

# Consolidated Business Results for the First Quarter of the Year Ending March 31, 2005

## U.S. Accounting Standards

July 28, 2004

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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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. First Quarter of the Year Ending March 31, 2005: Consolidated Business Results

(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	%
Three months ended June 30, 2004	41,316	(1.0)	3,508	4.6	3,745	7.2	2,307	5.2
Three months ended June 30, 2003	41,743	-	3,354	-	3,495	-	2,192	-
(Reference) Year Ended March 31, 2004	163,155		3,016		4,532		2,902	

	Net Income Per Share	Diluted Net Earnings Per Share
	Yen	Yen
Three months ended June 30, 2004	16.03	-
Three months ended June 30, 2003	14.96	-
(Reference) Year Ended March 31, 2004	19.85	-

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

### Qualitative Information Regarding the Consolidated Business Results

For the first quarter of this fiscal year, Wacoal brand spring campaign products showed steady sales, while the summer campaign product, "T-SHIRTS BRA NAMI NAMI", which marked three years since its release, had a tough time with slow sales. On the other hand, high value-added brand products deployed through different sales channels and to different customer targets increased their sales. In our Wing brand, spring/summer campaign brassieres and bottoms showed steady sales, while lingerie and other products showed weaker sales.

In general, our overseas business showed favorable results, but due to exchange rate effects, sales were slightly lower than in the previous year.

Based on the above, consolidated business results for the first quarter of this fiscal year were as follows: sales of 41,316 million yen (a decrease of 1.0% from the same period of the previous year); operating income of 3,508 million yen (an increase 4.6% from the same period of the previous year); pre-tax net profit of 3,745 million yen (an increase of 7.2% from the same period of the previous year); and net profit of 2,307 million yen (an increase of 5.2% 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
June 30, 2004	226,733	171,657	75.7	1,192.39
June 30, 2003	221,677	164,761	74.3	1,124.12
March 31, 2004	224,803	170,758	76.0	1,186.12

## Consolidated Cash Flow Status

	Cash Flow from (used in) Operating Activities	Cash Flow provided by 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, 2004	(8)	2,458	804	30,672
Three months ended June 30, 2003	(123)	6,475	1,713	35,312
(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 first quarter of this fiscal year were 30,672 million yen, an increase of 3,229 million yen from the end of the previous consolidated fiscal year.

#### Cash Flow from Operating Activities

Cash flow used in operating activities was 8 million yen. While this figure increased due to quarterly net income of 2,307 million yen, depreciation of 837 million yen, and a decrease in other current assets of 1,208 million yen, it decreased due to increase in receivables of 1,307 million yen, a decrease in payables of 869 million yen, and a decrease in accrued expenses and other current liabilities (for payments of bonuses and corporate taxes, etc.) of 2,459 million yen.

#### Cash Flow Provided by Investing Activities

Cash flow provided by investing activities was 2,458 million yen, mainly due to the redemption of short-term notes.

#### Cash Flow Provided by Financing Activities

Cash flow provided by financing activities was 804 million yen. While this figure decreased due to dividends paid in cash of 2,159 million yen, it increased due to an increase in short-term bank loans of subsidiaries of 2,993 million yen, etc.

### 3. Forecast of Consolidated Business Results for the Year Ending 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
Six months ending September 30, 2004	85,500	11,900	11,900	6,700	46.54
Year ending March 31, 2005	166,000	13,600	13,600	8,000	55.57

### Qualitative Information regarding Forecast of Consolidated Business Results

At present, we have not amended our forecast of business results released on May 10, 2004 (consolidated and non-consolidated).

