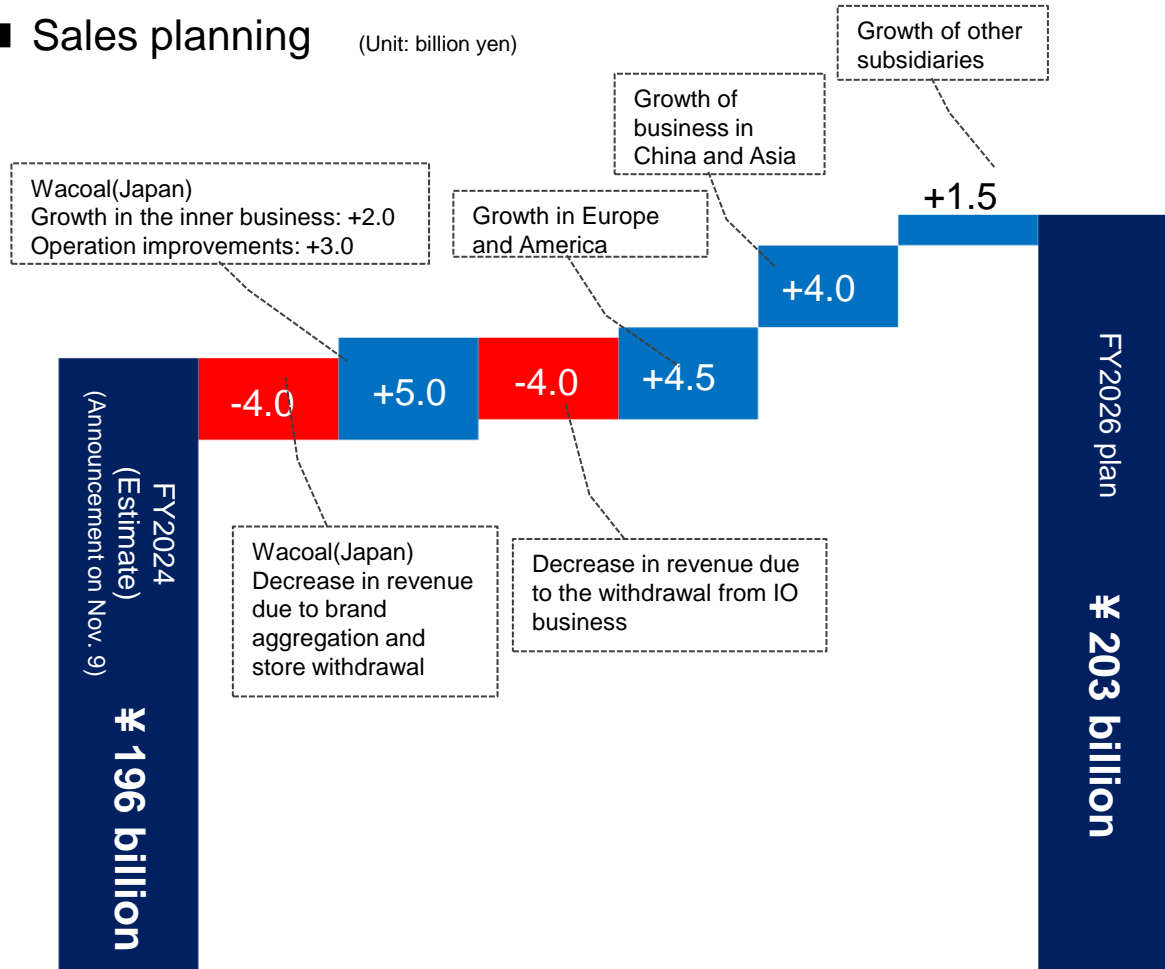
	Initial goal FY2025	+1 year	Revised target FY2026	No change FY2031 (VISION 2030)
Sales	¥ 220 billion		¥ 203 billion	¥ 270 billion
Operating income	¥ 16.5 billion		¥ 13 billion	¥ 27 billion
Operating income ratio	7.5%		6.4%	More than 10%
ROE	6%	+1%	7%	More than 10%
ROIC	-		6% to 7%	More than 10%
EPS	¥ 200 or more		¥ 200 or more	-

