

Review of Operations

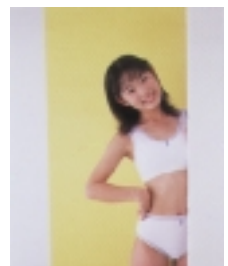
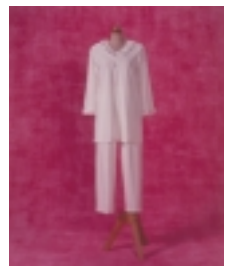
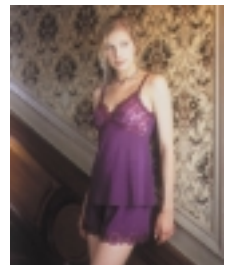
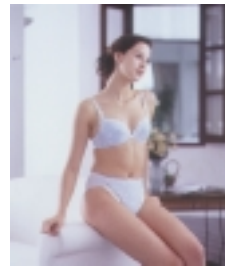
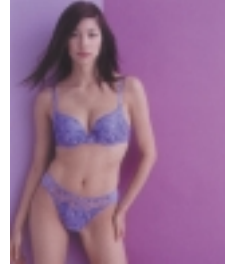
In the fiscal year ended March 31, 2001, Wacoal recorded consolidated net sales of ¥162.0 billion, a decrease of 2.4% from the previous year. Sales in our mainstay foundation garments and lingerie category were severely affected by continued weak consumer spending in the domestic market and by sluggish conditions in the retail industry as a whole. Business failures and store closures in the department store and general merchandising store sectors, our principal sales channels, also had an adverse impact on our performance. Overseas, our key U.S. operations reported a downturn in sales from the previous year's level due to increasing competition. In response to these difficult business conditions, Wacoal introduced a range of measures targeting product development and marketing with the aim of strengthening the Company's operating performance.

Foundation Garments and Lingerie
Affected by weak demand in both the Japanese and U.S. markets, sales of foundation garments and lingerie declined 2.6% from the previous year, to ¥115.1 billion.

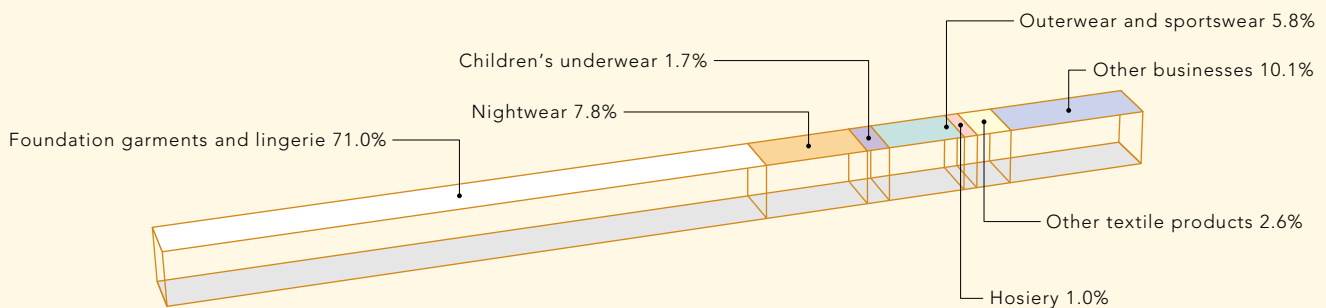
In the domestic market, we launched a variety of new products better suited to the needs of customers, backed by an aggressive marketing campaign. During the year under review, our KIME BRA, Natural Up Bra, and Micro Hips shorts continued to achieve strong sales. We also focused on value-added products, such as the La Vie Aisée range for older women and the Grandir Pure line, developed to adapt to the effects of aging on the shape and physiology of women's bodies.

Despite these efforts, sales of Wacoal's innerwear products during the year were down. The main factors contributing to lower sales were consumers' reluctance to spend,

the emergence of new and competitive retailing concepts in the industry, and financial difficulties in the department store and general merchandising store sectors, which resulted in business failures and store closures. In response to these developments in the market, Wacoal introduced a range of measures to increase points of contact with new customers. These measures included an all-out expansion of the Company's network of directly managed SPA shops, which already comprises 24 outlets. This expansion program will see the creation of a total of 100 new outlets over the next three years. Wacoal also worked to increase sales through its catalog mail-order business and the Internet, with Internet-based sales of the Company's range of intimate apparel through a dedicated website getting under way during the fiscal year under review.



SHARE OF NET SALES



In the Company's overseas operations, affiliates in Asia achieved generally healthy sales performances in their respective markets. In the United States, however, Wacoal America, Inc., recorded lower sales due to the continuing influx of exclusive European brands into the market. Despite expanding its business in the preceding year with the addition of the DKNY brand to complement existing Wacoal and DKI brands, the company was unable to offset the effects of a downturn in its target mid-market sector. Wacoal is confident that a reorganization of its sales structure and an adjustment of inventory levels carried out during the fiscal year will put Wacoal America firmly back on track to growth in the year ahead.

Nightwear

Despite efforts to strengthen the consumer appeal of our nightwear range through the creation of lifestyle-targeted sales areas, sales fell 4.4% year on year, to ¥12.6 billion, reflecting reductions in the size of nightwear sales areas in retail outlets and declining prices due to rising imports of foreign-made products.

Children's Underwear

Although sales of Wacoal's Junior Bra range were strong, the continuing trend among customers of purchasing lower-priced children's underwear led to weaker sales at department stores. Total sales of children's underwear declined 9.7% from the previous fiscal year, to ¥2.8 billion.

Outerwear and Sportswear

Affected by falling apparel prices, catalog mail-order sales of outerwear were sluggish during the year. Although conditions in the sportswear market remained difficult, sales of Wacoal's CW-X range of conditioning wear continued to grow steadily. Total sales in this category decreased 5.0% from the previous year, to ¥9.3 billion.

Hosiery

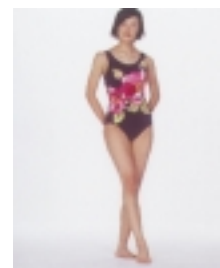
Despite strong sales of certain lines of patterned tights, total sales in the hosiery category fell 5.0% year on year, to ¥1.6 billion, reflecting the ongoing slump in the domestic hosiery industry and the shrinking market for leg wear.

