

[Translation]



November 9, 2023

To whom it may concern:

Company name: Wacoal Holdings Corp.
Representative name: Masaaki Yajima,
Representative Director, President and
CEO
(Code No. 3591 TSE Prime Market)
Contact: Katsuya Hirooka,
Corporate Officer,
Head of Corporate Planning Dept.
(Tel: +81-75-682-1010)

Announcement Regarding Variances between the Forecast of Consolidated Business Results and Actual Consolidated Business Results for the Six-Month Period ended September 30, 2023, Revisions to the Forecast of Consolidated Business Results, Implementation of Structural Reforms at Our Consolidated Subsidiary, Recognition of Impairment Charges due to Withdrawal and Liquidation of Our U.S. Consolidated Subsidiary's Business, and Reduction in Executive Remuneration (IFRS)

We hereby announce the variances between the forecast of consolidated business results for the six-month period ended September 30, 2023 (April 1, 2023 – September 30, 2023), which we announced on May 12, 2023, and the actual consolidated business results which we announced today, and also announce that we have revised the forecast of our consolidated business results for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024), as follows.

Details

1. Six-Month Period ended September 30, 2023

(1) Variances between Forecast and Actual Consolidated Business Results for the Six-Month Period Ended September 30, 2023 (April 1, 2023 – September 30, 2023) (International Finance Reporting Standards)

	Revenue	Business Profit	Operating Profit	Profit Before Income Taxes	Net Profit Attributable to Owners of Parent	Basic Earnings per Share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous Forecast (A)	103,000	4,500	4,400	5,500	3,900	67.23
Actual Results (B)	95,130	3,816	(3,384)	(2,739)	(4,404)	(76.09)
Variance (B-A)	(7,870)	(684)	(7,784)	(8,239)	(8,304)	-
Variance as Percentage (%)	(7.6)	(15.2)	-	-	-	-
(Reference) Results for the Six-Month Period ended September 30, 2022	97,506	4,344	4,001	5,881	4,218	69.19

(2) Reason for Variances

The business environment surrounding our group in Japan experienced sluggish sales of our medium-priced products as our customers became more budget-conscious in the face of the rising inflation. In overseas, our sales remained weak across major regions due to the impact of downward pressure on consumption in an unstable economic environment. In addition, the suspension of shipments at Wacoal Europe Ltd. due to a system failure that occurred in mid-September also contributed to the decrease in sales. Consolidated business profit decreased from our previous forecast due to the impact of decreased revenue and a significant rise in raw material costs. We recorded a consolidated operating loss due to the decrease in business profit and the recording of impairment charge of 7.43 billion yen related to Wacoal International Corp. (U.S.) in connection with the business withdrawal and liquidation of Intimates Online, Inc. (“Intimates Online”). For details on the business withdrawal and liquidation of Intimates Online, please see section “4. Announcement Regarding Withdrawal from Business by Our U.S. Consolidated Subsidiary” herein.

2. Fiscal Year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(1) Revised Forecast of Consolidated Business Results for the Fiscal Year ending March 31, 2024 (April 1, 2023 – March 31, 2024) (International Finance Reporting Standards)

	Revenue	Business Profit	Operating Profit	Profit Before Income Taxes	Net Profit Attributable to Owners of Parent	Basic Earnings per Share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous Forecast (A)	205,000	6,000	6,000	7,000	4,800	82.74
Revised Forecast (B)	196,000	1,700	(12,000)	(11,200)	(10,800)	(186.60)
Variance (B-A)	(9,000)	(4,300)	(18,000)	(18,200)	(15,600)	-
Variance as Percentage (%)	(4.4)	(71.7)	-	-	-	-
(Reference) Results for the Previous Fiscal Year ended March 31, 2023	188,592	4,102	(3,490)	(699)	(1,643)	(27.44)

(2) Reason for Revisions

In the current business environment, as has been the case during the six-month period ended September 30, 2023, we anticipate the business environment in Japan and China to remain challenging, and expect our revenue and business profit to fall significant short of our previous forecast.

