

# Internet Disclosure in Connection with the Notice of the 74th Ordinary General Meeting of Shareholders

## CONSOLIDATED STATEMENT OF EQUITY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS (For the period from April 1, 2021 to March 31, 2022)

### Wacoal Holdings Corp.

The “Consolidated Statement of Equity” and the “Notes to the Consolidated Financial Statements,” as well as the “Non-Consolidated Statement of Changes in Net Assets” and the “Notes to the Non-Consolidated Financial Statements,” of the accompanying attachments to the Notice of the 74th Ordinary General Meeting of Shareholders, are disclosed by posting on the website of Wacoal Holdings Corp. (“the Company”) ([https://www.wacoalholdings.jp/ir/general\\_meeting/](https://www.wacoalholdings.jp/ir/general_meeting/)), pursuant to the provisions of the applicable laws and regulations and Article 15 of our Articles of Incorporation. The “Consolidated Statement of Equity,” the “Notes to the Consolidated Financial Statements,” the “Non-Consolidated Statement of Changes in Net Assets,” and the “Notes to the Non-Consolidated Financial Statements” are audited upon the preparation of the independent auditor’s report and the audit report by the Audit & Supervisory Board as a part of consolidated financial statements and non-consolidated financial statements.

**CONSOLIDATED STATEMENT OF EQUITY**  
**Year ended March 31, 2022**

(Thousands of shares, Millions of yen)

| Items   | Equity                                       |              |                            |                   |  |                         |  |                          |              |
|---|--|--------------|----------------------------|-------------------|--|-------------------------|--|--------------------------|--------------|
|   | Number of Shares of Outstanding Common Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock, at Cost | Total Wacoal Holdings Corp. Shareholders' Equity | Noncontrolling Interests | Total Equity |
| As of March 31, 2021                                      | 62,421                                       | 13,260       | 29,120                     | 181,346           | 762                                    | (8,876)                 | 215,612  | 3,004                    | 218,616      |
| Net income  |  |              |                            | 4,608             |  |                         | 4,608  | (67)                     | 4,541        |
| Other comprehensive income (loss)                         |  |              |                            |                   |  |                         |  |                          |              |
| Foreign currency translation adjustments                  |  |              |                            |                   | 5,944                                  |                         | 5,944  | 80                       | 6,024        |
| Pension liability adjustments                             |  |              |                            |                   | 1,364                                  |                         | 1,364  |                          | 1,364        |
| Cash dividends paid to Wacoal Holdings Corp. shareholders |  |              |                            | (2,498)           |  |                         | (2,498)  |                          | (2,498)      |
| Cash dividends paid to noncontrolling interests           |  |              |                            |                   |  |                         |  | (82)                     | (82)         |
| Repurchase of treasury stock                              | (1,001)                                      |              |                            |                   |  | (2,089)                 | (2,089)  |                          | (2,089)      |
| Cancellation of treasury stock                            | 0  |              | (0)                        |                   |  | 1                       | 1  |                          | 1            |
| Restricted stock compensation                             | 27   |              | (23)                       |                   |  | 75                      | 52   |                          | 52           |
| Share-based compensation granted and exercised            | 11   |              | (20)                       |                   |  | 31                      | 11   |                          | 11           |
| Equity transactions with noncontrolling interests         |  |              |                            |                   |  |                         |  | 112                      | 112          |
| As of March 31, 2022                                      | 61,458                                       | 13,260       | 29,077                     | 183,456           | 8,070                                  | (10,858)                | 223,005  | 3,047                    | 226,052      |

(Note 1) Amounts less than ¥1 million are rounded to the nearest million.

(Note 2) The “number of shares of outstanding common stock” has been rounded to the nearest thousand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (NOTES TO BASIS OF SIGNIFICANT MATTERS IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS)

#### 1. Standard of Preparation of Consolidated Financial Statements

Pursuant to the provisions of the first paragraph of Article 120-3 of the Ordinance on Company Accounting, the consolidated financial statements of Wacoal Holdings Corp. and its subsidiaries (collectively, the “Group”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). A part of the disclosures required under U.S. GAAP is omitted in accordance with the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, which is applied *mutatis mutandis* pursuant to the third paragraph of Article 120-3 of the Ordinance on Company Accounting.

#### 2. Matters Regarding the Scope of Consolidation

(1) Number of consolidated subsidiaries: 56

|  |  |
|--|--|
| (2) Principal consolidated subsidiaries: | Wacoal Corp.; Peach John Co., Ltd.; Lecien Corporation; Kyushu Wacoal Manufacturing Corp.; Nanasai Co., Ltd.; Torica Inc.; Wacoal International Corp.; Wacoal America Inc.; Wacoal Europe Ltd.; Wacoal EMEA Ltd.; Wacoal Europe SAS; Wacoal International Hong Kong Co., Ltd.; Wacoal Hong Kong Co., Ltd.; Wacoal Investment Co., Ltd.; Wacoal China Co., Ltd.; and A Tech Textile Co., Ltd. |
|--|--|

(Note) As of April 1, 2022, Kyushu Wacoal Manufacturing Corp., our consolidated subsidiary has changed its trade name to Wacoal Manufacturing Japan Corp.

