

# Revised Medium-Term Management Plan Initiatives in Japan

## Supply Chain Management Reform

### | Initiatives by Teams

#### Product Development and Merchandising Division

**Develop and provide products that address clear customer needs under short lead times, and nurture star product numbers**



Tetsuro Ito

Corporate Officer, Head of Wacoal and Wing Product Supervising Sub-Division, Product Development and Merchandising Division, Wacoal Corp.

The Product Development and Merchandising Division bears the role of quickly responding to customer needs and changes in the market environment to create compelling products. Toward that goal, we will review our existing business processes and shorten product planning and development lead times to establish a structure under which we can continue the timely provision of products demanded by customers. Firmly adopting the customer's point of view, we intend to break away from the traditional production-centered business model to develop and nurture products that will become long-running customer favorites.

The role of the department in SCM reform and the envisioned ultimate goal

Specific initiatives for the first year of the revised plan (fiscal 2024) and a frank evaluation of progress

In fiscal 2024, we reviewed planning and development meetings and other business processes, and worked to shorten the lead time required for product development. For a number of products released in fiscal 2025, we launched operations with a lead time three months shorter than in the past. Expanding this operation beyond the current limited range of product numbers will require that we repeatedly undertake additional measures under the PDCA cycle. At the same time, I appreciate that we were able to thoroughly rethink our past way of doing things and generate solid results.

Results achieved through initiatives under the plan's first year, and newly emerging issues

It has become clear that the key to further shortening our planning and development lead time is the establishment of a mass production structure that leverages existing patterns. Our Product Supervising Sub-Division, which manages the Wacoal and Wing brands in the innerwear business, is introducing a uniquely Wacoal version of modular design, for which we are now holding discussions on the formulation of standards from a functional perspective. Incorporating these into actual business processes will take some time, but we plan to launch trial products in fiscal 2025.

Fiscal 2025 role in achieving the targets of the revised medium-term management plan through SCM reform

In addition to further shortening our planning and development lead time, we must establish a structure for creating products that are linked to customers' needs. In fiscal 2025, we integrated the EC and Catalog Business Sub-Division that operates e-commerce sites into the Product Development and Merchandising Division. We plan to further strengthen collaboration so that product reviews and purchase data received by sites can be promptly reflected in product development. By focusing on the creation of long-beloved standard products, we would like to contribute to success in capturing sales and reforming SCM.

#### Technology and Manufacturing Division

**Improve the in-store demand fulfillment rate for best-selling products through flexible production and supply in line with demand**



Teruo Fukumoto

Corporate Officer, Head of Technology and Manufacturing Division, Wacoal Corp.

The Technology and Manufacturing Division has established a demand-linked production structure and shoulders the role of delivering products that customers want, at the right time and in appropriate ways. We have pursued production efficiency enhancements and loss reduction under a unified schedule of material procurement and sewing. Toward this, we will shorten lead times through the division of material procurement and production plans in line with demand. By undertaking a transformation toward demand-linked production methods, we aim to build a supply chain geared toward speed.

In fiscal 2024, we conducted a trial of demand-linked production at the Nagasaki Factory for eight product numbers and worked to shorten production lead times from the spring and summer of 2024. By changing order timing and frequency in response to changes in product inventories, we succeeded in shortening the period spanning order to distribution and delivery from 90 to 25 days. While applicable product numbers were limited, we were able to generate results in fiscal 2025 and plan to further expand applicable product numbers and factories from the autumn and winter of 2024.

We were able to confirm that product numbers handled through demand-linked production have contributed to inventory reduction and other production efficiency improvements. Compared to our conventional production structure, however, the method will present greater burdens in ordering and factory production operations. For this reason, I expect that we will need to quantify impacts on sales and inventories and verify effects as we move forward. I believe that we also need to build a structure by which we can operate under fixed standards while making our inventory status visible.

In achieving the targets of the revised medium-term management plan, I believe that a key point will be the creation of a Wacoal version of SCM that combines our proprietary planning model and demand-linked model, all connected to business model reforms that include brand reorganization and expansion of the ratio of standard products. I want to particularly focus on the establishment of production operations that avoid shortages of standard products,\* establish a production system aligned with sales trends, and switch about half of our standard products to demand-linked production by the next fiscal year.

