

## **Wacoal Corp.'s Initiatives for the 2H of the FY2023**

Wacoal Holdings Corp.  
Representative Director, President and CEO  
Hironobu Yasuhara

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Hello, everyone.

I am Hironobu Yasuhara, Representative Director, President and CEO (Group CEO)

I will now explain Wacoal Corp. 's Initiatives for the 2H of the FY2023

## Change of Representative Director of the Company and Representative Director of Major Subsidiary

### Background of change in representative directors

- Tomoyasu Ito, President of Wacoal Corporation, has tendered his resignation as President of Wacoal Corporation and Vice President of Wacoal Holdings for personal reasons (resignation at the end of November 2022).
- Until the end of March 2023, Hironobu Yasuhara, President of Wacoal Holdings will also take the position of the President of Wacoal Corporation and manages domestic business.
- Wacoal will make a transition to a new structure from April 2023.



Wacoal Holdings Corp.  
Representative Director, President and CEO  
Hironobu Yasuhara

 WACOAL HOLDINGS CORP.

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First, we would like to reiterate our announcement of the change in representative directors, which was disclosed on November 11.

Tomoyasu Ito, President of Wacoal Corporation, has tendered his resignation as President of Wacoal Corporation and Vice President of Wacoal Holdings for personal reasons, which was accepted and approved by the Board of Directors. At the same time, it is resolved that I, as President of Wacoal Holdings Corp., will also take the position of the President of Wacoal.

As stated in my presentation, my term as President will end at the end of March next year, and Wacoal will transition to a new management structure from April 2023 onward. Although it will be a short period of about four months, we would like to speed up the structural reforms that we are currently undertaking, and after setting a firm course for recovery, we would like to pass the baton to the new management team.

## ■ Implementing the Flexible Retirement Program to optimize the personnel structure.

### Purpose of implementation of this system

- To speed up business structural reforms in order to improve the profitability of our domestic business.
- To optimize the personnel structure to match the scale of the business.
- To accelerate the transformation into a resilient organization that boldly takes on new challenges and delivers results quickly.

→ **The impact of this system on business performance is scheduled to be disclosed in mid-February.**

Company to target for implementation:	Wacoal Corp.
Target:	permanent employees below the management level and employees on indefinite-term contracts, who are at least 45 years of age ( permanent employees at management level who are at least 50 years of age) *Excluding sales staff
Expected Acceptance Number:	Approximately 250 employees
Offer Period (scheduled):	January 2023 (schedule)
Date of Retirement:	March 31, 2023
Incentives:	Special additional payment based

Please see page three.

Next, I will explain the implementation of the special operation of the flex retirement system, which was also disclosed on the 11th.

The flex retirement system is an elastic retirement system introduced with the aim of supporting employees in their second life. The decision to implement this special operation was made in order to optimize the personnel structure to match the scale of the business and to accelerate the transformation into an organization with the ability to respond to change.

Please refer to the disclosure documents for information on eligible employees, number of employees, and details of support. The impact of this matter on business performance has not been incorporated in the revised plan. We plan to disclose the amount of impact on business performance again in mid-February after the special management offering is completed.

To reiterate, we will increase the speed of business structure reforms to realize improved profitability.

## Review of 1H

Wacoal Corp.'s Priority Initiatives		Evaluation at the end of 1H	
Progress of CX strategy	Aim to improve LTV by improving the customer experience value and bringing online and offline together.	▲	↑ Purchases by member customers proceeding due to strengthened retention marketing. ↓ Challenge: Purchases by non-members, including new members, were lower than expected.
Evolution of the area sales system	Implementation of an optimal marketing approach for each region and customer based on area information.	×	↓ Dysfunction of the area sales system, and delayed development of customer contacts. ↓ Delay in area analysis (population structure/ consumer characteristics, etc.)
Strengthening of marketing	Integration of cooperative marketing capabilities to enable effective promotion that resonates with customers.	×	↓ Continuation of storefront-first mass marketing. ↓ Delayed cause analysis and response to the marketing failure.
Cost structural reform	Improving profitability by continuing structural reforms of work style and manufacturing and pursuing cost-effectiveness.	▲	↑ Started to optimize workforce for cost structural reforms. ↓ Challenge: Transformation to P/L centered organization and response to rising cost of materials.
Withdrawal of unprofitable stores	Decision making on withdrawal of stores, etc. through periodic inspection.	▲	↑ Discussions on addressing and dealing with unprofitable businesses have progressed. (Decide to continue in 2H)

Reflection

- Efforts to resolve issues are slow, and the process from verification to improvement of each measure is not functioning properly.
- Lack of clarity in management and responsibility for each policy. HD supervision was also inadequate.
- We, both management and employees, have not yet eliminated the bad mindset of not wanting to change Wacoal.

