



Sur la plage



CW-X



Dublevé
semi-custom system

CREATING GROWTH

Despite having been in business for more than half a century, Wacoal constantly takes up the challenge presented by new business areas. By energetically developing its network of SPA shops and strengthening mail-order catalog sales and Internet sales, the Company is developing more ways for customers to access its increasingly diverse product lineups. To accelerate the development of our operations for direct sales to retail customers, in April 2005 we integrated SPA operations and mail-order catalog operations to create Direct Marketing Business Operations. Meanwhile, in our Wellness operations we are actively creating and growing new markets through the development of products that are tailored to diverse customer needs, such as sportswear, and lineups focused on such themes as sleep and relaxation. To achieve new growth, Wacoal intends to decisively participate in peripheral business areas that share the key focuses of its mainstay operations – beauty, comfort, and health. Further, we plan to strengthen the presence of the *Wacoal* brand in markets worldwide to become the world's leading company in the market for mid-to-high-end intimate apparel.

Deepening Relationships with Customers through Expansion of SPA Network

Launched in 2001, our SPA operations as of March 2005 comprised four shop brands – *une nana cool*, *Subito*, *amphi*, and *Sur la plage* – and *Wacoal Factory Store* outlets, giving a nationwide network of 70 shops. Together, those shops address a wide range of different customer needs, with each outlet targeting specific lifestyles or age groups. While carefully selecting store locations, we are stepping up the development of our SPA network. Fast becoming a model SPA shop, *une nana cool* will move beyond current innerwear lineups to evolve a business format that includes lifestyle goods.

For the above SPA shop brands, we will win new customers by developing products and marketing methods for age groups that Wacoal has not focused on strongly to date while doing our utmost to cultivate points of contact with customers. Under our Medium-Term Management Plan 2004–2006, the SPA shop network is slated to expand to roughly 150 stores by March 2007. Therefore, we intend to continue rolling out SPA shops based on thorough considerations of the character of each location and profitability. Also, Wacoal is looking forward to collaborative store development with companies from other business categories.



amphi

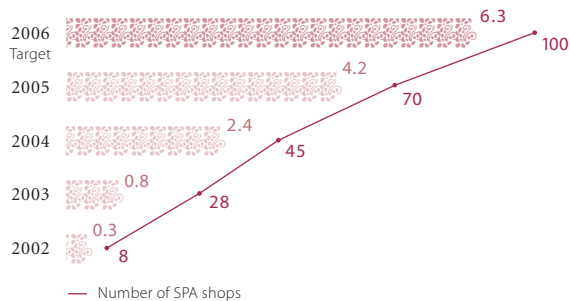


Subito



une nana cool

SPA Shop Net Sales (Billion ¥)



Diversifying Points of Contact with Customers through Mail-Order Catalog and Internet Sales



SACHET



Wacoal Online web site

SPA operations and mail-order catalog sales are the two main arms of our Direct Marketing Business Operations. In mail-order catalog sales, we issue such catalogs as *LOVE BODY*, *SACHET*, and *wannabe* each season. The *Wacoal Online* web site* offers shopping services coordinated with those mail-order catalogs. Today's customers obtain information about products from a wide range of sources and take advantage of diverse channels to purchase products that meet their fashion preferences. Wacoal offers customers diverse purchasing opportunities by providing product information through multiple channels based on a three-pronged retailing system that organically links stores, catalogs, and web sites. The regime enables us to offer levels of customer satisfaction that cannot be matched by rival operations devoted exclusively to mail-order catalog sales.

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

Heightening Our Presence in Markets for Apparel That Promotes Comfort and Health



CW-X

Wacoal draws on its accumulated human science research in the development of its Wellness operations. Our Wellness operations mainstay offering is the range of CW-X conditioning sportswear. Worn by a diversity of prominent professional athletes, our Wellness sportswear offers functionality and quality that have earned the endorsement of customers. We plan to grow Wellness operations into an independently managed sports science business. Also, plans call for the active development of business areas focused on comfort and health. For example, Wacoal will pursue business alliances aimed at creating all-round customer satisfaction through the development of lineups focused on such themes as sleep and everyday well-being. Further, we intend to build brand value by increasing points of contact with customers through such channels as convenience stores, drugstores, and television shopping.

Realizing Growth through Aggressive Business Development in Overseas Markets



Fashion show in Shanghai



Dalian Wacoal, China



Sales counter in Saks Fifth Avenue, New York



Sales counter in Printemps, Paris

Strengthening Operations in Asia

Wacoal has become established as a leading brand in the major countries of East Asia. To further entrench that brand value in Asia's markets, we plan to expand operations and reinforce our management platform in China through strategic investment, to enforce our management structure, and to integrate the *Wacoal* brand image throughout Asia. In particular, we will obtain rights to sell imported products in China to increase sales in the local market. China is also important as a production center. Since launching a joint venture company in Beijing in 1986, we have expanded our manufacturing operations by establishing bases in Shanghai and Guangdong. In autumn 2004, Dalian Wacoal Co., Ltd., started up production at a new plant that aims to achieve formidable cost competitiveness and quality control. Looking ahead, we intend to use that new plant as a major production base not only for the local market but also for exports to Japan.

Forging Links between Operations in North America and Europe

The huge markets of countries in Europe and North America are strategically very important. Success in those markets is a precondition for gaining recognition as a first-rate brand. In 2004, Wacoal America, Inc., saw favorable growth, posting sales of \$109.5 million. And, we introduced Wacoal France S.A.'s lineups to the U.S. market in autumn 2004. As we aim to grow overall operations in North America and Europe, such international initiatives will not be limited to composition lineups. Further, CW-X conditioning sportswear, launched in North America in 2003, is earning a strong reputation.

In Europe, we are planning to focus efforts on full-scale entry into Germany. Further, in light of increasingly borderless markets, Wacoal will develop a business model that takes advantage of the particular strengths of each country. We will strengthen the kind of global operations in which, for example, a product is planned in France, draws on Japan's design, technical, and quality management know-how, is produced in China or other parts of Asia, and is sold in North America and Europe.