

# CORPORATE GOVERNANCE

The overriding goal of the Wacoal Group’s 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.

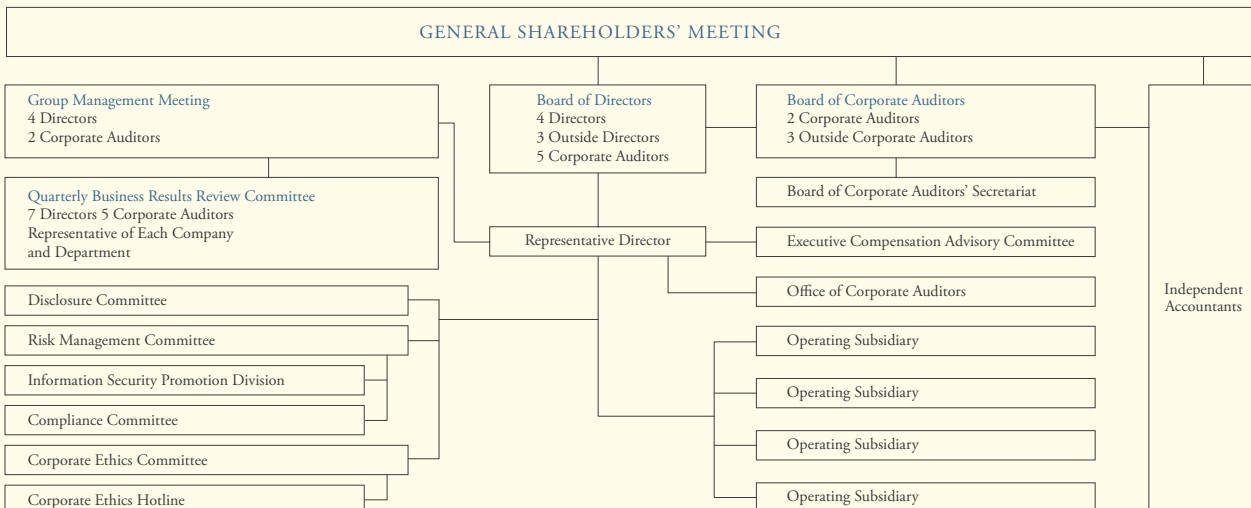
## Management Philosophy and Corporate Governance

The Wacoal Group’s management philosophy is based on *mutual trust*. This is a value that the Wacoal Group aims to carefully preserve in its relationships with shareholders, other investors, and all other stakeholders with a vested interest in the Group. To that end, the Group will steadily build and strengthen governance systems pursuant to laws and statutory regulations while working to ensure that every individual in the Group, from the management team through to employees, is aware of the social significance of the Wacoal Group and adheres to good ethical conduct. We believe that properly functioning corporate governance based on *mutual trust* is indispensable in order to achieve sustained growth and further increase enterprise value.

Regarding our progress in developing corporate governance systems, in 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. In 2003, Wacoal established the Disclosure Committee in order to ensure the accuracy of the financial and other information made available to the public. Further, in 2005 we elected outside directors to ensure management decisions are balanced and not made solely by directors. Meanwhile, in October 2005 we transferred to a holding company system in order to realize a more effective management system that enables strategic decision making and optimal resource deployment for Group companies overall while clarifying responsibility and authority and allowing flexible operations at operating subsidiaries.

## Corporate Governance Structure

As of June 29, 2010



### Corporate Governance System

The Group employs an auditor system of governance, with operational implementation and oversight undertaken by the Board of Directors and the Board of Corporate Auditors. Comprising 7 directors, 3 of whom are outside directors, and 5 corporate auditors, 3 of whom are outside corporate auditors, the Board of Directors decides such issues as important management policies and strategies and items stipulated by statutory laws and regulations or the Group's articles of incorporation. Furthermore, the Group files notifications with the Tokyo Stock Exchange for all of the abovementioned outside directors and outside corporate auditors as "independent directors or auditors."

Five corporate auditors, 3 of whom are outside corporate auditors, sit on the Board of Corporate Auditors, which supervises and audits business management. Also, the Group has established the Office of Corporate Auditors, which audits and monitors the appropriateness and efficiency of the operational processes of Group companies.

Also, the Group 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. Including outside directors, the Executive Compensation Advisory Committee develops proposals for the appointment, promotion, and compensation of executives and contributes to the realization of highly transparent and equitable business management.

### Disclosure Policy

The Group has established the Disclosure Committee in order to ensure the accuracy of financial and other information issued by the Group. This committee checks the propriety of the Group'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 directors responsible for financial matters prepare written oaths based on the reports that the committee has verified.

### Attendance of Outside Directors at Meetings of the Board of Directors

*April 2009–March 2010*

Kazuo Inamori	Attended 9 from a total of 14
Mamoru Ozaki	Attended 13 from a total of 14
Atsushi Horiba	Attended 13 from a total of 14

### Attendance of Outside Corporate Auditors at Meetings of the Board of Directors and the Board of Corporate Auditors

*April 2009–March 2010*

	Board of Directors	Board of Corporate Auditors
Yutaka Hasegawa	Attended 11 from a total of 14	Attended 11 from a total of 15
Tomoharu Kubo	Attended 14 from a total of 14	Attended 15 from a total of 15
Yoko Takemura	Attended 13 from a total of 14	Attended 15 from a total of 15

### Limited Liability Agreements Concluded with Outside Directors and Outside Corporate Auditors

In order to enable the Group to include competent outside directors and outside corporate auditors, the Group's articles of incorporation permit the Group to conclude agreements with outside directors and outside corporate auditors limiting their liability for damages in relation to the Group. Accordingly, the Group concludes limited liability agreements with outside directors and outside corporate auditors.

