# Financial Statements for the Fiscal Year Ended March 31, 2008 (U.S. Accounting Standards)

May 9, 2008

Listed Company: Wacoal Holdings Corp. Stock Exchanges: Tokyo (1st section), Osaka (1st section)
Code Number: 3591 URL: http://www.wacoalholdings.jp/
Representative: (Position) Representative Director (Name) Yoshikata Tsukamoto
For Inquiries: (Position) General Manager Corporate Planning (Name) Masaya Wakabayashi Tel: (075) 682-1006
Scheduled Date of Ordinary Shareholders' Meeting: June 27, 2008 Scheduled Commencement Date for Dividend Payment: June 4, 2008
Scheduled Date of Annual Securities Report Filing: June 27, 2008

(Amounts less than 1 million yen have been rounded.)

1. Consolidated Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(1) Consolidated Business Results

(% indicates changes from prior fiscal year)

| | Sales | | Operating Income | | Pre-tax Net Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| Fiscal Year Ended March 31, 2008 | 165,761 | (0.4) | 13,540 | 5.0 | 14,353 | 3.1 | 4,966 | (45.0) |
| Fiscal Year Ended March 31, 2007 | 166,410 | 1.4 | 12,896 | 867.4 | 13,920 | 301.6 | 9,029 | 220.1 |

| | Net Income Per Share | Diluted Net Earnings Per Share | Ratio of Net Income to Shareholders' Equity | Ratio of Pre-tax Net Income to Total Assets | Ratio of Operating Income to Sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal Year Ended March 31, 2008 | 35.14 | - | 2.6 | 5.8 | 8.2 |
| Fiscal Year Ended March 31, 2007 | 63.18 | - | 4.8 | 5.7 | 7.7 |

(Reference) Equity in income/(loss) of equity-method investment:
Fiscal Year ended March 31, 2008: (3,392) million yen; Fiscal Year ended March 31, 2007: 1,771 million yen

(2) Consolidated Financial Condition

| | Total Assets | Total Shareholders' Equity | Total Shareholders' Equity Ratio | Shareholders' Equity Per Share |
|---|---|---|---|---|
| | Million Yen | Million Yen | % | Yen |
| Fiscal Year Ended March 31, 2008 | 241,619 | 185,113 | 76.6 | 1,291.41 |
| Fiscal Year Ended March 31, 2007 | 250,266 | 193,278 | 77.2 | 1,374.89 |

(3) Consolidated Cash Flow Status

| | Cash Flow from Operating Activities | Cash Flow used in Investing Activities | Cash Flow used in Financing Activities | Balance of Cash and Cash Equivalents at End of Fiscal Year |
|---|---|---|---|---|
| | Million Yen | Million Yen | Million Yen | Million Yen |
| Fiscal Year Ended March 31, 2008 | 14,225 | 3,590 | (9,400) | 28,043 |
| Fiscal Year Ended March 31, 2007 | 9,339 | (1,185) | (8,404) | 19,816 |

2. Status of Dividends

| | Dividend Per Share | | | Total Amount of Dividends (annual) | Payout Ratio (consolidated) | Ratio of Dividend to Shareholders' Equity (consolidated) |
|---|---|---|---|---|---|---|
| | Interim | Year-end | Annual | | | |
| | Yen | Yen | Yen | Million Yen | % | % |
| Fiscal Year Ended March 31, 2007 | - | 22.00 | 22.00 | 3,093 | 34.8 | 1.6 |
| Fiscal Year Ended March 31, 2008 | - | 25.00 | 25.00 | 3,584 | 71.1 | 1.9 |
| Fiscal Year Ending March 31, 2009 (Estimates) | - | 25.00 | 25.00 | | 51.2 | |

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2009 (April 1, 2008 - March 31, 2009)

(% indicates changes from prior fiscal year for annual and from six-month period ended September 30, 2007 for the six-month period)

| | Sales | | Operating Income | | Pre-tax Net Income | | Net Income | | Net Income Per Share |
|---|---|---|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % | Yen |
| Six-Month Period Ending September 30, 2009 | 92,000 | 8.9 | 7,400 | (17.6) | 5,800 | (43.1) | 3,500 | 86.7 | 24.42 |
| Annual | 183,000 | 10.4 | 12,500 | (7.7) | 11,200 | (22.0) | 7,000 | 41.0 | 48.83 |

4. Others

(1) Changes in Significant Subsidiaries during the fiscal year ended March 31, 2008: Yes

New: 3 companies (Peach John Co., Ltd., and 2 other companies)
(Note) For details, please see “Status of Corporate Group” on page 6.