Other Textile Products

Sales of other Wacoal textile products fell 12.4% from the previous fiscal year, to ¥4.3 billion, mainly due to weak sales of the category's core interior fabrics range.

Other Businesses

This category comprises sales from Nanasai Co., Ltd., a subsidiary that builds interiors for commercial premises, Wacoal's housing and restaurant businesses, and cultural projects. Reflecting a strong performance by Nanasai, the main contributor to sales in this category, and new contracts in our housing business, sales increased 7.7% from the previous year, to ¥16.3 billion.



SALES BY PRODUCT CATEGORY

	Millions of Yen			% Change 2001 vs 2000
	2001	2000	1999	
Foundation garments and lingerie	¥115,072 (71.0)	¥118,096 (71.2)	¥122,692 (72.2)	-2.6
Nightwear	12,634 (7.8)	13,213 (8.0)	13,473 (7.9)	-4.4
Children's underwear	2,755 (1.7)	3,052 (1.8)	3,279 (1.9)	-9.7
Outerwear and sportswear	9,337 (5.8)	9,831 (5.9)	10,055 (5.9)	-5.0
Hosiery	1,638 (1.0)	1,725 (1.0)	2,081 (1.2)	-5.0
Other textile products	4,282 (2.6)	4,887 (3.0)	5,166 (3.1)	-12.4
Other businesses	16,305 (10.1)	15,133 (9.1)	13,250 (7.8)	+7.7
	¥162,023 (100.0)	¥165,937 (100.0)	¥169,996 (100.0)	-2.4

Note: Figures in parentheses represent percent of total sales.

Income and Expenses

In the fiscal year ended March 31, 2001, Wacoal's consolidated net sales declined 2.4%, to ¥162.0 billion, reflecting weak sales of the Company's mainstay foundation garments and lingerie. Accompanying with the fall in net sales, cost of sales decreased 2.0%, to ¥87.5 billion and the gross profit margin was almost the same as in the previous year, at 46.0%. Despite a rise in the cost of such items as sales and store fixtures, selling, general and administrative expenses edged down 1.0%, to ¥64.9 billion. Operating income decreased 13.4%, to ¥9.6 billion, and the operating profit margin declined from 6.7% in the previous fiscal year to 5.9%.

In other income and expenses, Wacoal recorded a net gain of ¥11.8 billion, primarily attributable to an ¥11.0 billion gain on sale, transfer or exchange of investments. Consequently, income before income taxes, minority interests and cumulative effect of accounting change was up 71.2%, to ¥21.4 billion.

Income taxes increased 82.6%, to ¥9.1 billion, and the effective tax rate was 42.3%. The Company recorded a loss of ¥1.3 billion as a cumulative effect of accounting change due to a revision in the method of amortization for unrecognized actuarial gains and losses for its defined benefit pension plan. Net income for the year under review rose 50.1%, to ¥10.9 billion, and net income per American Depositary Receipt (ADR, equivalent to five shares of common stock) rose from ¥235 in the previous fiscal year to ¥356. Cash dividends per ADR were increased from ¥68 to ¥83 including a ¥15 special dividend per ADR to commemorate the 50th anniversary of the establishment of Wacoal. The dividend payout ratio declined to 23.3%, from 28.9% in the previous fiscal year. Return on equity increased from 4.2% to 6.3%, and return on assets rose from 3.1% to 4.6%. Return on sales for the year under review was 6.7%, compared with 4.4% in the previous fiscal year.

Cash Flow

Net cash provided by operating activities rose to ¥11.5 billion, from ¥8.5 billion in the previous fiscal year broadly in line with the increase in net income.

Net cash used in investing activities increased from ¥9.6 billion to ¥13.7 billion in the year under review, primarily due to the employment of surplus funds for the purchase of ¥30.0 billion in short-term marketable securities. Capital expenditures decreased significantly, from ¥7.8 billion in the previous fiscal year to ¥1.2 billion, due to the completion of a reconstruction program for the Company's new Head Office building.

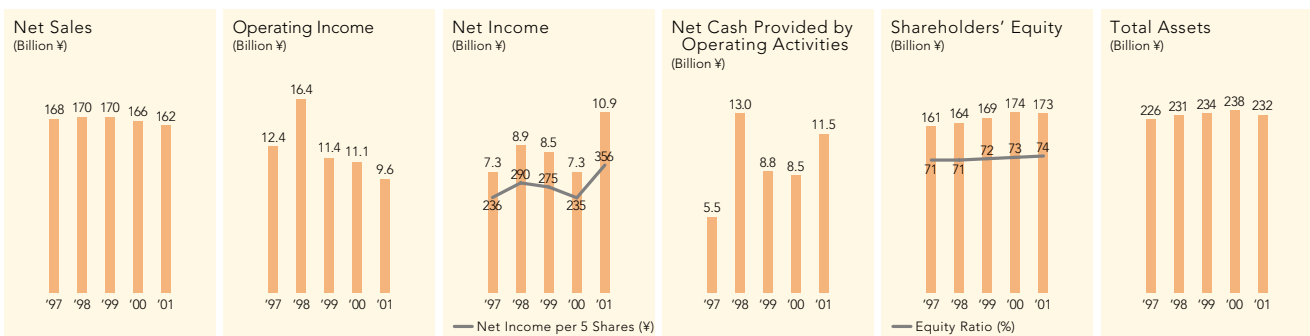
Net cash used in financing activities increased to ¥6.5 billion, from ¥2.6 billion in the previous fiscal year. This rise was primarily due to cash used for the retirement of treasury stock totaling ¥2.8 billion and higher dividends paid on common stock resulting from commemorative dividend payouts.

As a result of the above activities, cash and cash equivalents at year-end were down ¥8.7 billion from the previous fiscal year-end, to ¥41.2 billion, and free cash flow (net cash provided by operating activities less capital expenditures and cash dividends paid) was ¥7.8 billion, showing a healthy level of cash generation.

