

VISION 2030

W A C O A L
I N T E G R A T E D
R E P O R T
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**MEETING
EXPECTATIONS**



**FULFILLING
COMMITMENTS**



A Message from the President

We will realize the goals of our medium- to long-term management strategy framework VISION 2030 by embarking upon ambitious new initiatives.



Hironobu Yasuhara

Representative Director,
President and CEO
Wacoal Holdings Corp.

Review of the Previous Medium-Term Management Plan

By transforming society and day-to-day life, the global COVID-19 pandemic significantly affected the wholesale and retail businesses of the Wacoal Group. In response, we positioned the period of the previous medium-term management plan, which ended March 31, 2022, as a phase for

accomplishing structural reform to restore robust profitability. As well as stepping up the pace of business structural reform, we concentrated on continuing to advance our customer experience strategy. Thanks to these efforts, we made significant progress in the advancement of such digital technology strategies as strengthening the e-commerce business and utilizing customer data. Nonetheless, the benefits of the investments accompanying

these strategies were insufficient to support our business performance. At the same time, changes in the structure of consumption predating the pandemic forced the Group to reform a business model that had once been a strength. Therefore, during the period of the previous plan, we launched new customer services, including the introduction to Japan's market of a new measurement service that uses 3D body scanners.

Originally, we intended to use the period of the previous plan to verify whether our digital technology-based initiatives were producing the benefits envisioned and to refine them as required before embarking upon a new three-year plan. Due to the constraints on store activities that resulted from the pandemic, however, we were unable to fully verify the effects of these initiatives. Overseas, meanwhile, new issues emerged in our e-commerce businesses in China and the United States during the previous two fiscal years. In the period of the new medium-term management plan, we will carefully address such issues that have been carried over from the previous plan.

The reform of subsidiaries and other underperforming businesses is still in progress. Although Peach John Co., Ltd., has successfully transformed into a highly profitable company through structural reform and the growth of e-commerce, the business environments and performances of many subsidiaries remain unfavorable due to the prolonged pandemic. Going forward, we will take a hard look at whether such subsidiaries have the potential to turn earnings around and to perform meaningful roles when the business environment recovers.

Over the past several years, the market has changed dramatically. Even when the pandemic is contained, a return to former patterns of consumer behavior is unlikely. Also, we cannot make clear predictions about how society will change. What is certain, however, is that the market will continue changing. The pandemic heightened Group employees' shared awareness of this ongoing change, which represents an extremely significant shift in mindset. Going forward, we will view market changes as opportunities for self-reform and work to transform into a highly adaptable corporate group.

VISION 2030 and Its Road Map

We established VISION 2030, our medium- to long-term management strategy framework, by clarifying our target profile and backcasting from long-term goals. Our 2030 goal is to evolve and grow into a "Global Wacoal" by capitalizing on quality and our

heightened sensibility to provide each customer with physical and emotional beauty and enrichment.

VISION 2030 comprises three main components—a management strategy, material issues, and the Guidelines for the Actions of Officers and Employees—as well as a road map indicating how the Group will realize these components. To heighten the effectiveness of VISION 2030, the road map sets out key performance indicators (KPIs) to be reached by fiscal 2031 and establishes interim targets in three-year increments as milestones on the way to achieving these KPIs.

Simply building on and expanding current businesses will not enable us to reach our fiscal 2031 management targets, namely, sales revenue of ¥270.0 billion and a business profit ratio and ROE of 10.0%. Also, our home market in Japan is experiencing a marked decline in population, and this trend is expected to accelerate after 2030. Therefore, in Japan over the next few years we need to expand our customer base. In other words, we must increase our market share. At the same time, the Wacoal Group must increase the range of products and services it can offer customers, thereby raising the average spending per customer. In addition, we will heighten our growth potential and profitability by strengthening the e-commerce business and by creating new points of contact through ambitious initiatives aimed at capturing growth opportunities in the metaverse market.

