

Consolidated Business Results for the Third Quarter Ended December 31, 2004 of the Year Ending March 31, 2005 [U.S. Accounting Standards]

January 27, 2005

Listed Company: Wacoal Corp.

Code Number: 3591

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

Representative: Position: President and Representative Director

Name: Yoshikata Tsukamoto

For Inquiries: Position: Corporate Officer, General Manager of Corporate Planning Division

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Application of U.S. Accounting Standards: Yes

Stock Exchanges: Tokyo, Osaka

Location of Principal Office: Kyoto

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: None

2. Third Quarter of the Year Ending March, 2005: Consolidated Business Results (April 1, 2004 ~ December 31, 2004) - Unaudited

(1) Consolidated Business Results

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

	Sales		Operating Income		Pre-tax Net Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Nine months ended December 31, 2004	123,902	(2.4)	13,718	51.3	14,045	41.0	8,188	29.6
Nine months ended December 31, 2003	126,924	-	9,065	-	9,960	-	6,317	-
(Reference) Year Ended March 31, 2004	163,155		3,016		4,532		2,902	

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
Nine months ended December 31, 2004	56.88	-
Nine months ended December 31, 2003	43.10	-
(Reference) Year Ended March 31, 2004	19.85	-

(Note) Percentages indicated under sales, operating income, etc. represent the increase or decrease compared to the third quarter of the year ended March 31, 2004.

Qualitative Information Regarding Consolidated Business Results

For the third quarter of this fiscal year, the core Wacoal brands including high quality brands "Parfage" promoted through department stores and "Salute" promoted through boutique channels as well as high value-added brands "La Vie Aisée" and "Gra-P" targeting the middle-aged and senior market showed steady results. However, our volume zone core product group including campaign products and seasonal products including underwear, showed declining sales in comparison to the same quarter of the previous year. As for the Wing brand, while campaign products showed steady sales, other products showed declining sales. Our overseas business generally showed favorable results, but the consolidated business results were affected by the rise of the yen.

Based on the above, consolidated sales for the third quarter of this fiscal year were 123,902 million yen, a decrease of 2.4% from the same period of the previous year.

In terms of profit, although sales profit declined due to slow domestic sales of core innerwear products, as we reported 7,100 million yen as government subsidy and 928 million yen as additional net periodic pension cost from the return of the substitutional portion of the employee pension fund in the first half of the year ending March 2005, operating income was 13,718 million yen, an increase of 51.3% from the same period of the previous year.

Pre-tax net income was 14,045 million yen, an increase of 41.0% from the same period of the previous year, and net income was 8,188 million yen, an increase of 29.6% from the same period of the previous year.

(2) Consolidated Financial Condition

	Total Assets	Total Shareholders' Equity	Total Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
Nine months ended December 31, 2004	227,458	176,866	77.8	1,228.66
Nine months ended December 31, 2003	232,731	174,089	74.8	1,187.78
(Reference) Year Ended March 31, 2004	224,803	170,758	76.0	1,186.12

Consolidated Cash Flow Status

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Balance of Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Nine months ended December 31, 2004	4,324	(4,867)	574	27,553
Nine months ended December 31, 2003	6,055	5,198	281	38,658
(Reference) Year Ended March 31, 2004	5,201	1,328	(6,138)	27,443

Qualitative Information Regarding Consolidated Financial Condition

Cash Flow Status

Cash and cash equivalents as of the end of the third quarter of this fiscal year were 27,553 million yen, an increase of 110 million yen from the end of the previous consolidated fiscal year.

Cash Flow from Operating Activities

While the quarterly net income from operating activities was 8,188 million yen, this includes gains from the return of the substitutional portion of the employee pension fund which does not require any cost of cash, and if the effect of such gains is eliminated, net income from operating activities was 4,324 million yen.

Cash Flow from Investing Activities

Cash flow related to investing activities amounted to an expenditure of 4,867 million yen, mainly due to the acquisition of marketable securities and tangible fixed assets.

Cash Flow Provided from Financing Activities

Although there was an expenditure of cash dividend of 2,159 million yen, due to an increase in short-term bank loans of subsidiaries of 2,850 million yen, etc., cash flow relating to financing activities amounted to an income of 574 million yen.