\* 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, 2004	Previous First Quarter As of June 30, 2003	Increase/Decrease	Previous Year As of March 31, 2004
(Assets)	Million Yen	Million Yen	Million Yen	Million Yen
I. Current assets:				
Cash and bank deposits	10,345	14,997	(4,652)	6,847
Time deposits and certificate of deposit	20,327	20,315	12	20,596
Marketable securities	40,061	41,280	(1,219)	44,316
Receivables:				
Notes receivable	2,168	2,263	(95)	1,226
Accounts receivable - trade	<u>19,383</u>	<u>19,489</u>	<u>(106)</u>	<u>19,053</u>
	21,551	21,752	(201)	20,279
Allowance for returns and doubtful receivables	<u>(2,817)</u>	<u>(2,722)</u>	<u>(95)</u>	<u>(2,140)</u>
	18,734	19,030	(296)	18,139
Inventories	26,206	24,667	1,539	26,060
Other current assets	7,800	6,846	954	7,087
Total current assets	123,473	127,135	(3,662)	123,045
II. Tangible fixed assets:				
Land	19,951	22,491	(2,540)	19,910
Buildings and structures	56,037	55,980	57	55,879
Machinery and equipment	12,471	12,371	100	12,413
Construction in progress	<u>600</u>	<u>39</u>	<u>561</u>	<u>370</u>
	89,059	90,881	(1,822)	88,572
Accumulated depreciation	(39,223)	(37,427)	(1,796)	(38,640)
Net tangible fixed assets	49,836	53,454	(3,618)	49,932
III. Other assets:				
Investments in affiliated companies	12,722	11,220	1,502	12,838
Investments	31,580	21,230	10,350	29,872
Lease deposits and others	9,122	8,638	484	9,116
Total other assets	53,424	41,088	12,336	51,826
Total Assets	226,733	221,677	5,056	224,803

(Note) Increase/decrease indicates the difference between the first quarter of the year ending March 31, 2005 and the first quarter of the year ended March 31, 2004.

Accounts	Current First Quarter As of June 30, 2004	Previous First Quarter As of June 30, 2003	Increase/Decrease	Previous Year As of March 31, 2004
(Liabilities, minority interests and shareholders' equity)	Million Yen	Million Yen	Million Yen	Million Yen
I. Current liabilities:				
Short-term bank loans	6,940	9,360	(2,420)	3,954
Payables:				
Notes payable	3,747	2,936	811	2,885
Accounts payable - trade	<u>8,076</u>	<u>7,983</u>	<u>93</u>	<u>9,343</u>
	11,823	10,919	904	12,228
Accounts payable	4,593	4,266	327	5,340
Accrued payroll and bonuses	5,248	5,749	(501)	6,895
Accrued corporate taxes, etc.	1,906	2,030	(124)	2,724
Long-term debt to be repaid within 1 year	317	213	104	374
Other current liabilities	3,203	2,637	566	1,579
Total current liabilities	34,030	35,174	(1,144)	33,094
II. Long-term liabilities:				
Long-term debt	152	448	(296)	122
Customer deposits	769	752	17	805
Reserves for retirement benefits	13,681	18,715	(5,034)	14,794
Other long-term liabilities	4,657	133	4,524	3,424
Total long-term liabilities	19,259	20,048	(789)	19,145
III. Minority interests	1,787	1,694	93	1,806
IV. Shareholders' equity:				
Common stock	13,260	13,260	-	13,260
Additional paid-in capital	25,242	25,242	-	25,242
Retained earnings	130,089	131,680	(1,591)	129,941
Accumulated other comprehensive income (loss):				
Foreign currency exchange adjustment	(3,960)	(1,900)	(2,060)	(3,512)
Unrealized gain/(loss) on securities	7,287	1,218	6,069	6,831
Additional minimum pension liability	(207)	(4,695)	4,488	(954)
Treasury stock	(54)	(44)	(10)	(50)
Total shareholders' equity	171,657	164,761	6,896	170,758
Total liabilities, minority interests and shareholders' equity	226,733	221,677	5,056	224,803

(Note) Increase/decrease indicates the difference between the first quarter of the year ending March 31, 2005 and the first quarter of the year ended March 31, 2004.

