

## STRATEGY: NORTH AMERICAN AND EUROPEAN MARKETS

### MEDIUM-TERM MANAGEMENT PLAN 2004–2006

#### REALIZING OUR BODY DESIGNING BUSINESS CONCEPT

# 3

## Strengthen Presence in World Markets

Our goal is to have *Wacoal* become the top-selling, mid-to-high-end intimate apparel brand in overseas markets. To that end, we are taking steps to bolster the brand's presence in markets worldwide. We have just launched an aggressive three-year strategic investment program aimed at achieving steady growth in the markets of industrialized countries in North America and Europe and further expanding operations in Asian markets, particularly China.



Success in the markets of North America and Europe is a prerequisite if *Wacoal* is to become a top-ranking, internationally recognized brand. Therefore, expanding our business in those two regions is a major management issue; it is the first step on the road to making *Wacoal* the leading, mid-to-high-end intimate apparel brand in worldwide markets.

The Company's U.S. subsidiary, Wacoal America, Inc., which has established a marketing network of prestigious department stores that covers the United States, achieved sales of about US\$106 million in the fiscal year ended December 2003. Wacoal America has built up a broad customer base through the successful deployment of the *DKI* and *Wacoal* brands in high-end markets and the *DKNY* brand in mid-to-high-end markets. Our Medium-Term Management Plan 2004–2006 sets a sales target of US\$123 million for Wacoal America by the fiscal year ending March 2007. To reach that target, we will take a range of measures aimed at maintaining steady sales growth and securing profitability in the U.S. market, such as the inclusion of products designed by Wacoal France S.A. in Wacoal America's lineups from fall 2004. Through that initiative, our goal is to enhance the prestige of product ranges while leveraging management resources globally.



Sales counter in Galeries Lafayette, Paris

Wacoal France, a design and sales subsidiary that handles all of Wacoal's European operations, currently focuses its efforts mainly on France and Belgium. However, aiming to eventually cover the whole of Europe, it will embark on the staged expansion of its marketing operations. As a first step, the subsidiary aims to begin sales in Germany in the near future.

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### United States: Operational Strategy

Objective: Maintain steady growth by strengthening market presence

| Sales                | 2004 result       | 2007 target       |
|----------------------|-------------------|-------------------|
| Wacoal America sales | US\$106.0 million | US\$123.0 million |

## STRATEGY: CHINESE MARKET

The undiminished pace of China's economic development will likely lead to further market expansion. Wacoal regards China as an extremely important part of its overseas business strategy. Our main goal, given the strong likelihood that it will soon become Asia's leading market, is to develop a solid brand presence in China. Wacoal is therefore focusing its efforts on aggressive investment in the marketing and production of *Wacoal* brand products and the establishment of a robust profitable operating platform.

Since it launched operations in China by establishing a joint venture in Beijing in 1986, Wacoal has increased local production capacity and expanded sales channels every year. We took another step forward in December 2000 by making that joint venture into a wholly owned subsidiary to strengthen our operating platform. Based on sales centers in Shanghai, Guangzhou, Dalian, and Chengdu that have Wacoal's headquarters and factory in Beijing as their hub, the Company is building a sales network that will cover China's major cities. Further, we plan to begin production for export to Japan at a plant in Dalian in autumn 2004. As of March 2004, 138 department stores in China carried *Wacoal* brand products. And, we plan raise this number to more than 300 stores by 2007. Also, the Company established a human science research center in Shanghai in 2003 to heighten local product-planning capabilities. Based on the principles of ergonomics, the center develops original products that cater to the needs of the Chinese market.

Through these various initiatives, Wacoal plans to grow sales in China to ¥3.0 billion by the fiscal year ending March 2007. During the period to March 2007, we will also continue investments aimed at securing a solid foothold in the Chinese market.

### China: Operational Strategy

Objective: Establish a strong brand presence and bolster profit base

| Sales                | 2004 result  | 2007 target  |
|----------------------|--------------|--------------|
| Chinese market sales | ¥0.8 billion | ¥3.0 billion |



Image of Dalian Wacoal, China

## STRATEGY: OTHER ASIAN MARKETS

*Wacoal* has become a leading brand in the intimate apparel markets of many of Asia's major countries and cities, including South Korea, Taiwan, Thailand, Indonesia, the Philippines, Hong Kong, and Singapore. Apart from Hong Kong and Singapore, Wacoal's business in those countries and

regions is conducted through joint ventures established with local capital. However, we have begun a new initiative aimed at heightening the presence of the *Wacoal* brand and expanding operations in Asia's markets by opening local SPA shops.

*une nana cool* in Singapore

Further, due to the marked similarities between the mature markets of Asia's main cities and the Japanese market, the Company plans to coordinate its product and marketing strategies in Japan with local affiliates in such markets. Greater integration is required in the development of Wacoal's operations in Asia, given the increasingly borderless growth of the Asian economy—particularly among ASEAN countries, which have created an ASEAN Free Trade Area that aims to eliminate regional tariffs. Mindful of this, the Company will enhance the Wacoal Group's competitiveness and brand presence in Asia by reorganizing respective affiliates' roles and local tie-ups.