#### 3. Matters Regarding the Application of the Equity Method

(1) Number of affiliated companies: 7

|                                     |   |
|-------------------------------------|---|
| (2) Principal affiliated companies: | Shinyoung Wacoal Inc.; Taiwan Wacoal Co, Ltd.; and Thai Wacoal Public Company Limited |
|-------------------------------------|---|

#### 4. Matters Regarding the Standard of Accounting Treatment

(1) Valuation standard and method of significant assets

(i) Marketable securities and investments

Based on the provisions of the U.S. Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320, “Investments – Debt Securities,” and FASB ASC 321 “Investments – Equity Securities,” marketable securities and investments have been classified as “debt securities” and “equity securities,” and debt securities have been further classified as “available-for-sale securities” and “held-to-maturity securities.” “Available-for-sale securities” are recorded at fair value, and “held-to-maturity securities” are recorded at amortized cost. Gain or loss on sale of debt securities is calculated based on the moving-average method.

Equity securities are measured at fair value and unrealized holding gain or loss is recorded in net profit or loss.

(ii) Inventories

Inventories are stated at the lower of cost or net realizable value. For work in process and finished products, cost is determined by the average cost method, and for raw materials, cost is determined by the first-in, first-out method.

(2) Depreciation method for significant depreciable assets

Depreciation method for fixed assets

The straight-line method is mainly used for depreciation of property, plant and equipment.

The straight-line method is used for amortizing intangible assets. In accordance with the provisions under FASB ASC 350, "Intangibles – Goodwill and Other," assets with indefinite useful lives are not amortized, but rather judged for impairment at least annually or at the time when any indication of impairment occurs.

(3) Basis of accounting for significant allowances

Allowance for doubtful receivables

The allowance for doubtful receivables is stated at an amount considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in receivables outstanding.

(4) Other significant matters in preparing the consolidated financial statements

(i) Method of accounting treatment for retirement benefits

In accordance with the provisions of FASB ASC 715, "Compensation – Retirement Benefits," the Group accounts for retirement benefits for employees, based on the fair values of liabilities for termination and retirement benefits and plan assets as of the end of the current fiscal year.

(ii) Matters concerning the fiscal year end of consolidated subsidiaries

The fiscal year end of the Group's Japanese consolidated subsidiaries is consistent with the consolidated fiscal year end. The fiscal year end of overseas consolidated subsidiaries is also consistent with the consolidated fiscal year end, except for Wacoal Hong Kong Co., Ltd. and nine other companies. The fiscal year end of Wacoal Hong Kong Co., Ltd. and the nine other companies is December 31. Financial statements of these overseas consolidated subsidiaries are consolidated based on their fiscal year end. Necessary adjustments have been made for significant events that occurred during the period between their fiscal year end and March 31.

**(SIGNIFICANT ACCOUNTING ESTIMATE)**

The following is a list of item of which amount has been prepared using accounting estimate and recorded in the consolidated financial statements for the current fiscal year that may have a material effect on the consolidated financial statements for the next fiscal year.

Valuation of goodwill arising from the acquisition of WACOAL EUROPE LTD. ¥9,932 million

To test for goodwill impairment, the carrying amount of each reporting unit is compared with its fair value. If the carrying amount of a reporting unit exceeds its fair value, an impairment charge is recognized in an amount equal to that excess. To measure their fair values, our Group used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates.

Such assumptions include fluctuations in business activities, tax rates and risk-adjusted discount rates. There is a possibility that impairment charges would be recognized if the forecast of business results deteriorates or the tax rates or risk-adjusted discount rates increase.

Based on the aforementioned impairment assessment, our Group did not record any impairment charges on goodwill for Wacoal Europe Ltd. in the fiscal year ended March 31, 2022.

## **(NOTES TO THE FINANCIAL INSTRUMENTS)**

### **1. Matters Regarding the Status of Financial Instruments**

#### **(1) Policy for financial instruments**

To manage surplus funds and focus on safety management, the Group establishes certain conditions as well as limits, and determines an eligible range for investments. For financing, the Group may use bank loans as necessary. The Group may use derivatives to offset risk from exchange fluctuations in foreign currency transactions, interest rate risk from bank loans, and risk of stock price fluctuations from stocks held, but will not engage in speculative transactions.

#### **(2) Details and risk of financial instruments and risk management structure**

Marketable securities and investments that are debt securities consist of bonds, and equities securities consist of mutual funds and stocks. These instruments are subject to risk from market fluctuations, and the Group regularly reviews their fair values.

The Group takes appropriate measures to reduce customer credit risk for notes and accounts receivable, according to the Group's control procedures.

Bank loans are utilized mainly for the expansion of business and funding of working capital, and are subject to interest rate fluctuation risk.

Almost all of trade notes payable, trade accounts payable and other payables are due within a year.