3. Forecast of Consolidated Business Results for the Year Ending March, 2005 (April 1, 2004 ~ March 31, 2005)

	Sales	Operating Income	Pre-tax Net Income	Net Income	Net Income Per Share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Previously announced forecast	164,000	12,500	12,200	7,300	50.71
Amended forecast	160,000	10,800	11,000	6,500	45.15

(Reference) Forecast of Non-consolidated Business Results for the Year Ending March, 2005 (April 1, 2004 ~ March 31, 2005)

	Sales	Ordinary Income	Net Income	Yearly Dividend Per Share	
	Million Yen	Million Yen	Million Yen	Year-end	Yen
	Million Yen	Million Yen	Million Yen	Yen	Yen
Previously announced forecast	131,000	7,300	3,700	15.00	15.00
Amended forecast	127,000	5,500	3,000	15.00	15.00

(Reference) Forecast of Net Income Per Share (for whole fiscal year) 20.58 yen

Qualitative Information regarding Forecast of Business Results

Forecast of the business results for the year ending March 31, 2005 was amended from those announced with the interim financial statements (released on November 12, 2004).

Warm climate during a full-scale sales period for winter seasonal products has heavily affected our main innerwear products, as well as outerwear products which represent a major part of our catalogue sales business. In addition, the overall retail industry such as department stores has not recovered from persisting slow business, which affects the customer turnouts for our sales floors as well. Business results for the year ending March 31, 2005 is expected to fall below the forecast announced with the interim financial statements, which mainly reflects the decline in sales and decrease of income due to the sluggish sales of our core products and seasonal products including underwear as described above.

* The foregoing forecasts 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 significantly differ from our forecasts.

I-1. Summary of Consolidated Balance Sheets - Unaudited

Accounts	Current Third Quarter As of Dec 31, 2004	Previous Year As of Mar 31, 2004	Amount Increased/Decreased	Previous Third Quarter As of Dec 31, 2003
(Assets)	Million Yen	Million Yen	Million Yen	Million Yen
I. Current assets:				
Cash and bank deposits	8,450	6,847	1,603	16,368
Time deposits	19,103	20,596	(1,493)	22,290
Marketable securities	42,566	44,316	(1,750)	42,241
Receivables:				
Notes receivable	1,466	1,226	240	2,169
Accounts receivable - trade	<u>19,888</u>	<u>19,053</u>	<u>835</u>	<u>20,257</u>
	21,354	20,279	1,075	22,426
Allowance for returns and doubtful receivables	<u>(2,825)</u>	<u>(2,140)</u>	<u>(685)</u>	<u>(3,088)</u>
	18,529	18,139	390	19,338
Inventories	26,973	26,060	913	25,425
Other current assets	10,173	7,087	3,086	7,241
Total current assets	125,794	123,045	2,749	132,903
II. Tangible fixed assets:				
Land	21,203	19,910	1,293	22,388
Buildings and structures	56,187	55,879	308	55,847
Machinery and equipment	12,752	12,413	339	12,338
Construction in progress	<u>1,092</u>	<u>370</u>	<u>722</u>	<u>103</u>
	91,234	88,572	2,662	90,676
Accumulated depreciation	(39,827)	(38,640)	(1,187)	(38,093)
Net tangible fixed assets	51,407	49,932	1,475	52,583
III. Other assets:				
Investments in affiliated companies	13,314	12,838	476	11,522
Investments	27,928	29,872	(1,944)	27,192
Lease deposits and others	9,015	9,116	(101)	8,531
Total other assets	50,257	51,826	(1,569)	47,245
Total Assets	227,458	224,803	2,655	232,731

(Note) Amount Increased/Decreased shows the difference between the third quarter of the year ending March 31, 2005 and the previous year.

