

Business Strategy—Wacoal Business (Overseas)

Acceleration of strategies aimed at customer experience enhancement together with further strengthening of the e-commerce business will drive the Wacoal Group's growth.



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Fiscal 2022 Performance Evaluation

Although the COVID-19 pandemic affected the Wacoal Business (Overseas) in fiscal 2022, ended March 31, 2022, due to the easing of restrictions on activities Wacoal Europe Ltd. and Wacoal America, Inc., recorded significant recoveries in the sales of e-commerce platforms and brick-and-mortar stores. Consequently, the business posted net sales and operating income that surpassed pre-pandemic levels to set new records. Further, in Asia, excluding China, progress

in improving profitability outweighed the pandemic's impact, resulting in businesses narrowing their deficits or realizing profitability.

Meanwhile, U.S. subsidiary Intimates Online, Inc., saw its deficit increase due to a deterioration in the efficiency of the *LIVELY* brand's marketing, attributable to a hike in social networking service advertising expenses and regulatory restrictions on targeted advertising. As for businesses in China, profit declined because the e-commerce business struggled amid intensified competition with emerging brands. Thus, our

businesses in both the United States and China face issues that need to be addressed.

Fiscal 2022 Achievements and Future Strategies

Partly reflecting efforts begun before the pandemic to strengthen the e-commerce business throughout the Group's overseas businesses, in-house and external e-commerce net sales are steadily rising in the United States and Europe. Further, in Southeast Asia—where the percentage of net sales accounted for by e-commerce net sales

has been low—this percentage is steadily rising thanks to the Global Division's drive to introduce a common e-commerce platform across Asia. I believe that e-commerce will be the key to growth in the region going forward.

Based on an overriding customer experience strategy, we will accelerate growth globally by enhancing customer experience value through the combination of online and offline operations, by acquiring new customers through increased digital marketing, and by earning the loyalty of existing customers through the utilization of data and the reinforcement customer relationship management.

United States

Wacoal America maintained high sales levels at both brick-and-mortar and e-commerce stores due to a recovery in consumption accompanying the resumption of economic activities and a pickup in brick-and-mortar store visits. At the same time, the subsidiary augmented core systems with a view to further growing e-commerce. For example, we invested in the development of the *mybraFit™* digital measurement application and the introduction of a logistics system for the delivery of individual items. We will leverage these investments to grow profits from the current fiscal year onward. Although still in the red due to a reduction in the cost-effectiveness of advertising that is stemming from regulatory restrictions on targeted advertising, Intimates Online will return to profitability by strengthening management collaboration with the Group through Wacoal America and rapidly establishing alternative advertising and promotion methods. Moving Intimates Online into the black by fiscal 2024 is a mission that must be accomplished.

Another task is adaptation to logistics disruptions and rising costs. Since the second half of fiscal 2022, transportation costs and raw material costs have continued to rise, and the pressure on profits is becoming a serious problem. As they have been unable to absorb these cost increases solely through improvements in production and logistics operations, Wacoal

America and Intimates Online have already raised prices. We will continue to carefully monitor cost hikes and take additional countermeasures as required.

Europe

With the easing of pandemic-related restrictions, Wacoal Europe achieved a V-shaped recovery and secured an operating margin above 10.0%. The subsidiary has long had an operational structure suited to achieving high levels of profitability. As well as continuing products (mainstay products accounting for around 70.0% of its product lineup, Wacoal Europe uses a business model that does not deploy in-store sales personnel. Another factor contributing to the significant recovery has been an increasing trend toward body positivity* and the accompanying growth in demand for products in larger sizes—a category in which Wacoal Europe has particular competence.

Wacoal Europe will achieve growth by introducing the *3D smart & try* body scanner system to the United Kingdom and offering customer experience value that seamlessly integrates online and off line services. Further, we will consider introducing these integrated services to France and other European countries. As for Germany's market, where we anticipate scope for growth, we will launch our own e-commerce website, and in advancing measures to open up this market we will keep M&As in mind as an option. My impression is that all age groups in Europe are very interested in finding the types and sizes of innerwear best suited to their own physiques. With this in mind, I believe the introduction of *3D smart & try* provides an opportunity to elevate brand value and appeal among customers of all ages.

* A social movement that advocates shifting from a society that expects women to conform to certain physical standards, even if achieving this can be harmful, to a society in which diversity in appearance is viewed positively and women feel more confident in their physiques

China

In China's e-commerce market, which for us has been the driver of the

country's overall market, we are continuing to struggle due to intensified competition with emerging brands and a decline in our positioning. In a large-scale sale on Singles' Day, November 11, the combined sales of Wacoal and four other major innerwear manufacturers were less than the sales of one emerging manufacturer. I view this disappointing performance as a major sign of being unable to keep up with changes in the market.