The Group executes/manages derivative transactions according to the Group's handling procedures, which stipulate specific targets and ranges for such transactions.

#### **(3) Supplemental note on matters regarding fair values of financial instruments**

Fair values of financial instruments are estimated based on market price information related to financial instruments and details of relevant contracts at the end of a fiscal year. These estimates are made by the Company and include the Company's judgements. Such judgements may have a material influence on results of the estimates given the uncertainty. Therefore, changes in the underlying assumptions may have a material impact on such estimates.

#### **(4) Concentration of credit risk**

The Group's business consists primarily of sales of women's intimate apparel to a large and diverse range of customers in the Japanese retail industry, including well-established department stores, general merchandise stores, and other general retailers and specialty stores. No single customer constitutes 10% or more of total sales.

## 2. Fair Values of Financial Instruments

Amounts recorded in the consolidated balance sheet, fair values, and their differences as of March 31, 2022, are as follows. Investments in affiliated companies considered to be nonmarketable (amount recorded in the consolidated balance sheet: 8,531 million yen) are excluded from the table below.

(Millions of yen)

|   | Amount recorded in the consolidated balance sheet (*) | Fair value (*) | Difference |
|---|---|----------------|------------|
| (1) Cash and cash equivalents                                     | 37,982  | 37,982         | -          |
| (2) Time deposits   | 1,387   | 1,387          | -          |
| (3) Notes and accounts receivable                                 | 19,414  | 19,414         | -          |
| (4) Investments in affiliated companies                           | 14,304  | 10,189         | 4,115      |
| (5) Investments   | 47,926  | 47,926         | -          |
| (6) Short-term bank loans   | (10,227)  | (10,227)       | -          |
| (7) Trade notes payable   | (558)   | (558)          | -          |
| (8) Trade accounts payable  | (10,067)  | (10,067)       | -          |
| (9) Other payables  | (7,006)   | (7,006)        | -          |
| (10) Income taxes payable   | (1,408)   | (1,408)        | -          |
| (11) Long-term debt (including Current portion of long-term debt) | (1,626)   | (1,570)        | (56)       |
| (12) Contingent consideration                                     | (820)   | (820)          | -          |
| (13) Derivatives (**)   | 96  | 96             | -          |

(\*) Amounts in parentheses represent amounts in the liability section of the consolidated balance sheet.

(\*\*) Claims and obligations arising from derivative transactions are shown on a net basis and items in parentheses represent net debt in total.

## 3. Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels depending on the observability and significance of inputs used in making fair value measurements:

Fair value at Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.

Fair value at Level 2: Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Fair value at Level 3: Inputs are unobservable.

If multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is classified at the lowest level in the fair value measurement among the levels to which each of those inputs belongs.

- (1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

(Millions of yen)

| Category                             | Fair Value |         |         |        |
|--------------------------------------|------------|---------|---------|--------|
|                                      | Level 1    | Level 2 | Level 3 | Total  |
| Investments                          |            |         |         |        |
| Equity securities                    | 44,814     | -       | 2,793   | 47,607 |
| Mutual funds                         | 137        | -       | -       | 137    |
| Other                                | -          | -       | 182     | 182    |
| Contingent consideration (long-term) | -          | -       | (820)   | (820)  |
| Derivatives                          | -          | 96      | -       | 96     |

- (2) The financial assets and liabilities no measured at the fair values in the consolidated balance sheet

(Millions of yen)

| Category                            | Fair Value |          |         |          |
|-------------------------------------|------------|----------|---------|----------|
|                                     | Level 1    | Level 2  | Level 3 | Total    |
| Cash and cash equivalents           | -          | 37,982   | -       | 37,982   |
| Time deposits                       | -          | 1,387    | -       | 1,387    |
| Notes and accounts receivable       | -          | 19,414   | -       | 19,414   |
| Investments in affiliated companies | 10,189     | -        | -       | 10,189   |
| Short-term bank loans               | -          | (10,227) | -       | (10,227) |
| Trade notes payable                 | -          | (558)    | -       | (558)    |
| Trade accounts payable              | -          | (10,067) | -       | (10,067) |
| Other payables                      | -          | (7,006)  | -       | (7,006)  |
| Income taxes payable                | -          | (1,408)  | -       | (1,408)  |
| Long-term debt                      | -          | (1,570)  | -       | (1,570)  |

(Note) Valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

#### Investments/Investments in affiliated companies

The fair values of listed equity securities and listed mutual funds are valued using unadjusted quoted prices in active markets with sufficient trading volume and frequency and are classified as Level 1. Fair values of nonmarketable equity securities are measured by comparable multiple valuation method using financial indicators or other appropriate valuation methods and are classified as Level 3.

#### Contingent consideration (long-term)

The fair value of contingent consideration is measured by the Monte Carlo simulation using unobservable inputs and are classified as Level 3. Other payables include contingent consideration of ¥673 million, which has been fixed.

#### Derivatives

Derivatives are foreign currency exchange contracts, and the fair values of derivatives are measured at the value determined by financial institution and are classified as Level 2. There are no derivatives to which hedge accounting is applied.