Please see page four. We will take a candid look back at Wacoal in H1 of this fiscal year, which was a difficult period for the Company.

First, we rated the CX strategy, which aims to increase customer value through digital innovation, as “▲”. Purchases by member customers are proceeding as planned due to strengthened retention marketing, but purchases by non-members, including new members, were lower than expected. Next, we rated the evolution of the area sales system, which implements an optimal marketing approach for each region and customer based on area information, as “×”. We have not been able to transform from our previous channel-based sales operations and have not yet developed contacts with customers, which was the original objective of the area strategy. We also rated a firmer commitment to strengthen our marketing efforts as “×”. We have not been able to break away from over-the counter-first mass marketing and develop promotions that generate buzz. Cost structure reforms and addressing unprofitable businesses were rated as triangles. Although we have taken measures to optimize our workforce, such as the decision to implement a special flex retirement system, I feel that we have yet to transform our organizational management to be P/L centered on a company-wide basis. We are also behind schedule in how to cover the rising cost of materials and the impact of foreign exchange rates in this area.

In summary, we recognize that Wacoal has three challenges today. The first issue is speed. The speed of efforts to resolve issues is slow, and the process from verification to improvement is not functioning properly. The second issue is the lack of clarity in management and responsibility for each policy. HD supervision was also inadequate. This is something I have greatly regretted myself. The third challenge is that we have not yet eliminated the bad mindset of not wanting to change that is inherent in Wacoal.

## ■ Priority measures for the 2H of this year



Speed up the structural reform



Pave the way back to growth



Selection of  
successor

### Specific initiatives

- **Undertaking a fundamental review of our marketing activities:** Restructuring of marketing structure and strategic cost allocation.
- **Restructuring area strategy:** Pursuit of human resource and investment efficiency, selection of growth areas and transfer of resources.
- **Determining the P/L of existing stores and formulate a list of stores to be closed:** Based on profit and loss plans and improvement measures.
- **Strengthening Wacoal's EC:** Review of storefront-first marketing strategy and strengthen measures to acquire new customers.
- **Creating a workplace with high organizational vitality and psychological safety:** Identifying and improving organizational issues.
- **Formulation of the management structure for the next fiscal year:** Selection of human resources capable of carrying on the future, optimization of personnel, and streamlining the organization.

Moving onto page five.

My own role as President of Wacoal is to work to resolve issues as quickly as possible and to promote the creation of a workplace where employees can work without anxiety. To this end, we have set the following three priority measures for H2 of the fiscal year: speeding up structural reforms, setting a course for returning to a growth trajectory, and selecting successors and handing over the Company to the next generation. At the same time, we will work on the six initiatives listed on the page.



### ① Undertaking a fundamental review of our marketing activities

1. **Restructuring marketing structure and strengthening monitoring, using Peach John as a reference.**
  - Implementation of a marketing strategy that runs from planning to storefront.
2. **Review of marketing costs and implementation of strategic cost allocation.**
3. **Review of 3D smart & try marketing practices.**
4. **Rebuilding brand strategy by leveraging external consulting.**

### ② Restructuring area strategy

1. **Review sales operations to have a strong area strategy.**
  - Focus on creating customer contact points, which is the essence of the area strategy.
  - Pursuit of human resource and investment efficiency, selection of growth areas and transfer of resources.
2. **Review of direct store opening scheme and development of new business types to expand customer contact points.**
3. **Optimizing brand and product composition and narrowing down promotional menus.**
4. **Strengthening pricing strategy for mass retailers.**

I will explain specific initiatives to be implemented in H2 of the year.

First, we will undertake a fundamental review of our marketing activities. Wacoal's challenge is that it has been left in a long-term state of marketing failure, unable to develop content that can generate buzz and contribute to sales.

