

# Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2007

## U.S. Accounting Standards

July 28, 2006

Listed Company: Wacoal Holdings Corp.

Code Number: 3591

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

Representative: Position: President and Representative Director

Name: Yoshikata Tsukamoto

For Inquiries: Position: General Manager Corporate Planning

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Application of U.S. Accounting Standards: Yes

1. Matters concerning preparation of the consolidated quarterly financial results

(1) Application of simplified accounting methods: None

(2) Changes in accounting methods from those used in the most recent fiscal year (consolidated): None

(3) Changes in consolidation criteria or equity-method application: Yes

Consolidated: (new) 2 companies; (exception) 3 companies

Equity Method: (new) 1 company; (exception) None

2. First Quarter of the Fiscal Year Ending March 31, 2007: Consolidated Business Results

(1) Consolidated Business Results

(Note) Amounts less than 1 million yen have been rounded

	Sales		Operating Income		Pre-tax Net Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Three months ended June 30, 2006	39,580	(0.9)	3,811	19.6	4,260	25.7	2,773	16.3
Three months ended June 30, 2005	39,935	(3.3)	3,187	(9.2)	3,389	(9.5)	2,384	3.3
(Reference) Fiscal Year Ended March 31, 2006	164,122		1,333		3,466		2,821	

	Net Income Per Share	Diluted Net Earnings Per Share
	Yen	Yen
Three months ended June 30, 2006	19.27	-
Three months ended June 30, 2005	16.56	-
(Reference) Fiscal Year Ended March 31, 2006	19.60	-

(Note) Percentages indicated under sales, operating income, etc. represent the increase/(decrease) compared to the first quarter of the fiscal year ended March 31, 2006.

### Qualitative Information Regarding the Consolidated Business Results

For the first quarter of the current fiscal year, the overall sales of our core brassieres products in our core Wacoal brand business department declined (i) because the sales of our spring campaign product, *Love Bra* fell below expectations because it failed to adequately attract a wide range of customers, and (ii) due to a slump in the sales of our core summer products, the strapless-type and seamless-type brassieres, in connection with lower than average temperatures and certain outerwear trends. Similarly, in our Wing brand business department, the sales of brassieres fell below the results of the previous fiscal year, including sales of our spring campaign product *Arrange Bra*.

On the other hand, *Hip Walker*, a Wacoal brand product, and *Style Up Pants*, a Wing brand product, which were launched last autumn and have acquired support from many women for their revolutionary functionality, were introduced this spring with other products under a new brand category named *Style Science*. The sales of *Style Science* brand products have showed strong performance.

In our direct marketing business, our retail store business department continues to produce steady results, with an increase in sales from existing shops as well as additional sales from newly added shops during the same period of the previous fiscal year and the beginning of the current fiscal year. In our catalog sales business, although sales fell below results from the previous fiscal year as a result of a reduction in the number of catalogs, we are making steady improvement in business efficiency.

In general, our overseas business showed favorable results in Europe, the United States and Southeast Asia, and sales were particularly strong in the U.S., with strong growth over sales from the same period of the previous fiscal year.

As a result, consolidated business results for the first quarter of the current fiscal year were as follows: sales of 39,580 million yen (a decrease of 0.9% from the same period of the previous fiscal year); and operating income of 3,811 million yen (an increase of 19.6% from the same period of the previous fiscal year, as a result of a reduction in labor costs following the implementation of our special voluntary retirement program the previous fiscal year and due to our general efforts to reduce costs and expenses).

Our pre-tax net income for the first quarter of the current fiscal year was 4,260 million yen, an increase of 25.7% over the same period of the previous fiscal year, while net income was 2,773 million yen, an increase of 16.3% over the same period of the previous fiscal year.

## (2) Consolidated Financial Condition

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
Three months ended June 30, 2006	243,443	184,223	75.7	1,280.11
Three months ended June 30, 2005	224,749	175,971	78.3	1,222.51
March 31, 2006	242,296	186,475	77.0	1,295.72

### Consolidated Cash Flow Status

	Cash Flow from (used in) Operating Activities	Cash Flow provided by (used in) Investing Activities	Cash Flow provided by (used in) Financing Activities	Balance of Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Three months ended June 30, 2006	(35)	(9,227)	6,361	16,965
Three months ended June 30, 2005	1,008	2,407	(2,825)	24,839
(Reference) Fiscal Year Ended March 31, 2006	719	(2,069)	(3,428)	19,893

## Qualitative Information regarding Consolidated Financial Condition

### Cash Flow Status

Cash and cash equivalents as of the end of the first quarter of this fiscal year were 16,965 million yen, a decrease of 2,928 million yen from the end of the previous consolidated fiscal year.