Earnings Plan for the Revised Medium-Term Management Plan

Despite a temporary decline in performance due to the impact of structure reform, we will recover basic profitability by optimizing sales operations and implementing various reforms. We aim to achieve a sales revenue of ¥ 203 billion and a business profit of ¥ 13 billion in FY2026 toward the VISION 2030 target

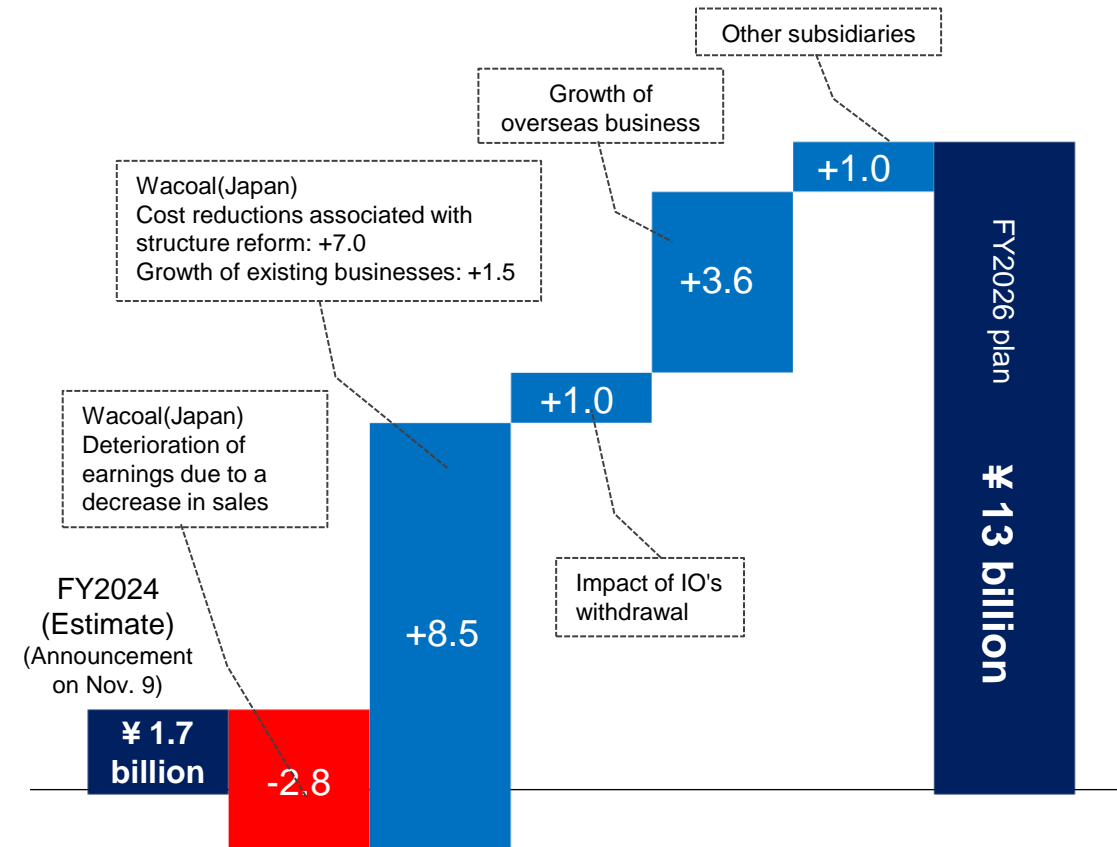
■ Sales planning

(Unit: billion yen)



