

TRANSITION TO A COURSE OF GROWTH

Strategies for Mainstay Brands



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Our major brands, *Wacoal* and *Wing*, target markets for mid-to-high-end products. One of our most important strategies is to actively increase market share and create new markets for those brands. We plan to heighten profitability by restructuring our operations through such measures as the integration of production functions.

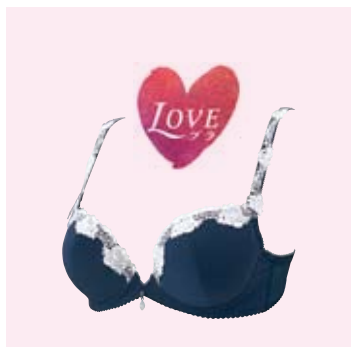
Q 1 What is the Company's strategy for wholesaling operations, which mainly cater to such mature sales channels as department stores and general merchandising stores?

Admittedly, traditional mainstay sales channels, such as department stores and general merchandising stores, have seen sluggish sales in recent years. Moreover, openings of large general merchandising stores will likely decrease from 2007 due to a revision of town management laws*. Such factors notwithstanding, at present the prospects for apparel sales are good, particularly in light of the large number of shopping centers slated for construction in the coming years.

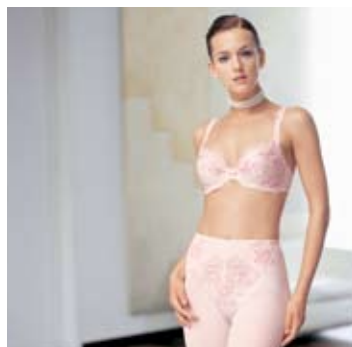
Although we do not expect dramatic growth in the mature department stores and general merchandising stores sales channels, we can create growth by carefully monitoring customers' preferences and strategically marketing lineups that are closely in step with demand. As part of such efforts, in April 2006 we sought to reflect regional differences by adding a store-based sales management system to our existing system for managing sales by channel. The new system enables marketing activities that are more solidly rooted in local communities—heightening our responsiveness to market trends and customer needs.

In sales channel strategies targeting department stores, we will foster further brand loyalty by creating high-value-added sales areas, including separate sales areas for older women. In the specialty stores sales channel, we aim to increase sales by reviewing transaction content and terms in accordance with business partners' differing circumstances. And in the general merchandising stores sales channel, we will actively enhance sales areas by using case studies of successful strategies as prototypes in all of our sales areas. Further, we will draw on the collective strength of our brands to claim a larger market share by proceeding with joint operations in *Wacoal*- and *Wing*-brand sales areas.

* Legislation aimed at curbing the shift in commercial activity away from downtown areas by regulating the opening of large commercial facilities in suburban areas.



Love Bra



La Vie Aisée



Gra-P



Hip Walker

Q 2 What are the Wacoal Group's advantages in the women's intimate apparel market, which has seen intensified competition in recent years?

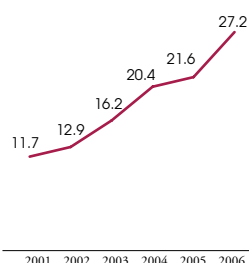


Human Science Research Center

Our product development capabilities are outstanding. Since we established the Human Science Research Center in 1964, we have measured the bodies of more than 35,000 women, from children to women in their 60s, leveraging the results in the development of products that offer beauty, comfort, and health. Launched in 2005, *Wacoal*-brand *Hip Walker* and *Wing*-brand *Style Up Pants* offer functionality that revolutionizes correction underwear. When the wearer is stationary or walking, the products train the body, adjusting posture and shaping up the buttocks. The products have proved to be a huge hit among customers. And, we plan to develop a new category of products called *Style Science*, which will feature such unique functionality. By positioning *Style Science* as a mainstay lineup, we will further consolidate brand loyalty. Also, our functional innerwear ranges for older women have realized long-term sales growth thanks to widespread customer endorsement. Sold under the *Gra-P* and *La Vie Aisée* brands, those offerings are the fruits of our research on the changes in body shape, constitution, and sensation that accompany aging.

Q 3 What do you think needs to be changed to further raise the competitiveness of the *Wacoal* and *Wing* brands? What concrete measures will the Company take?

Percentage of Products Manufactured Overseas (Wacoal Corp.) (%)



We will undertake a thorough Groupwide review of operations and functions. In particular, we will focus on heightening the efficiency of back-office operations while allocating as many resources as possible to line departments responsible for planning, production, and sales. As part of initiatives to build a highly profitable business structure, we have already integrated the production functions of the *Wacoal* and *Wing* brands. Our goal is to lower manufacturing costs, unify the control of inventories for the brands' purchasing and production systems, reduce overlapping operations, and enhance each employee's productivity. Moreover, by increasing the flexibility of the production system, integration makes it easier for us to formulate medium-to-long-term production and materials strategies for the Wacoal Group as a whole. Also, we plan to raise the proportion of overseas production and purchasing for lineups under the *Wacoal* and *Wing* brands to increase price competitiveness.