(2) Changes in Accounting Principles, Procedures and Indication Method Relevant in Preparing Consolidated Financial Statements

(i) Changes due to modifications in accounting standards, etc.: Yes
(ii) Changes other than (i) above: None
(Note) For details, please see “Basic Significant Matters in Preparation of Consolidated Financial Statements” on page 14.

(3) Number of Issued Shares (Common Stock)

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| (i) Number of issued shares (including treasury stock) as of the end of: | 143,378,085 shares | 144,016,685 shares |
| (ii) Number of shares held as treasury stock as of the end of: | 35,998 shares | 3,440,116 shares |
| (iii) Average number of shares during: | 141,304,256 shares | 142,910,187 shares |

(Reference) Summary of Non-Consolidated Results

(Amounts less than 1 million yen have been truncated.)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(1) Non-Consolidated Business Results

(% indicates changes from prior fiscal year)

| | Operating Revenue | | Operating Income | | Ordinary Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| Fiscal Year Ended March 31, 2008 | 10,863 | 80.9 | 6,804 | 333.4 | 6,937 | 225.4 | 2,123 | 40.1 |
| Fiscal Year Ended March 31, 2007 | 6,005 | (91.5) | 1,570 | (67.0) | 2,132 | (65.9) | 1,516 | (47.3) |

| | Net Income Per Share | Diluted Net Earnings Per Share |
|---|---|---|
| | Yen | Yen |
| Fiscal Year Ended March 31, 2008 | 15.02 | - |
| Fiscal Year Ended March 31, 2007 | 10.60 | - |

(2) Non-Consolidated Financial Condition

| | Total Assets | Net Assets | Capital-to-Asset Ratio | Net Asset per Share |
|---|---|---|---|---|
| | Million Yen | Million Yen | % | Yen |
| Fiscal Year Ended March 31, 2008 | 150,081 | 147,562 | 98.3 | 1,029.44 |
| Fiscal Year Ended March 31, 2007 | 150,325 | 145,434 | 96.7 | 1,034.56 |

(Note) Equity Capital: As of the end of the fiscal year ended March 31, 2008: 147,562 million yen
As of the end of the fiscal year ended March 31, 2007: 145,434 million yen

* The foregoing estimates are made based on information available as of the date this data was released, and actual results may differ from estimates due to various factors arising in the future. Please refer to page 4 of the attachment for information relating to forecasts.

**Cautionary Statement regarding Forward Looking Statements**

Statements made in this press release regarding Wacoal’s or management’s intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on Wacoal’s and managements’ current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding fiscal year 2009 revenues and operating and net profitability, are subject to various risks, uncertainties and other factors that could cause Wacoal’s actual results to differ materially from those contained in any forward-looking statement.

These risks, uncertainties and other factors include: the impact of weak consumer spending in Japan and our other markets on our sales and profitability; the impact on our business of anticipated continued weakness of department stores and other general retailers in Japan; our ability to successfully develop, manufacture and market products in Japan and our other markets that meet the changing tastes and needs of consumers, including younger women and mature women and to deliver high quality products; the highly competitive nature of our business and the strength of our competitors; our ability to successfully expand our network of our own specialty retail stores and achieve profitable operations at these stores; our ability to further develop our catalog and Internet sales capabilities; our ability to effectively manage our inventory levels; our ability to reduce costs by consolidating our activities in Japan, increasing our product sourcing and manufacturing in lower-cost countries such as China and Vietnam, and other efforts to reduce costs; effects of seasonality on our business and performance; risks related to conducting our business internationally, including political and economic instability, unexpected legal or regulatory changes, changes in tax laws, difficulties managing widespread operations, differing protection of intellectual property and public health crises; risks from acquisitions and other strategic transactions with third parties, including the difficulty of assimilating operations, technology and personnel of any acquired business and our ability to retain management, employees, customers and suppliers of any acquired business; the impact of weakness in the Japanese equity markets on our holdings of Japanese equity securities; and the impact of any natural disaster or epidemic on our business; and other risks referred to from time to time in Wacoal’s filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission.

