



DESIGNING THE FUTURE
BY STRENGTHENING
OUR **GLOBAL** OPERATIONS

Wacoal is taking steps to harness potential demand and heighten its presence in markets worldwide based on a two-pronged strategy of undertaking the full-scale development of its operations in China while bolstering its U.S. operations.

Recording continued rapid market expansion thanks to its accession to the World Trade Organization, China occupies a central position in Wacoal's strategic plans. Our operations in China began with the commencement of production and sales activities following the establishment of a joint-venture company in Beijing in 1986. We then made full-fledged efforts to lay the foundations for expanded operations by making the joint venture a wholly owned subsidiary in 2000.

In addition, we have a wholly owned subsidiary in Guangdong and an affiliate in Shanghai. At present, we are constructing a sales network around these three production and marketing hubs that will efficiently span the whole of China. Through this network, we plan to merchandise Wacoal products at 200 department stores by 2005. We also sought to strengthen our merchandising operations by establishing a sales office in Dalian. Moreover, as part of efforts to develop product-planning capabilities in China, the Company set up a sales and design office in Shanghai during the year under review. In order to underpin the new office's product-planning functions, Wacoal established a Wacoal human science research center in Shanghai tasked with developing unique products for the local market based on the principles of human science and ergonomics.

In the U.S. market, our high-end *DKI* and *Wacoal* brands and our mid-to-high-end *DKNY* brand have built solid customer bases. To leverage these mainstay brands as drivers of growth, we will expand our retail network and enhance our product lineups in this market. Through such efforts, we aim to increase sales significantly above the current level of approximately \$100 million.



Wacoal sales floor in Shanghai



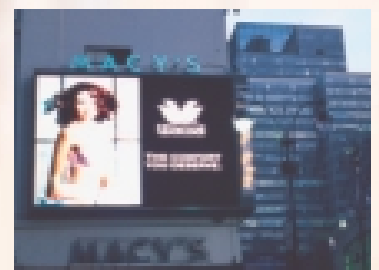
DKNY sales floor in New York



Beijing Wacoal Co., Ltd.



Beijing Wacoal Co., Ltd.



Wacoal advertising billboard in New York