

# Consolidated Business Results for the First Quarter of the Year Ending March 2004

## [U.S. Accounting Standards]

July 30, 2003

Listed Company: Wacoal Corp.

Code Number: 3591

( URL <http://www.wacoal.co.jp/> )

Representative: Position: President and Representative Director

Name: Yoshikata Tsukamoto

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Stock Exchanges: Tokyo, Osaka

Location of Principal Office: Kyoto

### 1. Matters concerning preparation of the consolidated quarterly financial information

(1) Difference in the accounting methods from those used in the recent fiscal year (consolidated): None

(2) Changes in the consolidation criteria or equity-method application:  
Affiliated company subject to equity method (new): WACOAL MALAYSIA SDN BHD

(3) As the consolidated quarterly financial information has been prepared beginning this quarter, no comparison was made to the same period last year.

### 2. Consolidated Business Results for the First Quarter of the Year Ending March 2004 (April 1, 2003 to June 30, 2003)

#### (1) Consolidated Business Results

(Note) Fractions less than 1 million yen in the indicated amounts have been rounded off.

	Sales		Operating Income		Pre-tax Net Profit		Net Profit	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
First Quarter of the Year Ending March 2004	41,743	-	3,354	-	3,495	-	2,192	-
First Quarter of the Year Ended March 2003	-	-	-	-	-	-	-	-
(Reference) Year Ended March 2003	163,709	0.5	7,264	1.1	4,604 (39.5)		2,898 (41.8)	

	Net Profit Per Share	Diluted Net Profit Per Share
	Yen	Yen
First Quarter of the Year Ending March 2004	14.96	-
First Quarter of the Year Ended March 2003	-	-
(Reference) Year Ended March 2003	19.48	-

(Note) Percentages indicated under sales, operating income, etc. for the year ended March 2003 represent the increase/decrease compared to the previous year.

#### [Qualitative Information regarding the Consolidated Business Results]

With respect to the Wacoal brand, the spring campaign products “Shakitto Bra” and “Shakitto Pants” were well received, and the summer campaign product “T-Shirts Bra NAMI NAMI” showed steady sales. As for the Wing brand, the spring campaign products “Natural Up Bra” and “Natural Fit Bra” showed favorable results. In the SPA business, the Company kept opening new stores, and there were 66 stores in total as of June 30, 2003.

Overseas business generally showed favorable results. Due to a difference in the fiscal year end, the business results of certain overseas affiliated companies do not include the activities in April and May of 2003, when SARS epidemic spread worldwide. As a result, there was no effect of SARS on their quarterly results.

Based on the above, business results for this first quarter were: sales of 41,743 million yen, operating income of 3,354 million yen, pre-tax net profit (quarter) of 3,495 million yen and net profit (quarter) of 2,192 million yen.

#### (2) Consolidated Financial Condition

	Total Assets	Equity Capital	Equity Capital Ratio	Equity Capital Per Share
	Million Yen	Million Yen	%	Yen
First Quarter of the Year Ending March 2004	221,677	164,761	74.3	1,124.12
First Quarter of the Year Ended March 2003	-	-	-	-
(Reference) Year Ended March 2003	218,105	160,839	73.7	1,097.35

[Consolidated Cash Flow Status]

	Cash Flow from Operating Activities	Cash Flow used in Investment Activities	Cash Flow used in Financial Activities	Balance of Cash and Cash Equivalents at End of Year
	Million Yen	Million Yen	Million Yen	Million Yen
First Quarter of the Year Ending March 2004	(123)	6,475	1,713	35,312
First Quarter of the Year Ended March 2003	-	-	-	-
(Reference) Year Ended March 2003	7,858	(9,839)	(6,006)	27,246

[Qualitative Information regarding Consolidated Financial Condition]

Cash Flow Status

Cash and cash equivalents as of the end of this first quarter were 35,312 million yen, increased by 8,066 million yen from the end of previous consolidated fiscal year ended March 31, 2003.

