

# TOWARD MANAGEMENT REFORMS

Senior Managing Director Hideo Kawanaka

- Senior Managing Director, Wacoal Holdings Corp.
- Director and Vice President, Wacoal Corp.;  
Operations Reform Manager and General Operations Manager
- Joined the Group management team in June 2007, following periods at Isetan Co., Ltd.,  
West Japan Railway Isetan Ltd., OMRON Corporation, and Matsuzakaya Co., Ltd.  
Currently involved in reviewing all aspects of the operational process.



## RESTRUCTURING ORGANIZATIONS AND REENGINEERING OPERATIONS TO BUILD A GROWTH PLATFORM

Launched in April 2007, our Medium-Term Management Plan's overriding goals include *Shifting to Growth and Heightening Earning Power*. In addition to those goals, we added the themes of *Operational Restructuring and Advancement Systems* in April 2008.

We added those themes to increase the overall strength of the Wacoal Group and the organizational competitiveness of its operating subsidiaries. Specific restructuring measures comprise the creation of new departments that laterally coordinate and control our vertically structured organization to ensure the optimal deployment of management resources and accurate responses to market conditions. Also, we are developing a system for advancing operational efficiency. Already, Wacoal has strengthened the Group's strategy development capabilities by establishing a Corporate Strategy Division, while Wacoal Corp. has strengthened its ability to control strategies that transcend specific sales channels and brands by establishing a General Strategy Section.

Also, we have clarified the authority and roles of each operating division to ensure steady progress toward achievement of the numerical targets set out in the Medium-Term Management Plan. And, we have established regular meetings that check progress toward targets and the outcomes of specific measures and discuss countermeasures if we are falling short of targets.

In efforts to reengineer operations, we will move SPA operations into the black early by giving first priority to profitability through the closure of unprofitable stores. Further, in order to cut excess cost, we intend to rigorously scrutinize the necessity of outsourced operations.

## INCORPORATING PEACH JOHN AS A NEW SUBSIDIARY

In June 2006, we acquired 49% of Peach John's shares to form a capital tie-up with the company and acquired the remaining 51% of shares to make it a wholly owned subsidiary in January 2008. As a result, Peach John has become our second largest subsidiary in terms of sales after Wacoal Corp. We decided to make Peach John a wholly owned subsidiary to increase solidarity with the company, heighten the Group's

overall presence in the innerwear market, and step up the pace of enterprise value enhancement. Peach John enjoys overwhelming endorsement and popularity among younger customers, a segment of the domestic market in which Wacoal was weak. By joining forces, the companies can build a stronger standing among an even wider group of consumers.

The Wacoal Group will make a concerted effort to provide multifaceted support that will expand Peach John's operations and make them one of the Group's growth drivers. In the fiscal year, Peach John's business results temporarily dipped because of delays in building a system

to prevent the subsidiary from running out of brisk-selling products as customer-ordering methods shift markedly from postcards and facsimiles to the Internet and mobile telephones. To ensure that Peach John's product delivery is problem-free and reliable, we are providing production infrastructure and building support frameworks for information systems. From the current fiscal year, we will ensure the earnings of the subsidiary grow by strengthening its mail-order operations while developing directly managed stores and overseas operations.

*"The Wacoal Group will redouble restructuring initiatives to regain growth impetus and further strengthen earning power."*

## SEEKING NEW GROWTH OPPORTUNITIES

For Wacoal to achieve sustainable growth, it has to extend its operating platform from the mature domestic market to include the burgeoning potential of overseas markets. To that end, in addition to countries and regions where Wacoal already has a presence, such as the United States, China, and Southeast Asia, the Company will exploit the production infrastructure and marketing expertise of existing operations to expand the Wacoal brand in new countries and regions. Through those efforts, we aim to raise overseas sales from approximately ¥72 billion in the fiscal year to ¥100 billion.\*

In China, where economic growth is conspicuous, we plan to step up operational expansion. Our goal is become a leading brand in the mid- to high-end market, comprising department stores in Beijing, Shanghai, Guangzhou, and other cities, and rapidly grow our market share from its current level of approximately 6% to at least 10%.

Hideo Kawanaka  
Senior Managing Director

\* Total local sales of overseas subsidiaries and affiliates.