### Cash Flow from Operations

Although our quarterly net income was 2,773 million yen, our cash flow used in operating activities was 35 million yen because of expenditures of 2,496 million yen, due to a decrease in payables.

### Cash Flow Used in Investing Activities

Although we gained proceeds of 1,221 million yen from the sale and redemption of marketable securities, our cash flow used in investment activities was 9,227 million yen due to the acquisition of shares of Peach John Co., Ltd., which became a consolidated affiliate under the equity method of accounting beginning with the current fiscal year (15,319 million yen), as well as the acquisition of marketable securities (5,278 million yen).

### Cash Flow Provided by Financing Activities

Cash flow provided by financing activities was 6,361 million yen, due to proceeds of 9,246 million yen to finance the cost of the acquisition of shares of Peach John Co., Ltd. with short-term bank loans, although we also recorded a cash dividend payment of 2,878 million yen.

### 3. Forecast of Business Results (Consolidated) for the Fiscal Year Ending March 31, 2007

	Sales	Operating Income	Pre-tax Net Income	Net Income
	Million Yen	Million Yen	Million Yen	Million Yen
Six months ending September 30, 2006	84,500	8,000	8,100	5,200
Fiscal year ending March 31, 2007	168,000	12,600	12,900	8,500

(Reference) Expected net income per share (Fiscal Year ending March 31, 2007) - 59.06 yen

#### Qualitative Information regarding Forecast of Consolidated Business Results

We have amended our forecast of consolidated business results released on May 10, 2006 as noted above. We have not amended our non-consolidated business results for the six months ending September 30, 2006 or for the fiscal year ending March 31, 2007.

Sales of campaign products from our second round of *Style Science* series, *Onaka Walker*, a Wacoal brand, and *Style Up Onaka*, a Wing brand, made a good start in the second quarter of the current fiscal year. Also, we expect that the ongoing favorable sales in the U.S. will contribute to the overall sales of the group. On the other hand we have amended our initial projections regarding profitability due to the consolidation of Peach John Co., Ltd., as a result of the capital alliance formed in June of this year.

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

## I-1. Summary of Consolidated Balance Sheets

Accounts	Current First Quarter As of June 30, 2006	Previous Fiscal Year As of March 31, 2006	Increase/(Decrease)	Previous First Quarter As of June 30, 2005
(Assets)	Million Yen	Million Yen	Million Yen	Million Yen
I. Current assets:				
Cash and bank deposits	12,992	11,635	1,357	10,447
Time deposits and certificate of deposit	3,973	8,258	(4,285)	14,392
Marketable securities	25,682	32,699	(7,017)	37,899
Receivables:				
Notes receivable	997	458	539	1,258
Accounts receivable - trade	<u>20,862</u>	<u>23,192</u>	<u>(2,330)</u>	<u>20,793</u>
	21,859	23,650	(1,791)	22,051
Allowance for returns and doubtful receivables	<u>(2,833)</u>	<u>(2,778)</u>	<u>(55)</u>	<u>(2,790)</u>
	19,026	20,872	(1,846)	19,261
Inventories	29,102	27,135	1,967	27,451
Other current assets	8,636	10,134	(1,498)	6,861
Total current assets	99,411	110,733	(11,322)	116,311
II. Tangible fixed assets:				
Land	20,885	20,978	(93)	21,396
Buildings and structures	59,379	59,328	51	56,892
Machinery and equipment	13,881	13,789	92	13,274
Construction in progress	<u>16</u>	<u>22</u>	<u>(6)</u>	<u>628</u>
	94,161	94,117	44	92,190
Accumulated depreciation	<u>(41,195)</u>	<u>(40,616)</u>	<u>(579)</u>	<u>(40,390)</u>
Net tangible fixed assets	52,966	53,501	(535)	51,800
III. Other assets:				
Investments in affiliated companies	31,990	16,033	15,957	14,387
Investments	49,625	52,716	(3,091)	33,112
Lease deposits and others	9,451	9,313	138	9,139
Total other assets	91,066	78,062	13,004	56,638
Total Assets	243,443	242,296	1,147	224,749

(Note) Increase/decrease indicates the difference between the first quarter of the fiscal year ending March 31, 2007 and the previous fiscal year ended March 31, 2006.