In addition, we will undertake structural reforms to improve profitability for sustainable growth of our consolidated subsidiary, Wacoal Corp. In connection with the implementation of such structural reforms, we expect to record restructuring costs of approximately 6.0 billion yen during the fiscal year ending March 31, 2024. For details on the structural reforms, please see section “3. Announcement Regarding Structural Reforms at Our Consolidated Subsidiary” herein.

3. Announcement Regarding Structural Reforms at Our Consolidated Subsidiary

Our board of directors resolved at its meeting held on November 9, 2023 to implement structural reforms at Wacoal Corp., our consolidated subsidiary, including the “withdrawal/integration of unprofitable brands”, “withdrawal of underperforming stores”, “disposal of inventory”, and “solicitation for voluntary retirement” in order to improve profitability for sustainable growth as a company.

The key items of the structural reforms are as follows.

Details

(1) Background for Structural Reforms

Under our new three-year medium-term management plan, which started from April 2022, we have been working to reform our business structure under the slogan of “transform ourselves into a resilient corporate structure”. In this context, we implemented the Flexible Retirement Program at Wacoal Corp. during the previous fiscal year and have been working to quickly optimize the number and composition of its workforce, but the business environment surrounding Wacoal Corp. continues to be challenging due to the depreciation of the Japanese yen, rising energy prices and other factors.

Under such circumstances, in order to ensure the achievement of goals under “VISION 2030”, we will improve asset efficiency and profitability by implementing the structural reforms. We will also work to improve the value of products and services that support our customers’ “beauty, comfort and health”, which is the business domain of Wacoal Corp., and to secure resources for investment in the use of digital technology.

(2) Outline of Key Structural Reforms

(i) Withdrawal of Unprofitable Brands and Integration of Brands

In 2024, we will rebrand Wacoal as our product brand, aiming to make it a brand loved by our customers even more. Including and in addition to the rebranding, we will streamline our marketing activities and new product development process by consolidating our 26 product lines, which accounts for 38% of the 68 product lines that make up our 9 core product brands.

In addition, we will continue to monitor the profitability of individual brands and regularly implement periodic improvements in profitability on a brand-by-brand basis, including the identification of plans for improving profitability as a brand and the need for additional consolidation and elimination of brands.

(ii) Withdrawal of Underperforming Stores

We will reevaluate the criteria for store withdrawal in light of the business environment of Wacoal Corp. and consider sequential withdrawal or closure of 22 directly-managed stores (14% of total 154 stores) and 10 stores in department stores (5% of total 211 stores), which are underperforming, in the future. With respect to the remaining stores, including business partner stores such as those in department stores, we will also consider measures, including withdrawal, for stores which do not meet relevant criteria during the current fiscal year, in order to improve management efficiency. In addition, with respect to those stores which meet relevant criteria, we will continue our efforts to improve the profitability of stores by optimizing the product mix and personnel allocation in the storefronts, and we will continue to monitor the profitability of individual stores, similar to monitoring of the profitability of individual brands, and make decisions on withdrawal on an ongoing basis.

(iii) Disposal of Inventory

Inventory that is determined to be unsustainable at our group’s stores due to reasons such as withdrawal and integration of unprofitable brands and withdrawal of underperforming stores mentioned above will be disposed of in an appropriate manner in order to improve asset efficiency and profitability.

(iv) Solicitation for Voluntary Retirement

The business environment is more challenging than our expectation, not only due to the pressure from the external environment to raise costs, but also because the fixed cost ratio remains high due to the slow recovery of sales that declined as a result of the impact of COVID-19. Under such circumstances, in order to make continuous investments in growth businesses and human capital to support such businesses to achieve the goals of “VISION 2030”, Wacoal Corp. urgently needs to build a workforce and organizational structure with higher value provided to customers and to further strengthen its profit structure accordingly. Thus, Wacoal Corp. is soliciting voluntary retirement as part of our efforts to promote further structural reforms. For those who apply for the voluntary retirement, we will provide outplacement support through an outplacement firm, and career development opportunities that will enable them to continue to demonstrate their abilities in new fields.

- A. Offer Period: February 12, 2024 – February 22, 2024 (scheduled)
- B. Expected Acceptance Number: Approximately 150 employees
- C. Date of Retirement: April 30, 2024 (scheduled)

(3) Outlook

We expect to incur a series of expenses of approximately 6.0 billion yen during the fiscal year ending March 31, 2024 in connection with the structural reforms, including the disposal of inventory and the solicitation of voluntary retirement.