Financial Condition

At fiscal year-end, total current assets rose 1.4%, to ¥129.5 billion, while total current liabilities increased 7.7%, to ¥41.4 billion. As a result, working capital decreased 1.3%, to ¥88.1 billion, and the current ratio was 3.12, maintaining a high level. As no major capital investments were carried out during the year under review, net property, plant and equipment at year-end decreased 2.2%, to ¥58.6 billion.

Despite higher retained earnings, unrealized gain on securities fell to ¥4.2 billion, from ¥11.6 billion at the previous fiscal year-end, resulting in a 0.6% decrease in total shareholder's equity, to ¥172.6 billion. The ratio of shareholder's equity to total assets at the end of the fiscal year was 74.3%, compared with 73.0% at the previous year-end. The debt-to-equity ratio remained at a low level, at 5.5%. Total assets at year-end declined 2.3%, to ¥232.3 billion. In addition, during the fiscal year under review, the Company carried out the repurchase of 3 million treasury stock for retirement, at a total market value of ¥2.8 billion, aimed at boosting share value.



FINANCIAL SUMMARY

WACOAL CORP. AND SUBSIDIARIES
Years ended March 31

	Millions of Yen				
	2001	2000	1999	1998	1997
For the year:					
Net sales	¥162,023	¥165,937	¥169,996	¥169,967	¥168,330
Cost of sales	87,493	89,290	91,951	91,474	90,640
% of net sales	54.0%	53.8%	54.1%	53.8%	53.8%
Selling, general and administrative expenses	64,906	65,530	66,613	62,066	65,291
% of net sales	40.1%	39.5%	39.2%	36.5%	38.8%
Operating income	9,624	11,117	11,432	16,427	12,399
Other income and expenses, net	11,776	1,380	1,837	867	2,169
Net interest income (expense)	62	(54)	195	256	324
Income before income taxes, minority interests and cumulative effect of accounting change	21,400	12,497	13,269	17,294	14,568
Income taxes	9,058	4,961	4,749	8,170	7,018
Net income	10,889	7,254	8,489	8,929	7,336
Return on assets	4.6%	3.1%	3.6%	3.9%	3.2%
Return on equity	6.3%	4.2%	5.0%	5.5%	4.6%
Net cash provided by operating activities	11,480	8,451	8,813	12,971	5,474
Net cash provided by (used in) investing activities	(13,686)	(9,624)	(10,624)	2,045	962
Net cash used in financing activities	(6,478)	(2,611)	(105)	(296)	(7,882)
Depreciation and amortization	3,265	3,157	2,447	2,269	2,368
Capital expenditures	1,182	7,757	8,604	5,941	2,480
Per 5 shares of common stock (in yen):					
Net income	¥356	¥235	¥275	¥290	¥236
Cash dividends	83	68	68	68	68
Shareholders' equity	5,709	5,632	5,484	5,314	5,219
At year-end:					
Total current assets	¥129,508	¥127,734	¥129,206	¥130,319	¥117,579
Total current liabilities	41,449	38,490	39,541	42,319	37,884
Cash and cash equivalents	41,196	49,889	53,933	55,622	40,313
Net property, plant and equipment	58,644	59,990	56,339	52,878	50,482
Total assets	232,262	237,721	233,817	231,226	226,103
Short-term bank loans and long-term debt including current portion	9,497	10,273	11,263	9,247	7,396
Shareholders' equity	172,558	173,612	169,065	163,800	160,869

CONSOLIDATED BALANCE SHEETS

WACOAL CORP. AND SUBSIDIARIES
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
ASSETS			
Current Assets:			
Cash and cash equivalents:			
Cash	¥ 7,634	¥ 9,403	\$ 60,809
Time deposits and certificates of deposit	33,562	40,486	267,341
Total	41,196	49,889	328,150
Marketable securities (Note 4)	34,499	24,178	274,805
Notes and accounts receivable:			
Trade notes	2,651	2,902	21,117
Trade accounts	22,049	21,851	175,633
Allowance for returns and doubtful receivables (Note 5)	(2,869)	(2,633)	(22,853)
Inventories (Note 6)	25,601	25,515	203,927
Deferred income taxes (Note 11)	4,647	4,142	37,016
Other current assets	1,734	1,890	13,813
Total current assets	129,508	127,734	1,031,608
Property, Plant and Equipment (Note 7):			
Land	25,284	25,247	201,402
Buildings	55,197	54,784	439,677
Machinery and equipment	11,530	11,148	91,843
Total	92,011	91,179	732,922
Accumulated depreciation	(33,367)	(31,189)	(265,788)
Net property, plant and equipment	58,644	59,990	467,134
Other Assets:			
Investments in affiliates	8,670	7,305	69,062
Investments (Note 4)	28,877	37,327	230,022
Lease deposits and other	6,563	5,365	52,278
Total other assets	44,110	49,997	351,362
Total	¥232,262	¥237,721	\$1,850,104

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 7)	¥ 8,088	¥ 8,125	\$ 64,426
Notes and accounts payable:			
Trade notes	8,513	7,391	67,811
Trade accounts	7,214	6,769	57,464
Accrued payroll and bonuses	7,743	8,053	61,678
Income taxes payable	3,093	3,033	24,637
Other current liabilities	6,281	4,340	50,032
Current portion of long-term debt (Notes 7 and 13)	517	779	4,118
Total current liabilities	41,449	38,490	330,166
Long-Term Liabilities:			
Long-term debt (Notes 7 and 13)	892	1,369	7,105
Liability for termination and retirement benefits (Note 8)	6,709	11,734	53,441
Deferred income taxes (Note 11)	8,957	10,675	71,348
Total long-term liabilities	16,558	23,778	131,894
Minority Interests	1,697	1,841	13,518
Shareholders' Equity (Notes 9, 10 and 14):			
Common stock, par value of ¥50 per share—authorized, 237,000,000 and 240,000,000 shares in 2001 and 2000; issued and outstanding, 151,116,685 and 154,116,685 shares in 2001 and 2000	13,260	13,260	105,624
Additional paid-in capital	25,242	25,242	201,067
Retained earnings	132,322	126,780	1,054,023
Accumulated other comprehensive income (loss) (Note 10):			
Foreign currency translation adjustments	(2,418)	(3,231)	(19,261)
Unrealized gain on securities	4,152	11,561	33,073
Total	1,734	8,330	13,812
Total shareholders' equity	172,558	173,612	1,374,526
Total	¥232,262	¥237,721	\$1,850,104