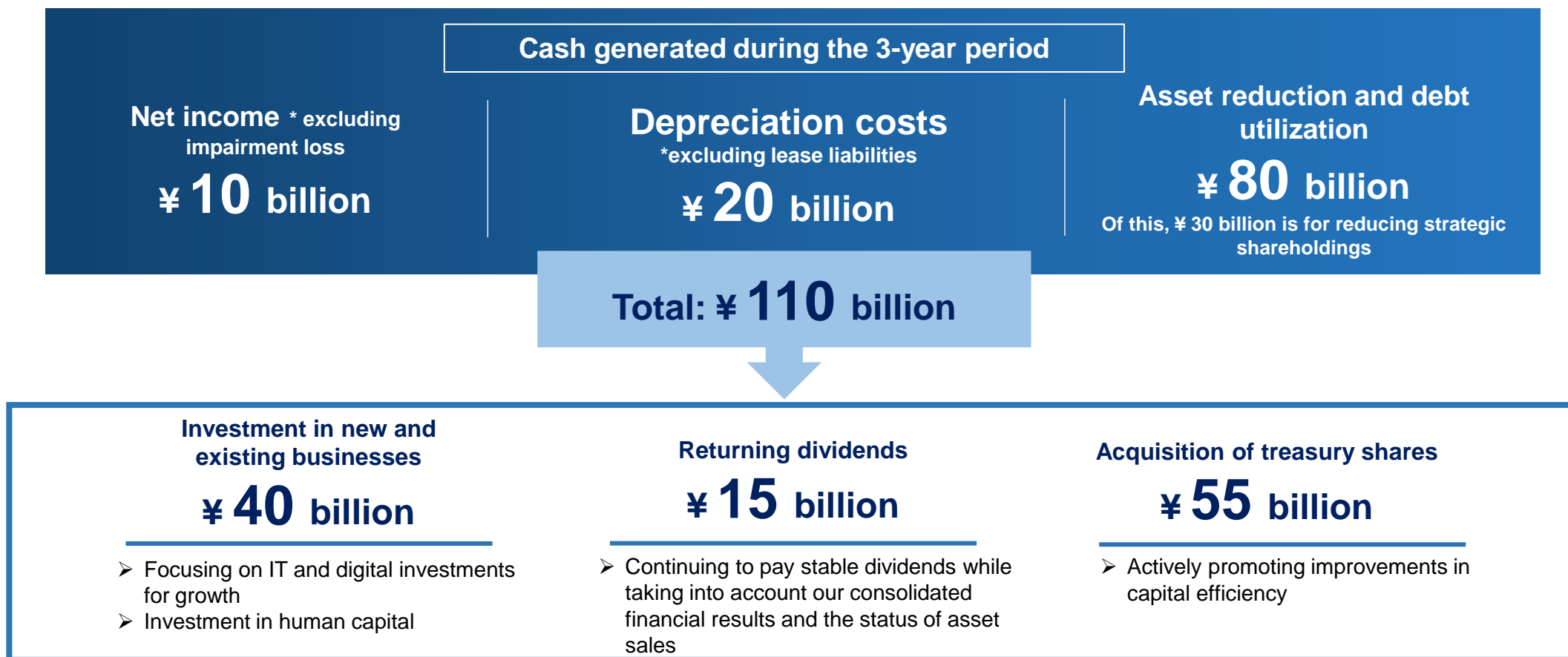
■ Business profit plan

(Unit: billion yen)



Financial Strategies

1. Improving profitability through business model reforms and growth strategies as a top priority, we will reduce inventories and strategic shareholdings, and streamline real estate holdings to improve capital efficiency and ROE
2. While prioritizing investments for future growth, we will actively return profits to shareholders to improve capital efficiency



Efforts to Exceed PBR of 1 x or more (Summary of Revised Medium-Term Management Plan)