**Qualitative Information and Financial Statements**

1. Business Results

(1) Analysis of Results

Results at the End of the Fiscal Year Ended March 2008

During the fiscal year ended March 31, 2008 (fiscal year 2008), corporate earnings in Japan improved. In general the Japanese economy experienced slow growth in the first half year, but growth was suspended in the second half of the year due to fluctuations in the stock and foreign exchange markets and other factors as a result of the sudden rise in the price of crude oil and the U.S. sub-prime mortgage crisis. Consumer activity mirrored these trends. Overseas, economic recovery in the U.S. has slowed, and the economic recovery in Europe has moderated somewhat, although China and the rest of the Asian economy continues to grow.

Domestically, the early spring low temperatures, prolonged rainy season and the record high temperatures recorded across the country affected industry overall, and business results have been sluggish across many industries, including department stores and mass merchandisers. Results in the women's fashion and clothing industry have also been slow.

In this environment, our group (primarily Wacoal Corporation, which is the core operating entity in our group) sought to improve the strength of its products and endeavored to develop products focused on consumer needs.

In the spring, the Wacoal brand business department of Wacoal Corporation launched LALAN, our new campaign brassiere, which showed a favorable sales performance. LALAN has a unique design tailored to meet the needs of women of all bust sizes, and we believe that the new style advertising, which differs from traditional promotions and their focus on functionality, has reached new consumers beyond our existing customer base. Additionally, the switch in our strategy from seasonal campaigns that promote new products to increasing the number and variety of LALAN products every season has extended the sales period for the campaign products as well as improved sales and the stock clearance rate. The autumn/winter season sales of *Sugoi*, our newly developed line of lingerie that uses new materials, largely exceeded our expectations. This was because the product's characteristics of being thinner, lighter and warmer than past products were widely accepted by customers, and the product name, which gives the impression of a product that surpasses existing products in terms of image and functionality, has received extensive media coverage. On the other hand, the sales of products from our brand category Style Science, which was introduced two years ago with new features for the lower body, was far below the amount sold in the previous fiscal year. Our research shows that this was due to the fact that two years have passed since the release of the original Hip Walker, and in-store promotions have decreased. In addition, there has been a failure to capture new customers, and our attempts to encourage existing customers to buy replacement products has been ineffective. Due to the poor sales performance of our Style Science series products, the overall sales of our Wacoal brand business department were below the results of the previous fiscal year.

Similarly, in our Wing brand business department, our core brassieres—particularly our standard products—have performed well, as have girdles, body-suits and lingerie. On the other hand, sales of our Style Up Pants from our Style Science series declined. Nevertheless, a Style Science product for men, the Cross-Walker was developed and officially went on sale in department stores under the DAMS brand name in February 2008, and in chain stores under the BROS brand name in April 2008. There has been an extremely good consumer reaction to both products, and we expect this to expand in the future. As a result, the overall business results in our Wing brand business department achieved a sales level in line with that of the previous fiscal year.

With special health checks and guidance aimed at preventing metabolic syndrome, which were introduced from April 2008 as a backdrop, we began selling Exwalker Style Science products at various locations, including gyms and corporate health insurance associations in January of this year. Although it is disappointing that the core lines of the Style Science series products aimed at women did not sell well during fiscal year 2007, we believe that there are still good opportunities to capture new customers and encourage existing customers to continue purchasing these products by expanding our marketing channels and range of target customers and renewing our promotional strategies.

Our specialty retail store business consists of Une Nana Cool, an independently operated affiliate, and the brands, Amphi, SUBITO and Sur La Plage. Our factory outlet stores, known as Wacoal Factory Stores, operated as Wacoal Corporation's direct retail stores. Une Nana Cool's new and existing stores, as well as LuncH, a new type of store concentrating on lingerie, are all performing well and have posted final fiscal year profit and loss figures in the black for the first time. Efforts to increase and improve earnings and refrain from opening new stores have helped improve results for direct retail stores.

