

Major Items of the Revised Medium-Term Management Plan (Domestic Business) |
Domestic Business Strategy (A Message from Wacoal Corp. President)

We will empower each and every customer by returning to an approach from the customer's point of view

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Revision of our Medium-Term Management Plan

Since assuming office as President and CEO in April 2023, I have been working with internal and external members to inspect our company and review our management strategy in preparation for the start of "a new Wacoal." With the announcement of the revised medium-term management plan, I have made the decision to record approximately ¥6 billion in structural reform expenses in the financial results for the fiscal year ending March 31, 2024. I believe that my mission as President and CEO is nothing other than to transform Wacoal into a highly profitable company based on this decision. In the revised medium-term management plan period, I am determined to reform our business model with strong resolve in order to transform Wacoal into a structure that can ensure high profitability even in an increasingly severe external environment. And through strengthening our customer strategies, brand strategies, and human resource

strategy, which we have set as our growth strategy, we will evolve into a new Wacoal that can quickly respond to the changing needs of customers and the market.

Regarding our performance plan, we have revised our sales target for the fiscal year ending March 31, 2026 down to ¥94 billion, taking into account the impact of the selection and concentration of brands and withdrawal of loss-making stores as a result of structural reforms, as well as the fact that it will take a certain amount of time before the results of our growth strategy are realized. We have also revised our business profit target downward. However, we will place priority on changing our business structure to one that can secure a certain level of profitability even in the face of declining revenue, thanks to the effects of cost structure reforms. First, we will work through the committed target figures, which will lead to growth from the next medium-term management plan onward.

What We Want to Achieve through Corporate Transformation

To date, Wacoal has undertaken a variety of initiatives to recover its business performance, but, unfortunately, they have not been able to produce results. We recognize that the reason behind this is that we have not properly faced changes in our customers' needs; in other words, we have lacked a customer perspective. Through our own inspections, we have confirmed that, unfortunately, each of our functions, such as manufacturing and sales, which we used to consider our strengths, has weakened. For example, bras, with their wide variety of sizes and colors, have a product characteristic that results in high SKUs*. The system to maximize sales and profits while optimizing inventory was a strong management foundation supporting Wacoal's business model, but the accuracy of management declined as each operation became more efficient and the division of labor was promoted. In addition, we have confirmed that we have not been able to fully share with our clients the inventory management of hot-selling products and the promotion of their development in the face of their increasingly restrictive inventory policies. This means that our supply chain management (SCM) has not been able to respond to the diversification of customers' needs and the shortening of trends. Our insistence on maintaining our existing supply chain structure in the face of changes in customer needs and the distribution environment has resulted in dysfunction in various areas, leading to long-term sales stagnation and excessive inventories.

Through this corporate transformation, our goal is to become a company, organization, and group of employees that can think and review ourselves from the customer's point of view, and act accordingly. We will develop products and

services from the customer's point of view and not miss opportunities to cater to them. We will implement customer-driven brand management and communication measures to ensure that our customers correctly understand the value we provide. In order to become a company that can put these goals into practice, we will implement SCM reforms that allow us to respond flexibly to changes in customer and market needs, and evolve into an organization that can implement measures for improvement with quick decision-making and high business efficiency. In addition to maximizing the value we provide to our customers, we will reestablish a series of processes that will lead to the next stage of growth by allocating the cash we receive as compensation for our efforts to invest in human resources and growth.

Fortunately, we have a large customer base and the manufacturing and sales capabilities to respond to customer needs. We believe that by updating these capabilities from the customer's point of view, we can achieve renewed growth. In addition, our employees have diverse values and personalities, but I regret that we are not making the best use of this diversity. Another issue for our company is that because we operate as a vertically integrated organization, the idea of partial optimization has permeated our operations, and we are weak in making decisions and taking actions that are optimal for the entire company. By supporting the growth of each and every employee, we hope to turn this diversity into a driving force for growth.

*SKU (Stock Keeping Unit): Unit for counting the minimum number of items

Wacoal of the Past		Wacoal of the Future	
Value proposition	<ul style="list-style-type: none"> Providing value based on the results of our research Uniform marketing for all customers 		<ul style="list-style-type: none"> In addition to providing value based on the results of our research, we will provide products and services that empower each customer's individuality based on the values of diverse customer
Brand strategies	<ul style="list-style-type: none"> Over reliance on our strengths, the "product." Lack of clear brand marketing strategies 		<ul style="list-style-type: none"> Through brand management thoroughly from the customer's point of view, we will cultivate attractive brands with clear value Making the innerwear market itself attractive
Customer strategies	<ul style="list-style-type: none"> Customer directory management through in-store beauty advisors (BA) Completing the integration of the customer data infrastructure and starting to use the data 		<ul style="list-style-type: none"> Increasing loyalty through the use of customer data Building deep, broad, and long term relationships with each and every customer through personalized customer experiences and improving LTV
Supply chain management (SCM)	<ul style="list-style-type: none"> Due to the product planning and development lead time (LT), which takes more than one year to product development, a gap between demand and production planning tends to occur 	<p>Revised medium-term management plan</p>	<ul style="list-style-type: none"> Building demand-linked supply chain management that can flexibly respond to changes in the market and customerz
Cost structure	<ul style="list-style-type: none"> High cost structure 		<ul style="list-style-type: none"> Achieving an optimal cost structure through rigorous selection and focus
Decision making	<ul style="list-style-type: none"> Various coordination tasks hinder prompt decision making The responsibility for management strategy is not clear Partial optimization (lack of progress that requires coordination) 		<ul style="list-style-type: none"> Accelerating decision making Optimizing responsibilities for business profit Increasing productivity throughout the Company by achieving overall optimization

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How We Will Promote Business Model Reform

In order to move Wacoal in this direction, I would like to talk about three points: (1) What kind of business model reform we will promote, (2) What kind of value creation company we will evolve into, and (3) How we will promote a positive change in mindset to realize our goals.