Accounts	Current First Quarter As of June 30, 2006	Previous Fiscal Year As of March 31, 2006	Increase/(Decrease)	Previous First Quarter As of June 30, 2005
(Liabilities)	Million Yen	Million Yen	Million Yen	Million Yen
I. Current liabilities:				
Short-term bank loans	15,641	6,392	9,249	6,841
Payables:				
Notes payable	2,219	1,610	609	4,146
Accounts payable - trade	<u>9,810</u>	<u>10,608</u>	<u>(798)</u>	<u>8,473</u>
	12,029	12,218	(189)	12,619
Accounts payable	4,221	6,289	(2,068)	4,266
Accrued payroll and bonuses	4,871	6,790	(1,919)	5,002
Accrued corporate taxes, etc.	820	1,806	(986)	1,501
Other current liabilities	3,448	2,030	1,418	3,340
Total current liabilities	41,030	35,525	5,505	33,569
II. Long-term liabilities:				
Reserves for retirement benefits	4,033	4,622	(589)	6,296
Other long-term liabilities	11,792	13,271	(1,479)	6,742
Total long-term liabilities	15,825	17,893	(2,068)	13,038
(Minority Interests)				
Minority interests	2,365	2,403	(38)	2,171
(Shareholders' Equity)				
I. Common stock	13,260	13,260	-	13,260
II. Additional paid-in capital	25,242	25,242	-	25,242
III. Retained earnings	134,410	134,515	(105)	134,078
IV. Accumulated other comprehensive income (loss):				
Foreign currency exchange adjustment	(468)	(736)	268	(2,931)
Unrealized gain/(loss) on securities	11,903	14,311	(2,408)	6,397
V. Treasury stock	(124)	(117)	(7)	(75)
Total shareholders' equity	184,223	186,475	(2,252)	175,971
Total liabilities, minority interests and shareholders' equity	243,443	242,296	1,147	224,749

(Note) Increase/decrease indicates the difference between the first quarter of the fiscal year ending March 31, 2007 and the previous fiscal year ended March 31, 2006.

## I-2. Summary of Consolidated Income Statements

Accounts	Current First Quarter From April 1, 2006 To June 30, 2006		Previous First Quarter From April 1, 2005 To June 30, 2005		Increase/ (Decrease)	Previous Fiscal Year From April 1, 2005 To March 31, 2006	
	Million Yen	%	Million Yen	%		Million Yen	%
I. Sales	39,580	100.0	39,935	100.0	(355)	164,122	100.0
II. Operating expenses							
Cost of sales	19,314	48.8	19,014	47.6	300	84,322	51.4
Selling, general and administrative expenses	16,455	41.6	17,734	44.4	(1,279)	70,946	43.2
Special retirement related expenses	-		-		-	7,521	4.6
Total operating expenses	35,769	90.4	36,748	92.0	(979)	162,789	99.2
Operating income	3,811	9.6	3,187	8.0	624	1,333	0.8
III. Other income and (expenses):							
Interest income	97	0.2	101	0.3	(4)	213	0.1
Interest expense	(11)	(0.0)	(17)	(0.0)	6	(56)	(0.0)
Dividend income	305	0.8	210	0.5	95	493	0.3
Gain on sale and exchange of investment securities	-		-		-	1,656	1.0
Valuation loss on investment in securities	(6)	(0.0)	(58)	(0.2)	52	(65)	(0.0)
Others (net)	64	0.1	(34)	(0.1)	98	(108)	(0.1)
Total other income (expenses), net	449	1.1	202	0.5	247	2,133	1.3
Income before income taxes, equity in net income of affiliated companies and minority interests	4,260	10.7	3,389	8.5	871	3,466	2.1
Income taxes	1,850	4.6	1,169	2.9	681	1,459	0.9
Income before equity in net income of affiliated companies and minority interests	2,410	6.1	2,220	5.6	190	2,007	1.2
Equity in net income of affiliated companies	416	1.0	303	0.8	113	1,122	0.7
Minority interests	(53)	(0.1)	(139)	(0.4)	86	(308)	(0.2)
Net income	2,773	7.0	2,384	6.0	389	2,821	1.7
Net income per share	19.27 yen		16.56 yen			19.60 yen	

- (Note) 1. Increase/decrease indicates the difference between the first quarter of the fiscal year ending March 31, 2007 and the first quarter of the fiscal year ended March 31, 2006.
2. Applying Statement of Financial Accounting Standards No. 130: Reporting Comprehensive Income, the increase/decrease of capital accounts other than capital transactions (comprehensive income) for (1) the first quarter of the fiscal year ending March 31, 2007, (2) the first quarter of the fiscal year ended March 31, 2006, and (3) the fiscal year ended March 31, 2006 was an increase of 633 million yen, 3,105 million yen, and 13,651 million yen, respectively.