Sales of outerwear, our core products in our mail-order business catalogs, have been poor, but shoes and miscellaneous items have generally performed well with varying performance depending on the type or product. Sales from pamphlets placed in newspapers and from our online store have been favorable. Continuing from the previous period, we have improved our net results by revising our media costs and improving our inventory.

As for our wellness business, net sales of our sports conditioning wear CW-X, our core sports related product, were down as a result of delivery adjustments for inventory regulation purposes and product returns from stores. There was growth in the sales of leg-related products associated with entry into a new type of business. However, overall sales were lower than the previous fiscal year due to the negative effects of weather on the performance of wet weather footwear and a reduction in department store sales of leggings.

Sales of our semi-order innerwear business, Dublevé, were in line with those of the previous fiscal year due to a failure to sufficiently capture new customers and a decrease in the average purchase price per customer.

Sales have been increasing in the U.S. over the last few years due to an increased demand for luxury items and increased transactions with mid-level department stores that have not historically sold Wacoal products but that are repositioning themselves as up-scale department stores. However, decreased consumer confidence caused by the rapid deceleration of the U.S. economy, has led to sluggish store sales, and other factors, such as inventory adjustments, have also had an effect, leading to sales levels that are up only slightly over the previous fiscal year. Earnings were down significantly due to decreased profitability and an increase in personnel costs brought on by an increase in the number of sales staff in connection with new store openings, as well as increases in other costs.

In Asia, Wacoal's business in China continues to grow. In addition to the expansion of Wacoal brand products, we have begun to expand the youth orientated brand, Amphi, and beginning next fiscal year we plan to increase sales through a three-brand structure, including the high value-added brand Salute.

As a result of these factors, sales for fiscal year 2008 were 165,761 million yen, a 0.4% decrease compared to the previous fiscal year.

In terms of profit, the operating income was 13,540 million yen, a 5.0% increase compared to the previous fiscal year.

Our pre-tax net income for fiscal year 2008 was 14,353 million yen, a 3.1% increase compared to the previous fiscal year, and our net income was 4,966 million yen, a 45.0% decrease compared to the previous fiscal year.

The reason for the significant decrease in net income was largely the result of a 4,694 million yen write-down of our 49% interest in Peach John Co., Ltd. ("Peach John"), which was acquired during the previous fiscal year as part of a capital alliance. This loss, accounted for using the equity method, was the result of a re-evaluation of the fair market value of Peach John's stock following the creation of a sound five-year business plan that takes into account various changes in the business structure of the mail-order industry that are being brought on by the spread of the Internet and cellular phones.

Following their capital alliance, Wacoal and Peach John utilized their respective know-how and broad customer base to develop their businesses synergistically, and in January 2008, with the aim of speeding up and strengthening such business development, Wacoal acquired the remaining 51% of Peach John through a stock swap, making Peach John a wholly owned subsidiary. Wacoal exchanged 3.44 million shares of treasury stock and 3.26 million shares of newly issued stock in connection the stock swap. Additionally, in order to improve capital efficiency, Wacoal implemented a buyback and cancellation of 3.9 million of its own shares. Please note that for purposes of Wacoal's fiscal year 2007 consolidated financial statements, Peach John is treated as having become a consolidated subsidiary as of March 31, 2007, which means it is still treated as an equity-method affiliate for purposes of Wacoal's consolidated income statement.

As for sales by business, textiles and related products accounted for 150,710 million yen of sales, a 0.2% increase compared to the previous fiscal year and other products accounted for 15,051 million yen of sales, a 6.3% decrease compared to the previous fiscal year.

As for sales by region, Japan accounted for 139,618 million yen of sales, which was 84.2% of the entire group's sales, while the rest of Asia accounted for 4.6%, and Europe and the U.S. together accounted for 11.2%.

Forecast for Next Fiscal Year

Factors that could significantly affect the global economy during the next fiscal year, such as the sub-prime mortgage crisis and crude oil prices, have unknown consequences, and it is very difficult to predict the impact those factors may have on domestic and foreign consumer markets. Nevertheless, we currently anticipate that domestic personal consumer spending will remain at the same level.

