

# CORPORATE SOCIAL RESPONSIBILITY

## Corporate Governance

### Basic Policy regarding Corporate Governance

The overriding goal of Wacoal Holdings' corporate governance is to continuously grow enterprise value by ensuring that management is highly transparent, equitable, and objective with respect to all stakeholders, including shareholders, other investors, and customers.

### In-House Organizations and Control Systems

The Company employs an auditor system of governance, with operational implementation and oversight undertaken by the Board of Directors and the Board of Corporate Auditors.

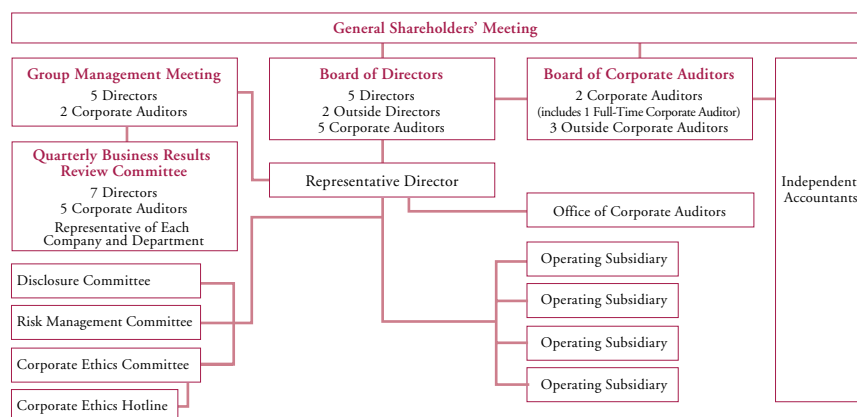
In June 2002, the Company introduced a corporate officer system to clarify responsibility for operational implementation, speed up decision making, and strengthen the monitoring functions of the Board of Directors. As a result, responsibility for most operational divisions and management divisions was transferred from directors to corporate officers, while the number of directors was reduced.

Currently comprising seven directors, two of whom are outside directors, and five corporate auditors, three of whom are outside corporate auditors, the Board of Directors decides such issues as important management policies and strategies and items stipulated by laws or the Company's articles of incorporation. Five corporate auditors sit on the Board of Corporate Auditors, which supervises and audits management.

Further, the Company has established the Group Management Meeting, which comprises directors and corporate auditors. The meeting considers Group management strategy and other important management issues and conducts prior deliberation of matters for consideration by the Board of Directors. The Company has also established an auditing section, which monitors the appropriateness and efficiency of the operational processes of the Company and its subsidiaries.

In August 2003, the Company created the Disclosure Committee to buttress corporate governance and ensure the reliability of financial and other information issued by the Company. That committee checks the propriety of the Company's internal controls and disclosure based on Section 302 of the U.S. Sarbanes-Oxley Act with respect to 20-F annual reports filed with the U.S. Securities and Exchange Commission and other financial reports submitted by the representative director and directors responsible for financial matters. In addition, the committee checks the accuracy of disclosed information. The representative director and the director responsible for financial matters prepare written oaths based on the reports that the committee has verified. Further, the Company follows the same procedures for the financial reports and interim reports submitted to the Financial Services Agency.

### Corporate Governance Structure



### **Risk Management and Compliance Advancement Systems**

In April 2004, the Company established the Corporate Ethics Implementation Committee, tasked with advancing compliance. Since then, that committee has prepared a code of conduct for executives, corporate officers, and other employees, the Corporate Ethics—Wacoal's Action Agenda, and sought to instill a stronger awareness of corporate ethics among all employees through educational programs. At the same time, the Company has set up a corporate ethics hotline system that enables employees to pose any questions they have about the Corporate Ethics—Wacoal's Action Agenda and report or discuss actions that violate the code. The hotline system is designed to ensure the ethical soundness of the Company by forestalling infringements of the code of conduct or laws among employees and executives and by rapidly identifying and dealing with any violations that may occur. In addition, to bolster and stringently implement its corporate ethics compliance system, in July 2004 the Company reorganized and strengthened the Corporate Ethics Implementation Committee to create the new Corporate Ethics Committee, headed by the representative director. In response to the U.S. Sarbanes-Oxley Act, the Company prepared the Code of Ethics for Officers and Employees in May 2004.

Further, in February 2006 the Company changed the Crisis Management Committee to the Risk Management Committee, under which the Company established the Accidents and Disasters Countermeasures Committee as a subcommittee. Established to manage overall risks related to the Wacoal Group, the Risk Management Committee's principal roles are the formulation of risk management regulations, the monitoring of the implementation of risk countermeasures, and reporting to the Board of Directors with respect to the operation of the risk management system.