#### Cash and cash equivalents, time deposits, notes and accounts receivable

The fair values of these items are measured at the value determined using the discounted present value method based on the amount of receivable, the time to maturity, and the interest rate, taking into account credit risk, for each receivable classified by certain time periods and are classified as Level 2.

#### Short-term bank loans, trade notes payable, trade accounts payable, other payables and income taxes payable

The fair values of these items are measured at the value determined using the discounted present value method based on the future cash flow, the time to maturity, and the interest rate, taking into account credit risk, for each liability classified by certain time periods and are classified as Level 2.

### Long-term debt

The fair values of long-term debt are measured at the value determined based on a discounted cash flow analysis, using a deemed interest rate on equivalent borrowings with similar term and remaining maturities and are classified as Level 2.

## **(NOTES TO REVENUE RECOGNITION)**

### **1. Disaggregation of Revenue from Contracts with Customers**

The Group focuses on sales of innerwear (mainly women's foundation garments and lingerie, nightwear and children's underwear), outerwear, sportswear, and other textile goods and related products ("Products"), and our customers include retail or wholesale distributors and consumers in Japan and overseas.

| (Millions of yen)                        |                                  |
|--|----------------------------------|
|  | Fiscal Year ended March 31, 2022 |
| Innerwear                                |                                  |
| Foundation and lingerie                  | 140,233                          |
| Nightwear                                | 6,723                            |
| Children's underwear                     | 789                              |
| Subtotal                                 | 147,745                          |
| Outerwear/Sportswear                     | 10,789                           |
| Hosiery                                  | 974                              |
| Other textile goods and related products | 5,342                            |
| Others                                   | 8,010                            |
| Total                                    | 172,860                          |

### **2. Basic Information to Understand Revenues from Contracts with Customers**

Revenue from sales of our Products is recognized when performance obligations are satisfied, which is upon delivery of the Products. Revenue from sales on consignment, however, is recognized when our Product is sold to the ultimate consumer.

Revenue from sales of our products is recognized when performance obligations are satisfied, which is upon delivery of products. We invoice when we satisfy the performance obligation and receive cash payment shortly thereafter. The amount of consideration does not include a significant financing component.

The Group's revenue is recognized for transactions, net of any trade discounts or rebates given. We generally provide a right of return to our customers. In order to estimate the transaction price, provision for expected returns is deducted from revenue based on historical returns.

### **3. Information to Understand Revenue for the Current Fiscal Year, the Next Fiscal Year and Onwards**

Contract liabilities from contracts with customers consist mainly of customer loyalty points.

Some of subsidiaries have customer loyalty programs as part of the promotion and provide loyalty points to customers when they purchase the products. The points provided to customers are identified as performance obligations, which are satisfied when the points are redeemed for the products. The points are expected to be used or expire over the next two years. The unredeemed points as of the end of year are recorded as contract liabilities, which are estimated based on actual redemption amounts from previous fiscal year. Contract liabilities are included in "Other current liabilities" and the amount of contract liabilities is as follows:

|                      | Fiscal year ended March 31, 2022 |
|----------------------|----------------------------------|
| Contract liabilities | 1,321 million yen                |

Revenue recognized for the fiscal year ended as of March 31, 2022, which had been included in the contract liabilities balance at beginning of the year was 998 million yen.



## (NOTES TO PER SHARE INFORMATION)

|  |           |
|--|-----------|
| Wacoal Holdings Corp. shareholders' equity per share               | ¥3,628.56 |
| Net income per share attributable to Wacoal Holdings Corp.         | ¥74.04    |
| Diluted net income per share attributable to Wacoal Holdings Corp. | ¥73.73    |

## (NOTES TO SIGNIFICANT SUBSEQUENT EVENTS)

### Purchase of Treasury Stock

The Board of Directors adopted a resolution at a meeting held on May 13, 2022 regarding matters related to purchase of treasury stock pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act.

#### 1. Reason for Purchase of Treasury Stock

To return profits to the shareholders, improve capital efficiency and implement our capital policy with increased flexibility tailored to the business environment.

#### 2. Details of Purchase

- |  |  |
|--|--|
| (i) Type of shares to be purchased:          | Common stock of the Company              |
| (ii) Total number of shares to be purchased: | 5,500,000 shares (at maximum)            |
| (iii) Aggregate purchase amount:             | ¥10,000 million (at maximum)             |
| (iv) Purchase period:                        | From June 4, 2022 through March 24, 2023 |

### Cancellation of Treasury Stock

The Board of Directors adopted a resolution at a meeting held on May 13, 2022 regarding matters related to cancellation of treasury stock pursuant to the provisions of Article 178 of the Companies Act.

