

MEDIUM-TERM MANAGEMENT
PLAN 2004–2006

REALIZING OUR BODY DESIGNING
BUSINESS CONCEPT

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Maintain Market Dominance in Japan

The Japanese market for women’s intimate apparel is Wacoal’s earnings mainstay, and accordingly the Company’s core growth strategy is to maintain an overwhelming share of that market. We intend to further expand our earnings base in Japan through a two-pronged approach that aims to increase points of contact with customers for our two mainstay brands, *Wacoal* and *Wing*, and to bolster direct sales channels, such as SPA (specialty store retailing of private label apparel), mail-order catalog, and Internet operations.



Wacoal has two mainstay domestic brands: *Wacoal* and *Wing*. We mainly market *Wacoal* brand products through department stores, general merchandising stores, and specialty stores, and the *Wing* brand primarily through general merchandising stores. While those two brands have successfully driven the Company’s growth in the past, a rethink of brand strategy is urgently needed to create points of contact with new customers and to reflect realignment of the retail industry and diversifying consumer needs. However, this shift in strategy will not lead to a change in the major contribution the *Wacoal* and *Wing* brands make to the Company’s performance. We intend to continue investing aggressively in those brands to enhance their competitiveness and profitability. Maintaining a leadership position in Japan’s intimate apparel market also has a favorable impact on Wacoal’s business in Asia. Although the region—and in particular China—is becoming a focus of world attention, customers in Asian markets still see success in the Japanese market as a barometer of company status.

For *Wacoal* brand products, our strategy is to maintain existing sales channels while developing new channels and marketing methods. We therefore intend to continue wholesaling *Wacoal* brand products to mid-to-high-end markets through department stores, specialty stores, and general merchandising stores. As part of its efforts to increase points of contact with customers and enhance services, the Company will develop sales counters that mainly target older women by carrying lineups differentiated from standard *Wacoal* brand ranges, such as *La Vie Aisée* and *Gra-P*. Also, we will enhance synergy between our wholesale and direct sales channels by marketing products with the same functionality as *Wacoal* brand campaign products through SPA,

mail-order catalog, and Internet channels. Through these measures, we aim to maintain sales levels by offsetting the contraction of *Wacoal* brand sales channels due to the slump in consumer spending in recent years and to enhance the operating income margin by continuing to reduce costs.

For *Wing* brand products, the Company aims to steadily increase sales while maintaining its operating income margin. Traditionally, we have targeted the brand at high-volume markets through general merchandising store sales. However, we plan to market *Wing* brand products through a wider variety of sales channels, including specialty stores, SPA shops, mail-order catalog and Internet operations, and certain department stores. Moreover, aiming to diversify sales channels for the *Wing* brand, we will invest aggressively to increase points of contact with customers by, for example, opening a new network of SPA shops in downtown areas.



Kanjiru bra & pants

Mainstay-Brand Strategy

Objective: Enhance operational efficiency and profitability

| Sales | 2004 result | 2007 target |
|--------------------|---------------|---------------|
| Wacoal brand sales | ¥74.0 billion | ¥76.0 billion |
| Wing brand sales | ¥32.0 billion | ¥34.0 billion |

Until recently, Wacoal’s business was mainly focused on wholesaling to department stores and general merchandising stores. In 2001, however, the Company launched retailing operations to supplement earnings from those wholesaling operations by opening SPA shops in earnest. Since then, we have clearly positioned our SPA business as a future growth driver and undertaken aggressive forward-looking investment to expand our SPA shop network accordingly. And, our Medium-Term Management Plan 2004–2006 gives priority to the active expansion of our SPA business through sustained strategic investment.



amphi

Wacoal’s SPA shop network exclusively retails four mainstay brands: *une nana cool*, *Subito*, *amphi*, and *Sur la plage*. We are continuing to expand our SPA network, which totaled 45 shops as of March 2004. Each of our SPA shop brands has a distinctive marketing strategy that targets younger consumers—mainly women in their late teens to early 30s—by emphasizing design and price.



Sur la plage

In the fiscal year under review, total sales of the four mainstay SPA shop brands amounted to ¥2.4 billion. By the fiscal year ending March 2007, we aim to achieve sales of approximately ¥9.0 billion from those brands and to move SPA operations into the black.



une nana cool

To achieve those targets, we will take concrete measures to strengthen the operating platforms and market presence of our four SPA shop brands by continuing to actively open SPA shops based on careful location selection. Bearing in mind the key factors that have contributed to the creation of successful stores, we will emphasize profitability potential to build a high-quality shop network. Furthermore, we aim to maintain and heighten the

STRATEGY: MAIL-ORDER CATALOG AND INTERNET SALES

competitiveness of the existing SPA network by encouraging stores to model their operations on examples of particularly successful stores.

In addition to its four mainstay SPA shop brands, Wacoal operates *Dublevé* SPA shops, which specialize in custom-made intimate apparel, and *CLAIRE* specialty shops, which carry *Wacoal* brand products. In particular, we intend to expand our network of *Dublevé* SPA shops by



Subito

opening shops in areas with high volumes of passersby.

In February 2004, as part of a new initiative, the Company launched its luxury *WACOAL DIA* brand and opened the brand's first shop, in Ginza, Tokyo. We aim to create a new market by positioning



WACOAL DIA

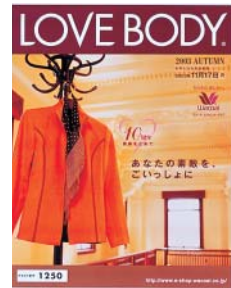
WACOAL DIA as a prestige shop brand that is associated with the highest levels of quality and service. The Company plans to market *WACOAL DIA* as an international brand through Japan's major department stores and develop the brand in markets in Europe and North America.

SPA Strategy

Objective: Build a growth platform through continued aggressive investment

| Sales | 2004 result | 2007 target |
|---------------------------------------|--------------|--------------|
| SPA sales (four SPA shop brand total) | ¥2.4 billion | ¥9.0 billion |

As with our SPA business, we are actively investing in the expansion of mail-order catalog and Internet operations to increase points of contact with new customers. In mail-order catalog sales, for each season we issue three catalogs: *LOVE BODY*, *SACHET*, and *wannabe*. Furthermore, those mail-order catalogs are fully integrated with our *Wacoal Online** website, which we use for Internet sales. Along with store sales, mail-order catalog and Internet sales form the pillars of our three-channel retailing strategy. We aim to achieve Companywide sales growth by coordinating sales promotions for



LOVE BODY

Wacoal and *Wing* brand products with promotions in our three direct sales channels.

Mail-order catalog and Internet operations generated sales of approximately ¥6.7 billion in the fiscal year under review. However, our Medium-Term Management Plan 2004–2006 sets a combined sales target of ¥12.0 billion for those channels by the fiscal year ending

March 2007. Today, broadband Internet connections and cable television are rapidly gaining popularity in Japan. Mindful of these new vehicles, we intend to redouble efforts in mail-order catalog and Internet operations to develop points of contact with new customers.

*<http://www.e-shop.wacoal.co.jp/>



Wacoal Online website

Mail-Order Catalog and Internet Sales Strategy

Objective: Grow sales by leveraging three-channel retailing synergy

| Sales | 2004 result | 2007 target |
|---------------------------------------|--------------|---------------|
| Mail-order catalog and Internet sales | ¥6.7 billion | ¥12.0 billion |