

Consolidated Business Results for the Third Quarter of the Year Ending March 2004

[U.S. Accounting Standards]

January 30, 2004

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:

Consolidated subsidiary (new):

Dalian Wacoal Co., Ltd.

Affiliated company subject to equity method (new):

WACOAL MALAYSIA SDN BHD

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

2. Third Quarter of the Year Ending March 2004: Consolidated Business Results

(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	%
Nine months ended December 31, 2003	126,924	-	9,065	-	9,960	-	6,317	-
Nine months ended December 31, 2002	-	-	-	-	-	-	-	-
(Reference) Year Ended March 31, 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
Nine months ended December 31, 2003	43.10	-
Nine months ended December 31, 2002	-	-
(Reference) Year Ended March 31, 2003	19.48	-

(Note) Percentages indicated under sales, operating income, etc. for the year ended March 31, 2003 represent the increase/decrease compared to the previous year.

[Qualitative Information regarding the Consolidated Business Results]

For this third quarter, sales of the seasonal products such as underwear were lower than the previous year due to the warm climate during mid-October and November when those products usually account for a large portion of the total sales. Although the sales recovered as the temperature dropped in December, it did not reach the previous year's result. On the other hand, our overseas business showed favorable results.

Based on the above, business results for this third quarter were: sales of 126,924 million yen, operating income of 9,065 million yen, pre-tax net profit of 9,960 million yen and net profit of 6,317 million yen.

(2) Third Quarter of the Year Ending March 2004: Consolidated Financial Condition

	Total Assets	Equity Capital	Equity Capital Ratio	Equity Capital Per Share
	Million Yen	Million Yen	%	Yen
December 31, 2003	232,731	174,089	74.8	1,187.78
December 31, 2002	-	-	-	-
March 31, 2003	218,105	160,839	73.7	1,097.35

[Consolidated Cash Flow Status]

	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash Flow from Financial Activities	Balance of Cash and Cash Equivalents at End of Period
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Nine months ended December 31, 2003	Million Yen 6,055	Million Yen 5,198	Million Yen 281	Million Yen 38,658
Nine months ended December 31, 2002	-	-	-	-
(Reference) Year Ended March 31, 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 third quarter were 38,658 million yen, an increase of 11,412 million yen from the end of the previous consolidated fiscal year ended March 31, 2003.

(Cash Flow from Operating Activities)

Cash flow from operating activities was 6,055 million yen, mainly due to net profit of the current period of 6,317 million yen, depreciation and amortization of 2,226 million yen, and an increase in liability for termination and retirement benefits which are offset by an increase in notes and accounts receivables of 2,194 million yen, an increase in inventories of 1,399 million yen, and a decrease in accrued expenses and other current liabilities (for payments of bonus and corporate tax, etc.) of 2,339 million yen.

(Cash Flow from Investment Activities)

Cash flow from investment activities was 5,198 million yen, mainly due to redemption of short-term notes.

(Cash Flow from Financial Activities)

Cash flow from financial activities was 281 million yen, mainly due to an increase in short-term bank loans of subsidiaries, etc.

3. Forecast for the Consolidated Business Results for the Year Ending March 31, 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
Year ending March 31, 2004.	163,000	6,300	6,700	4,500	30.70

[Qualitative Information regarding Forecast of Consolidated Business Results]

Business results for the year ending March 31, 2004 will fall below the forecasts announced with the interim business results, as the sales of seasonal products were lower than expected.

* 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 Third Quarter As of December 31, 2003	Previous Year As of March 31, 2003
(Assets)	Million Yen	Million Yen
I. Current assets:		
Cash	16,368	7,084
Time deposits and certificate of deposit	22,290	20,162
Marketable securities	42,241	48,250
Notes and accounts receivable:		
Trade notes	2,169	1,742
Trade accounts	<u>20,257</u>	<u>18,688</u>
	22,426	20,430
Allowance for returns and doubtful receivables	<u>(3,088)</u>	<u>(2,288)</u>
	19,338	18,142
Inventories	25,425	24,346
Deferred income taxes	4,687	4,653
Other current assets	2,554	1,849
Total current assets	132,903	124,486
II. Property, plant and equipment:		
Land	22,388	22,924
Buildings	55,847	55,801
Machinery and equipment	12,338	12,248
Construction in progress	<u>103</u>	<u>78</u>
	90,676	91,051
Accumulated depreciation	(38,093)	(36,880)
Net property, plant and equipment	52,583	54,171
III. Other assets:		
Investments in affiliates	11,522	10,840
Investments	27,192	17,968
Deferred income taxes	773	3,616
Lease deposits and other	7,758	7,024
Total other assets	47,245	39,448
Total Assets	232,731	218,105