- |  |                             |
|--|-----------------------------|
| (i) Type of shares to be cancelled:    | Common stock of the Company |
| (ii) Number of shares to be cancelled: | 1,089,042 shares            |
| (iii) Date of cancellation:            | May 23, 2022                |

**NON-CONSOLIDATED STATEMENT OF  
CHANGES IN NET ASSETS  
Year ended March 31, 2022**

(Millions of yen)

| Items   | Shareholders' Equity |                            |                                  |                   |   |                 |                                   |                         |                            |
|---|----------------------|----------------------------|----------------------------------|-------------------|---|-----------------|-----------------------------------|-------------------------|----------------------------|
|   | Common stock         | Additional paid-in capital |                                  | Retained earnings |   |                 |                                   | Treasury stock, at cost | Total shareholders' equity |
|   |                      | Capital reserve            | Other additional paid-in capital | Legal reserve     | Other retained earnings                       |                 |                                   |                         |                            |
|   |                      |                            |                                  |                   | Reserve for deferred gain on sale of property | General reserve | Retained earnings carried forward |                         |                            |
| Balance as of April 1, 2021                                   | 13,260               | 29,294                     | -                                | 3,315             | 4,000   | 90,000          | 8,520                             | (8,875)                 | 139,514                    |
| Changes during current fiscal year                            |                      |                            |                                  |                   |   |                 |                                   |                         |                            |
| Provision of reserve for deferred gain on sales of property   |                      |                            |                                  |                   | 1,083   |                 | (1,083)                           |                         | -                          |
| Reversal of reserve for deferred gain on sale of property     |                      |                            |                                  |                   | (149)   |                 | 149                               |                         | -                          |
| Cash dividends  |                      |                            |                                  |                   |   |                 | (2,497)                           |                         | (2,497)                    |
| Net income  |                      |                            |                                  |                   |   |                 | 2,749                             |                         | 2,749                      |
| Repurchase of treasury stock                                  |                      |                            |                                  |                   |   |                 |                                   | (2,089)                 | (2,089)                    |
| Disposal of treasury stock                                    |                      |                            | (0)                              |                   |   |                 |                                   | 0                       | 0                          |
| Restricted stock compensation                                 |                      |                            | (23)                             |                   |   |                 |                                   | 75                      | 51                         |
| Exercise of stock acquisition rights                          |                      |                            | (2)                              |                   |   |                 |                                   | 31                      | 28                         |
| Transfer from retained earnings to additional paid-in capital |                      |                            | 25                               |                   |   |                 | (25)                              |                         | -                          |
| Net change in items other than shareholders' equity           |                      |                            |                                  |                   |   |                 |                                   |                         |                            |
| Total changes during current fiscal year                      | -                    | -                          | -                                | -                 | 933   | -               | (707)                             | (1,982)                 | (1,756)                    |
| Balance as of March 31, 2022                                  | 13,260               | 29,294                     | -                                | 3,315             | 4,934   | 90,000          | 7,813                             | (10,858)                | 137,758                    |

(Millions of yen)

| Items   | Stock Acquisition Rights | Total net assets |
|---|--------------------------|------------------|
| Balance as of April 1, 2021                                 | 591                      | 140,106          |
| Changes during current fiscal year                          |                          |                  |
| Provision of reserve for deferred gain on sales of property |                          | -                |
| Reversal of reserve for deferred gain on sale of property   |                          | -                |
| Cash dividends  |                          | (2,497)          |
| Net income  |                          | 2,749            |
| Repurchase of treasury stock                                |                          | (2,089)          |
| Disposal of treasury stock                                  |                          | 0                |
| Restricted stock compensation                               |                          | 51               |
| Exercise of stock acquisition rights                        | (28)                     | 0                |
| Transfer from retained earnings to additional               |                          | -                |

|   |      |         |
|---|------|---------|
| paid-in capital   |      |         |
| Net change in items<br>other than shareholders'<br>equity | 10   | 10      |
| Total changes during<br>current fiscal year               | (18) | (1,774) |
| Balance as of March 31,<br>2022                           | 573  | 138,332 |

(Note) Amounts less than ¥1 million are rounded down to the nearest million.

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

### (NOTES TO MATTERS RELATED TO SIGNIFICANT ACCOUNTING POLICIES)

#### 1. Valuation Standards and Method of Valuing Assets

Valuation standards and method of valuing securities

Investments in subsidiaries and affiliated companies are stated at cost based on the moving-average method. Marketable and investment securities are stated at market value determined based on market prices, on the balance sheet date. Nonmarketable investment securities are stated at cost based on the moving-average method. Net unrealized gain (loss) on available-for-sale securities is reported directly in net assets. Cost of investment securities sold is determined based on the moving-average method.

#### 2. Depreciation Method of Fixed Assets

##### (1) Depreciation method of property, plant and equipment

Depreciation of property, plant and equipment is calculated based on the straight-line method.

Useful lives of major items are as follows:

|   |               |
|---|---------------|
| Buildings and structures                | 2 to 50 years |
| Machinery                               | 17 years      |
| Equipment (excluding certain paintings) | 3 to 20 years |

##### (2) Amortization method for intangible assets

Amortization of intangible assets is computed by the straight-line method. Internal use of software is amortized based on an estimated useful life of five years.

