

## Business Strategy—Wacoal Business (Domestic)

# We will advance our customer experience strategy, develop new businesses, and shift to a resilient corporate structure.



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### Three Years That Highlighted Wacoal Corp.'s Issues

In the final fiscal year of the previous medium-term management plan, which ended March 31, 2022, the Wacoal Business (Domestic) recorded net sales and operating income significantly below target. These regrettable business results reflect the long-term impact of the COVID-19 pandemic, which has changed lifestyles both in Japan and overseas. The extraordinary conditions produced by the pandemic, which could not have been predicted when the previous plan was being formulated, highlighted issues in the business structure of Wacoal Corp., including weak relationships with individual customers, a high-cost structure, and a standard business model based on distribution channels. Going forward, we will deepen relationships with customers through our customer experience strategy and shift to a resilient corporate structure.

Before the pandemic, we recognized some of the aforementioned issues, and we were working on improvements. Nonetheless, the pandemic exposed our weaknesses. On the other hand, one achievement under the previous plan was that we advanced business structural reforms with a sense of urgency because the environmental changes and sense of crisis accompanying the pandemic deepened employees' understanding of existing initiatives, such as our customer experience strategy, cost structure reforms, and a customer-oriented approach to lifetime value and personalization.

### Review of Fiscal 2022

Throughout fiscal 2022, ended March 31, 2022, sales at brick-and-mortar stores were lackluster due to constraints on activities, including the issuance of state of emergency declarations and measures to prevent widespread infection. Further, these conditions prompted some business clients to curb their purchasing, thereby delaying the recovery of our sales. Meanwhile, e-commerce net sales were 3.0% above the high sales level of the previous fiscal year, when we captured stay-at-home demand. This year-on-year increase stemmed from the success of activities to communicate with existing customers based on our customer experience strategy. However, we struggled to acquire new customers.

In April 2021, with the aim of flexibly adapting to changes in distribution structures, we shifted from a sales system centered on conventional sales channels to one centered on regions. This reorganization has integrated products, brands, and customer information and advanced our customer experience strategy, which cultivates deeper, broader, and longer relationships with customers, but the new organization has yet to reach its full potential. Issues that we have carried over to the new medium-term management plan include creating points of contact not only with existing customers but also with future users of Wacoal's products and services, ensuring that the new organization functions properly, and developing brand communication that inspires customers.

A new issue that emerged in fiscal 2022 is the fragmentation of supply chains. Until now, we have used a self-contained business model in which all supply chains are in-house, except for fabric manufacturing. This model has enabled the timely delivery of high-quality products to customers. Recently, however, due to the prolonged global pandemic, Vietnam Wacoal Corp., which operates some of our main sewing factories, halted operations for about three months,

delaying the supply of products. These delays made apparent the vulnerability of a business model that used to be a strength. Fiscal 2022 convinced me of the urgent need to review the speed and flexibility of decision-making with respect to such matters as how to use our supply chains organically when a global crisis of this type occurs and, if we cannot use them, how to use external resources. To accelerate decision-making, in April 2022 we changed to a system that empowers executive officers and general managers with high levels of expertise in their fields of responsibility to make decisions on their own authority. By promptly analyzing the causes of issues and implementing countermeasures, we will build a stronger organizational structure.

While reforming the structure of our organization, we have also focused on reforming cost structures, and these efforts are producing results. As a percentage of sales, the optimization of personnel expenses through the management of personnel plans has not reached the target level due to the delayed recovery in sales. On a monetary basis, however, this optimization has progressed largely as planned. I believe that this achievement is attributable to the efforts of individual employees.

### VISION 2030 and a New Mission

In June 2022, the Wacoal Group announced VISION 2030, which is a medium- to long-term management strategy framework, and a new mission. The latter and material issues were mainly formulated by younger employees under the leadership of executive officers. As the owner of the project, I participated in a range of discussions and supported the drafting efforts.

Ultimately, we decided to change the structure of the Group Philosophy for the first time since our founding, thereby defining the new Mission that the Group should fulfill in modern society. Specifically, we repositioned the existing elements of the Group Philosophy—Our Mission, Our Culture,

and Our Value—and reestablished them as Our Promise, Our Culture, and Our Values under the Founding Principles.

The aim of formulating the new Mission is to enhance the capabilities of individuals, increase the power of the whole organization, and, as a consequence, raise the enterprise value of the entire Wacoal Group by aligning and creating a sense of ownership with respect to the goals of the senior management team and those of all Group employees. I want the new Mission to give Wacoal employees working in regions worldwide a renewed sense of having shared aspirations. Going forward, we will focus on ensuring that all employees fully understand the new Mission and fostering a culture in which collaboration aimed at realizing ambitious initiatives is a matter of course.

