

# TRANSITION TO A COURSE OF GROWTH

## Strategies for Direct Marketing

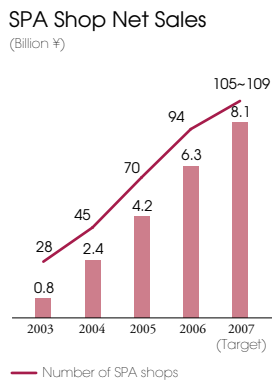


The Company's Direct Marketing Business Operations manage direct sales to customers through three main channels: SPA shops, Internet sales, and mail-order catalog sales. In 2005, we began full-fledged efforts to lay the foundations of a three-pronged Wacoal retailing system that binds those sales channels together. We will cultivate that system into a mainstay driver of the Wacoal Group's growth.

### Tatsuya Kondo

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 Director, Senior Corporate Officer, Wacoal Corp.,  
 General Manager of Direct Marketing Business Operations,  
 responsible for Wellness Department, House Design Department  
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**Q 1** How do you evaluate SPA operations at the moment and achievements to date in that area of business?



**Q 2** What kind of measures will the Company implement to foster SPA operations as a growth driver?

We plan to concentrate efforts on the continued development of our SPA operations, which we regard as on an equal footing with mail-order catalog sales, Internet sales, and Wellness operations. In 2001, we began commercializing SPA operations in earnest. Thanks to brand diversification and stepped-up shop openings, our SPA operations now comprise four shop brands—*amphi*, *Subito*, *Sur la plage*, and *une nana cool*—and *Wacoal Factory Store* outlets. At the end of fiscal 2006, SPA operations had a network of 94 shops, up 24 stores from the previous fiscal year-end. Despite posting a 50% increase in sales year on year, to ¥6.3 billion, SPA operations have still not achieved profitability. Aiming to move those operations into the black in the fiscal year ending March 2007, we have established a three-year program of measures to establish profitability and expand operations.

For existing SPA shops, we intend to achieve higher revenues and profitability as quickly as possible. At the same time, we will set in place a business model that leverages mail-order catalog sales and Internet sales channels. Currently, we conduct discrete planning and production for the shop brands *amphi*, *Subito*, *Sur la plage*, and *une nana cool*. However, from the current fiscal year common products will account for approximately half of SPA shops' lineups, which will significantly curb manufacturing costs and inventory losses. The remaining lineups will comprise highly distinctive product ranges that will reinforce each shop brand's identity.



*amphi*



*Subito*



*Sur la plage*



*une nana cool*

Q 3 What are the Company's growth strategies for mail-order catalog sales and Internet sales operations? Also, could you explain in more detail about the three-pronged Wacoal retailing system?



*Wacoal web store*



*wannabe*

As with SPA operations, the biggest issue we face in mail-order catalog sales and Internet sales operations is how to achieve profitability. With that in mind, we will position mail-order catalog sales and Internet sales as important sales channels for our other businesses. From 2006, we have begun to launch sales of *Wacoal*-and *Wing*-brand lineups and SPA shop products through those channels. In the future, we will add further lineups to create attractive sales channels that more customers use. At the same time, we will lay the foundations for strengthening coordination among the SPA shops, Internet sales, and mail-order catalog sales through Groupwide investment in information technology systems and development of distribution infrastructure. Rather than viewing the three sales channels separately, we will develop them as operations that link together to form an overall customer relationship management system that offers different shopping formats and responds to inquiries and complaints. Our basic idea is to use the collective strength of the three channels to establish a structure that grows sales and generates earnings. For example, we can use our Internet sales service to inform customers about the latest promotional events at SPA shops. Or, we can significantly increase customers' exposure to catalogs by having SPA shops carry such mail-order catalogs as *wannabe*. Because both of those examples use existing infrastructure, they will not require new capital investment. Such initiatives will create systems and a mind-set centered on customers that bond the three channels and raise levels of customer satisfaction. Also from 2006, we will begin the reorganization and upgrading of systems. And, we will complete the foundations of the three-pronged Wacoal retailing system in the year ending March 2009.