CONSOLIDATED STATEMENTS OF INCOME

WACOAL CORP. AND SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2000	1999	2001
Net Sales	¥162,023	¥165,937	¥169,996	\$1,290,609
Operating Costs and Expenses:				
Cost of sales	87,493	89,290	91,951	696,933
Selling, general and administrative (Note 1)	64,906	65,530	66,613	517,015
Total operating costs and expenses	152,399	154,820	158,564	1,213,948
Operating Income	9,624	11,117	11,432	76,661
Other Income and Expenses:				
Interest income	395	285	520	3,146
Interest expense	(333)	(339)	(325)	(2,652)
Dividend income	268	294	330	2,135
Equity in net income of affiliated companies	1,271	1,096	1,047	10,124
Gain (loss) on sale, transfer or exchange of investments (Notes 4 and 8)	11,025	502	(50)	87,821
Other-net	(850)	(458)	315	(6,771)
Total other income and expenses	11,776	1,380	1,837	93,803
Income before Income Taxes, Minority Interests and Cumulative Effect of Accounting Change	21,400	12,497	13,269	170,464
Income Taxes (Note 11):				
Current	5,181	5,443	5,822	41,270
Deferred	3,877	(482)	(1,073)	30,883
Total income taxes	9,058	4,961	4,749	72,153
Income before Minority Interests and Cumulative Effect of Accounting Change	12,342	7,536	8,520	98,311
Minority Interests	(167)	(282)	(31)	(1,330)
Income before Cumulative Effect of Accounting Change	12,175	7,254	8,489	96,981
Cumulative Effect of Accounting Change (Note 2)	(1,286)			(10,244)
Net Income	¥ 10,889	¥ 7,254	¥ 8,489	\$ 86,737

	Yen			U.S. Dollars (Note 3)
	2001	2000	1999	2001
Amounts per American Depositary Receipt (5 shares of common stock) (Note 12):				
Net income before cumulative effect of accounting change	¥398	¥235	¥275	\$3.17
Net income	¥356	¥235	¥275	\$2.84
Cash dividends	¥83	¥68	¥68	\$0.66

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

WACOAL CORP. AND SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	1999	2001
Net Income	¥10,889	¥ 7,254	¥ 8,489	\$ 86,737
Other Comprehensive Loss, Net of Tax (Note 10):				
Foreign currency translation adjustments	813	(1,672)	(1,500)	6,476
Unrealized gains (losses) on securities	(7,409)	1,046	357	(59,017)
Other Comprehensive Loss	(6,596)	(626)	(1,143)	(52,541)
Comprehensive Income	¥ 4,293	¥ 6,628	¥ 7,346	\$ 34,196

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

WACOAL CORP. AND SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

	Millions of Yen				
	Shares of Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income
Balance, April 1, 1998	154,117	¥13,260	¥25,242	¥115,199	¥10,099
Net income				8,489	
Other comprehensive loss					(1,143)
Cash dividends paid, ¥68 per 5 shares of common stock				(2,081)	
Balance, March 31, 1999	154,117	13,260	25,242	121,607	8,956
Net income				7,254	
Other comprehensive loss					(626)
Cash dividends paid, ¥68 per 5 shares of common stock				(2,081)	
Balance, March 31, 2000	154,117	13,260	25,242	126,780	8,330
Net income				10,889	
Other comprehensive loss					(6,596)
Cash dividends paid, ¥83 per 5 shares of common stock				(2,544)	
Repurchase of treasury stock for retirement	(3,000)			(2,803)	
Balance, March 31, 2001	151,117	¥13,260	¥25,242	¥132,322	¥ 1,734

	Thousands of U.S. Dollars (Note 3)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income
Balance, March 31, 2000	\$105,624	\$201,067	\$1,009,878	\$ 66,353
Net income			86,737	
Other comprehensive loss				(52,541)
Cash dividends paid, \$0.66 per 5 shares of common stock			(20,264)	
Repurchase of treasury stock for retirement			(22,328)	
Balance, March 31, 2001	\$105,624	\$201,067	\$1,054,023	\$ 13,812