#### 3. Basis of Accounting for Allowances

##### (1) Allowance for doubtful receivables

In order to reserve for losses on bad debts, allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

##### (2) Accrued bonuses

In order to reserve bonuses to employees, accrued bonuses are calculated based on the anticipated amount to be paid.

##### (3) Accrued officers' bonuses

In order to reserve bonuses to officers, accrued officers' bonuses are calculated based on the anticipated amount to be paid.

#### 4. Basis for Recording Revenues and Expenses

Except for interest income and dividend income in accordance with ASBJ Statement No. 10, Accounting Standard for Financial Instruments, and revenue in accordance with ASBJ Statement No. 13, Accounting Standard for Lease Transactions, the Company recognizes revenue based on the following five steps:

- Step 1: Identify the contracts with customers
- Step 2: Identify the performance obligations of contracts
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognized revenue when (or as) the entity satisfies a performance obligation

The Company primarily provides management guidance services to Wacoal Corp., which are recorded in operating revenue (other). The performance obligations are satisfied over time and the Company recognizes revenue evenly throughout the contract period measured based on the amount of consideration promised in the contract with the customer. Revenue from sales of the services is recognized when performance obligations are satisfied, which is upon delivery of services. The company invoices when the company satisfies the performance obligation and receive cash payment shortly thereafter.

**(NOTES TO CHANGES IN ACCOUNTING POLICIES)**  
**(Application of “Accounting Standard for Revenue Recognition”)**

The “Accounting Standards for Revenue Recognition” (ASBJ Statement No.29; March 31, 2020) was adopted for the financial statements from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the goods or services when control of such goods or services is transferred to the customer.

The effect of this change in accounting policy is not material.

**(Application of “Accounting Standard for Calculation of Fair Value”)**

The “Accounting Standards for Fair Value Measurement” (ASBJ Statement No.30; July 4, 2019) (“Accounting Standard for Fair Value Measurement”) was adopted for the financial statements from the beginning of the current fiscal year, and the new accounting policies set forth in the Accounting Standard for Fair Value Measurement are applied prospectively in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standards for Financial Instruments” (ASBJ Statement No.10; July 4, 2019).

This effect of this change on the financial statements is not material.

**(SIGNIFICANT ACCOUNTING ESTIMATE)**

The following is a list of item of which amount has been prepared using accounting estimate and recorded in the consolidated financial statements for the current fiscal year that may have a material effect on the consolidated financial statements for the next fiscal year.

Valuation of investment security in Wacoal Europe Ltd. ¥17,405 million

Investments in securities whose market value is extremely difficult to measure are recorded at cost. If the value in substance decreases dramatically, the carrying amount shall be reduced to the value in substance and the loss shall be accounted for through profit or loss. To measure the value in substance, our Group used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates.

Such assumptions include fluctuations in business activities, tax rates and risk-adjusted discount rates. There is a possibility that impairment charges would be recognized if the forecast of business results deteriorate or the tax rates or risk-adjusted discount rates increase.

Based on the aforementioned impairment assessment, our Group recorded no impairment charges on investment security in Wacoal Europe Ltd. in the fiscal year ended March 31, 2022.

**(NOTES TO THE NON-CONSOLIDATED BALANCE SHEETS)**

|    |  |                 |
|----|--|-----------------|
| 1. | Accumulated depreciation of property, plant and equipment:   | ¥35,994 million |
| 2. | Receivables from subsidiaries and affiliated companies and payables to subsidiaries and affiliated companies |                 |
|    | Short-term receivable:   | ¥7,592 million  |
|    | Short-term payable:  | ¥14,424 million |

3. Liabilities for guarantees  
The Company provides guarantees for loans to a certain subsidiary from financial institutions.

Wacoal Europe Ltd.: ¥227 million

The Company provides guarantees for payables of electronically recorded monetary claims of a certain subsidiary.

Lecien Corporation: ¥42 million

#### (NOTES TO THE NON-CONSOLIDATED STATEMENTS OF INCOME)

Transactions with subsidiaries and affiliated companies

Operating revenue: ¥6,161 million

Other operating transactions: ¥77 million

Non-operating transactions: ¥38 million

#### (NOTES TO THE NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS)

1. Number of issued shares as of March 31, 2022  
Common stock: 65,589,042 shares
2. Number of treasury stocks as of March 31, 2022  
Common stock: 4,130,773 shares
3. Matters regarding dividends on additional paid-in capital and retained earnings made during the current fiscal year

| Resolution  | Class of Shares | Aggregate Amount of Dividends (Millions of yen) | Amount of Dividend per Share (Yen) | Record Date        | Effective Date   |
|---|-----------------|---|------------------------------------|--------------------|------------------|
| At the Board of Directors' Meeting held on May 14, 2021     | Common Stock    | 1,248   | 20.00                              | March 31, 2021     | June 4, 2021     |
| At the Board of Directors' Meeting held on October 29, 2021 | Common Stock    | 1,249   | 20.00                              | September 30, 2021 | December 2, 2021 |