### Requirements for Resolutions Electing Directors

The Group's articles of incorporation stipulate that a resolution for the election of a director requires the attendance of shareholders that can exercise voting rights and that own at least one-third of voting rights as well as authorization based on a majority of voting rights. Furthermore, cumulative votes are not permitted.

### Determination of Dividends from Retained Earnings

In order to return profits to shareholders flexibly, the Group's articles of incorporation stipulate that resolutions of the Board of Directors determine cash dividends from retaining earnings, unless otherwise stipulated by laws and statutory regulations.

### Compensation of Executives

For the fiscal year, total compensation for directors was ¥275 million, total compensation for corporate auditors was ¥33 million, and total compensation for outside directors and outside corporate auditors was ¥49 million. In addition, the total compensation for directors includes acquisition rights for the subscription of new shares of ¥40 million recognized in expenses. Further, one director, who retired upon conclusion of the ordinary general shareholders' meeting convened on June 26, 2009, is included. Yoshitaka Tsukamoto, the one executive that receives compensation of over ¥100 million on a consolidated basis, serves concurrently as a director of Wacoal Holdings Corp. and Wacoal Corp. and receives total compensation of ¥173 million.

### Compliance System

- In order to ensure that directors and employees adhere to laws and statutory regulations and implement operations based on sound societal norms, the Group has established its own conduct and ethics code.
- Directors lead efforts to instill and ensure adherence to good corporate ethics throughout the Wacoal Group.
- Headed by the representative director and with the Legal and Compliance Department as its secretariat, the Corporate Ethics Committee develops compliance systems and examines compliance issues that significantly affect the Wacoal Group.
- The Group has established a system whereby employees discovering potential compliance problems relating to violations of the Group's conduct and ethics code can report these immediately to the Legal and Compliance Department. This system includes a corporate ethics hotline for whistleblowers. Upon receiving such reports, the Legal and Compliance Department investigates the details of cases, consults with the division in charge, and decides on the measures to prevent recurrence. The Legal and Compliance Department submits serious problems to the Corporate Ethics Committee, which reports the results of investigations to the Board of Directors and the Board of Corporate Auditors.
- The Group's conduct and ethics code, Corporate Ethics—Wacoal's Action Agenda, stipulates resolute refusal of demands from antisocial forces. Further, conduct standards for crisis management set out in the Group's crisis management manual stipulate that the Group will not have any relationship whatsoever with antisocial forces. Also, in order to address gratuitous demands from antisocial forces, the Group coordinates with outside specialist organizations and collects and manages information about antisocial forces and has established an internal system in this regard.

### Risk Management System

- With the director responsible for risk management as its chairperson, the Risk Management Committee manages overall risks related to the Wacoal Group and develops and strengthens risk management systems.
- Based on the approval of the Board of Directors, the Risk Management Committee establishes risk management regulations that form the basis of the risk management system. Guided by these regulations, the Risk Management Committee clarifies responsibility for respective risk categories and builds systems for comprehensive risk management of the entire Wacoal Group.
- The Risk Management Committee periodically reports to the Board of Directors on the operational status of the risk management system of Wacoal Holdings Corp. and the entire Wacoal Group.

### Performance of Duties by Directors

- In order to heighten the appropriateness of directors' decision making, the Group's directors include independent outside directors.

- Directors establish medium-term management plans, which directors and employees share and that apply laterally to the entire Group. Further, in accordance with these plans, directors issue instructions to each division regarding the establishment of medium-term and short-term policies and business results targets.
- The business results of each Group company are analyzed on a monthly basis and reported to the Board of Directors. Also, directors check the business results and the progress of measures at meetings of the Quarterly Business Results Review Committee held four times a year. If targets have not been met, directors examine improvement measures and revise targets if needed.

### Group Management Systems of the Wacoal Group

- The Group has established regulations and a basic policy for the management of Group companies. The Group also stipulates items that the Board of Directors must decide and items that must be reported to Wacoal Holdings Corp.
- Transactions between Group companies must be equitable and pursuant to laws and regulations, accounting principles, and tax systems.
- The Office of Corporate Auditors conducts internal audits of Group companies, which include audits of the status of the construction and operation compliance systems and risk management systems. Further, the Office of Corporate Auditors reports the results of these audits to the Board of Directors and the divisions with jurisdiction over respective Group companies. At the same time, the Office of Corporate Auditors ensures Group companies conduct operations appropriately by providing them with directions and advice on the construction of systems.

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

After the Group's June 2006 ordinary general shareholders' meeting passed a resolution authorizing the adoption of a basic policy on measures against the acquisition of a substantial shareholding of the Group, the Board of Directors decided upon specific countermeasures reflecting that basic policy. Further, the June 2009 ordinary general shareholders' meeting renewed this policy. In principle, the Group does not oppose the acquisition of large shareholdings that contribute to the enhancement of the enterprise value and shareholders' common interests. The Group's defensive measures against takeovers, or peacetime takeover defensive measures, include providing advance warning that there are procedures prospective purchasers of the Group'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 Group 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 Group's web site.

[www.wacoalholdings.jp/ir\\_e/news.html](http://www.wacoalholdings.jp/ir_e/news.html)