(Cash used in Operating Activities)

Cash used in operating activities resulted in 123 million yen, due to increase in receivables by 1,307 million yen, decrease in payables by 1,345 million yen, and decrease in accrued expenses and other current liabilities (for payments of bonus and corporate tax, etc.) by 2,539 million yen.

(Cash Flow from Investment Activities)

Cash flow from investment activities resulted in 6,475 million yen, mainly due to redemption of short-term notes.

(Cash Flow from Financial Activities)

Cash flow from financial activities resulted in 1,713 million yen, mainly due to increase in short-term bank loans of subsidiaries.

3. Forecast for the Consolidated Business Results for the Year Ending March 2004 (April 1, 2003 to March 31, 2004)

	Sales	Operating Income	Pre-tax Net Profit	Net Profit	Net Profit Per Share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Interim Period ending September 30, 2003	86,000	5,500	5,700	3,800	25.93
Year ending March 31, 2004.	167,000	8,300	8,400	5,800	39.57

[Qualitative Information regarding Forecast of Consolidated Business Results]

With respect to the forecasts for the consolidated and non-consolidated business results, the figures announced on May 15, 2003 have not been amended to date.

\* The foregoing estimates are made based on information available as of the date this data was released, and actual results may differ from estimates due to various factors arising in the future.

# I-1. Summary of Consolidated Balance Sheets

Accounts	Current First Quarter As of June 30, 2003	Previous Year As of March 31, 2003
(Assets)	Million Yen	Million Yen
Current assets:		
Cash	14,997	7,084
Time deposits and certificate of deposit	20,315	20,162
Marketable securities	41,280	48,250
Notes and accounts receivable:		
Trade notes	2,263	1,742
Trade accounts	<u>19,489</u>	<u>18,688</u>
	21,752	20,430
Allowance for returns and doubtful receivables	<u>(2,722)</u>	<u>(2,288)</u>
	19,030	18,142
Inventories	24,667	24,346
Other current assets	6,846	6,502
Total current assets	127,135	124,486
Property, plant and equipment:		
Land	22,491	22,924
Buildings	55,980	55,801
Machinery and equipment	12,371	12,248
Construction in progress	<u>39</u>	<u>78</u>
	90,881	91,051
Accumulated depreciation	(37,427)	(36,880)
Net property, plant and equipment	53,454	54,171
Other assets:		
Investments in affiliates	11,220	10,840
Investments	21,230	17,968
Lease deposits and other	8,638	10,640
Total other assets	41,088	39,448
Total Assets	221,677	218,105

Accounts	Current First Quarter As of June 30, 2003	Previous Year As of March 31, 2003
(Liabilities, minority interests and shareholders' equity)	Million Yen	Million Yen
Current Liabilities:		
Short-term bank loans	9,360	5,633
Notes and accounts payable:		
Trade notes	2,936	2,499
Trade accounts	<u>7,983</u>	<u>8,627</u>
	10,919	11,126
Accrued payroll and bonuses	5,749	7,520
Income taxes payable	2,030	2,796
Other current liabilities	6,903	6,288
Current portion of long-term debt	213	213
Total current liabilities	35,174	33,576
Long-term liabilities:		
Long-term debt	1,200	1,219
Liability for termination and retirement benefits	18,715	20,650
Deferred income taxes	133	39
Total long-term liabilities	20,048	21,908
Minority interests	1,694	1,782
Shareholders' Equity:		
Common stock	13,260	13,260
Additional paid-in capital	25,242	25,242
Retained earnings	131,680	131,466
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(1,900)	(1,947)
Unrealized gain/(loss) on securities	1,218	(846)
Minimum pension liability	(4,695)	(6,293)
Treasury stock	(44)	(43)
Total shareholders' equity	164,761	160,839
Total liabilities, minority interests and shareholders' equity	221,677	218,105