4. Matters regarding dividends on additional paid-in capital and retained earnings to be made after the end of the current fiscal year

| Resolution   | Class of Shares | Source of Dividend | Aggregate Amount of Dividends (Millions of yen) | Amount of Dividend per Share (Yen) | Record Date    | Effective Date |
|--|-----------------|--------------------|---|------------------------------------|----------------|----------------|
| At the Board of Directors' Meeting held on May 13, | Common Stock    | Retained Earnings  | 1,843   | 30.00                              | March 31, 2022 | June 6, 2022   |

|      |  |  |  |  |  |  |
|------|--|--|--|--|--|--|
| 2022 |  |  |  |  |  |  |
|------|--|--|--|--|--|--|

5. Matters concerning stock acquisition rights as of the end of the current fiscal year

|  | First Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 30, 2008       | Second Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 30, 2008     | Third Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 30, 2009      | Fourth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 30, 2009    |
|--|--|---|---|--|
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  | Common Stock  | Common Stock   |
| Number of shares represented by stock acquisition rights:    | 9,500 shares   | 2,000 shares  | 10,000 shares   | 2,000 shares   |
| Outstanding number of stock acquisition rights:              | 19   | 4   | 20  | 4  |
|  | Fifth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 30, 2010       | Sixth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 30, 2010      | Seventh Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 29, 2011    | Eighth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 29, 2011    |
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  | Common Stock  | Common Stock   |
| Number of shares represented by stock acquisition rights:    | 10,500 shares  | 2,000 shares  | 15,500 shares   | 2,000 shares   |
| Outstanding number of stock acquisition rights:              | 21   | 4   | 31  | 4  |
|  | Ninth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2012       | Tenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2012      | Eleventh Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2013   | Twelfth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2013   |
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  | Common Stock  | Common Stock   |
| Number of shares represented by stock acquisition rights:    | 17,500 shares  | 1,500 shares  | 17,000 shares   | 4,000 shares   |
| Outstanding number of stock acquisition rights:              | 35   | 3   | 34  | 8  |
|  | Thirteenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2014  | Fourteenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2014 | Fifteenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2015  | Sixteenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2015 |
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  | Common Stock  | Common Stock   |
| Number of shares represented by stock acquisition rights:    | 15,000 shares  | 4,500 shares  | 14,000 shares   | 3,000 shares   |
| Outstanding number of stock acquisition rights:              | 30   | 9   | 28  | 6  |
|  | Seventeenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 29, 2016 | Eighteenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 29, 2016 | Nineteenth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2017 | Twentieth Stock Acquisition Rights resolved at the Board of Directors' Meeting held on July 31, 2017 |
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  | Common Stock  | Common Stock   |
| Number of shares represented by stock acquisition rights:    | 21,500 shares  | 7,500 shares  | 14,000 shares   | 4,500 shares   |
| Outstanding number of stock acquisition rights:              | 43   | 15  | 28  | 9  |



|  | Twenty-first Stock Acquisition<br>Rights resolved at the Board of Directors' Meeting held on July 20, 2018 | Twenty-second Stock Acquisition<br>Rights resolved at the Board of Directors' Meeting held on July 20, 2018 | Twenty-third Stock Acquisition<br>Rights resolved at the Board of Directors' Meeting held on June 27, 2019 | Twenty-fourth Stock Acquisition<br>Rights resolved at the Board of Directors' Meeting held on June 27, 2019 |
|--|--|---|--|---|
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  | Common Stock   | Common Stock  |
| Number of shares represented by stock acquisition rights:    | 14,700 shares  | 5,500 shares  | 17,200 shares  | 11,300 shares   |
| Outstanding number of stock acquisition rights:              | 147  | 55  | 172  | 113   |
|  | Twenty-fifth Stock Acquisition<br>Rights resolved at the Board of Directors' Meeting held on June 26, 2020 | Twenty-sixth Stock Acquisition<br>Rights resolved at the Board of Directors' Meeting held on June 26, 2020  |  |   |
| Class of shares represented by the stock acquisition rights: | Common Stock   | Common Stock  |  |   |
| Number of shares represented by stock acquisition rights:    | 24,500 shares  | 11,200 shares   |  |   |
| Outstanding number of stock acquisition rights:              | 245  | 112   |  |   |

(Note) The “number of shares represented by stock acquisition rights” has been adjusted to reflect the share consolidation pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017.