### **Defensive Measures against Takeover through the Acquisition of a Substantial Shareholding of the Company**

After the Company's June 2006 ordinary general meeting of shareholders passed a resolution authorizing the adoption of a basic policy on measures against the acquisition of a substantial shareholding of the Company, which was proposed with a view to securing and enhancing enterprise value and shareholders' common interests, the Board of Directors decided upon specific countermeasures reflecting that basic policy at a meeting held on the same day.

In recent years, the unilateral acquisition of large shareholdings in companies without the consent of their management teams has become an emerging trend in Japan. In principle, the Company does not oppose the acquisition of large shareholdings that contribute to the enhancement of enterprise value and shareholders' common interests. However, in some cases such acquisitions do not contribute to the enhancement of enterprise value and shareholders' common interests. In particular, the source of the Company's enterprise value lies in attributes cultivated over many years, including brand power, product development capabilities, production engineering capabilities, and the trust which business partners and customers place in the Company. Failure on the part of a purchaser of the Company's shares to maintain and enhance those attributes over the medium-to-long term would be detrimental to the Company's enterprise value.

In light of these circumstances, the Company introduced specific countermeasures in order to establish a system that will deter purchases of the Company's shares that are detrimental to the Company's enterprise value and shareholders' common interests. Under those measures, when the Company's shares are purchased, the Company's shareholders will decide whether or not to accept the purchase. Alternatively, the Company's Board of Directors will secure the time and information required to submit an alternative proposal and will be able to negotiate with the prospective purchaser on behalf of the Company's shareholders. The Company's defensive measures against takeovers, or peacetime takeover defensive measures, include providing advance warning



Pink Ribbon event



Remamma brassiere and pad



*Fashion in Colors: VIKTOR & ROLF & KCI* exhibition

© The Kyoto Costume Institute  
Photo by Naoya Hatakeyama

that there are procedures prospective purchasers of the Company's shares must follow and that a gratis allocation of acquisition rights for the subscription of new shares with discriminatory treatment for the exercise of such rights may be implemented. In addition, the Company has established the Independent Committee to ensure that initiations of defensive measures against takeovers are based on substantive, objective decisions and not based on arbitrary decisions by the Board of Directors. For further details, please refer to the Company's web site.

[http://www.wacoal.co.jp/w-holdings/aboutcom\\_e/ir/index\\_e.html](http://www.wacoal.co.jp/w-holdings/aboutcom_e/ir/index_e.html)

## Social Contribution Activities and Environmental Management

### Social Contribution Activities

To realize its overriding goal of benefiting society at large by enabling women the world over to express their beauty, the Company draws on varied experience accumulated in its core operations to make unique contributions to society.

In 1974, we began the *Remamma* project to provide our originally developed innerwear and swimwear for women that had undergone operations for breast cancer. More than 170,000 customers in Japan and overseas have used these products to date.

<http://www.wacoal.co.jp/products/remamma/>

Since September 2002, we have supported Pink Ribbon activities, which raise awareness of the importance of the earlier diagnosis and treatment of breast cancer. The Company has actively participated in and supported a wide range of events, including the Pink Ribbon Smile Walk and various symposiums. As part of those efforts, we donate to the Breast Cancer Eradication Smile Fund. Further, the Company's shareholders participate in efforts to eradicate breast cancer. In 2005, the Company introduced a system whereby shareholders are able to make contributions to the fund that are equivalent to a part of the *Wacoal essence check* gift certificates provided as a shareholder benefit.

<http://www.wacoal.co.jp/company/pinkribbon/index.html>

Regarding cultural contributions, Wacoal established the Kyoto Costume Institute in 1978, which specializes in the collection, research, preservation, and display of historical, Western garments. In November 2005, the institute's *Fashion in Colors: VIKTOR & ROLF & KCI* exhibition received an award in the costume culture category of the Mecenat Awards 2005, which recognizes contributions to the promotion of the arts by companies or foundations. Some of the institute's collection and exhibitions can be viewed at its web site.

<http://www.kci.or.jp/>

### Environmental Management

The Wacoal Group actively advances environmental activities. To take one example, at Niigata Wacoal Sewing Corp. fabric cuttings and scraps that are a byproduct of manufacturing processes are put to good use in the making of jump-ropes for local kindergartens and towels for nursing-care facilities and hospitals. Another example is Kyushu Wacoal Manufacturing Corp., which has undertaken an ongoing voluntary tree-planting program on *Unzen Fugen-dake* since fiscal 2006.

In fiscal 2002, all the operational bases of Wacoal Corp. obtained ISO 14001 accreditation, which is an international standard for environmental management. Among a total of 17 domestic operational bases, we have increased the number with ISO 14001 accreditation to 12 bases in the current fiscal year. Aiming to realize industry-leading environmental management, we will establish environmental management systems throughout the Wacoal Group.

[http://www.wacoal.co.jp/w-holdings/aboutcom\\_e/csr/index\\_e.html](http://www.wacoal.co.jp/w-holdings/aboutcom_e/csr/index_e.html)