To achieve a turnaround in e-commerce sales, we will tap demand by advancing a new strategy for products that reflects the characteristics of e-commerce customers. As well as regular advertising, we will also actively incorporate live commerce that utilizes key opinion leaders, also known as influencers. Tmall currently accounts for approximately 90.0% our sales through third-party e-commerce websites. However, we will increase sales through other e-commerce websites by coordinating with Jingdong and WeChat.

With respect to brick-and-mortar stores, as personnel expenses associated with beauty advisors account for about 20.0% of personnel expenses, reforming this high-cost structure is an urgent task. Accordingly, we will explore ways of heightening the efficiency of store management. Also, we will pursue growth by supplementing our operations in department stores through the increased development of directly managed stores, which operate in malls and other locations.

Asia

Partly due to the COVID-19 pandemic, the business results of our subsidiaries in Asia were unfavorable. Moreover, business development in the region has been primarily focused on brick-and-mortar stores. The consequent delay in developing e-commerce exacerbated lackluster performances.

In accordance with the new medium-term management plan, we will increase sales revenue and improve profitability by reorganizing sales capabilities to reflect the characteristics of each market, by expanding e-commerce, and by enhancing the efficiency of businesses. With the aim of improving business efficiency, in

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April 2022 we established an organization in Singapore to oversee sales in Asia. This new organization will lead efforts to improve business efficiency throughout Asia by providing management support to each subsidiary in the region and promoting the formulation and implementation of common measures.

With regard to the delay in developing e-commerce, the development of an e-commerce platform that can be used by all subsidiaries was completed during the previous medium-term management plan. Subsidiaries in Malaysia and other countries have already begun using the platform. Going forward, we will expedite sales growth through the introduction of the e-commerce platform to other subsidiaries as well as through the standardization of products offered in the region.

Medium- to Long-Term Growth Strategies

Based on VISION 2030, which was announced in June 2022, we will position the European and U.S. markets as growth drivers; realize sustained growth in Europe, the United States, and China; open up new markets; and establish high-profit structures in all regions. Through these strategies, we aim to achieve sales revenue of ¥108.0 billion and an operating margin of 10.0% by fiscal 2031.

In existing markets, we will primarily grow by accelerating digital transformation. Through stepped-up marketing that capitalizes on digital technologies, we will heighten brand recognition and attract more new customers. In addition, the Wacoal Group will earn the loyalty of existing customers by using customer data to strengthen customer relationship management, thereby increasing the lifetime value of customers in each country and region. For the overseas business as a whole, the numerical target is to increase e-commerce sales revenue to 50.0% of sales revenue.

Among new markets, we will focus efforts on India and Germany because

we view them as markets with a great deal of potential for sales growth. By fiscal 2031, we expect to realize sales revenue of roughly ¥7.0 billion in India and about ¥3.0 billion in Germany.

The purchasing power of India's wealthy is likely to increase even further, and the country's market is expected to expand even further. On the other hand, as tariffs are extremely high, our price competitiveness is weak in India. Therefore, we are exploring ways of raising the domestic procurement percentage to 25.0%, which would mitigate this issue. We will move forward at a rapid pace with our sights set on realizing sales revenue of ¥7.0 billion, which is a key performance indicator set in VISION 2030.

In Germany, as I mentioned, we will develop the country's market while establishing and advancing in-house e-commerce. At the same time, we will actively consider M&As with partners that offer opportunities to expand in business fields beyond those of Wacoal Europe, such as products targeting Generation Z customers and services dedicated to e-commerce.

Role of the Global Division

Thorough localization is a differentiating feature as well as the greatest strength of the Wacoal Group's overseas businesses. We have achieved growth by having local employees lead the development and marketing of products optimally suited to the customers living in each country and region. Meanwhile, the Global Division has been responsible for sharing information on the products and sales promotion methods developed by respective overseas subsidiaries.

Going forward, the division will play an increasingly important role in supplementing the weaknesses of overseas subsidiaries and thereby facilitating expansion of e-commerce businesses and promotion of the customer experience strategy. Also, the division's role is not only to connect markets but also to propose new business models for growth. As Japan's consumer market continues to shrink

amid rapid population decline, the Wacoal Group must make the Wacoal Business (Overseas) a growth driver. To win out in rapidly changing overseas markets, making timely decisions and translating them into action will be essential. For this reason, we clarified the chain of command and expedited decision-making by transferring the management of the Global Division from Wacoal Corp. to Wacoal Holdings Corp. in April 2022.

