

Interview with an External Director

The company management the Wacoal Group should pursue is enhancing corporate value by spinning out next-stage growth from existing assets and realizing it through “management by all employees”

Tetsuro Harada

External Director (Independent)



Current Status and Expected Potential of the Wacoal Group

Q. You were appointed as an external director in June 2024. How do you perceive the current state of the Board of Directors and your own role?

Approximately one year has passed since my appointment. The Board of Directors holds active discussions between management and external directors. Many comments are made from the perspective of capital markets, and while some points may be uncomfortable for internal directors to hear, this fosters open debate. I feel governance reforms are steadily progressing. I understand my role is to contribute to management by leveraging my experience driving structural reforms as CEO of Dream Incubator Inc., along with the expertise cultivated in my specialties of strategic consulting and venture investment and incubation. As societal change accelerates, the nature of corporate management and management methodologies are also evolving. The current Wacoal Group must grasp “how the Company should be” from a

medium- to long-term perspective, make decisions swiftly, and execute them. I feel the role of external directors, who can promote management evolution from an external perspective without being constrained by internal ties, will continue to grow in importance.

Q. Based on your extensive experience supporting numerous companies as a management consultant, where do you see the next growth opportunities for the Wacoal Group?

I have observed factory tours, research and development, and quality inspections, engaging in dialogue with individuals across diverse departments, including the brand manager. Through these interactions, I came to recognize the Wacoal Group’s long-cultivated strengths: its high level of dedication to functionality, design, and wearability, and the fact that this dedication has been passed down as an organizational capability. However, the current reality is that due to changes in customer needs and the market, these strengths of the Wacoal Group are not being fully leveraged. Furthermore, the domestic market faces a challenging environment of contraction due to population decline. For the Wacoal Group to identify its next

growth opportunities, it must approach this from both existing and new business domains. Within existing domains, it is crucial to constantly analyze market and competitor trends, identify winning strategies, and swiftly determine how to differentiate from others, translating these insights into actionable measures. To achieve this, continuous market analysis, fostering an open environment conducive to discussion, and embedding this as part of the corporate culture are indispensable. For new business areas, the key to growth lies in deploying the competitive assets cultivated in existing businesses into new fields. For example, CW-X, which applies our innerwear expertise and years of accumulated human body measurement data to the sports domain, has already earned high acclaim. In fact, it is trusted by world-class athletes like Ichiro Suzuki and Shohei Ohtani. CW-X continues to support wearers in achieving their ideal physical condition. This exemplifies the Wacoal Group’s mission. CW-X plans to further expand its business domain and grow into a core revenue pillar. We intend to continue supporting such challenges to create new value from existing assets.

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Toward Enhancing Corporate Value Over the Medium to Long Term

Q. What evolution is necessary for the Wacoal Group to achieve medium- to long-term growth and enhance corporate value?

The Wacoal Group operates under a holding company structure, overseeing and managing its various operating companies. Strengthening governance through the holding company is crucial for enhancing the overall corporate value of the group. To confront and prevail in rapidly changing markets, advanced market analysis and strategic planning are indispensable, yet individual operating companies face limitations. The holding company's involvement in cross-group analysis and strategy formulation, strengthening management decisions through “the power of science”—that is, leveraging data and scientific methodologies—will be a key element for future growth.

Another piece of advice comes from insights I gained while consulting for large corporations. In recent years, I feel that top companies in their industries are entering an era where they struggle to create new value. These top companies have developed products and services using the most suitable methods within their industries and built organizations optimized for those methods. However, in today's era of major industrial transformation, where industry boundaries are disappearing, these optimized organizations and methods can sometimes become constraints. Not just the Wacoal Group, but every top company is grappling with the struggle to create new value. Furthermore, they share the common challenge of how to empower employees responsible for value creation. Konosuke Matsushita, after much contemplation on how to ensure a company's sustainable growth, arrived at the concept that “the best management is management based on collective wisdom.” He believed that management does not hold all the answers; rather, it involves pooling the wisdom of all employees and leveraging it for corporate growth. He actively promoted this philosophy within his company.

I understand that “management by all employees” is a universal concept that can serve as a guiding principle even for modern

companies facing challenges. I believe that unless employees take the lead in envisioning the company's future, its survival and growth will be difficult. What is needed at that time is for each employee to adopt a management perspective and proactively engage in their own work. This becomes the driving force supporting the Company's sustainable growth. What I want to convey to all employees is that, when distilled to its essence, management boils down to the following four principles:

(1) Be useful to people:

Consider what is currently acceptable to customers. Analyze not only the market but also competitors, and think about how to develop products that are more useful and desired.

(2) Generate profit:

Think in terms of overall optimization that creates total profit, not just partial optimization focused solely on one's own department.

(3) Grow:

Pursue sustained growth, not just temporary profits. Consider not only the business itself but also the growth of our human capital—the vital assets essential for the organization's survival and advancement.

(4) Share:

Profits are returned to employees and shareholders while also being allocated for future investments.

I want all employees to constantly consider and discuss whether there are elements within their assigned duties or cross-departmental projects that could be further evolved from a management perspective. Approaching your work with a mindset of “management by all” will change how you see your tasks. A higher vantage point reveals a different landscape, making work more engaging. Let that renewed sense of purpose fuel your drive to embrace change and pursue ambitious challenges with passion.

The collective strength of every employee embodying the spirit of “management by all employees” is the source of the Wacoal

Group's corporate value. The key to our future growth lies in how many employees we can cultivate with a management perspective and how many individuals we can nurture who will proactively drive change. As an external director, I aim to be a source of support and encouragement for these challenges, working toward realizing this vision.

Profile

Tetsuro Harada

Earned an MBA from the University of California, Berkeley in 1996. After serving in the Japan Maritime Self-Defense Force and working at Nippon Life Insurance Company, joined Dream Incubator Inc. in 2000. Appointed Representative Director, President and CEO in 2020, and Director (Chairman of the Board) in 2023. Served as an external director of our Company since 2024.