On the other hand, Peach John, a group company, has developed very efficient marketing activities. First, we will reorganize our marketing system, taking Peach John as a reference. In order to efficiently execute a comprehensive marketing strategy from planning to the storefront, we will hold regular cross-sectional meetings involving sales, planning, and marketing departments to discuss where investments can effectively lead to sales and strategically allocate costs. In addition, we will promptly verify each measure and improve the accuracy of our improvement activities.

Next, we will work on restructuring the area strategy.

The essence of area strategy is never just about managing across existing channels. We will improve our sales operations and pursue human and investment efficiency so that we can implement the essence of our area strategy, which is to create contact points with customers. In this context, we would like to select growth areas and transfer resources, including human resources.



### ③ Determining the P/L of existing stores and formulate a list of stores to be closed

#### 1. Formulate a list of stores to be closed after establishing a 76th P/L plan for all stores.

- Strengthening store management centered on P/L and improving management capabilities.
- Developing P/L plans and improvement measures. Considering closing stores with lack of profit improvement measures and no prospects for future growth.

#### 2. Formulate and implement P/L improvement plans for each store that continue to operate.

- Identifying the cause of the loss and responding promptly.

### ④ Strengthening Wacoal's EC:

#### 1. Strengthen investment in marketing activities to attract new customers.

- Fundamental review of storefront-first mass marketing.  
(Build an EC-first strategy that connects the buzz to the storefront.)
- Continuously set up topical contents and effectively link topicality to sales.
- Establishing advertising effect measurement techniques, monitoring and strengthening PDCA cycle.

#### 2. Early resolution of EC issues by hiring external personnel and utilizing consultation.

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The third is to determine the P/L of existing stores and formulate a list of stores to be closed.

First, a P/L plan and improvement plan for the next fiscal year will be developed for all stores. We will then consider closing stores where profit growth cannot be expected due to a lack of profit improvement measures.

The fourth is to strengthen in-house e-commerce.

Unless all Wacoal employees understand that customer behavior is changing, it will be difficult to achieve a quick recovery. To this end, we need to rethink our traditional storefront-first marketing strategy. We would like to build an EC-first strategy and connect the buzz to the storefront.

We will ensure that all brands create mechanisms that makes customers feel like purchasing. We will continue to set up topical content and effectively link topicality to sales. Peach John is also ahead of us in this area, so we will strive to strengthen our own EC while learning from their efforts in a positive way.



### ⑤ Creating a workplace with high organizational vitality and psychological safety

#### 1. Development and implementation of programs to extract and improve the organizational challenges of Wacoal Holdings Corp.

- Change not only sales department but also all departments to P/L management system.
- Clarification of responsibility for policies and elimination of multiple structures.

#### 2. Identify problems in management and business operations at an early stage and respond to important issues.

#### 3. Change to a corporate culture that allows people to freely express their thoughts and feelings within the organization.

### ⑥ Formulation of the management structure for the next fiscal year

#### 1. Selection of personnel who can carry the future and formation of a new management system.

- A fresh start under a new structure from April 2023 for both Wacoal Holdings Corp. and Wacoal Corp.
- Elect a management team by conducting a comprehensive selection process to select personnel capable of carrying the future.

#### 2. Fundamental review of organizational structure and reduction of management personnel.

- As part of the business structure reform, organizational structure will be significantly revised.
- Streamline the organization as well as optimize personnel to allocate resources to growth areas.

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Fifth is to create a workplace with high organizational vitality and psychological safety.

We will strengthen the P/L management system not only in sales, but also in all divisions, and clarify where responsibility lies for each measure in order to speed up the implementation of each measure.

In addition, we will introduce a system to absorb problems related to management and business operations so that middle management will not cover the passion of the members as insulation.

