

ENVISIONING SUCCESS FROM THE INSIDE OUT

(Note: Attached is the text from Josie's Keynote address to the WWD/DNR CEO Summit held in New York the week of 10/27/2008)

Thirty-one years ago, when I left Wall Street to go into the rag trade, people told me I was crazy. Crazy to leave behind the prestige. To give up the six-figure salary. To let go of the security. Crazy to embark on something without any plan.

Given what's happened in the last 6 weeks, I guess I wasn't that crazy after all.

By following my instincts and staying true to my own vision, I have been fortunate to create something of my very own. Something that has continually rewarded me over the years, in ways that have nothing to do with dollars.

When I started out in this business, it was a very different landscape. And I hope I'm not being immodest when I say that I think Natori had a hand in bringing about the change. Back in 1977, lingerie departments were pink, blue and white. It was either grandma-looking or Fredricks of Hollywood.

We set the tone with our first showroom: Grey flannel and black lacquer.

I never wanted to be “just lingerie”—that was just a start. The idea of lifestyle brands didn't even exist then. And certainly not many people would have imagined that such a concept could grow out of lingerie. But I've learned that I'm not really like most people...I got into the schmatte industry with no business plan, no backers, no experience—I don't even have a lingerie fetish! But I loved business and, once I got my foot in the door, I saw the potential for Natori to be a global lifestyle brand.

It's been a wild ride with plenty of lows and highs—and for sure we are at the start of what may be the toughest time ever. I am grateful that I learned from my father to look at a crisis as either a tragedy or an opportunity.

I couldn't be more energized than I am today. Because now more than ever is a time when people will turn to the brands they trust. This time is an opportunity for those

brands to evaluate what's working and what's not. It's a time to turn their companies strategies—if not on their ear—then, inside out. Only companies that do this will survive. We will survive.

Boy was it ever easy in 1977.

After 9 years on Wall Street, I was bored and wanted to start my own business. You name it—Ken and I looked at it. Believe it or not, a chain of car washes was one option...a McDonald's franchise, another...but I really didn't want to go to Queens.

In the end, I knew it had to be something I could relate to and that was also tied to my heritage and the Philippines.

I started taking around some embroidered blouses and a lingerie buyer at Bloomingdale's asked if I could turn one of them into a nightshirt. I didn't even know what a nightshirt was...and Natori was born.

Had I entered the blouse business in 1977, I very much doubt I would be standing here today. But by starting out in lingerie—a very limited niche business—there was really nowhere to go... but up. I entered the world of fashion through the back door, into a category that got little attention, and I used this to my advantage. Before I knew it, I had become a rather big fish in a little pond.

My very first season, both Saks Fifth Avenue and Neiman Marcus bought the entire collection. Not only that but, Saks gave me a full-page ad in the New York Times. I had no idea how lucky I was--not to mention it was the first and last free ad I would ever get! However, that same season, Bonwit Teller canceled a \$25,000 order and I realized that, unlike on Wall Street—then, at least--where your word was your bond, signed contracts meant little in the retail world.

My training was strictly on the job. I had no mentor pointing the way. I remember turning to someone after hearing a speech at some industry event and asking “What is markdown money?” “Honey,” came the answer, “you don’t want to know.” Were they ever right.

Thank God for the piano.

The artist in me has carried me through all these years. From the age of 4, my mother pushed me to be a concert pianist. I learned discipline, patience and perseverance. And I understood that creative expression is a process of evolution. No note is ever played exactly the same way twice. It’s about continual discovery, reinvention, innovation. I play by ear, trusting my own perceptions to guide me. I even memorize my pieces backwards, starting at the finish.

In other words, I do whatever it takes...and if there’s another way that works better...I’ll work at it until I succeed.

For sure, I didn’t do this alone. I could never have done it without Ken. He too left Wall Street—Lehman Brothers—to come into this crazy business—but I loved it, so he said fine! Ken prefers to stay in the background, focusing on strategy and big-picture concerns. But he is there when I need him—and his name has a nice ring to it! Not that long ago I discovered the meaning of Natori in Japanese: “the highest form of art.” Talk about fate!