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

WACOAL CORP. AND SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2000	1999	2001
Operating Activities:				
Net income	¥ 10,889	¥ 7,254	¥ 8,489	\$ 86,737
Adjustments to reconcile net income to net cash provided by operating activities:				
Cumulative effect of accounting change	1,286			10,244
Depreciation and amortization	3,265	3,157	2,447	26,008
Deferred income taxes	3,877	(482)	(1,073)	30,883
(Gain) loss on sale or disposal of property, plant and equipment	75	(474)	(706)	597
(Gain) loss on sale, transfer or exchange of investments	(11,025)	(502)	50	(87,821)
Undistributed earnings of affiliates, less dividends	(943)	(832)	(840)	(7,512)
Changes in assets and liabilities:				
Decrease in notes and accounts receivable	321	634	2,414	2,557
(Increase) decrease in inventories	289	(55)	1,736	2,302
(Increase) decrease in other current assets	437	67	(94)	3,481
(Decrease) increase in notes and accounts payable	2,658	(856)	(693)	21,173
Increase in liability for termination and retirement benefits	459	16	1,656	3,656
(Decrease) increase in accrued expenses, income taxes and other current liabilities	(279)	374	(4,288)	(2,222)
Other	171	150	(285)	1,362
Net cash provided by operating activities	11,480	8,451	8,813	91,445
Investing Activities:				
Proceeds from sales and redemption of marketable securities	19,267	10,430	8,514	153,473
Payments to acquire marketable securities	(29,559)	(14,132)	(13,623)	(235,455)
Proceeds from sales of property, plant and equipment	219	1,152	3,296	1,744
Payments to acquire subsidiary stock	(771)			(6,141)
Proceeds from sales and redemption of investments	487	535	55	3,879
Capital expenditures	(1,182)	(7,757)	(8,604)	(9,415)
Payments to acquire investments	(1,510)	(360)	(117)	(12,028)
Decrease (increase) in lease deposits and other	(637)	508	(145)	(5,074)
Net cash used in investing activities	(13,686)	(9,624)	(10,624)	(109,017)
Financing Activities:				
Increase (decrease) in short-term bank loans	(340)	71	1,502	(2,708)
Repayments of long-term debt	(820)	(1,025)	(599)	(6,532)
Proceeds from issuance of long-term debt	29	424	1,073	231
Retirement of treasury stock	(2,803)			(22,328)
Dividends paid on common stock	(2,544)	(2,081)	(2,081)	(20,264)
Net cash used in financing activities	(6,478)	(2,611)	(105)	(51,601)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(9)	(260)	133	(72)
Cash and Cash Equivalents from Consolidating Affiliated Company Previously Accounted for by Equity Method			94	
Net Decrease in Cash and Cash Equivalents	(8,693)	(4,044)	(1,689)	(69,245)
Cash and Cash Equivalents, Beginning of Year	49,889	53,933	55,622	397,395
Cash and Cash Equivalents, End of Year	¥ 41,196	¥ 49,889	¥ 53,933	\$ 328,150
Additional Cash Flow Information:				
Cash paid for:				
Interest	¥ 229	¥ 353	¥ 320	\$ 1,824
Income taxes	5,121	4,997	8,988	40,792
Noncash Investing Activities:				
Fair value of marketable securities contributed to retirement trust fund	¥7,706			\$61,383
Fair value of marketable securities received in exchange for certain non publicly traded investment securities with a recorded amount of ¥25 million	4,101			32,667

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WACOAL CORP. AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

Wacoal Corp. (the "Company") and its subsidiaries are predominantly engaged in one industry, the manufacture and sale of apparel, including foundation garments, lingerie, nightwear and outerwear in Japan, the United States of America, Europe and certain Asian countries.

The accompanying consolidated financial statements, stated in Japanese yen, have been prepared on the basis of accounting principles generally accepted in the United States of America except for the omission of segment information concerning the operations of the Company and, with minor exceptions, its majority-owned subsidiaries in different industries and their foreign operations and export sales, as required by Statement of Financial Accounting Standards ("SFAS") No.131, "Disclosures about Segments of an Enterprise and Related Information."

In addition to the consolidation of subsidiaries, the accompanying financial statements differ from the financial statements issued by the Company for domestic purposes in Japan. They reflect certain adjustments and reclassifications, not recorded in the books of account, to present them in accordance with accounting principles generally accepted in the United States of America. The principal adjustments include accounting for investments in affiliated companies (companies in which the Company's ownership is from 20% to 50%) on the equity method, the charge of stock issuance expenses to the additional paid-in capital account, accrual or deferral of certain expenses, the recording of exchanged equity securities at fair value, and recognition of deferred income taxes relating to these adjustments.

Certain reclassifications have been made to amounts previously reported to conform with the current year's presentation.

Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (together the "Companies"). All significant intercompany transactions and balances are eliminated.

Certain foreign subsidiaries of the Company have a fiscal year ending December 31. The accounts of those subsidiaries are included in the Company's consolidated financial statements based on the subsidiaries' fiscal year.

Investments in affiliated companies are stated at cost plus equity in undistributed earnings.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Companies consider all time deposits and certificates of deposit (all of which are interest-bearing) with original maturities of three months or less, which can be withdrawn at face value at any time without diminution of principal, to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market, cost being substantially determined on the first-in, first-out method for raw materials and the average cost method for work in process and finished products.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired on or after April 1, 1998, which are computed by the straight-line method, based upon the estimated useful lives of assets. The estimated useful lives are as follows:

Buildings	5 – 50 years (Mainly 38 years)
Machinery and equipment	5 – 20 years

Goodwill

Goodwill existing at March 31, 2001, included in other assets—lease deposits and other, and is being amortized over its estimated useful life of 5 years.

Marketable Securities and Investments

The Companies classify their marketable debt and equity securities as available-for-sale and carry them at market value with a corresponding recognition of unrealized holding gains or losses (net of tax) in other comprehensive income and as a separate component of shareholders' equity until realized. Equity securities that do not have readily determinable fair values are recorded at cost. Gains and losses on sales of investments are computed based on cost determined using the average cost method.

Derivatives

Effective July 1, 2000, the Companies adopted SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities", as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The effect of the adoption of this statement was immaterial.

Termination and Retirement Plans

Termination and retirement benefits are accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions." Provisions for termination and retirement benefits include those for directors and corporate auditors of the Company.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2001, 2000 and 1999 were ¥10,818 million (\$86,172 thousand), ¥10,343 million and ¥10,347 million, respectively.

Comprehensive Income

Comprehensive income consists of net income, foreign currency translation adjustments and unrealized gains and losses on securities and is presented in the consolidated statements of comprehensive income.

Revenue Recognition

The Company recognizes revenue when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the sales price is fixed or determinable, and (4) collectibility is reasonably assured. The above described revenue recognition criteria are met, in most cases, when products are shipped. As for consignment sales, the Company recognizes revenue when the products are sold to ultimate customers.

2. ACCOUNTING CHANGE

Effective April 1, 2000, the Company changed its method of accounting for unrecognized actuarial gains and losses for the defined benefit pension plan, to amortize all such gains and losses over the average remaining service period of employees. The method previously used was to amortize any unrecognized gain or loss in excess of 10% of (a)

the projected benefit obligation or (b) the fair market value of plan assets, whichever greater. As a result of this change in accounting principle, net income decreased by ¥1,429 million (\$11,383 thousand), including the cumulative effect at the beginning of the year of ¥1,286 million (\$10,244 thousand).