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

Accounts	Current First Quarter From April 1, 2006 To June 30, 2006	Previous First Quarter From April 1, 2005 To June 30, 2005	Previous Fiscal Year From April 1, 2005 To March 31, 2006
	Million Yen	Million Yen	Million Yen
<b>I. Operating activities</b>			
1. Net income	2,773	2,384	2,821
2. Adjustments of net income to cash flow from operating activities			
(1) Depreciation and amortization	863	784	3,433
(2) Gain/loss on sale of and impairment loss on fixed assets	(186)	29	1,226
(3) Valuation loss on investment in securities	6	58	65
(4) Gain (loss) on sale and exchange of investment securities	-	-	(1,656)
(5) Equity in net income of affiliated companies (after dividend income)	(270)	(170)	(674)
(6) Changes in assets and liabilities			
Decrease (increase) in receivables	1,949	142	(1,296)
Decrease (increase) in inventories	(1,973)	(528)	274
Decrease in payables	(2,496)	(1,896)	(252)
Decrease in reserves for retirement benefits	(638)	(390)	(2,068)
(7) Others	(63)	595	(1,154)
Net cash flow from operating activities	(35)	1,008	719
<b>II. Investing activities</b>			
1. Proceeds from sales and redemption of marketable securities	12,201	11,950	32,161
2. Acquisition of marketable securities	(5,278)	(6,327)	(21,525)
3. Proceeds from sales of fixed assets	437	-	513
4. Acquisition of tangible fixed assets	(361)	(1,152)	(6,456)
5. Proceeds from sale of investments	30	1	1,231
6. Acquisition of investments in affiliated companies	(15,319)	-	-
7. Acquisition of investments	(944)	(2,103)	(7,905)
8. Proceeds from acquisition of shares of the newly consolidated subsidiaries	80	-	-
8. Decrease (increase) in other assets	(73)	38	(88)
Net cash flow provided by (used in) investing activities	(9,227)	2,407	(2,069)
<b>III. Financing activities</b>			
1. Net increase (decrease) in short-term bank loans	9,246	63	(409)
2. Proceeds from long term debt	-	-	19
3. Repayment of long-term debt	-	(8)	(116)
4. Purchase of treasury stock	(7)	(2)	(44)
5. Dividends paid in cash	(2,878)	(2,878)	(2,878)
Net cash flow provided by (used in) financing activities	6,361	(2,825)	(3,428)
<b>IV. Effect of exchange rate on cash and cash equivalents</b>	(27)	54	476
<b>V. Increase (decrease) in cash and cash equivalents</b>	(2,928)	644	(4,302)
<b>VI. Initial balance of cash and cash equivalents</b>	19,893	24,195	24,195
<b>VII. Period end balance of cash and cash equivalents</b>	16,965	24,839	19,893

#### Additional Information

Cash paid for:			
Interest	7	16	56
Income taxes, etc.	1,686	293	1,832
Investment activities without cash disbursement			
Share exchange	-	-	1,321

## II. Segment Information

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

Three months ended June 30, 2006

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	36,537	3,043	39,580	-	39,580
(2) Internal sales among segments	-	805	805	(805)	-
Total	36,537	3,848	40,385	(805)	39,580
Total operating expenses	32,375	4,009	36,384	(615)	35,769
Operating income (loss)	4,162	(161)	4,001	(190)	3,811

Three months ended June 30, 2005

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	37,125	2,810	39,935	-	39,935
(2) Internal sales among segments	-	1,071	1,071	(1,071)	-
Total	37,125	3,881	41,006	(1,071)	39,935
Total operating expenses	33,418	3,967	37,385	(637)	36,748
Operating income (loss)	3,707	(86)	3,621	(434)	3,187

- (Note)
1. Segment information is prepared based on the Regulations Concerning Consolidated Interim Financial Statements.
  2. Based on the type, quality, and similarity in sales markets for their respective products, we divide our businesses into two segments: (1) textile goods and related products and (2) others.
  3. Core products of the respective businesses:  
Textile goods and related products: innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, etc.  
Others: mannequins, shop design and implementation, restaurant, culture, services, etc.