Accounts	Current Third Quarter As of Dec 31, 2004	Previous Year As of Mar 31, 2004	Amount Increased/Decreased	Previous Third Quarter As of Dec 31, 2003
(Liabilities, minority interests and shareholders' equity)	Million Yen	Million Yen	Million Yen	Million Yen
I. Current liabilities:				
Short-term bank loans	6,832	3,954	2,878	7,823
Payables:				
Notes payable	4,013	2,885	1,128	4,178
Accounts payable - trade	<u>8,143</u>	<u>9,343</u>	<u>(1,200)</u>	<u>8,088</u>
	12,156	12,228	(72)	12,266
Accounts payable	5,020	5,340	(320)	4,360
Accrued payroll and bonuses	4,943	6,895	(1,952)	5,573
Accrued corporate taxes, etc.	1,831	2,724	(893)	2,363
Current portion of long-term debt	271	374	(103)	218
Other current liabilities	3,942	1,579	2,363	3,497
Total current liabilities	34,995	33,094	1,901	36,100
II. Long-term liabilities:				
Long-term debt	126	122	4	379
Reserves for retirement benefit	7,400	14,794	(7,394)	16,487
Other long-term liabilities	6,155	4,229	1,926	3,953
Total long-term liabilities	13,681	19,145	(5,464)	20,819
III. Minority interests	1,916	1,806	110	1,723
IV. Shareholders' equity:				
Common stock	13,260	13,260	-	13,260
Additional paid-in capital	25,242	25,242	-	25,242
Retained earnings	135,970	129,941	6,029	135,805
Accumulated other comprehensive income (loss):				
Foreign currency exchange adjustment	(3,201)	(3,512)	311	(2,876)
Unrealized gain/(loss) on securities	5,661	6,831	(1,170)	5,084
Additional minimum pension liability	-	(954)	954	(2,380)
Treasury stock	(66)	(50)	(16)	(46)
Total shareholders' equity	176,866	170,758	6,108	174,089
Total liabilities, minority interests and shareholders' equity	227,458	224,803	2,655	232,731

(Note) Amount Increased/Decreased shows the difference between the third quarter of the year ending March 31, 2005 and the previous year.

I-2. Summary of Consolidated Income Statements - Unaudited

Accounts	Current Third Quarter From April 1, 2004 To December 31, 2004		Previous Third Quarter From April 1, 2003 To December 31, 2003		Amount Increased/ Decreased	Previous Year From April 1, 2003 To March 31, 2004	
	Million Yen	%	Million Yen	%		Million Yen	%
I. Sales	123,902	100.0	126,924	100.0	(3,022)	163,155	100.0
II. Operating expenses							
Cost of sales	62,435	50.4	63,497	50.0	(1,062)	84,638	51.9
Selling, general and administrative expenses	54,849	44.2	54,362	42.9	487	72,927	44.7
Government subsidy	(7,100)	(5.7)	-	-	(7,100)	-	-
Impairment charges on long-lived assets	-	-	-	-	-	2,574	1.6
Total operating expenses	110,184	88.9	117,859	92.9	(7,675)	160,139	98.2
Operating income	13,718	11.1	9,065	7.1	4,653	3,016	1.8
III. Other income and (expenses)							
Interest income	191	0.1	254	0.2	(63)	225	0.1
Interest expense	(59)	(0.1)	(89)	(0.0)	30	(113)	(0.0)
Dividend income	254	0.2	192	0.1	62	256	0.2
Gain on sale of investment	564	0.5	436	0.3	128	932	0.6
Valuation loss on investment in securities	(511)	(0.4)	(116)	(0.1)	(395)	(142)	(0.1)
Others (net)	(112)	(0.1)	218	0.2	(330)	358	0.2
Total other income (expenses), net	327	0.2	895	0.7	(568)	1,516	1.0
Income before income taxes, equity in net income of affiliated companies and minority interests	14,045	11.3	9,960	7.8	4,085	4,532	2.8
Income taxes	6,464	5.2	4,210	3.3	2,254	2,520	1.5
Income before equity in net income of affiliated companies and minority interests	7,581	6.1	5,750	4.5	1,831	2,012	1.3
Equity in net income of affiliated companies	769	0.6	669	0.5	100	1,032	0.6
Minority interests	(162)	(0.1)	(102)	(0.0)	(60)	(142)	(0.1)
Net income	8,188	6.6	6,317	5.0	1,871	2,902	1.8
Net income per share	56.88 yen		43.10 yen			19.85 yen	

(Note) 1. Amount Increased/Decreased shows the difference between the third quarter of the year ending March 31, 2005 and the third quarter of the year ended March 31, 2004.

2. The U.S. Statements of Financial Accounting Standards No. 130: Reporting Comprehensive Income was applied and the increase/decrease of capital accounts other than capital transactions (comprehensive income) for (1) the third quarter of the year ending March 31, 2005, (2) the third quarter of the year ended March 31, 2004, and (3) the year ended March 31, 2004, applying such standard, was an increase of 8,283 million yen, 15,231 million yen, and 14,353 million yen, respectively.