## I-2. Summary of Consolidated Income Statements

Accounts	Current First Quarter From April 1, 2004 To June 30, 2004		Previous First Quarter From April 1, 2003 To June 30, 2003		Increase/ Decrease	Previous Year From April 1, 2003 To March 31, 2004	
	Million Yen	%	Million Yen	%		Million Yen	%
I. Sales	41,316	100.0	41,743	100.0	(427)	163,155	100.0
II. Operating expenses							
Cost of sales	19,730	47.7	20,163	48.3	(433)	84,638	51.9
Selling, general and administrative expenses	18,078	43.8	18,226	43.7	(148)	75,501	46.3
Total operating expenses	37,808	91.5	38,389	92.0	(581)	160,139	98.2
Operating income	3,508	8.5	3,354	8.0	154	3,016	1.8
III. Other income and (expenses):							
Interest income	97	0.2	123	0.3	(26)	225	0.1
Interest expense	(16)	(0.0)	(31)	(0.1)	15	(113)	(0.0)
Dividend income	150	0.4	117	0.3	33	256	0.2
Gain (loss) on sale and exchange of investment	-		(1)	(0.0)	1	932	0.6
Valuation loss on investment in securities	-		(93)	(0.2)	93	(142)	(0.1)
Others (net)	6	0.0	26	0.1	(20)	358	0.2
Total other income (expenses), net	237	0.6	141	0.4	96	1,516	1.0
Income before income taxes, equity in net income of affiliated companies and minority interests	3,745	9.1	3,495	8.4	250	4,532	2.8
Income taxes	1,715	4.2	1,558	3.8	157	2,520	1.5
Income before equity in net income of affiliated companies and minority interests	2,030	4.9	1,937	4.6	93	2,012	1.3
Equity in net income of affiliated companies	299	0.7	272	0.7	27	1,032	0.6
Minority interests	(22)	(0.1)	(17)	(0.0)	(5)	(142)	(0.1)
Net income	2,307	5.6	2,192	5.3	115	2,902	1.8
Net income per share	16.03 yen		14.96 yen			19.85 yen	

- (Note) 1. Increase/decrease indicates the difference between the first quarter of the year ending March 31, 2005 and the first quarter of the year ended March 31, 2004.
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 year ending March 31, 2005, (2) the first quarter of the year ended March 31, 2004, and (3) the year ended March 31, 2004 was an increase of 3,062 million yen, 5,901 million yen, and 14,353 million yen, respectively.

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

Accounts	Current First Quarter From April 1, 2004 To June 30, 2004	Previous First Quarter From April 1, 2003 To June 30, 2003	Previous Year From April 1, 2003 To March 31, 2004
	Million Yen	Million Yen	Million Yen
I. Operating activities			
1. Net income	2,307	2,192	2,902
2. Adjustments of net income to cash flow from operating activities			
(1) Depreciation and amortization	837	724	3,081
(2) Gain/loss on sale of fixed assets	(8)	308	455
(3) Impairment loss on fixed assets	-	-	2,574
(4) Valuation loss on investment in securities	-	93	142
(5) Gain on sale and exchange of investment securities	-	1	(932)
(6) Equity in net income of affiliated companies	(119)	(54)	(726)
(7) Changes in assets and liabilities			
Decrease (increase) in receivables	(1,307)	(1,307)	(46)
Decrease (increase) in inventories	(215)	(300)	(2,124)
Increase (decrease) in payables	(869)	(1,345)	1,020
Increase in reserves for retirement benefits	154	779	3,212
Increase (decrease) in accrued expenses and other current liabilities	(2,459)	(2,539)	(657)
(8) Others	1,671	1,325	(3,700)
Net cash flow from operating activities	(8)	(123)	5,201
II. Investing activities			
1. Proceeds from sales and redemption of marketable securities	13,373	17,244	59,977
2. Acquisition of marketable securities	(9,207)	(10,199)	(56,019)
3. Proceeds from sales of fixed assets	46	154	369
4. Proceeds from sale and redemption of investments	-	-	2,130
5. Acquisition of tangible fixed assets	(811)	(458)	(2,338)
6. Acquisition of investments in affiliated companies	(15)	(253)	(1,690)
7. Acquisition of investments	(903)	(3)	(776)
8. Increase in other assets	(25)	(10)	(325)
Net cash flow provided by (used in) investing activities	2,458	6,475	1,328
III. Financing activities			
1. Increase (decrease) in short-term bank loans	2,993	3,711	(1,595)
2. Proceeds from long term debt	32	1	49
3. Repayment of long-term debt	(58)	(20)	(158)
4. Purchase of treasury stock	(4)	(1)	(2,456)
5. Dividends paid in cash	(2,159)	(1,978)	(1,978)
Net cash flow provided by (used in) financing activities	804	1,713	(6,138)
IV. Effect of exchange rate on cash and cash equivalents	(25)	1	(194)
V. Increase (decrease) in cash and cash equivalents	3,229	8,066	197
VI. Initial balance of cash and cash equivalents	27,443	27,246	27,246
VII. Period end balance of cash and cash equivalents	30,672	35,312	27,443