## I-2. Summary of Consolidated Statements of Income

Accounts	Current First Quarter From April 1, 2003 To June 30, 2003		Previous Year From April 1, 2002 To March 31, 2003	
	Million Yen	%	Million Yen	%
Net sales	41,743	100.0	163,709	100.0
Operating cost and expenses				
Cost of sales	20,163	48.3	85,306	52.1
Selling, general and administrative	18,226	43.7	71,139	43.5
Total operating expenses	38,389	92.0	156,445	95.6
Operating income	3,354	8.0	7,264	4.4
Other income and (expenses):				
Interest income	123	0.3	305	0.2
Interest expense	(31)	(0.1)	(165)	(0.1)
Dividend income	117	0.3	220	0.1
Gain (loss) on sale and transfer or exchange of investments	(1)	(0.0)	436	0.3
Valuation loss on investments	(93)	(0.2)	(3,566)	(2.2)
Other-net-	26	0.1	110	0.1
Total other income (expenses), net	141	0.4	(2,660)	(1.6)
Income before income taxes, equity in net income of affiliated companies and minority interests	3,495	8.4	4,604	2.8
Income taxes	1,558	3.8	2,487	1.5
Income before equity in net income of affiliated companies and minority interests	1,937	4.6	2,117	1.3
Equity in net income of affiliated companies	272	0.7	966	0.6
Minority interests	(17)	(0.0)	(185)	(0.1)
Net income	2,192	5.3	2,898	1.8
Net income per share	14.96 yen		19.48 yen	

Note: Statement of Financial Accounting Standards No. 130 "Report of Comprehensive Income" is applicable, and the increase/decrease (comprehensive income) of capital accounts other than capital transactions for the current first quarter and the previous year ended March 2003 based on the statement was an increase of 5,901 million yen and a decrease of 3,005 million yen, respectively.

### I-3. Summary of Consolidated Statements of Cash Flow

Accounts	Current First Quarter From April 1, 2003 To June 30, 2003	Previous Year From April 1, 2002 To March 31, 2003
	Million Yen	Million Yen
I. Operating activities		
1. Net income	2,192	2,898
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortizations	724	2,971
(2) Loss on sale or disposal of property, plant and equipment	308	143
(3) Impairment charges on long-lived assets	-	556
(4) Valuation loss on investment	93	3,566
(5) Gain on sale and transfer of investment securities	1	(436)
(6) Undistributed earnings of affiliates, less dividends	(54)	(643)
(7) Changes in assets and liabilities		
Decrease (increase) in notes and accounts receivables	(1,307)	3,110
Decrease (increase) in inventories	(300)	154
Decrease in payables	(1,345)	(2,236)
Increase in reserves for retirement benefits	779	1,672
Increase (decrease) in accrued expenses and other current liabilities	(2,539)	771
(8) Others	1,325	(4,668)
Net cash (used in) flow from operating activities	(123)	7,858
II. Investment activities		
1. Proceeds from sales and redemption of marketable securities	17,244	59,681
2. Payments to acquire marketable securities	(10,199)	(67,613)
3. Proceeds from sales of property, plant and equipment	154	1,416
4. Proceeds from sale and redemption of investments	0	1
5. Capital expenditure	(458)	(2,104)
6. Payments to acquire investments	(256)	(866)
7. Increase in other assets	(10)	(354)
Net cash flow from (used in) investment activities	6,475	(9,839)
III. Financial activities		
1. Increase (decrease) in short-term bank loans	3,711	(1,647)
2. Proceeds from issuance of long term debt	1	183
3. Repayment of long-term debt	(20)	(181)
4. Repurchase of treasury stock	(1)	(2,348)
5. Dividends paid on common stock	(1,978)	(2,013)
Net cash flow from (used in) financial activities	1,713	(6,006)
IV. Effect of exchange rate changes on cash and cash equivalents	1	(148)
V. Net increase (decrease) in cash and cash equivalents	8,066	(8,135)
VI. Cash and cash equivalents, Beginning of period	27,246	35,381
VII. Cash and cash equivalents, End of period	35,312	27,246

#### Additional Information

Cash paid for:		
Interest	32	154
Income taxes	2,754	4,543
Investment activities without cash expenditure		
Exchange of shares	-	703

## II. Segment Information

### (1) Segment Information by Type of Business

Current first quarter ended June 30, 2003

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	39,124	2,619	41,743	-	41,743
(2) Internal sales among segments	-	1,855	1,855	(1,855)	-
Total	39,124	4,474	43,598	(1,855)	41,743
Operating expenses	35,347	4,525	39,872	(1,483)	38,389
Operating income (Loss)	3,777	(51)	3,726	(372)	3,354

Previous fiscal year ended March 31, 2003.