Value Provided by a "Global Wacoal"

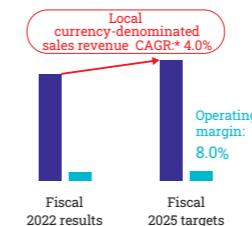
In the current fiscal year, we established a new common global corporate message: "Comfortable inside. Confident outside." This corporate message expresses our desire to enrich lives around the world; help customers achieve self-realization that is free from uniform assumptions about external beauty; and address social, environmental, and human rights issues. To both remain needed by and realize a mission aligned with the expectations of modern society, the Wacoal Group will embark upon a cohesive, global initiative to advance sustainability-focused management and thereby enhance enterprise value. By ensuring that its employees worldwide are fully aware of this new corporate message, the Wacoal Group, including the Wacoal Business (Overseas), will make a concerted effort to increase the pace of initiatives aimed at further growth. Through these initiatives, and in accordance with the vision of our founder Koichi Tsukamoto, we will realize a "Global Wacoal."

■ Net Sales ■ Business Income

Wacoal America, Inc. (Wacoal International Corp.)

Sales Revenue (Fiscal 2022)

¥21.1 billion
(including internal sales)



Priority Strategies

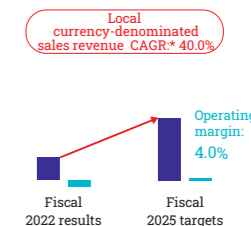
In recent years, the U.S. women's innerwear market has seen a significant shift in customer sentiment due to such trends as body positivity. In addition, the transition to e-commerce has advanced apace due to the COVID-19 pandemic. Against this backdrop, Wacoal America, Inc., swiftly recovered from the impact of the pandemic thanks to the success of an early focus on in-house e-commerce and stable customer endorsements of the value offered by the company's brands, namely, high quality and a perfect fit.

The new medium-term management plan calls for e-commerce-led growth through aggressive investment in digital marketing. We have already made progress in this regard, including the introduction of a digital fitting app. Going forward, we will achieve profitable growth by improving the convenience of our website even further and developing and strengthening logistics capabilities.

Intimates Online, Inc. (Wacoal International Corp.)

Sales Revenue (Fiscal 2022)

¥4.5 billion
(including internal sales)



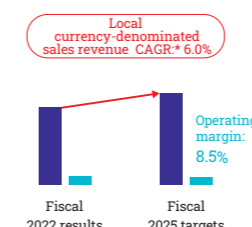
Priority Strategies

Intimates Online, Inc., is engaged in developing *LIVELY* brand operations. After joining the Wacoal Group in July 2019, despite the pandemic, the company grew vigorously as a result of active investment in advertisements on social networking services. Since fiscal 2022, however, the company's performance has temporarily leveled off prior to its next growth phase. This lull reflects the decelerating growth of the in-house e-commerce business, attributable to the lower marketing efficiency that has resulted from soaring advertising costs and stricter digital privacy restrictions. Given that turning around the current situation will take some time, in the first quarter of fiscal 2023 we decided to switch from an aggressive investment strategy to one that, for a certain period, will give priority to enhancing profitability. By coordinating with Wacoal America to enhance management efficiency and by utilizing highly cost effective sales promotion methods, we will improve profitability as soon as possible.

Wacoal Europe Ltd.

Sales Revenue (Fiscal 2022)

¥16.3 billion



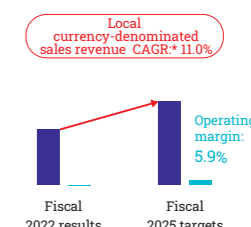
Priority Strategies

Although large overall, the women's innerwear market in Europe is characterized by a lack of major companies, with respective companies only accounting for relatively small market shares. Also, the pandemic has rapidly increased the pace of a transition from brick-and-mortar stores to e-commerce platforms. In this environment, Wacoal Europe will take advantage of in-house e-commerce and *3D smart & try* to advance a customer experience strategy. By introducing this 3D measurement service to Europe—where customers rarely measure their physiques—Wacoal Europe will heighten brand recognition and customer experience value, thereby achieving sales growth while maintaining the current high profit levels. At the same time, we will seek growth through the opening up of Germany's market and other markets with significant potential for growth.

Wacoal China Co., Ltd.

Sales Revenue (Fiscal 2022)

¥11.7 billion
(IFRS-based calculation for year ended March 31, 2022)



Priority Strategies

In China, the women's innerwear market continues to see strong growth as the country's middle-income population expands. Particularly in the fast-growing e-commerce market, brands from emerging countries are increasing their presence with affordable products and powerful marketing. In this environment, Wacoal China Co., Ltd., is bolstering rollouts of brands and products that reflect the attributes of its customers and sales channels. While continuing to increase the development of high-value-added products as one of our advantages, we will strengthen coordination between online and offline operations and enhance customer relationship management to attract new customers and heighten the loyalty of existing customers. As for e-commerce, which continues to struggle due to emerging brands, we will achieve renewed growth and reach our targets by implementing a new strategy for products that is focused on customer characteristics.

* Compound annual growth rate