I’m sure Ken would have sold the business many times given half a chance, seeing how hard I worked to keep it going. But that’s in my blood. My father is a self-made man still working 18 hour days at age 89. And I come from a long line of strong women. My father called his mother-in-law, my grandmother--who managed plantations--“ The Supreme Commander in Chief,” and my mother--who helped him build his business--“The Commander in Chief.” So my family has been a great inspiration and support. When Saks ordered my entire collection that first year, even my uncle the surgeon was stitching on labels for me late into the night.

My retail partners were also invaluable. As we grew, I *kept pushing* the envelope—and they *kept listening*...

Mules before Manolo

Bustiers before Madonna...in the lingerie department, no less!

Marvin Traub believed in me and gave me my first shop at Bloomingdale's. Later on, Ira Neimark at Bergdorf Goodman created a lifestyle boutique for me and most recently Ron Frasci at Saks with the first Josie Natori Boutique. So many retail giants we've been privileged to work with have become friends—real friends—just like family. When they all came to our 30th Anniversary celebration, Ken and I were so touched.

By the mid 80's, I realized the importance of branding. So I went to Paris—home to the most beautiful lingerie in the world—and opened a boutique on Place Vendome. It lost money for 12 years...but it was a means to an end. It enabled me to show *the world of Natori*...and proved a great excuse to have a home in Paris!

Seeing *the world of Natori* got department stores to open their eyes to the lifestyle possibilities of our brand.

What made us unique? The East-West aesthetic, embroidery, prints, color—and we showed *a lot*. I approached the lingerie business like the fashion business with a new collection every single month. This was unheard of in lingerie! And we had no such thing as a basic.

Let's face it. I've been in a business that has been treated like a stepchild...relegated to the basement or the attic—at times— and still held to margins sinfully higher than what's expected for ready to wear.

In spite of these standards, in the 80's, I couldn't do anything wrong. Natori was considered a good markdown.

In the 90's, I couldn't do anything right. "Dynasty" was out, minimalism was in and we had to evolve. It was a tough time but I never stopped experimenting. All I knew was that I had to keep moving...so I dabbled in many things: eveningwear with Bergdorf's, tried a private label collection with Victoria Secret, and even launched a fragrance with Avon. But timing is everything and, truth be told, it just distracted me. I needed to focus on our core business and also build a strong team.

To spur growth, we've had to devise new strategies. We reached out to more consumers by creating diverse collections to address multiple channels of distribution. Today our portfolio includes 4 collections—Josie Natori, Natori, Josie and Cruz—with viewpoints and price points distinct enough to satisfy customers from Bergdorf's to over 300 doors at Dillard's.

All along, I've been careful not to dilute the value of our brand.

Today it's considered cool—almost chic—to mass market your brand. Maybe I'm stupid—but I have always refused. As a result, I think we've retained a purity as a luxury brand. I'm proud of that.

So where are we now in this tough economic climate?

Well, we're still here. Still independent 31 years later. It was never about money. It was about building a brand that will live beyond me.

31 years of evolving and experimenting and pushing the envelope of what—quote, unquote—"lingerie" is. 31 years of strong retail partnerships. Today—more than ever—these relationships are critical. We take great pride in being named "Vendor of the Year"

at Nordstrom and we hope to earn that distinction with all of our retail partners through these tough times.

Natori has an intimate understanding of what makes a woman feel good—and is on its way to becoming the lifestyle brand that I always imagined...fragrance, home, accessories, and, of course, now, ready to wear.

This is the first season of my ready-to-wear line, NATORIOUS—think I could have picked a better time to launch?

Actually, I think the timing couldn't be better. It's an interesting time in the redefinition of what bridge is...and the time feels right—and ready—for my philosophy of soft dressing—ease, versatility, and affordable glamour—24 hours a day.

I have to thank Joe Boitano for encouraging me to take this step and Saks for—once again—supporting me.

After countless years being inspired by the consistency and scope of lifestyle brands like Ralph Lauren and Armani, I'm now daring to dream that big for our business!

My theme tonight is the idea of inside out.

It's how I've approached women:

First at their most intimate with lingerie and now, hopefully, with the rest of their life.

It's how I evolved the brand:

relatively quietly and now ready to make some noise.

It's how I envision success:

I'm still the wannabe...but maybe just about to be.

And for those of you who are wondering...I am NOT leaving. This is not about selling the company. In fact, since my son Ken had the brilliant idea to leave Lehman Brothers early last year to join us in the business, we don't even *need* an exit strategy.

For Natori, there's no end in sight and that's how I like it.

Thank you.