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	147,377	16,332	163,709	-	163,709
(2) Internal sales among segments	-	7,489	7,489	(7,489)	-
Total	147,377	23,821	171,198	(7,489)	163,709
Operating expenses	138,613	24,125	162,738	(6,293)	156,445
Operating income (Loss)	8,764	(304)	8,460	(1,196)	7,264

- (Note)
1. Segment information is prepared based on the “consolidated interim financial statement regulations”.
  2. Business segments are classified into textile goods and related products and others based on the type, quality, and resemblance in the sales market of such products.
  3. Core products of the respective business segments:  
Textile goods and related products: innerwear (foundation, lingerie, nightwear and children’s innerwear), outerwear, sportswear, hosiery, etc.  
Others: mannequins, shop design and implementation, housing, restaurant, culture, services, etc.

### (2) Segment Information by Location

Current first quarter ended June 30, 2003

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	37,363	1,258	3,122	41,743	-	41,743
(2) Internal sales among segments	308	786	-	1,094	(1,094)	-
Total	37,671	2,044	3,122	42,837	(1,094)	41,743
Operating expenses	34,494	1,880	2,737	39,111	(722)	38,389
Operating income	3,177	164	385	3,726	(372)	3,354

Previous fiscal year ended March 31, 2003

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	145,155	4,986	13,568	163,709	-	163,709
(2) Internal sales among segments	718	3,025	-	3,743	(3,743)	-
Total	145,873	8,011	13,568	167,452	(3,743)	163,709
Operating expenses	139,527	7,446	12,019	158,992	(2,547)	156,445
Operating income	6,346	565	1,549	8,460	(1,196)	7,264

- (Note)
1. Segment information is prepared based on the “consolidated interim financial statement regulations”.
  2. Major countries and areas included in the respective segments other than Japan  
Asia: various countries of East Asia and Southeast Asia  
Europe/U.S.: the U.S. and various European countries

(3) Overseas Sales

Current first quarter ended June 30, 2003

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	1,258	3,122	4,380
II. Consolidated sales			41,743
III. Ratio of overseas sales in consolidated sales	3.0%	7.5%	10.5%

Previous fiscal year ended March 31, 2003

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	4,986	13,568	18,554
II. Consolidated sales			163,709
III. Ratio of overseas sales in consolidated sales	3.0%	8.3%	11.3%

- (Note)
1. Segment information is prepared based on the “consolidated interim financial statement regulations”.
  2. Major countries and areas included in the respective segments other than Japan  
Asia: various countries of East Asia and Southeast Asia  
Europe/U.S.: the U.S. and various European countries



### III. Status of Production and Sales

(1) Production Results

Segment name by type of business	Current First Quarter Ended June 30, 2003		Previous fiscal Year Ended March 31, 2003	
	Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products	Million Yen 17,751	% 100.0	Million Yen 69,670	% 100.0

(2) Sales Results

Segment name by type of business		Current First Quarter Ended June 30, 2003		Previous fiscal Year Ended March 31, 2003	
		Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products	Innerwear	Million Yen	%	Million Yen	%
	Foundation and lingerie	30,260	72.5	116,741	71.3
	Nightwear	3,580	8.6	12,710	7.8
	Children's underwear	750	1.8	2,515	1.5
	Subtotal	34,590	82.9	131,966	80.6
	Outerwear/Sportswear	2,815	6.7	9,440	5.8
	Hosiery	461	1.1	1,672	1.0
	Other textile goods and related products	1,258	3.0	4,299	2.6
	Total	39,124	93.7	147,377	90.0
Others		2,619	6.3	16,332	10.0
Total		41,743	100.0	163,709	100.0