\* Standard products: Products for which five seasons (three years) or more have elapsed since release

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#### Sales Division

#### Optimize product mix and inventory levels in stores to improve store revenue

Hirofumi Inoue

Corporate Officer,  
Head of Sales Division, Wacoal Corp.



#### Business Administration Division

#### Undertake SCM reform as control manager to achieve flexible operations

Kouji Fukuda

Corporate Officer,  
Head of Business  
Administration Division, Wacoal Corp.



The role of the department in SCM reform and the envisioned ultimate goal

The Sales Division is responsible for delivering the products customers want, when they want them, at Wacoal stores throughout Japan. Doing so requires that we identify best-selling products in line with the characteristics of areas and stores, then steadily deploy those products in stores. To deliver necessary products without delay, we also need to properly maintain in-store inventory. By reducing shortages and optimizing inventory, we will achieve our revenue targets and create sales areas that customers find appealing.

Specific initiatives for the first year of the revised plan (fiscal 2024) and a frank evaluation of progress

In fiscal 2024, we conducted multiple field trials at a number of mass retailers to verify the correlations among optimal product mix, sales, and in-store inventory. From this, we found that sales can be maintained under minimum necessary inventory when products are deployed in line with the scale and characteristics of stores. We further confirmed that the introduction of an automated ordering system and in-store display advisors to perform in-store maintenance contribute to sales expansion. While the trial involved a limited number of stores, we sensed a considerable improvement effect.

Results achieved through initiatives under the plan's first year, and newly emerging issues

From the findings of the field trials, we confirmed that product mix optimization contributes to improved revenue. At the same time, we also saw that subsequent enforcement of in-store maintenance is essential in achieving reliable improvement. Replenishing delivered products in stores at the right time and maintaining optimal sales areas for customers require that maintenance be systematized. In fiscal 2025, we will advance business negotiations with clients to expand and introduce automated ordering systems and in-store display advisors at all mass retailers.

Fiscal 2025 role in achieving the targets of the revised medium-term management plan through SCM reform

In achieving the revised medium-term management plan, the mission of the Sales Division is raising customers' interest in Wacoal and recovering from the decrease in customer visits to stores. To do this, we must create compelling store areas where the products and services that customers want are always available. We see fiscal 2025 as a period for establishing the operations that will underlie this. In cooperation with clients and with planning, production, administration, and other departments, we will constrain losses of sales opportunities, optimize in-store inventory, and improve in-store revenue.

The Business Administration Division plays the role of a secretariat supporting the smooth progress of individual teams' activities and the project overall. To ensure the outcomes of activities and achieve project objectives, we coordinate teams, make adjustments to resolve conflicts, and construct operations that are optimized overall. Accordingly, we recognize the achievement of financial targets (sales and inventory efficiency) as our mission.

In fiscal 2024, we worked to shorten planning and development lead times and to construct a system for replenishing products in short supply at mass retailers, with a focus on field trials and on analyses of teams' current status. We confirmed that a certain degree of results can be expected from these activities. At the same time, we also found that parties' understanding of the purpose and envisioned goals of the project overall was not sufficiently aligned, resulting in inter-team cooperation that was lacking from a standpoint of overall optimization. To remedy the situation, accelerate efforts, and maximize outcomes, in fiscal 2025 we have been working to expand and strengthen the project structure.

Conducting limited-scope field trials, we found that results could be solidly achieved as long as the required conditions were in place. From this, we recognize that our greatest achievement has been ascertaining our direction for moving forward. However, it has also become clear that negative effects, such as the deterioration of production efficiency under the aim of shortened lead times, can occur more often than expected. In response, in fiscal 2025 we will inspect project activities as a whole from the perspective of overall optimization, with both positive and negative aspects considered.

Acting as a management department within Wacoal (Japan), the Business Administration Division shoulders the roles of a department with operational responsibility and of the overall secretariat for business model reform, including SCM reform. Heading into the final year of the revised medium-term management plan, in fiscal 2025 we need to demonstrate the achievements of departments' efforts and solidly depict an upward vector that connects to the next fiscal year. Toward that end, we will enforce progress management for all measures and, while closely communicating with relevant departments, will provide backup for resolving issues and achieving objectives.