### Return to Growth and Construction of a Resilient Corporate Structure

Ending in fiscal 2025, the new medium-term management plan covers an important three-year period when we will lay the foundations for realizing the goals set for the Wacoal Business (Domestic) in VISION 2030, which calls on us to improve domestic profitability and expand our business fields. To this end, under the plan the core strategy of the Wacoal Business (Domestic) will be to shift to a resilient corporate structure, and we are determined to once again achieve growth and improve profitability.

In realizing the return to growth, we will continue advancing our customer experience strategy and step up marketing, which we view as a weakness. We will provide customer experience value that reflects diversifying consumer priorities by establishing deeper, broader, and longer relationships with each customer. More specifically, we will enhance store value through the provision of such differentiated services as *3D smart & try*, establish product lineups and develop stores in accordance with regional characteristics, increase the coordination of online and offline operations, strengthen e-commerce through the

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upgrading of websites, and conduct effective marketing by analyzing and utilizing customer data obtained from brick-and-mortar stores and e-commerce platforms.

Further, to increase our brand power and product development capabilities, we have already completed a phase of brand consolidation and put in place a system that concentrates on the nine core brands. As I mentioned, we face issues related to brand marketing and communication. Therefore, we will steadily address these issues and develop robust brands that are in step with changes in customer values and consumer behavior.

Beginning from the current fiscal year, we are reorganizing sections under the umbrella of the Marketing Management Division, with the aim of bolstering marketing functions and promoting our customer experience strategy—areas in which the department will be responsible for advancing initiatives. At the same time, we will actively develop new products that embody respective brand stories and match the sensibilities of customers.

To increase enterprise value over the medium to long term, we will also pursue three types of new business development. The first type will explore new business formats through research at the Human Science Research & Development Center and through industry-academia collaborations. We have already begun working on the development of these types of businesses, and in the areas of beauty, comfort, and health we expect to be able to demonstrate the results of these efforts by next spring. Second, we will develop new business fields by extending the applications of 3D body scanners. While continuing to develop Wacoal products and services that utilize the measurement data from 3D body scanners, we will take on the challenge of creating new businesses through collaborations with other companies. The third type of business

development will be led by the Future Business Development Department, which we have established to solicit and commercialize in-house business ideas. The new department has already collected some highly feasible proposals. Moreover, we have launched new projects that bring together personnel from completely different departments who have proposed similar ideas. Although they have not yet resulted in commercial products, these initiatives are making tangible progress and promise to produce benefits going forward. I am confident that these three types of business development will further enhance customer experience value by fostering relationships with customers based on completely new points of contact.

In conjunction with the aforementioned efforts, we will improve profitability by continuing the steady reform of cost structures through management of personnel plans and other measures.

### A More Adaptable Organization

In an era of volatility, uncertainty, complexity, and ambiguity, the Wacoal Group must realize the forward-looking evolution of its corporate culture in order to continue providing the value expected by customers as well as succeed both in addressing social issues and advancing businesses. We recognize that diversity is the key to generating and giving concrete form to ideas that create new value. A good example is the *3D smart & try* measurement service enabled by 3D body scanners. A solution to customers' issues was arrived at through discussion and collaboration that included external stakeholders, and which transcended the boundaries separating the divisions that are engaged in human science research, planning, and sales. Diversity was also of critical importance in realizing the service. If we adopt this multifaceted approach when

considering the management of store operations and the issue of area marketing, I believe that we will be able to identify solutions. New ideas will emerge if we can change from the personnel of a single department considering what measures to take for a particular store to considering from a variety of perspectives the presence and roles of stores in a particular area. In other words, the aim of our reorganization is to share information across divisional boundaries and promote the creation of new value by incorporating diverse perspectives. Another important factor is time awareness. We want to evolve into an organization that is more focused on what, when, and how measures should be taken as well as the time frames within which results have to be produced.

Group personnel are still in the habit of trying to come up with answers within divisions, and customer issues are becoming more complex and varied. In resolving such issues and achieving results, personnel must be able to establish interdivisional collaborations and find other willing participants. With this in mind, we are committed to actively fostering leaders who combine curiosity with consideration. At the same time, we will focus on creating a nonhierarchical organization that enables many different personnel to participate in the resolving of issues.