3. TRANSLATION INTO U.S. DOLLAR STATEMENTS

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience and have been made at the rate of

¥125.54 to \$1, the buying rate for yen in New York City at March 30, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

4. MARKETABLE SECURITIES AND INVESTMENTS

The fair value of marketable debt and equity securities is based on quoted market prices at March 31, 2001 and 2000. The fair values of the marketable debt and equity securities are as follows:

	Millions of Yen			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
2001				
Current:				
Corporate debt securities	¥ 7,696	¥ 39	¥ 79	¥ 7,656
Bank debt securities	17,010	102	28	17,084
Fund trusts	9,758	3	2	9,759
Total	¥34,464	¥144	¥109	¥34,499
Non-current:				
Equity securities	¥17,748	¥12,248	¥1,606	¥28,390
Total	¥17,748	¥12,248	¥1,606	¥28,390

	Millions of Yen			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
2000				
Current:				
Corporate debt securities	¥ 2,312	¥ 3	¥ 6	¥ 2,309
Bank debt securities	11,403	30	41	11,392
Fund trusts	10,489	10	22	10,477
Total	¥24,204	¥43	¥69	¥24,178
Non-current:				
Equity securities	¥13,439	¥25,031	¥1,682	¥36,788
Total	¥13,439	¥25,031	¥1,682	¥36,788

	Thousands of U.S. Dollars			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
2001				
Current:				
Corporate debt securities	\$ 61,303	\$ 311	\$629	\$ 60,985
Bank debt securities	135,495	812	223	136,084
Fund trusts	77,728	24	16	77,736
Total	\$274,526	\$1,147	\$868	\$274,805
Non-current:				
Equity securities	\$141,373	\$97,563	\$12,793	\$226,143
Total	\$141,373	\$97,563	\$12,793	\$226,143

The unrealized gain on available-for-sale securities, net of related income taxes and minority interests, for the year ended March 31, 2001 decreased by ¥7,409 million (\$59,017 thousand) and for the year ended

March 31, 2000 increased by ¥1,046 million. Future maturities of debt securities (including fund trusts) classified as available-for-sale at March 31, 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	¥15,821	¥15,767	\$126,024	\$125,594
Due after one year through five years	9,993	10,046	79,600	80,022
Due after five years through ten years	8,650	8,686	68,902	69,189
Total	¥34,464	¥34,499	\$274,526	\$274,805

Proceeds from sales of available-for-sale securities were ¥7,029 million (\$55,990 thousand), ¥7,018 million and ¥2,683 million for the years ended March 31, 2001, 2000 and 1999, respectively. The gross realized gains on the sale of available-for-sale securities for the years ended March 31, 2001, 2000 and 1999 were ¥366 million (\$2,915 thousand), ¥526 million and ¥8 million, respectively. The gross realized losses on the sale of available-for-sale securities for the years ended March 31, 2001, 2000 and 1999 were ¥8 million (\$64 thousand), ¥25 million and ¥33 million, respectively.

retirement benefit purposes and realized a gain on this transfer of ¥6,581 million (\$52,422 thousand).

On March 31, 2001, a certain company's non-publicly traded equity securities held by the Company were exchanged into its publicly traded parent company's equity securities. The Company recorded the received equity securities at fair value and recognized a gain on exchange of equity securities of ¥4,076 million (\$32,468 thousand) in the year ended March 31, 2001.

In addition to the sales described above, during 2001, the Company contributed marketable securities to an outside trust for employee

5. VALUATION AND QUALIFYING ACCOUNTS

Information related to the Companies' allowance for returns and doubtful receivables was as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
Balance at beginning of year	¥ 2,633	¥ 2,649	¥ 2,570	\$ 20,973
Charged to costs and expenses	2,292	2,059	2,077	18,257
Balance written-off	(2,056)	(2,075)	(1,998)	(16,377)
Balance at end of year	¥ 2,869	¥ 2,633	¥ 2,649	\$ 22,853

6. INVENTORIES

Inventories at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Finished products	¥21,001	¥21,391	\$167,285
Work in process	3,455	3,307	27,521
Raw materials	1,145	817	9,121
Total	¥25,601	¥25,515	\$203,927

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Unsecured bank loans	¥3,193	¥2,785	\$25,434
Collateralized bank loans	4,895	5,340	38,992
Total	¥8,088	¥8,125	\$64,426

The weighted average annual interest rates of short-term bank loans as of March 31, 2001 and 2000 were 3.5% and 2.9%, respectively.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Collateralized loans principally from banks, with interest at 1.00% to 2.15% maturing through 2002	¥ 131	¥ 529	\$ 1,043
Unsecured loans principally from banks and an insurance company, with interest at 1.55% to 7.13% (based on current market rates), maturing through 2005	446	727	3,553
Other	832	892	6,627
Total	1,409	2,148	11,223
Less current portion	517	779	4,118
Long-term debt, less current portion	¥ 892	¥1,369	\$ 7,105

The annual maturities of long-term debt at March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2002	¥ 517	\$ 4,118
2003	128	1,020
2004	26	207
2005	50	398
2006		
Thereafter	688	5,480
Total	¥1,409	\$11,223

At March 31, 2001, assets pledged as collateral for short-term bank loans and long-term debt were property, plant and equipment, less related accumulated depreciation, of ¥1,502 million (\$11,964 thousand).

As is customary in Japan, the Companies maintain deposit balances with banks and certain financial institutions with which they have short- or long-term borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

In addition, collateral must be given if requested by a lending bank and such bank has the right to offset cash deposited with it against any long- or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank. The Companies have never received any such requests.

8. TERMINATION AND RETIREMENT PLANS

Employee Retirement Plans

The Companies sponsor termination and retirement benefit plans that cover substantially all employees. Benefits are based on the employee's years of service and certain other factors. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Companies have a contributory retirement plan, several partially funded plans administered by independent trustees and several unfunded termination plans administered by the Companies.

The contributory retirement plan is interrelated with the Japanese government social welfare program which consists of a basic portion requiring employee and employer contributions plus an additional portion established by the Company.

Periodic pension benefit payments required under the basic portion are prescribed by the Japanese Ministry of Welfare, commence at age 60 and continue until the death of the surviving spouse. Benefits under the additional portion are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions.