Meanwhile, overseas businesses will play an even more important role than domestic businesses in realizing VISION 2030. As markets in countries where we already have a presence, such as the United States, the United Kingdom, China, and other Asian countries, are likely to become larger, we will continue expanding businesses in these markets while ensuring profitability. In addition, we will open up new markets in Europe and India.

In accordance with VISION 2030, "beauty," "comfort," and "health" will be the watchwords as we tackle new business fields with our sights set on the future. An emphasis on these concepts is nothing new for us. We have rededicated ourselves to them because we will create businesses and realize

our new Mission only by focusing management resources on fields in which we are uniquely qualified to provide products and services. Our purpose in society is to contribute to beauty, comfort, and health by developing and increasing a lineup of new products and services supported by the quality and heightened sensibility that differentiate us.

Role and Priority Measures of the New Medium-Term Management Plan

The first milestone on the way to the realization of VISION 2030 is the new medium-term management plan, covering fiscal 2023 through fiscal 2025. The role of the new plan is to lay solid foundations for the realization of VISION 2030. In accordance with the plan's core strategies, domestic businesses will shift to a resilient corporate structure, overseas businesses will accelerate global growth, sustainability initiatives will promote efforts that address material issues, and the pursuit of financial targets will generate ROE that exceeds capital cost.

With respect to our domestic business, we must quickly resolve the high-cost structure that has again become apparent amid the pandemic and strengthen our adaptability. We will improve profitability by continuing the cost structure reform measures begun under the previous medium-term management plan, such as the management of personnel plans, and by reforming workstyles and manufacturing structures. Another issue that has been pointed out by investors and other external stakeholders is the weakness of the Wacoal Group's marketing capabilities. In the past, the Group heightened its brand profile through television commercials as well as advertisements in magazines and other mass media. However, as our current strategy for domestic businesses is to build personal relationships with customers, we need to improve our digital advertising capabilities so that we can precisely target particular types of customers while reliably verifying the effectiveness of such targeting. To strengthen our marketing capabilities, we completed the integration of customer data during the previous plan, and we are in the

A Message from the President

process of establishing capabilities that will enable us to analyze and utilize this data with the aim of increasing customer lifetime value. By effectively utilizing customer data while attracting greater numbers of new customers and fostering customer loyalty, we will grow sales.

Overseas businesses will roll out unique services that integrate offline and online services to differentiate the Wacoal Group from competitors and heighten brand recognition. In conjunction with these initiatives, we will increase profitability through improvement in the profitability of subsidiaries in Asia and Intimates Online, Inc., in the United States.

With regard to production and supply, we expect that the pandemic and heightened geopolitical risks will drive up raw material and transportation costs. In addition, constraints accompanying the pandemic could lead to unavoidable destabilization of our production and supply. Accordingly, we will reorganize our supply system globally to heighten productivity, and we will take measures to stabilize plant operations.

Over the coming three fiscal years, we will steadily advance the core strategies I outlined earlier to achieve concrete results. Aiming for sales revenue of ¥220.0 billion, business income of ¥16.0 billion, and ROE of 6.0% as must-achieve targets, the Wacoal Group will forge ahead in a cohesive effort to achieve a recovery in business performance.

Enhancement of Management Effectiveness

The most important factor in ensuring that the new plan produces results is reforming the awareness of each Wacoal Group employee. I believe that all officers and employees—from frontline sales personnel through to middle management and the senior management team—must have a strong determination to break away from our current situation as well as a

sense of ownership. However, simply declaring “Let’s change our mindset!” does not change people. Changing mindsets requires changes in behavior.