The three years of the new medium-term management plan will be extremely important, not only in relation to achieving VISION 2030 but also in terms of meeting the high expectations of Wacoal's stakeholders. Without slackening the pace of reforms, all employees will make a concerted effort to build a resilient corporate structure that heightens the effectiveness of initiatives and returns the Wacoal Group to a growth trajectory.

### Customer Experience Strategy

**We will capitalize on digital technologies to build deeper, broader, and longer relationships with customers.**

To achieve further growth, Wacoal Corp. is developing and advancing a customer experience strategy, which increases lifetime value by utilizing digital technologies to build deeper, broader, and longer relationships between customers and Wacoal Corp.

In fiscal 2022, we completed the integration of customer data that had been held separately by respective sales channels. As a result, we now have a more accurate understanding than ever before of customer psychology and behavior as they pertain to which customers find value in which *Wacoal* products, brands, and services as well as where purchases are made. Moreover, we can now provide information on our products, brands, and services based on the characteristics of each individual customer.

By utilizing the aforementioned customer data and digital technologies, we are reconstructing our entire value chain—from product development through to sales—from the customer's perspective, thereby enhancing customer experience value and our relationships with our customers. In this way, we will increase lifetime value by attracting new customers and heightening the loyalty of existing customers.

#### Initiatives to Build a Customer-Focused Value Chain

##### Sales (Brick-and-Mortar Stores and Websites)

- Advancing an area strategy**  
Promoting brand deployment and sales channel development according to customer characteristics in each region
- Enhancing store value**  
Stepping up the rollout of *3D smart & try* and *Ava.Counseling Parler* (avatar-enabled counseling)
- Strengthening e-commerce**  
Utilizing customer data to bolster the linkage of e-commerce with stores and enhancing the convenience of websites and apps

##### Research and Development

- Developing products that meet current customer needs**  
Designing products that effectively appeal to customer psychology and changes therein
- Creating highly functional and personalized products based on customer data**  
Developing products and services that utilize purchasing and measurement data
- Advancing research and development that results in the provision of new value to customers**  
Developing products and services that exceed customer expectations

##### Marketing

- Moving forward with the building of a customer-focused value chain**  
Increasing coordination throughout the value chain to enable analysis and utilization of customer data
- Distributing personalized information to customers**  
Providing information corresponding to the needs and characteristics of individual customers
- Realizing a cross-brand and cross-sales channel marketing strategy**  
Strengthening our brand marketing strategy that laterally spans the organization

##### Product Planning and Production

- Cultivating core brands**  
Fostering brands that effectively appeal to customer psychology and to which customers become strongly attached
- Optimizing product mixes based on customer data**  
Forming brand portfolios and product mixes that reflect diversifying customer needs
- Planning and manufacturing products that provide new value to customers**  
Providing products that exceed customer expectations

#### Key Performance Indicators of the Customer Experience Strategy

Based on the above, we have set out key performance indicators so that we can better track our progress in advancing our customer experience strategy. These indicators include the number of Wacoal members, the number of Wacoal members making purchases, and sales to Wacoal members (customer data that is derived from statistics on trends among Wacoal members); self-managed sales as a percentage of sales; and the number of app downloads, which strengthen e-commerce and relationships with customers.

	FY2022 results	FY2023 estimates	FY2024 estimates	FY2025 estimates
Wacoal sales (incl. internal sales)	¥82.8 billion	¥104.4 billion	¥108.0 billion	¥110.0 billion
Self-managed sales (in-store + in-house e-commerce)	¥34.0 billion 41.0%	¥41.0 billion 39.3%	¥45.0 billion 41.7%	¥51.0 billion 46.3%
Self-managed sales (in-house e-commerce only) Ratio to sales	¥11.0 billion 13.3%	¥14.0 billion 13.4%	¥17.5 billion 16.2%	¥23.0 billion 20.9%
Sales to members (based on retail prices)	¥34.3 billion	¥44.8 billion	¥53.2 billion	¥62.3 billion
Wacoal members (number of registered members)	7.35 million people	8.40 million people	9.40 million people	10.30 million people
Wacoal members (who have made purchases in the last 5 years)	4.40 million people	5.10 million people	5.80 million people	6.60 million people
Number of members making purchases Ratio to Wacoal members	2.10 million people 28.6%	2.50 million people 29.8%	2.90 million people 30.9%	3.30 million people 32.0%
Number of WACOAL CARNET (app) downloads	2.00 million	3.00 million	4.00 million	5.00 million

\* Mail-order catalog sales included

#### Targets for the Numbers of Wacoal Members Making Purchases during the Period of the New Medium-Term Management Plan

(Unit: Million people)