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

Accounts	Current Third Quarter From April 1, 2004 To December 31, 2004	Previous Third Quarter From April 1, 2003 To December 31, 2003	Previous Year From April 1, 2003 To March 31, 2004
	Million Yen	Million Yen	Million Yen
I. Operating activities			
1. Net income	8,188	6,317	2,902
2. Adjustments of net income to cash flow from operating activities			
(1) Depreciation and amortization	2,409	2,226	3,081
(2) Loss on sale of fixed assets	31	357	455
(3) Impairment loss on fixed assets	-	-	2,574
(4) Valuation loss on investment in securities	512	116	142
(5) Gain on sale of investment	(563)	(436)	(932)
(6) Government subsidy	(7,100)	-	-
(7) Equity in net income of affiliated companies	(345)	(376)	(726)
(8) Changes in assets and liabilities			
Increase in receivables	(1,016)	(2,194)	(46)
Increase in inventories	(796)	(1,399)	(2,124)
Increase (decrease) in payables	(253)	98	1,020
Increase in reserves for retirement benefits	1,508	2,483	3,212
(9) Others	1,749	(1,137)	(4,357)
Net cash flow from operating activities	4,324	6,055	5,201
II. Investing activities			
1. Proceeds from sales and redemption of marketable securities	40,441	47,581	59,977
2. Acquisition of marketable securities	(38,662)	(41,108)	(56,019)
3. Proceeds from sales of fixed assets	125	341	369
4. Acquisition of tangible fixed assets	(3,630)	(1,385)	(2,338)
5. Proceeds from sale and redemption of investments	905	487	2,130
6. Acquisition of investments in affiliated companies	(15)	(253)	(1,690)
7. Acquisition of investments	(1,012)	(282)	(776)
8. Increase in other assets	(3,019)	(183)	(325)
Net cash flow from investing activities	(4,867)	5,198	1,328
III. Financing activities			
1. Net increase (decrease) in short-term bank loans	2,850	2,273	(1,595)
2. Proceeds from long term debt	79	213	49
3. Repayment of long-term debt	(180)	(224)	(158)
4. Purchase of treasury stock	(16)	(3)	(2,456)
5. Dividend payment	(2,159)	(1,978)	(1,978)
Net cash flow from financing activities	574	281	(6,138)
IV. Effect of exchange rate on cash and cash equivalents	79	(122)	(194)
V. Increase (decrease) in cash and cash equivalents	110	11,412	197
VI. Initial balance of cash and cash equivalents	27,443	27,246	27,246
VII. Period (Year) end balance of cash and cash equivalents	27,553	38,658	27,443

Additional Information

Cash paid for			
Interest	59	92	114
Income taxes, etc.	5,033	5,395	5,846

II. Segment Information - Unaudited

(1) Segment Information by Type of Business

Nine months ended December 31, 2004

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	113,685	10,217	123,902	-	123,902
(2) Internal sales among segments	-	2,974	2,974	(2,974)	-
Total	113,685	13,191	126,876	(2,974)	123,902
Operating expenses	106,449	13,219	119,668	(9,484)	110,184
Operating income	7,236	(28)	7,208	6,510	13,718

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 among segments	-	5,777	5,777	(5,777)	-
Total	116,065	16,636	132,701	(5,777)	126,924
Operating expenses	106,081	16,414	122,495	(4,636)	117,859
Operating income (loss)	9,984	222	10,206	(1,141)	9,065

- (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

Nine months ended December 31, 2004

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	110,121	3,974	9,807	123,902	-	123,902
(2) Internal sales among segments	722	3,129	-	3,851	(3,851)	-
Total	110,843	7,103	9,807	127,753	(3,851)	123,902
Operating expenses	105,481	6,562	8,502	120,545	(10,361)	110,184
Operating income	5,362	541	1,305	7,208	6,510	13,718

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 among segments	680	2,848	-	3,528	(3,528)	-
Total	113,318	6,704	10,430	130,452	(3,528)	126,924
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

- (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

Nine months ended December 31, 2004

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	3,974	9,807	13,781
II. Consolidated sales			123,902
III. Ratio of overseas sales in consolidated sales	3.2%	7.9%	11.1%