Accounts	Current Third Quarter As of December 31, 2003	Previous Year As of March 31, 2003
(Liabilities, minority interests and shareholders' equity)	Million Yen	Million Yen
I. Current Liabilities:		
Short-term bank loans	7,823	5,633
Notes and accounts payable:		
Trade notes	4,178	2,499
Trade accounts	<u>8,088</u>	<u>8,627</u>
	12,266	11,126
Other payable	4,360	5,437
Accrued payroll and bonuses	5,573	7,520
Income taxes payable	2,363	2,796
Other current liabilities	3,497	851
Current portion of long-term debt	218	213
Total current liabilities	36,100	33,576
II. Long-term liabilities:		
Long-term debt	379	455
Customer deposits	822	764
Liability for termination and retirement benefits	16,487	20,650
Deferred income taxes	3,131	39
Total long-term liabilities	20,819	21,908
III. Minority interests	1,723	1,782
IV. Shareholders' Equity:		
Common stock	13,260	13,260
Additional paid-in capital	25,242	25,242
Retained earnings	135,805	131,466
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(2,876)	(1,947)
Unrealized gain/(loss) on securities	5,084	(846)
Minimum pension liability	(2,380)	(6,293)
Treasury stock	(46)	(43)
Total shareholders' equity	174,089	160,839
Total liabilities, minority interests and shareholders' equity	232,731	218,105

I-2. Summary of Consolidated Statements of Income

Accounts	Nine Months From April 1, 2003 To December 31, 2003		Previous Year From April 1, 2002 To March 31, 2003	
	Million Yen	%	Million Yen	%
I. Net sales	126,924	100.0	163,709	100.0
II. Operating cost and expenses				
Cost of sales	63,497	50.0	85,306	52.1
Selling, general and administrative	54,362	42.9	71,139	43.5
Total operating expenses	117,859	92.9	156,445	95.6
Operating income	9,065	7.1	7,264	4.4
III. Other income and (expenses):				
Interest income	254	0.2	305	0.2
Interest expense	(89)	(0.0)	(165)	(0.1)
Dividend income	192	0.1	220	0.1
Gain on sale and exchange of investments	436	0.3	436	0.3
Valuation loss on investments	(116)	(0.1)	(3,566)	(2.2)
Other-net-	218	0.2	110	0.1
Total other income (expenses), net	895	0.7	(2,660)	(1.6)
Income before income taxes, equity in net income of affiliated companies and minority interests	9,960	7.8	4,604	2.8
Income taxes	4,210	3.3	2,487	1.5
Income before equity in net income of affiliated companies and minority interests	5,750	4.5	2,117	1.3
Equity in net income of affiliated companies	669	0.5	966	0.6
Minority interests	(102)	(0.0)	(185)	(0.1)
Net income	6,317	5.0	2,898	1.8
Net income per share	43.10 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 third quarter and the previous year ended March 2003 based on the statement was an increase of 15,231 million yen and a decrease of 3,005 million yen, respectively.

