

## Major Items of the Revised Medium-Term Management Plan (Overseas Business) | Key Initiatives in the Revised Medium-Term Management Plan (Overseas Business)

### Key Initiatives in the Revised Medium-Term Management Plan

Assuming that the situation will continue to be uncertain, we will prioritize profit generation in fiscal 2024 to fiscal 2025 in each key company while working to improve our management base and implementing growth strategies for the next medium-term management plan

### Basic Strategies

**Growth strategies**

**Strengthening supply chain management**

**Reviewing strategies for inefficient businesses**

#### 1. Growing EC

Expanding contact points with customers and achieving EC growth by promoting digital strategies (OMO, CRM, Asia EC platform)

#### 2. Developing and providing new products that meet market trends

Expanding contact points with new customers by developing and selling new products based on market trend analyses in China and other countries in Asia

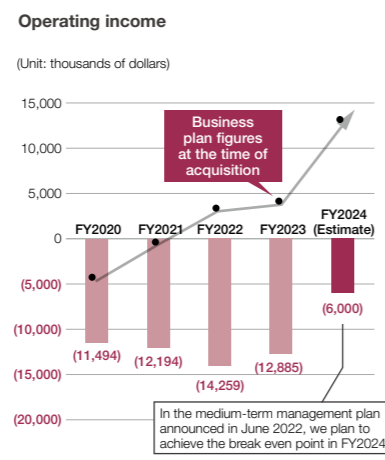
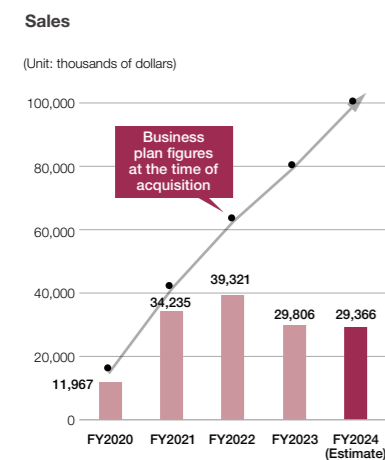
- (1) Optimizing production and material procurement processes in overseas business
- (2) Reducing manufacturing costs by reorganizing the supply system within the Group
- (3) Expanding the supply network outside the Company to strengthen the affordable market in China and Asia

#### Withdrawal of LIVELY brand (IO)

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

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

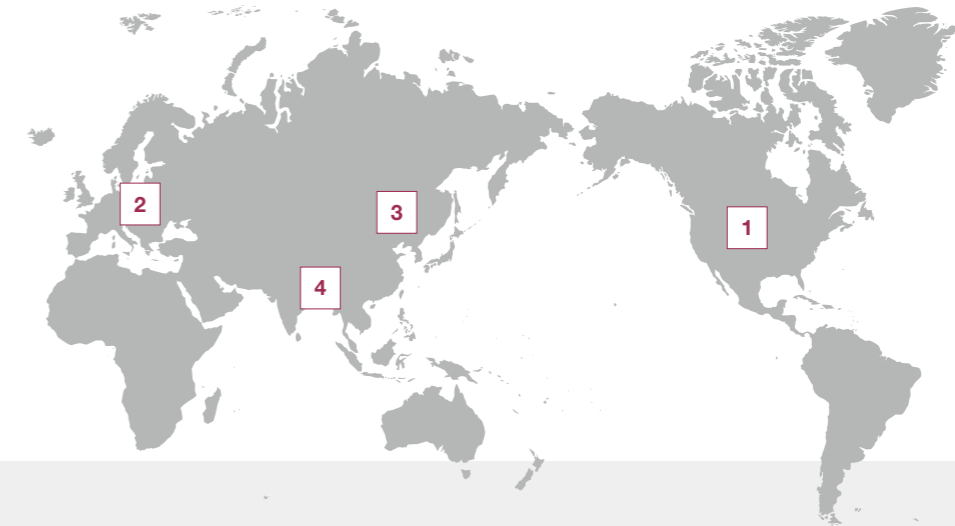
Intimates Online, Inc. has developed its business since its acquisition in July 2019, using its own e-commerce as its primary sales channel and new digital media, particularly social media, as a communication tool with its customers; however, sales fell short of the plan due to the entry of competitors into the digital market and restrictions on targeted advertising due to increasing restrictions on the use of personal information. After considering various possibilities for future business development, we have determined that it will be difficult to improve the performance of this business in the future and have resolved to withdraw from it. As a result of the withdrawal from this business, we will record a loss of approximately ¥7.3 billion, mainly consisting of impairment loss on goodwill related to Wacoal International in the fiscal year ending March 31, 2024.



|                    | FY2020        | FY2021        | Total          |
|--------------------|---------------|---------------|----------------|
| Acquisition prices | 86,041        | —             | 86,041         |
| Earnout payments   | —             | 26,825        | 26,825         |
| <b>Total</b>       | <b>86,041</b> | <b>26,825</b> | <b>112,866</b> |

|                       |   |
|-----------------------|---|
| 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 dollars                                     |
| Date of establishment | May 1, 2015                                     |
| Date of acquisition   | July 30, 2019                                   |
| Shareholders          | WACOAL INTERNATIONAL CORP. (100% capital ratio) |



### Major Subsidiaries' Initiatives

**1 Wacoal America, Inc. (Wacoal International Corp.)** We will review the plan based on the current external environment. While working to grow the EC business, we will begin to review our cost structure to address the decrease in profit ratio due to increased costs.

