

FACING CHALLENGES

Aiming to Accelerate Expansion in Growing Business Areas at Home and Abroad

The table below shows the contraction of the women's innerwear market in Japan, the Wacoal Group's core operations. Furthermore, the department store sector, the mainstay sales channel of our women's innerwear wholesale operations, is also contracting. Both trends reflect the aging of Japan's society and make the prospect of significant future growth unlikely. With these unfavorable business conditions set to continue, the Wacoal Group aims to secure growth and earnings by stepping up the pace of expansion in growing business areas in Japan and overseas based on the new Medium-Term Management Plan.

Women's Innerwear Market in Japan (Retail base)

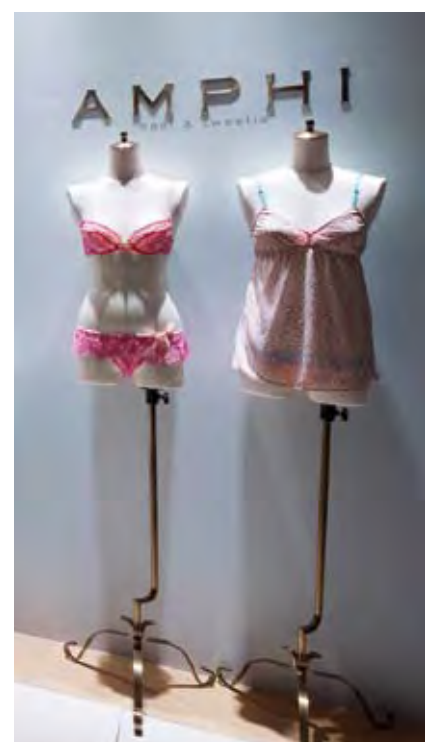
¥ Billion

791.0	792.5	791.0	767.0	758.0	740.0	725.0	682.0	627.0
01	02	03	04	05	06	07	08	09 (ESTIMATE)

Source: Yano Research Institute Ltd.

Growing Business Areas in Japan:
Building New Sales Channels

AMPHI

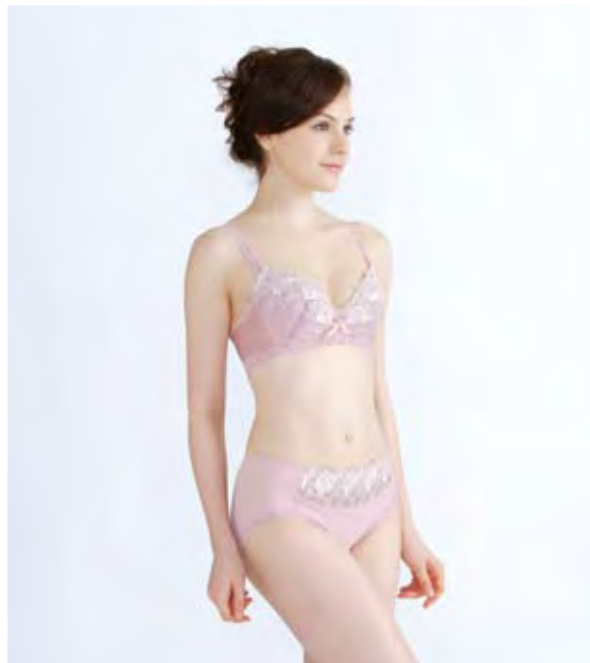


In 2002, the SPA operations of Wacoal Corp. cut the tape on *amphi* as a directly managed store based on a select shop concept. Mainly targeting women in their 20s, these stores carry indoor wear, fashion accessories, and sundries as well as innerwear. Our network in Japan has 52 stores, as of the end of the fiscal year.

Tasked with building new sales channels, SPA operations are growing steadily. They performed solidly in the fiscal year, contributing net sales of ¥7.1 billion, up ¥90 million year on year. Overall SPA operations accounted for 64 stores, as of the end of the fiscal year, and we will add eight stores in the current fiscal year. Going forward, SPA operations will consolidate various shop brands in order to position *amphi* as the main shop brand, thereby increasing the efficiency of investment in brands and further raising name recognition among customers.

Growing Business Areas in Japan:
Increasing Points of Contact with Customers

PEACH JOHN & LECIEN



Through a quarterly mail-order catalog and 27 stores in Japan, as of the end of the fiscal year, Peach John markets innerwear principally for young women and young career women. With a talent for creating and marketing youthful fashionable lineups, Peach John is very popular among younger women. Because the customer group of Wacoal Corp. centers on career women through senior women, Peach John will enable the Wacoal Group to grow sales by increasing points of contact with younger customers as well as carve out a larger share of the women's innerwear market in Japan.

In another initiative to increase points of contact with customers and use a variety of sales methods and channels, Lecien became a member of the Wacoal Group in August 2009. This new wholly owned subsidiary specializes in products for high-volume markets.

Growing Business Areas in Japan:
Strengthening Product Development

CW-X

Sports conditioning wear products with advanced functionality, *CW-X* has earned strong approval from leading athletes worldwide since its launch in 1991. In Japan, shipments of *CW-X* have increased in line with growing health consciousness among consumers, and this product category promises further growth. Responsible for developing the *CW-X* range, our Wellness Business has until now targeted athletes through products with advanced functionality. In February 2010, however, the Wellness Business debuted *CW-X STYLE FREE* as a strategic product with “light” functionality for everyday use. Looking beyond sportswear and using market growth as a tailwind, we are strengthening product development to realize a lineup of products that customers can wear at work, when traveling, or in other everyday situations. Moreover, in Tokyo we opened our first two directly managed *CW-X* stores, as of the end of the fiscal year, and we are heightening brand name recognition under the slogan “Supporting Healthy Lifestyles.”





Growing Business Areas Overseas

CHINA OPERATIONS

In China's thriving market, the Wacoal Group is ramping up the development of operations based on three brands: the mainstay *Wacoal* brand, *amphi* for young women, and the high-value-added brand *Salute*. In addition to accelerating wholesale operations focused on the department store channel, we are upping the pace of directly managed store openings. At the same time, we are actively pushing forward with promotional campaigns to raise *Wacoal* brand name recognition and grow sales. As part of this drive, we began featuring a famous Chinese actress, Li Xiao Ran, in advertising campaigns from August 2009.

Also, we are undertaking research to ensure Chinese women are satisfied with our innerwear. As in Japan, in China we established a research center, the Chinese Human Science Research Center, in 2002. This center measures Chinese women's physiques and checks wearing feel and product functionality by using trial-fitting monitors. The ability to develop products best suited to respective regions in this way is one of the Wacoal Group's unique strengths. With this in mind, we intend to continue collecting data on Chinese women in a wide range of regions, from the coast to the interior, in order to develop products ideally suited to Chinese women.



Growing Business Areas Overseas

U.S. OPERATIONS

In U.S. operations, the mainstay of overseas operations, the Wacoal Group brought to market two original brands to offset a decrease in sales following the cancellation of the contract for licensed products for DKI and DKNY designer brands. For high-end department stores, we introduced *Wacoal Luxe*, and we unveiled *b.tempt'd by Wacoal* as a sexy, fashionable brand. Among business partners and consumers, *b.tempt'd by Wacoal* is attracting considerable attention and acclaim, with more stores carrying the new brand than initially planned.