4. Announcement Regarding Withdrawal from Business by Our U.S. Consolidated Subsidiary

Our board of directors resolved at its meeting held on November 9, 2023 to withdraw from the “LIVELY” brand business (the “Business”) of Intimates Online, Inc. (“Intimates Online”), a subsidiary of Wacoal International Corp. (headquartered in New Jersey, U.S.A.), our U.S. consolidated subsidiary, and to liquidate Intimates Online as follows.

(1) Reason for Withdrawal from Business

Since the acquisition in July 2019, we have developed the Business by using our own e-commerce channel as the main sales channel and utilizing new digital media, mainly social media, as a communication tool with its customers. However, due to the entry of competitors into the digital market and restrictions on targeted advertising as a result of increasing restrictions on the use of personal information, sales have fallen short of our plans, and there is no prospect of achieving profitability at this point. Under these circumstances, we have considered various possibilities for future business development, but have determined that it will be difficult to improve the performance of the Business in the future, and have resolved to withdraw from the Business.

(2) Outline of Intimates Online

(1) Trade Name:	Intimates Online, Inc.		
(2) Location:	136 Madison Avenue New York NY 10016 USA		
(3) Name and Titles of Representative:	Kristin DiCunzolo		
(4) Business Description:	Design and sales of women’s innerwear		
(5) Capital Amount:	USD 433 thousand		
(6) Date of Incorporation:	May 1, 2015		
(7) Date of Acquisition:	July 30, 2019		
(8) Shareholder:	Wacoal International Corp. (Shareholding Ratio: 100%)		
(9) Operating Results and Financial Condition for Past Three Years (For each cell, upper figures in thousands of U.S. dollars and lower figures in millions of yen.) ※1 Figures before consolidation adjustments			
Fiscal Year Ended	March 2021	March 2022	March 2023
Net Assets	(2,967) (430)	(17,237) (2,499)	(43,404) (6,294)
Total Assets	28,595 4,146	28,072 4,070	11,170 1,620
Revenue	34,388 4,986	39,321 5,702	29,806 4,322
Operating Income	(9,442) (1,369)	(11,737) (1,702)	(10,973) (1,591)
Net Income	(9,666) (1,402)	(11,740) (1,702)	(11,433) (1,658)

※1 For convenience, conversion into Japanese yen has been made at the exchange rate of 145.00 yen to the U.S. dollar.

(3) Schedule

We plan to proceed with the necessary procedures in accordance with the applicable laws and regulations of the United States and to complete liquidation of Intimates Online on March 31, 2024.

(4) Recognition of Loss

As a result of this withdrawal from the Business, we have recorded a loss of approximately 7.43 billion yen in the consolidated financial statements for the current consolidated cumulative second quarter, including impairment charge on goodwill and loss on valuation of inventories. For the consolidated fiscal year ending March 31, 2024, we expect to record a loss of approximately 7.3 billion yen due to the effect of exchange rate. However, such amount is a current estimate and is subject to change due to the effect of exchange rate and other factors.

5. Announcement Regarding Reduction in Executive Remuneration

We hereby announce that our board of directors resolved at its meeting held on November 9, 2023 to reduce the amount of remuneration of our directors as follows. We take seriously the consequences of the downward revision of the forecast of the consolidated business results for the fiscal year ending March 31, 2024, the implantation of the structural reforms at our consolidated subsidiary, and the recording of impairment charges due to the liquidation of a subsidiary of our U.S. consolidated subsidiary following the business withdrawal.

This resolution was made after consultation with and report from the Remuneration of Directors Advisory Committee, the majority of which is composed of Independent External Directors.

(1) Details of Reduction Amount in Executive Remuneration

Directors of Wacoal Holdings Corp.: 20% reduction in the basic remuneration amount
(excluding outside directors)

Directors of Wacoal Corp.: 20% reduction in the basic remuneration amount
(those who held such position
as of March 31, 2023)

(2) Reduction Period

From December 2023 to March 2024

- End -