To coincide with the launch of the new plan, we revised the management structure of Wacoal Holdings Corp. to clarify the responsibilities of business managers in Japan and overseas. By clarifying management responsibilities, we will accelerate reforms and increase the effectiveness of management. We are also continuously improving the system for the compensation of officers. Following on from the previous fiscal year’s introduction of a transfer-restricted stock compensation plan, we have already revised the ratio of monetary compensation to stock compensation for officers in the current fiscal year. In addition, the newly formulated Guidelines for the Actions of Officers and Employees form one of the three main components of VISION 2030. Prepared by the members of the teams that formulated the Wacoal Group’s new Mission and material issues, these guidelines reflect an awareness of what is lacking in the Group at present as well as a desire to change the behavior of each officer and employee.

To increase the effectiveness of the aforementioned guidelines, setting different targets in day-to-day operations and rebuilding the evaluation system are essential. For example, simply changing the focus of performance targets from sales to profit should significantly change the behavior of employees. Such a reform will not only improve the profitability of the Group but also elevate the fundamental level of the workforce’s capabilities. Reformed goals and evaluations that change behavior and thereby improve business results will both heighten employee motivation and help revitalize the organization. We have already begun revising the goals for our daily operations, and we will comprehensively advance these initiatives to increase the effectiveness of management.

Sustainability Initiatives

In April 2022, the Group became a signatory to the United Nations Global Compact, an international framework for the realization of a sustainable society. By adhering to the 10 principles set forth by the compact in the four areas of human rights, labor, the environment, and anti-corruption and continuing to conduct business activities that reflect the expectations of international society, we will help realize a sustainable society and enhance our enterprise value. The expectations of international society and our customers are increasing, particularly with regard to human rights and the environment. Given our corporate social responsibility, we need to strengthen measures aimed at the Groupwide resolution of issues.

Regarding human rights, in April 2022 we revised the Wacoal Group Human Rights Policy to conform with the United Nations Guiding Principles on Business and Human Rights. We have already begun using a management cycle to accurately assess the compliance of and continuously correct and improve the Wacoal Group CSR Procurement Guidelines. Going forward, based on the concept of human rights due diligence that is compliant with the aforementioned principles, we will strengthen measures focused on reducing and preventing adverse impacts on human rights and promoting respect for human rights.

As for the environment, in September 2021 we announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures, and we began disclosure based on the recommendations in June 2022. Also, the Sustainability Committee is currently discussing specific processes for reducing greenhouse gas emissions. As interest in sustainability grows, consumers are increasingly seeking



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high-quality products that can be used over the long term and products that pay due respect to the environment. Through the provision of high-quality products—one of our fortes—we will advance environment-friendly initiatives in tandem with consumers.

The Group Philosophy’s New Structure

Last but not least, in conjunction with the announcement of VISION 2030, we have redefined the Group Philosophy, creating the WACOAL Way. As a corporate group advancing sustainability-focused management that addresses social issues while realizing sustainable growth, we needed to establish a new mission in relation to society.

On the other hand, Our Promise, Our Culture, and Our Value have been passed down since the Wacoal Group was founded more than 70 years ago and therefore have always been the touchstones of business management. These elements of the WACOAL Way have been treasured for such a long time because they have a universality

that is not found anywhere else. Accordingly, the new framework positions the existing elements, now Our Promise, Our Culture, and Our Values, as the components of our Founding Principles while separately establishing our new Mission. Together, the new and old elements form the WACOAL Way.

The reputation of the Wacoal Group will depend on its implementation and realization of the new Mission. In other words, whether the new Mission we have set out actually gives customers a sense of real change will be critical. The provision of products and services that help solve the issues faced by each customer and that, as such, earn customer satisfaction is of the utmost importance. Ultimately, the degree to which we achieve this task will converge with our level of business performance. Conducting businesses that do not produce favorable results is merely a form of complacency. I believe that this customer-focused approach to business is the essence of sustainable ESG-driven management.

By ensuring that everyone, from frontline employees through to senior

management, fulfills their roles and responsibilities in respective positions, the Wacoal Group will continue enhancing its enterprise value and achieving sustainable growth as a corporate group that has a clear purpose in society. As we take on fresh challenges, I would like to ask all of our stakeholders for their continued support.

September 2022

Hironobu Yasuhara
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