#### Additional Information

Cash paid for:			
Interest	18	32	114
Income taxes, etc.	2,752	2,754	5,846

## II. Segment Information

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

Three months ended June 30, 2004

(Unit: Million Yen)

	Textile goods and related products	Others	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	38,473	2,843	41,316	-	41,316
(2) Internal sales among segments	-	973	973	(973)	-
Total	38,473	3,816	42,289	(973)	41,316
Total operating expenses	34,593	3,923	38,516	(708)	37,808
Operating income (loss)	3,880	(107)	3,773	(265)	3,508

Three months 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
Total operating expenses	35,347	4,525	39,872	(1,483)	38,389
Operating income (loss)	3,777	(51)	3,726	(372)	3,354

- (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, 2004

(Unit: Million Yen)

	Japan	Asia	Europe/U.S.	Total	Elimination or corporate	Consolidated
Sales						
(1) Sales to outside customers	37,008	1,296	3,012	41,316	-	41,316
(2) Internal sales among segments	206	921	-	1,127	(1,127)	-
Total	37,214	2,217	3,012	42,443	(1,127)	41,316
Total operating expenses	34,000	2,008	2,662	38,670	(862)	37,808
Operating income	3,214	209	350	3,773	(265)	3,508

Three months 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
Total operating expenses	34,494	1,880	2,737	39,111	(722)	38,389
Operating income	3,177	164	385	3,726	(372)	3,354

- (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, 2004

(Unit: Million Yen)

	Asia	Europe/U.S.	Total
I. Overseas sales	1,296	3,012	4,308
II. Consolidated sales			41,316
III. Ratio of overseas sales in consolidated sales	3.1%	7.3%	10.4%

Three months 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%

- (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, 2004		Three months Ended June 30, 2003		Previous fiscal Year Ended March 31, 2004	
	Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products	Million Yen 17,273	% 100.0	Million Yen 17,751	% 100.0	Million Yen (478)	% (2.7)

(2) Sales Results

Segment name by type of businesses		Three months Ended June 30, 2004		Three months Ended June 30, 2003		Previous fiscal Year Ended March 31, 2004	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Distribution Ratio
Textile goods and related products		Million Yen	%	Million Yen	%	Million Yen	%
	Innerwear						
	Foundation and lingerie	30,102	72.8	30,260	72.5	(158)	(0.5)
	Nightwear	3,089	7.5	3,580	8.6	(491)	(13.7)
	Children's underwear	652	1.6	750	1.8	(98)	(13.2)
	Subtotal	33,843	81.9	34,590	82.9	(747)	(2.2)
	Outerwear/Sportswear	2,833	6.8	2,815	6.7	18	0.6
	Hosiery	528	1.3	461	1.1	67	14.5
	Other textile goods and related products	1,269	3.1	1,258	3.0	11	0.9
Total		38,473	93.1	39,124	93.7	(650)	(1.7)
Others		2,843	6.9	2,619	6.3	224	8.6
Total		41,316	100.0	41,743	100.0	(427)	(1.0)

(Reference) Recent Trend of Quarterly Business Results

Year ending March 31, 2005 (consolidated)

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		From April 1, 2004 To June 30, 2004	From July 1, 2004 To September 30, 2004	From October 1, 2004 To December 31, 2004	From January 1, 2005 To March 31, 2005
Sales	(Million Yen)	41,316			
Operating Income	(Million Yen)	3,508			
Pre-tax Net Income	(Million Yen)	3,745			
Net Income	(Million Yen)	2,307			
Net Income Per Share	(Yen)	16.03			
Diluted Net Earnings Per Share	(Yen)	-			
Total Assets	(Million Yen)	226,733			
Total Shareholders' Equity	(Million Yen)	171,657			
Shareholders' Equity Per Share	(Yen)	1,192.39			
Cash Flow from (used in)					
Operating Activities	(Million Yen)	(8)			
Cash Flow provided by (used in)					
Investing Activities	(Million Yen)	2,458			
Cash Flow provided by (used in)					
Financing Activities	(Million Yen)	804			
Balance of Cash and Cash Equivalents					
at End of Period	(Million Yen)	30,672			

Year ended March 31, 2004 (consolidated)

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		From April 1, 2003 To June 30, 2003	From July 1, 2003 To September 30, 2003	From October 1, 2003 To December 31, 2003	From January 1, 2004 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