The other plans provide either lump-sum termination benefits or periodic payments under certain conditions. Benefits are usually paid as a lump-sum at the earlier of the employee's termination or the mandatory retirement age.

The general funding policy of funded plans is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Change in Benefit Obligation:			
Benefit obligation at beginning of year	¥42,047	¥39,142	\$334,929
Service cost	2,256	2,221	17,970
Interest cost	1,410	1,239	11,231
Participants' contributions	472	480	3,760
Actuarial losses	926	486	7,376
Plan amendments	(1,209)		(9,630)
Benefits paid from plan assets	(870)	(872)	(6,930)
Benefits paid by the Company	(377)	(649)	(3,003)
Benefit obligation at end of year	44,655	42,047	355,703
Change in Plan Assets:			
Fair value of plan assets at beginning of year	27,971	24,065	222,805
Actual return on plan assets	(4,378)	2,579	(34,873)
Employer contributions	1,886	1,719	15,023
Employer contributions to an outside trust	7,706		61,383
Participants' contributions	472	480	3,760
Benefit payments	(870)	(872)	(6,930)
Fair value of plan assets at end of year	32,787	27,971	261,168
Funded Status:			
Funded status at end of year	11,868	14,076	94,535
Unrecognized net actuarial loss	(7,425)	(3,634)	(59,144)
Unrecognized prior service benefit	1,158		9,224
Unrecognized transition amount	353	471	2,812
Net liability recognized	¥ 5,954	¥10,913	\$ 47,427

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	2001
Service cost, less participants' contributions	¥2,256	¥2,221	¥2,987	\$17,970
Interest cost on projected benefit obligation	1,410	1,239	1,202	11,232
Expected return on plan assets	(923)	(785)	(700)	(7,352)
Net amortization and deferral	51	237	150	406
	¥2,794	¥2,912	¥3,639	\$22,256

The above pension costs do not include the effect on April 1, 2000, retained earnings of the accounting change described in Note 2.

The actuarial present value of the projected benefit obligation at March 31, 2001, 2000 and 1999 was determined using a discount rate of 3.5% for each year, and a rate of increase in future compensation levels of 1.0% for 2001 and 2000, and 2.0% for 1999. The expected long-term rate of return on plan assets was 3.5% at March 31, 2001, 2000 and 1999. The unrecognized net actuarial loss is being amortized utilizing an accelerated method over 12 years (the average remaining service life of active participants), and the remaining unrecognized net transition liability is being amortized on a straight-line basis over 15 years.

During 2001, the Company modified its contributory retirement plan to reduce the interest rate used to determine periodic pension payments and to conform to changes in the government social welfare program. The resulting prior service benefit is being amortized using the straight-line method over 12 years.

Also during 2001, the Company contributed marketable securities to an outside trust for employee retirement benefit purposes and realized a gain on this transfer of ¥6,581 million (\$52,422 thousand).

Termination Plan for Directors and Corporate Auditors

The Company has termination plans for directors and corporate auditors. Payment of termination benefits to directors and corporate auditors requires the approval of the shareholders before payment.

The Company records a liability for termination benefits for directors and corporate auditors at the amount that would be needed if all directors and corporate auditors resign at each balance sheet date. The liability for termination benefits for directors and corporate auditors at March 31, 2001 and 2000 was ¥755 million (\$6,014 thousand) and ¥821 million, respectively.

9. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), the amount available for dividends is based on retained earnings as recorded on the Company's books. Certain adjustments, not recorded on such books, are reflected in the financial statements as described in Note 1. At March 31, 2001, retained earnings recorded on the Company's books were ¥110,772 million (\$882,364 thousand). Such retained earnings included ¥105,503 million (\$840,394 thousand) which are designated as general reserves but are available for future dividends subject to the approval by shareholders and legal reserve requirements.

Under the Code, Japanese companies are required to appropriate as a legal reserve a portion of retained earnings in an amount equal to at least 10% of cash payments, including dividends and bonuses for directors and corporate auditors, in each financial period until the reserve equals 25% of stated capital. This reserve is not available for dividends, but may be used to reduce a deficit by resolution of shareholders or may be capitalized by resolution of the Board of Directors.

The legal reserve included in retained earnings at March 31, 2001 and 2000 was ¥4,018 million (\$32,006 thousand) and ¥3,966 million, respectively.

Under the Code, at least 50% of the issue price of new shares with a

minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital, as reduced by stock issue costs less the applicable tax benefit, have been credited to additional paid-in capital. The Company may, by resolution of the Board of Directors, distribute additional paid-in capital or the portion of the stated capital in excess of the aggregate amounts of the par value by means of stock splits.

On June 26, 1998, the shareholders approved an amendment of the Company's Articles of Incorporation to allow the Board to authorize the purchase of up to 15,000,000 of the Company's shares for the purpose of retirement of the shares. Under the Code, all amounts paid to purchase the Company's own shares for retirement are charged to retained earnings, and thus are not available for future distribution of shareholders.

On August 29, 2000, the Board authorized the purchase of 3,000,000 of the Company's shares. The Company purchased 3,000,000 shares for retirement and charged ¥2,803 million (\$22,328 thousand) to retained earnings

10. OTHER COMPREHENSIVE INCOME

The changes in the components of accumulated other comprehensive income (loss) are reported net of income taxes as follows:

	Millions of Yen								
	2001			2000			1999		
	Pre-Tax Amount	Tax (Expense) Credit	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments	¥ 904	¥ (91)	¥ 813	¥(1,814)	¥ 142	¥(1,672)	¥(1,696)	¥ 196	¥(1,500)
Unrealized gain (loss) on securities:									
Unrealized holding gain (loss)	(5,119)	2,084	(3,035)	2,193	(921)	1,272	708	(306)	402
Reclassification adjustments	(7,555)	3,181	(4,374)	(390)	164	(226)	(88)	43	(45)
Net unrealized gain (loss)	(12,674)	5,265	(7,409)	1,803	(757)	1,046	620	(263)	357
Other comprehensive income (loss)	¥(11,770)	¥5,174	¥(6,596)	¥ (11)	¥(615)	¥ (626)	¥(1,076)	¥ (67)	¥(1,143)