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%

- (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:
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 - Unaudited

(1) Production Results

Segment name by type of business	Nine months Ended December 31, 2004		Nine months Ended December 31, 2003		Increase/Decrease	
	Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Increase/Decrease Ratio
Textile goods and related products	Million Yen 52,426	% 100.0	Million Yen 54,542	% 100.0	Million Yen (2,116)	% (3.9)

(2) Sales Results

Segment name by type of business		Nine months Ended December 31, 2004		Nine months Ended December 31, 2003		Increase/Decrease	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Increase/Decrease Ratio
Textile goods and related products	Innerwear	Million Yen	%	Million Yen	%	Million Yen	%
	Foundation and lingerie	90,081	72.7	91,743	72.3	(1,662)	(1.8)
	Nightwear	8,540	6.9	9,549	7.5	(1,009)	(10.6)
	Children's underwear	1,821	1.5	2,067	1.6	(246)	(11.9)
	Subtotal	100,442	81.1	103,359	81.4	(2,917)	(2.8)
	Outerwear/Sportswear	7,420	6.0	7,779	6.1	(359)	(4.6)
	Hosiery	1,900	1.5	1,558	1.2	342	22.0
	Other textile goods and related products	3,923	3.2	3,369	2.7	554	16.4
	Total	113,685	91.8	116,065	91.4	(2,380)	(2.1)
Others		10,217	8.2	10,859	8.6	(642)	(5.9)
Total		123,902	100.0	126,924	100.0	(3,022)	(2.4)

(Reference) Recent Trend of Quarterly Business Results - Unaudited

Year ending March, 2005 (consolidated)

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		From April 1, 2004 To June 30, 2004	From April 1, 2004 To September 30, 2004	From April 1, 2004 To December 31, 2004	From April 1, 2004 To March 31, 2005
Sales	(Million Yen)	41,316	83,242	123,902	
Operating Income	(Million Yen)	3,508	11,292	13,718	
Pre-tax Net Income	(Million Yen)	3,745	11,187	14,045	
Net Income	(Million Yen)	2,307	6,495	8,188	
Net Income Per Share	(Yen)	16.03	45.12	56.88	
Diluted Net Earnings Per Share	(Yen)	-	-	-	
Total Assets	(Million Yen)	226,733	221,444	227,458	
Total Shareholders' Equity	(Million Yen)	171,657	173,661	176,866	
Shareholders' Equity Per Share	(Yen)	1,192.39	1,206.31	1,228.66	
Cash Flow from (used in) Operating Activities	(Million Yen)	(8)	1,317	4,324	
Cash Flow provided by (used in) Investing Activities	(Million Yen)	2,458	(1,516)	(4,867)	
Cash Flow provided by (used in) Financing Activities	(Million Yen)	804	(2,676)	574	
Balance of Cash and Cash Equivalents at End of Period	(Million Yen)	30,672	24,599	27,553	

Year ended March, 2004 (consolidated)

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		From April 1, 2003 To June 30, 2003	From April 1, 2003 To September 30, 2003	From April 1, 2003 To December 31, 2003	From April 1, 2003 To March 31, 2004
Sales	(Million Yen)	41,743	84,347	126,924	163,155
Operating Income	(Million Yen)	3,354	6,021	9,065	3,016
Pre-tax Net Income	(Million Yen)	3,495	6,694	9,960	4,532
Net Income	(Million Yen)	2,192	4,424	6,317	2,902
Net Income Per Share	(Yen)	14.96	30.18	43.10	19.85
Diluted Net Earnings Per Share	(Yen)	-	-	-	-
Total Assets	(Million Yen)	221,677	227,916	232,731	224,803
Total Shareholders' Equity	(Million Yen)	164,761	170,347	174,089	170,758
Shareholders' Equity Per Share	(Yen)	1,124.12	1,162.24	1,187.78	1,186.12
Cash Flow from (used in) Operating Activities	(Million Yen)	(123)	2,859	6,055	5,201
Cash Flow provided by (used in) Investing Activities	(Million Yen)	6,475	8,852	5,198	1,328
Cash Flow provided by (used in) Financing Activities	(Million Yen)	1,713	(2,102)	281	(6,138)
Balance of Cash and Cash Equivalents at End of Period	(Million Yen)	35,312	36,864	38,658	27,443