#### (NOTES TO TAX EFFECT ACCOUNTING)

| Breakdown of deferred tax assets and deferred tax liabilities          | (Millions of yen) |
|--|-------------------|
| Deferred tax assets:   |                   |
| Valuation loss on investments in subsidiaries and affiliated companies | 2,839             |
| Accrued bonuses  | 14                |
| Depreciation, amortization and impairment loss                         | 834               |
| Allowance for doubtful accounts  | 1,369             |
| Other  | 337               |
| Subtotal of deferred tax assets  | 5,395             |
| Valuation allowance  | (4,462)           |
| Total deferred tax assets:   | 932               |
| Deferred tax liabilities:  |                   |
| Reserve for deferred gain on sale of property                          | 2,177             |
| Others   | 1                 |
| Total deferred tax liabilities:  | 2,178             |
| Net deferred tax liabilities:  | 1,245             |

## (NOTES TO RELATED-PARTY TRANSACTIONS)

### Subsidiaries

| Type       | Name of Company          | Company's Interest | Relationship with Related Party  | Nature of Transaction                      | Transaction Amount (Millions of yen) | Account  | Balance as of the Fiscal Year End (Millions of yen) |
|------------|--------------------------|--------------------|--|--|--------------------------------------|--|---|
| Subsidiary | Wacoal Corp.             | 100% direct        | Holding of shares; dual appointments; managerial guidance; lease of movables and real estate | Borrowing of funds (Note 1)                | 4,882                                | Short-term borrowings from subsidiaries and affiliated companies       | 8,390   |
|            |                          |                    |  | Payment of interest (Note 1)               | 4                                    | —  | —   |
|            |                          |                    |  | Receipt of dividends                       | 1,200                                | —  | —   |
|            |                          |                    |  | Lease of movables and real estate (Note 2) | 3,329                                | —  | —   |
|            |                          |                    |  | Fee for management guidance (Note 3)       | 359                                  | —  | —   |
| Subsidiary | Peach John Co., Ltd.     | 100% direct        | Holdings of shares; dual appointments; and borrowing of funds                                | Repayment of funds (Note 1)                | 108                                  | Short-term borrowings from subsidiaries and affiliated companies       | 3,110   |
|            |                          |                    |  | Payment of interest (Note 1)               | 2                                    | —  | —   |
| Subsidiary | Wacoal Service Co., Ltd. | 100% direct        | Holdings of shares; dual appointments; and loan  | Loan (Note 4)                              | 285                                  | Short-term loans receivable from subsidiaries and affiliated companies | 1,725   |
|            |                          |                    |  | Receipt of interest (Note 4)               | 4                                    | —  | —   |
| Subsidiary | Unenana Cool Corp.       | 100% indirect      | Loan   | Repayment of funds (Note 4)                | 71                                   | Short-term loans receivable from subsidiaries and affiliated companies | 2,553   |
|            |                          |                    |  | Receipt of interest (Note 4)               | 9                                    | —  | —   |
| Subsidiary | Ai Co., Ltd.             | 100% indirect      | Dual appointments and loan   | Loan (Note 4)                              | 91                                   | Short-term loans receivable from subsidiaries and affiliated companies | 2,823   |
|            |                          |                    |  | Receipt of interest (Note 4)               | 9                                    | —  | —   |

#### Details and Policy on Determination of Transaction Terms

- (Note 1) The terms and conditions of borrowings and interest rates are determined upon consideration of market interest rates.
- (Note 2) The price and other terms of transactions are determined through negotiation in view of the market conditions.
- (Note 3) The managerial guidance fees are determined each fiscal year based on negotiation.
- (Note 4) The terms and conditions of loans and interest rates are determined upon consideration of market interest rates.
- (Note 5) The transaction amount does not include consumption taxes, while the balance as of the yearend includes consumption taxes.

- (Note 6) A total amount of ¥4,471 million in allowance for doubtful accounts is provided for doubtful accounts for the subsidiaries. Also, we recorded a total of ¥619 million for provision of allowance with respect to doubtful accounts for subsidiaries and affiliated companies for the current fiscal year.

## **(NOTES TO REVENUE RECOGNITION)**

### Basic Information to Understand Revenues from Contracts with Customers

As described in “4. Basis for Recording Revenues and Expenses” of “(NOTES TO MATTERS RELATED TO SIGNIFICANT ACCOUNTING POLICIES)”.

## **(NOTES TO PER SHARE INFORMATION)**

|                               |           |
|-------------------------------|-----------|
| Net assets per share:         | ¥2,241.50 |
| Net income per share:         | ¥44.18    |
| Diluted net income per share: | ¥43.99    |

## **(NOTES TO SIGNIFICANT SUBSEQUENT EVENTS)**

### Purchase of Treasury Stock

The Board of Directors adopted a resolution at a meeting held on May 13, 2022 regarding matters related to purchase of treasury stock pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act.

1. Reason for Purchase of Treasury Stock  
To return profits to the shareholders, improve capital efficiency and implement our capital policy with increased flexibility tailored to the business environment.
2. Details of Purchase
  - (i) Type of shares to be purchased: Common stock of the Company
  - (ii) Total number of shares to be purchased: 5,500,000 shares (at maximum)
  - (iii) Aggregate purchase amount: ¥10,000 million (at maximum)
  - (iv) Purchase period: From June 4, 2022 through March 24, 2023

### Cancellation of Treasury Stock

The Board of Directors adopted a resolution at a meeting held on May 13, 2022 regarding matters related to cancellation of treasury stock pursuant to the provisions of Article 178 of the Companies Act.

- (i) Type of shares to be cancelled: Common stock of the Company
- (ii) Number of shares to be cancelled: 1,089,042 shares
- (iii) Date of cancellation: May 23, 2022