Implemented items	Specific activities		Target indicators	
Executing growth strategies	<ul style="list-style-type: none"> ● Executing domestic and overseas growth strategies 			
Business model reform	<ul style="list-style-type: none"> ● Supply chain management reform ● Executing cost structure reform ● Dealing with unprofitable businesses 	Increase in net income		
Promoting asset reduction	<ul style="list-style-type: none"> ● Reducing inventories ● Reducing strategic shareholdings ● Streamlining real estate holdings 	Reducing shareholder equity	FY2026 ROE: 7%	FY2026 PBR exceeding 1.0 time
Cash allocations	<ul style="list-style-type: none"> ● Growth investments and investment in existing businesses ● Proactively returning profits to shareholders 			
Strengthening management infrastructure (governance)	<ul style="list-style-type: none"> ● Increasing the number of outside directors (from June 2023) ● Introducing ROIC management ● Introducing share-based compensation linked to medium-term performance ● Strengthening investment in our workers (improvement of working conditions, etc.) ● Further strengthening of IR/SR activities 	Strengthening holding company's supervisory functions and improving management effectiveness (Managing the progress of structure reform by the Group Strategy Committee) Improving worker engagement Promoting discussion with the market		

Toward VISION 2030

Improving profitability and capital efficiency by steadily implementing measures in accordance with the revised medium-term management plan. We will not change the target values set forth in “VISION 2030,” and improve the probability of achievement by increasing the effectiveness of management.

Reform period

Revised medium-term management plan

FY2024 to FY2026

- Shifting to a structure that can steadily generate cash
(Promoting business model reform and asset reduction)

Foundation and growth period

Next medium-term management plan

FY2027 to FY2031

- We will achieve the results of the business model reform and growth strategies that we have implemented in the previous year
- We will continue to improve management efficiency through supply chain management
- We will use the resources obtained through structure reform to invest in growth and our workers to achieve sustainable growth
- In addition to continuous improvements, we will strive to achieve the goals of “VISION 2030” by implementing new growth investments

Sustainable growth

Goals to aim for in FY2031

VISION 2030

To evolve and grow as the "Global Wacoal Group" by providing beauty and richness to each individual's body and mind along with high sensitivity and quality.

- Achieving global growth
- Achieving a high profitability structure and ROE higher than 10%
- Deepening the provided value and expanding business fields
- An attractive corporate culture in which workers can fully realize their abilities (Wacoal: 50% of female managers)
- Solving materialities (material issues)
(Strengthening responses to environmental and social issues)

References: Revised medium-term management plan figures

	Initial plan (Announcement on Jun. 3, 2022)		FY2023 Result	FY2024 plan (Announcement on Nov. 9)	The final year of the medium-term management plan	VISION 2030
	FY2023	FY2025			FY2026	FY2031
Sales revenue	¥ 205 billion	¥ 220 billion	¥ 188.6 billion	¥ 196 billion	¥ 203 billion	¥ 270 billion
Business profit	¥ 7 billion	¥ 16 billion	¥ 4.1 billion	¥ 1.7 billion	¥ 13 billion	¥ 27 billion
(Business profit margin)	3.4%	7.3%	2.2%	0.9%	6.4%	More than 10%
Operating income	¥ 6.5 billion	¥ 16.5 billion	¥ -3.49 billion	¥ -12 billion	¥ 13 billion	¥ 27 billion
(Operating profit margin)	3.2%	7.5%	-	-	6.4%	More than 10%
Net profit attributable to owners of the Company	¥ 5.5 billion	¥ 12.5 billion	¥ -1.78 billion	¥ -10.8 billion	¥ 10 billion	¥ 21 billion
EPS	¥ 97	¥ 200 or more	¥ -29.66	-	¥ 250	-
ROE	-	6.0%	-0.8%	-	7%	More than 10%
ROIC	-	-	-	-	6% to 7%	More than 10%
Shareholder equity	-	¥ 210 billion	¥ 213.1 billion	-	¥ 140 billion	-

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