- **Accelerating the transition to an EC-focused business model**  
Achieving continuous growth in the EC business by developing new competitive compensation product groups and strengthening CRM centered on digital fitting services
- **Reviewing cost structure**  
In order to address the pressure of costs, we will review retail prices, promote automation of distribution operations (automatic picking, etc.), reduce procurement costs, and begin reviewing our business model to optimize our cost structure

**2 Wacoal Europe Ltd.** In addition to promoting brand strategies to meet the diverse values of customers, we will also form and promote growth strategies in regions with room for growth, such as Germany and France.

- **Accelerating the transition to an EC focused business model**  
Improving the efficiency of the Dutch warehouse, strengthening EC business outside the UK (development of Wacoal's own EC, collaboration with other companies' EC)
- **Increase sales in continental Europe**  
In addition to cultivating existing areas, we will strengthen sales activities in Germany and France, where there is significant room for growth  
In addition to expanding our sales network, including EC and brick-and-mortar stores, we will also consider alliances and M&As with other companies to achieve growth with quality and speed


**3 Wacoal China Co., Ltd.** Through a brand strategies (product functions, prices, and promotions) that achieve EC growth, we aim to return to sales and at the same time embark on a business model reform to improve profitability.

- **Developing products that meet customer needs**  
(1) Strengthening our ability to respond to changes in customer purchasing behavior, needs, and product trends. Conducting purchase analysis in major EC marketplaces, formulating and executing brand strategies (product functions, prices, promotions), and aiming for EC growth  
(2) Developing sports and athleisure products and expansion of high-end products
- **Improving management efficiency**  
Reviewing our cost structure to improve profitability  
Withdrawing poorly-performing stores and reducing inventories

**4 Other Countries in Asia** Cooperate among Asian subsidiaries under the Asian headquarters system. We will implement measures that take advantage of the strengths of our own EC and other companies' EC to achieve growth.

- **Expanding customer contact points and improving LTV**  
(1) Other companies' EC: Focusing on acquiring new customers by strategically strengthening cooperation with EC marketplaces  
(2) Wacoal own EC: We will enhance our own content, such as membership programs, and accelerate collaboration with brick-and-mortar stores
- **Strengthening business in India**  
(1) In addition to the existing premium line, new affordable products will be developed to expand the customer base (24AW)  
(2) Implementation of product planning in India and improvement of domestic procurement ratio

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


| U.S.  | FY2023                       | FY2026 target                   |  <p>Mitch Kauffman<br/>President &amp; CEO<br/>Wacoal America, Inc.</p> |                                 |
|---|------------------------------|---------------------------------|--|---------------------------------|
| <small>Note: Results and targets are for Wacoal America, Inc. only. Includes internal sales revenue. FY2026 targets are based on internal management figures.</small> | <b>Sales Revenue</b>         | <b>184.2 million US dollars</b> |  | <b>198.7 million US dollars</b> |
|   | <b>Business Profit</b>       | <b>10.6 million US dollars</b>  |  | <b>9.4 million US dollars</b>   |
|   | <b>Business Profit ratio</b> | <b>5.8%</b>                     |  | <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                  |  <p>Geoff Embley<br/>CEO<br/>Wacoal Europe Ltd.</p> |                                |
|---|------------------------------|--------------------------------|--|--------------------------------|
| <small>Note: Includes internal sales revenue. Business profit includes brand depreciation expense. FY2026 targets are based on internal management figures.</small> | <b>Sales Revenue</b>         | <b>117.7 million GB pounds</b> |  | <b>132.5 million GB pounds</b> |
|   | <b>Business Profit</b>       | <b>16.3 million GB pounds</b>  |  | <b>14.5 million GB pounds</b>  |
|   | <b>Business Profit ratio</b> | <b>13.8%</b>                   |  | <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                 |  <p>Zhang Mao<br/>Director and General Manager<br/>Wacoal China Co., Ltd.</p> |                               |
|--|------------------------------|-------------------------------|--|-------------------------------|
| <small>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.</small> | <b>Sales Revenue</b>         | <b>525.4 million renminbi</b> |  | <b>660.0 million renminbi</b> |
|  | <b>Business Profit</b>       | <b>-34.9 million renminbi</b> |  | <b>44.0 million renminbi</b>  |
|  | <b>Business Profit ratio</b> | <b>—</b>                      |  | <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                      |  <p>Takehiko Yonekawa<br/>CEO<br/>Responsible for Asia Sales Headquarters<br/>Wacoal Singapore Private Limited</p> |                                    |
|---|------------------------------|------------------------------------|---|------------------------------------|
| <small>Note: Results and targets are for Wacoal India only. Includes internal sales revenue. FY2026 targets are based on internal management figures.</small> | <b>Sales Revenue</b>         | <b>402.3 million Indian rupees</b> |   | <b>733.1 million Indian rupees</b> |
|   | <b>Business Profit</b>       | <b>-91.1 million Indian rupees</b> |   | <b>-89.0 million Indian rupees</b> |
|   | <b>Business Profit ratio</b> | <b>—</b>                           |   | <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 Asia 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.