	Thousands of U.S. Dollars		
	2001		
	Pre-Tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments	\$ 7,201	\$ (725)	\$ 6,476
Unrealized gain (loss) on securities:			
Unrealized holding gain (loss)	(40,776)	16,600	(24,176)
Reclassification adjustments	(60,180)	25,339	(34,841)
Net unrealized gain (loss)	(100,956)	41,939	(59,017)
Other comprehensive income (loss)	\$ (93,755)	\$41,214	\$(52,541)

11. INCOME TAXES

The Companies are subject to a number of different taxes based on income. The effective income tax rates differed from the normal statutory rates for the following reasons for the years ended March 31, 2001, 2000 and 1999:

	2001	2000	1999
Normal Japanese statutory rates	42.1%	42.1%	47.7%
Increase (decrease) in taxes resulting from:			
Permanently non-deductible expenses	1.3	2.0	2.4
Utilization of loss carryforwards	(0.5)	(1.5)	(3.3)
Equity in net income of affiliated companies	(1.9)	(3.7)	(3.8)
Effects of change in enacted tax rates			(9.7)
Other-net	1.3	0.8	2.5
Effective tax rates	42.3%	39.7%	35.8%

Effective April 1, 1999, the corporate income tax rate in Japan was reduced from 47.7% to 42.1%. The deferred income tax balances at March 31, 1999 were adjusted to reflect this revised rate, which decreased deferred tax assets and liabilities by ¥418 million (\$3,330 thousand) and ¥1,776 million (\$14,147 thousand), respectively.

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2001 and 2000 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2001		2000		2001	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	¥ 716		¥ 956		\$ 5,703	
Inventory valuation	855		1,046		6,811	
Accrued bonuses	931		600		7,416	
Intercompany profits	157		186		1,250	
Gain on sales of property, plant and equipment		¥ 1,832		¥ 1,883		\$14,593
Undistributed earnings of foreign subsidiaries and affiliates		1,818		1,210		14,481
Net unrealized gain on securities		6,273		9,830		49,968
Capitalized supplies	358		249		2,852	
Enterprise taxes	289		218		2,302	
Compensated absences	1,066		953		8,491	
Pension expense	996		2,953		7,934	
Tax loss carryforwards	1,128		1,032		8,985	
Other temporary differences	1,402	739	598	1,027	11,168	5,887
Total	7,898	10,662	8,791	13,950	62,912	84,929
Valuation allowance	(931)		(870)		(7,416)	
Total	¥6,967	¥10,662	¥7,921	¥13,950	\$55,496	\$84,929

The total valuation allowance for the year ended March 31, 2001 increased by ¥61 million (\$486 thousand), and for the years ended March 31, 2000 and 1999 decreased by ¥860 million and ¥221 million, respectively.

At March 31, 2001, certain subsidiaries had loss carryforwards amounting to ¥1,901 million (\$15,143 thousand) for tax reporting purposes, which are available to offset future taxable income of such subsidiaries. The available loss carryforwards expire in various amounts through 2008.

12. AMOUNTS PER AMERICAN DEPOSITARY RECEIPT

The computation of net income per American Depositary Receipt ("ADR"), each ADR representing 5 shares of common stock, is based on the weighted average number of common shares outstanding. The

average number of common shares outstanding used in the computations was 152,992,548 shares for 2001 and 154,116,685 shares for 2000 and 1999.

13. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

The Companies use derivative financial instruments to reduce its exposure to market risks from changes in interest rates and foreign exchange rates. At March 31, 2001, the Companies had three such instruments outstanding: a forward contract to exchange Japanese yen for U.S. dollars, an interest rate swap to cap the rate paid on certain U.S. dollar debt, and an interest rate swap to fix the interest rate on certain variable rate investments. These instruments do not qualify as hedges under SFAS No.133 and are being marked to market value, with the related gains or losses recorded in Other Income and Expenses—Other Net. The value of these instruments and the related gains or losses were insignificant for all periods presented. The Companies believe its credit risk is minimal on these transactions, as the counterparties are major financial institutions.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents and short-term bank loans approximates fair value because of the short maturities of these instruments. The fair values of current and non-current marketable securities, as presented in Note 4, are primarily estimated based on quoted market prices for these securities. The difference between the

fair value of marketable securities in Note 4 and the corresponding amount for non-current investments in the consolidated balance sheets represents investments in certain non-publicly traded securities for which fair values are not reasonably available.

The fair values of long-term debt at March 31, 2001 and 2000 are ¥1,418 million (\$11,295 thousand) and ¥2,164 million, respectively. Those fair values are based on comparisons of instruments with similar terms and maturities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

Concentration of Credit Risk

The Companies' business consists primarily of sales of women's intimate apparel to a large number of diverse customers in the Japanese retail industry, which include well established department stores. The Company's management believes that no concentration of credit risk existed at March 31, 2001.

14. SUBSEQUENT EVENT

The Board of Directors of the Company intends to propose for approval at the shareholders' meeting to be held on June 28, 2001, payment of a cash dividend of ¥68 (\$0.54) per 5 shares of common

stock to holders of record as of March 31, 2001 with respect to the year then ended. The total amount of such proposed dividend is ¥2,040 million (\$16,250 thousand).

INDEPENDENT AUDITORS' REPORT

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**Deloitte
Touche
Tohmatsu**

**To the Board of Directors and Shareholders of
Wacoal Corp.
Kyoto, Japan:**

We have audited the accompanying consolidated balance sheets of Wacoal Corp. and Subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Certain information required by Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information" has not been presented in the accompanying financial statements. In our opinion, presentation of segment information concerning the Company's operations is required for a complete presentation of the Company's consolidated financial statements.

In our opinion, except for the omission of segment information, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Corp. and Subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of the Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. The translation of the financial statement amounts into U.S. dollars has been made solely for convenience.

As discussed in Note 2, the Company changed its method of accounting for amortization of unrecognized pension gains and losses in 2001.

Deloitte Touche Tohmatsu

June 8, 2001