### (2) Segment Information by Location

Three months ended June 30, 2006

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	33,622	1,711	4,247	39,580	-	39,580
(2) Internal sales among segments	253	1,157	-	1,410	(1,410)	-
Total	33,875	2,868	4,247	40,990	(1,410)	39,580
Total operating expenses	30,918	2,618	3,453	36,989	(1,220)	35,769
Operating income	2,957	250	794	4,001	(190)	3,811



Three months ended June 30, 2005

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	35,223	1,434	3,278	39,935	-	39,935
(2) Internal sales among segments	240	1,069	-	1,309	(1,309)	-
Total	35,463	2,503	3,278	41,244	(1,309)	39,935
Total operating expenses	32,463	2,308	2,852	37,623	(875)	36,748
Operating income	3,000	195	426	3,621	(434)	3,187

- (Note) 1. Segment information is prepared based on the Regulations Concerning Consolidated Interim Financial Statements.  
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

Three months ended June 30, 2006

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	1,711	4,247	5,958
II. Consolidated sales			39,580
III. Ratio of overseas sales in consolidated sales	4.3%	10.7%	15.0%

Three months ended June 30, 2005

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	1,434	3,278	4,712
II. Consolidated sales			39,935
III. Ratio of overseas sales in consolidated sales	3.6%	8.2%	11.8%

- (Note) 1. Segment information is prepared based on the Regulations Concerning Consolidated Interim Financial Statements.  
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	Three months Ended June 30, 2006		Three months Ended June 30, 2005		Increase/(Decrease)	
	Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products	Million Yen 17,708	% 100.0	Million Yen 16,849	% 100.0	Million Yen 859	% 5.1

#### (2) Sales Results

Segment name by type of business		Three months Ended June 30, 2006		Three months Ended June 30, 2005		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products		Million Yen	%	Million Yen	%	Million Yen	%
	Innerwear						
	Foundation and lingerie	29,135	73.6	29,536	74.0	(401)	(1.4)
	Nightwear	3,043	7.7	2,892	7.2	151	5.2
	Children's underwear	590	1.5	526	1.3	64	12.2
	Subtotal	32,768	82.8	32,954	82.5	(186)	(0.6)
	Outerwear/Sport wear	2,099	5.3	2,229	5.6	(130)	(5.8)
	Hosiery	474	1.2	691	1.7	(217)	(31.4)
	Other textile goods and related products	1,196	3.0	1,251	3.2	(55)	(4.4)
Total		36,537	92.3	37,125	93.0	(588)	(1.6)
Others		3,043	7.7	2,810	7.0	233	8.3
Total		39,580	100.0	39,935	100.0	(355)	(0.9)

## (Reference) Recent Trend of Quarterly Business Results

Fiscal Year ending March 31, 2007 (consolidated)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	First three months ended June 30, 2006	First six months ending September 30, 2006	First nine months Ending December 31, 2006	Fiscal Year ending March 31, 2007
Sales (Million Yen)	39,580			
Operating Income (Million Yen)	3,811			
Pre-tax Net Income (Million Yen)	4,260			
Net Income (Million Yen)	2,773			
Net Income Per Share (Yen)	19.27			
Diluted Net Earnings Per Share (Yen)	-			
Total Assets (Million Yen)	243,443			
Total Shareholders' Equity (Million Yen)	184,223			
Shareholders' Equity Per Share (Yen)	1,280.11			
Cash Flow from (used in) Operating Activities (Million Yen)	(35)			
Cash Flow provided by (used in) Investing Activities (Million Yen)	(9,227)			
Cash Flow provided by (used in) Financing Activities (Million Yen)	6,361			
Balance of Cash and Cash Equivalents at End of Period (Million Yen)	16,965			

Fiscal Year ended March 31, 2006 (consolidated)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	First three months ended June 30, 2005	First six months ended September 30, 2005	First nine months ended December 31, 2005	Fiscal Year ended March 31, 2006
Sales (Million Yen)	39,935	82,566	126,331	164,122
Operating Income (Million Yen)	3,187	6,294	3,626	1,333
Pre-tax Net Income (Million Yen)	3,389	6,693	5,457	3,466
Net Income (Million Yen)	2,384	4,435	4,248	2,821
Net Income Per Share (Yen)	16.56	30.81	29.51	19.60
Diluted Net Earnings Per Share (Yen)	-	-	-	-
Total Assets (Million Yen)	224,749	234,308	245,307	242,296
Total Shareholders' Equity (Million Yen)	175,971	182,358	185,761	186,475
Shareholders' Equity Per Share (Yen)	1,222.51	1,266.90	1,290.71	1,295.72
Cash Flow from (used in) Operating Activities (Million Yen)	1,008	2,490	7,609	719
Cash Flow provided by (used in) Investing Activities (Million Yen)	2,407	770	344	(2,069)
Cash Flow provided by (used in) Financing Activities (Million Yen)	(2,825)	(4,072)	(4,564)	(3,428)
Balance of Cash and Cash Equivalents at End of Period (Million Yen)	24,839	23,531	27,852	19,893