As mentioned above, we consider the fact that our SCM is not able to respond to the diversification of customers' needs and the shortening of trends to be a major issue that needs to be resolved. We will work quickly to shorten the lead time (LT) from manufacturing to sales, which currently takes 14 months, to enable the rapid development of products that match trends, and to optimize the lineup of products demanded by customers while reducing overall inventory. While this SCM reform has the aspect of cost structure optimization, it is also a growth strategy because it directly leads to profit growth through smooth development and deployment of products that meet customer needs, accurate additional production of hot-selling products, and inventory control as a result. In the future, we plan to enhance our ability to respond to customer needs in three specific steps by building a demand-driven SCM system that also makes use of digital technology. First, we will optimize the composition of products in stores, second, we will shift to production methods that match the demand situation, and third, we will

shorten planning and development LT.

To optimize the in-store product lineup, we will review the existing uniform product lineup and delivery style of new products, and promote reform to a system that reliably delivers the best-selling products to the store shelves. We have already begun trial operations at several volume retailers, and have confirmed the effectiveness of this system in improving sales. Based on the results of these trials, we will begin operations at other stores of clients who have cooperated with us in the trial in the fiscal year ending March 31, 2024, and will also begin trials at other clients. By quickly expanding the range of target stores, we will strive to reduce sales opportunity losses. In addition, we believe that demand-linked production, an initiative to change from the conventional batch production method to a production method that matches the demand situation at stores, will lead to an improvement in the sufficiency ratio of hot-selling products. Shortening the planning and development LT is an initiative to shorten the LT from development to delivery by utilizing existing patterns and reviewing business processes such as planning and development meetings. We intend to improve sales activities by speeding up the launch of products that meet customer needs.

What Kind of Value Creation Company We Will Evolve Into

From the customer's point of view, value-added products must be expensive, and those that are not must be priced commensurately or customers will not choose them. We believe it is important to carefully communicate and properly demonstrate to customers why products are priced the way they are. In our recent business performance, sales of products in the high price range have been strong, while sales of products in the middle price range (¥4,000-6,000) have been sluggish. One reason for this is that the price of the products does not match the quality of value demanded by customers. As with SCM, the theme of the revised medium-term management plan is to change brand and customer strategies to adapt to the times.

In formulating our brand portfolio, we have determined that we do not have sufficient response within the framework of our existing brands in the areas of High premium, Affordable, Young people, and Seniors. We believe that when we apply our current brands, there is a market opportunity in

this area, but Wacoal is not able to offer sufficient proposals. Naturally, needs and values differ by segment, so the profit structure is not uniform. We need to carefully examine what is required in each segment, decide which brands should play what role in the entire company, and in some cases, since the current brands are not enough to cover the needs, consider deploying additional brands. We will make decisions based on a careful look at our customers. In areas other than innerwear, we aim to expand our business in the areas of beauty, comfort, and health, including body data obtained from our 3D measurement services, personalized services utilizing research on the mind and body at the Human Science Research & Development Center, and strengthening our sports business such as CW-X.

The key to our customer strategy is the use of digital technology. In addition to the effective use of body shape data and ID-POS (customer purchase record data), we intend to use digital technology to analyze data such as customer

opinions and customer service knowledge of beauty advisors (BA), which are our hitherto untapped strengths, to improve the value of the customer experience. In addition, 3D measurement services and apps will be used in combination to provide a consistent and highly satisfying customer experience both in physical stores and online. The product reviews that we have already begun, in which beauty advisors introduce products online, have been extremely successful,

and we will continue to improve the accuracy of communication to meet diversifying customer preferences and appropriately convey the value that we offer. In the fiscal year ending March 31, 2024, we are renaming "SCANBE" and reviewing the service content. We will evolve this service beyond the benefit of "knowing your size in 5 seconds" to help customers find the best solution for their individual needs.

How We Will Promote a Positive Change in Mindset to Realize Our Goals

In formulating this revised medium-term management plan, we have renewed our determination to evolve into a company that responds to the diversifying values of our customers, and have defined the value we will provide as "empowering the individuality of each and every customer." We recognize that Wacoal's strength is not in providing uniform value, but in offering products and services that respond to diversity and can be tailored to a variety of customers. The only way to achieve our goals is to repeatedly take on challenges and improve our ability to respond to change through a high-speed PDCA cycle. What I strongly expect of our employees from now on is this ability to respond to change. It is necessary to be keenly aware that the status quo will sink relative to the competition, and to be willing to take on the challenge of change. Wacoal, which has been in business for more than 75 years, has strengths in product quality and functionality, as well as in the customer information it has accumulated over the years. However, we have been in a prolonged slump because we have somehow lost our customer-orientation. It is not an easy task, but unless we get rid of the culture of maintaining the status quo, we will not be able to escape from the long-term stagnation.

In this revised medium-term management plan, we intend to steer the company back toward growth by rebuilding the organization and operating from the customer's point of view. We intend to promote communication within the company and strive to create an organization that can respond to diverse customers with a sense of speed. As mentioned earlier, our potential in terms of brand and customer service has not declined. We intend to strengthen our investment in human capital during the revised medium-term management plan period, thereby helping each employee to maximize their diverse values and individuality. Although I have assumed the position of President and CEO in a difficult environment, I intend to carry on with my desire to make Wacoal a better company and strive to achieve the revised medium-term management plan. We will also share the progress of these transformations with our investors and employees. We sincerely ask for the continued support of our stakeholders.