I-3. Summary of Consolidated Statements of Cash Flow

Accounts	Nine Months From April 1, 2003 To December 31, 2003	Previous Year From April 1, 2002 To March 31, 2003
	Million Yen	Million Yen
I. Operating activities		
1. Net income	6,317	2,898
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortizations	2,226	2,971
(2) Loss on sale or disposal of property, plant and equipment	357	143
(3) Impairment charges on long-lived assets	-	556
(4) Valuation loss on investment	116	3,566
(5) Gain on sale and exchange of investment securities	(436)	(436)
(6) Undistributed earnings of affiliates, less dividends	(376)	(643)
(7) Changes in assets and liabilities		
Decrease (increase) in notes and accounts receivables	(2,194)	3,110
Decrease (increase) in inventories	(1,399)	154
Increase (decrease) in payables	98	(2,236)
Increase in liability for termination and retirement benefits	2,483	1,672
Increase (decrease) in accrued expenses and other current liabilities	(2,339)	771
(8) Others	1,202	(4,668)
Net cash flow from operating activities	6,055	7,858
II. Investment activities		
1. Proceeds from sales and redemption of marketable securities	47,581	59,681
2. Payments to acquire marketable securities	(41,108)	(67,613)
3. Proceeds from sales of property, plant and equipment	341	1,416
4. Capital expenditure	(1,385)	(2,104)
5. Proceeds from sale and redemption of investments	487	1
6. Payments to acquire investments	(535)	(866)
7. Increase in other assets	(183)	(354)
Net cash flow from (used in) investment activities	5,198	(9,839)
III. Financial activities		
1. Increase (decrease) in short-term bank loans	2,273	(1,647)
2. Proceeds from issuance of long term debt	213	183
3. Repayment of long-term debt	(224)	(181)
4. Repurchase of treasury stock	(3)	(2,348)
5. Dividends paid on common stock	(1,978)	(2,013)
Net cash flow from (used in) financial activities	281	(6,006)
IV. Effect of exchange rate changes on cash and cash equivalents	(122)	(148)
V. Net increase (decrease) in cash and cash equivalents	11,412	(8,135)
VI. Cash and cash equivalents, Beginning of period	27,246	35,381
VII. Cash and cash equivalents, End of period	38,658	27,246

Additional Information

Cash paid for:		
Interest	92	154
Income taxes	5,395	4,543
Investment activities without cash expenditure		
Exchange of shares	-	703

II. Segment Information

(1) Segment Information by Type of Business

Nine months ended December 31, 2003

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	116,065	10,859	126,924	-	126,924
(2) Internal sales or transfer among segments	-	5,777	5,777	(5,777)	-
Total	116,065	16,636	132,701	(5,777)	126,924
Total operating expenses	106,081	16,414	122,495	(4,636)	117,859
Operating income	9,984	222	10,206	(1,141)	9,065

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 or transfer among segments	-	7,489	7,489	(7,489)	-
Total	147,377	23,821	171,198	(7,489)	163,709
Total 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

Nine months ended December 31, 2003

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	112,638	3,856	10,430	126,924	-	126,924
(2) Internal sales or transfer among segments	680	2,848	-	3,528	(3,528)	-
Total	113,318	6,704	10,430	130,452	(3,528)	126,924
Total operating expenses	104,925	6,181	9,140	120,246	(2,387)	117,859
Operating income	8,393	523	1,290	10,206	(1,141)	9,065

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 or transfer among segments	718	3,025	-	3,743	(3,743)	-
Total	145,873	8,011	13,568	167,452	(3,743)	163,709
Total 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

Nine months ended December 31, 2003

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	3,856	10,430	14,286
II. Consolidated sales			126,924
III. Ratio of overseas sales in consolidated sales	3.0%	8.2%	11.2%

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	Nine months Ended December 31, 2003		Previous fiscal Year Ended March 31, 2003	
	Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products	Million Yen 54,542	% 100.0	Million Yen 69,670	% 100.0

(2) Sales Results

Segment name by type of business		Nine months Ended December 31, 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	91,743	72.3	116,741	71.3
	Nightwear	9,549	7.5	12,710	7.8
	Children's underwear	2,067	1.6	2,515	1.5
	Subtotal	103,359	81.4	131,966	80.6
	Outerwear/Sportswear	7,779	6.1	9,440	5.8
	Hosiery	1,558	1.2	1,672	1.0
	Other textile goods and related products	3,369	2.7	4,299	2.6
	Total	116,065	91.4	147,377	90.0
	Others	10,859	8.6	16,332	10.0
Total		126,924	100.0	163,709	100.0