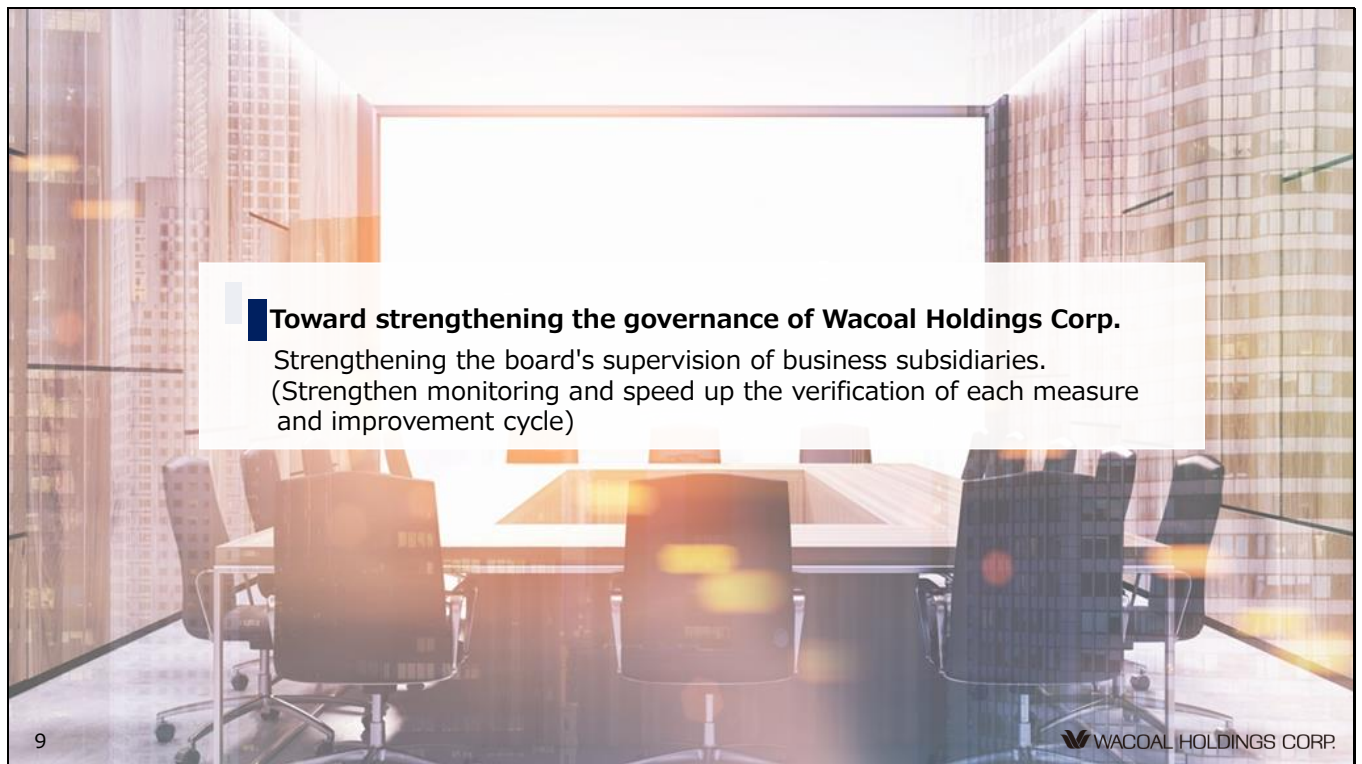
I would also like to change the corporate culture to one where people can feel comfortable voicing their thoughts and feelings within the organization, in order to make the most of diverse opinions in management.

The last step is to elect a new management team and formulate a management structure for the next fiscal year.

As I mentioned at the outset, Wacoal will make a fresh start under a new structure from April 2023. We will select a management team by conducting a comprehensive selection process to select personnel who can carry the future.

At the same time, as part of the business structure reform, we plan to substantially review our organizational structure. We will streamline the organization as well as optimize personnel, and establish a structure that will enable us to allocate resources to growth areas.





**Toward strengthening the governance of Wacoal Holdings Corp.**

Strengthening the board's supervision of business subsidiaries.  
(Strengthen monitoring and speed up the verification of each measure and improvement cycle)

This is the last slide.

Again, as President of Holdings, I deeply regret that I was not able to fulfill my responsibility to supervise the subsidiaries.

To strengthen the governance of the Group, the Board of Directors of Holdings will strengthen its supervisory function over the operating subsidiaries. While strengthening monitoring of operating companies, we will confirm activities from verification to improvement of each measure with a set time frame.

In order for the Wacoal Group to realize its mission and continue to be the company of choice for society and customers, all executives and employees must continue to take on challenges without fear of change. Without postponing issues, we will aim to speed up structural reforms and transform ourselves into an organization that is highly responsive to change, boldly takes on new challenges, and speedily delivers results. I would then like to pass the baton to the new management team.

This concludes my explanation.

Thank you for watching.

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