



Transformation for Adapting to Its Changing Environment

Wacoal is reforming the structure of its operations to enable it to adapt to changes in its business environment, in the same way that a tadpole undergoes a transformation as it matures into a frog to allow it to live both on land and in water.



▷ **Wacoal is transforming its operational structure to achieve strong profitability.**

Given the increasingly intense competition among companies in the intimate apparel market, Wacoal is moving forward with structural reform measures aimed at creating a company with higher profitability. Specific structural reforms, which target cost reductions, will primarily entail consolidating distribution centers, reorganizing production bases in Japan and overseas, reassessing raw materials sourcing, reviewing product designs, and increasing the effectiveness of staff deployment.

During the year under review, we introduced a new distribution system that utilizes only four distribution centers in Japan. This step has not only facilitated a reduction in distribution costs but also made a major contribution to lowering inventory losses and improved the efficiency of operations between our Head Office and branches. Moreover, Wacoal is targeting lower production costs by purchasing materials overseas and boosting production capacity at its subsidiaries in China, Vietnam, and other countries. In two years time, we plan to raise our overseas production ratio to 50% in volume terms. Further, we will reduce personnel costs through the utilization of diverse employment formats, including part-time and contract employees. In conjunction with these efforts, the Company will pursue reform of its personnel system, introducing rewards that reflect improvements in professional performance and other measures.

By proceeding with this multifaceted structural reform package, our mid-to-long-term strategy is to build an organization that enables the supply of highly cost-competitive products globally and that can generate profits through a flexible response to changes in our operating environment, while ensuring we continue to create enduringly popular products that meet customer needs.



Factory at Beijing Wacoal



Beijing Wacoal



Sales floor in a department store in Shanghai



Vietnam Wacoal