Based on our mid-term management plan that is currently underway and our new growth strategy, CAP 21 (Corporate Activation Project 21), we will make various efforts, including improving the product appeal of brassieres, style science products and other core products and expanding the sale of those products through effective advertising, growing the men's innerwear business that we have started to develop fully, establishing a profitable structure through the development of our directly owned retail store business infrastructure, and reducing production costs by integrating the manufacturing functions of the Wacoal and Wing brands. Overseas, we will continue to actively invest in our China business and work to improve the market presence of the Wacoal brand and grow our performance and market share.

Our target for the next fiscal year end is to achieve sales of 183,000 million yen, operating income of 12,500 million yen, pre-tax net income of 11,200 million yen, and net income of 7,000 million yen. These figures include the results of Peach John that became our wholly owned subsidiary in January 2008. The current exchange rate for the U.S. dollar is assumed to be 102 yen to the dollar. However, since the U.S. business constitutes a high proportion of the sales and income of our consolidated results, an exchange fluctuation could significantly affect our consolidated results.

(2) Analysis of Financial Condition

Cash flow from operating activities during fiscal year 2008 was 14,225 million yen, an increase of 4,886 million yen from the previous fiscal year despite a decrease in net income, due to an equity-method investment loss adjustment and a decrease of inventory.

Cash flow from investment activities amounted to 3,590 million yen, an increase of 4,775 million yen from the previous fiscal year, due to an increase in cash and cash equivalents of Peach John which became a wholly owned subsidiary through a stock swap during fiscal year 2007.

Cash flow used in financial activities included an expenditure of 9,400 million yen, for the acquisition of treasury stock.

As a result, the balance of cash and cash equivalents at the end of fiscal year 2008, calculated by excluding the exchange difference on cash and cash equivalents from the above total, was 28,043 million yen, an increase of 8,227 million yen compared to the previous fiscal year.

Free cash flow, which was calculated by subtracting the amount of capital investment from the cash flow from operating activities, amounted to 13,014 million yen.

Trends in certain cash-flow indicators

| | Fiscal Year ended March 31, 2004 | Fiscal Year ended March 31, 2005 | Fiscal Year ended March 31, 2006 | Fiscal Year ended March 31, 2007 | Fiscal Year ended March 31, 2008 |
|---|---|---|---|---|---|
| Equity ratio (%) | 76.0 | 77.7 | 77.0 | 77.2 | 76.6 |
| Equity ratio based on the market value (%) | 67.9 | 90.6 | 95.0 | 83.9 | 87.4 |
| Debt redemption years (years) | 0.8 | 3.3 | 8.9 | 0.6 | 0.4 |
| Interest coverage ratio (times) | 45.6 | 24.1 | 12.8 | 133.4 | 182.4 |

Equity ratio = shareholders' equity/total assets
Equity ratio based on the market value = aggregate market value of shareholders' equity/total assets
Debt redemption years = interest-bearing debt/cash flow from operating activities
Interest coverage ratio = cash flow from operating activities/interest payment
Interest payment = "cash payment/interest" as described in the supplemental information to the consolidated cash flow statements

(3) Basic Policy Regarding Distribution of Profits and Dividends for Fiscal Years 2008 and 2009

Our basic policy regarding the distribution of profits to our shareholders is to pay steady dividends and increase our earnings per share, while giving due consideration to the improvement of corporate value through active investment that will result in increased profitability. As for retained earnings, with the aim of improving our corporate value, we have actively invested in developing new specialty retail stores, developing new points of contact with customers and actively investing in overseas businesses. We are also concentrating on new business investments, such as entry into new markets, strategic business alliances and M&A activities. We hope that these efforts will benefit our shareholders by improving future profitability. We also intend to acquire treasury stock from time to time, and we will try to improve capital efficiency and return profits to our shareholders.

As previously announced, the dividend payable for fiscal year 2008 will be 25.00 yen per share. For fiscal year 2009, we hope to be able to distribute 25.00 yen per share.

(4) Business Risks

These matters have not significantly changed since disclosure in our annual report for the year ended March 2007, and are omitted.

For a financial summary for the year ended March 2007 disclosing the above matters, please refer to the following URL.

(Our homepage)

http://www.wacoalholdings.jp/ir/library.html

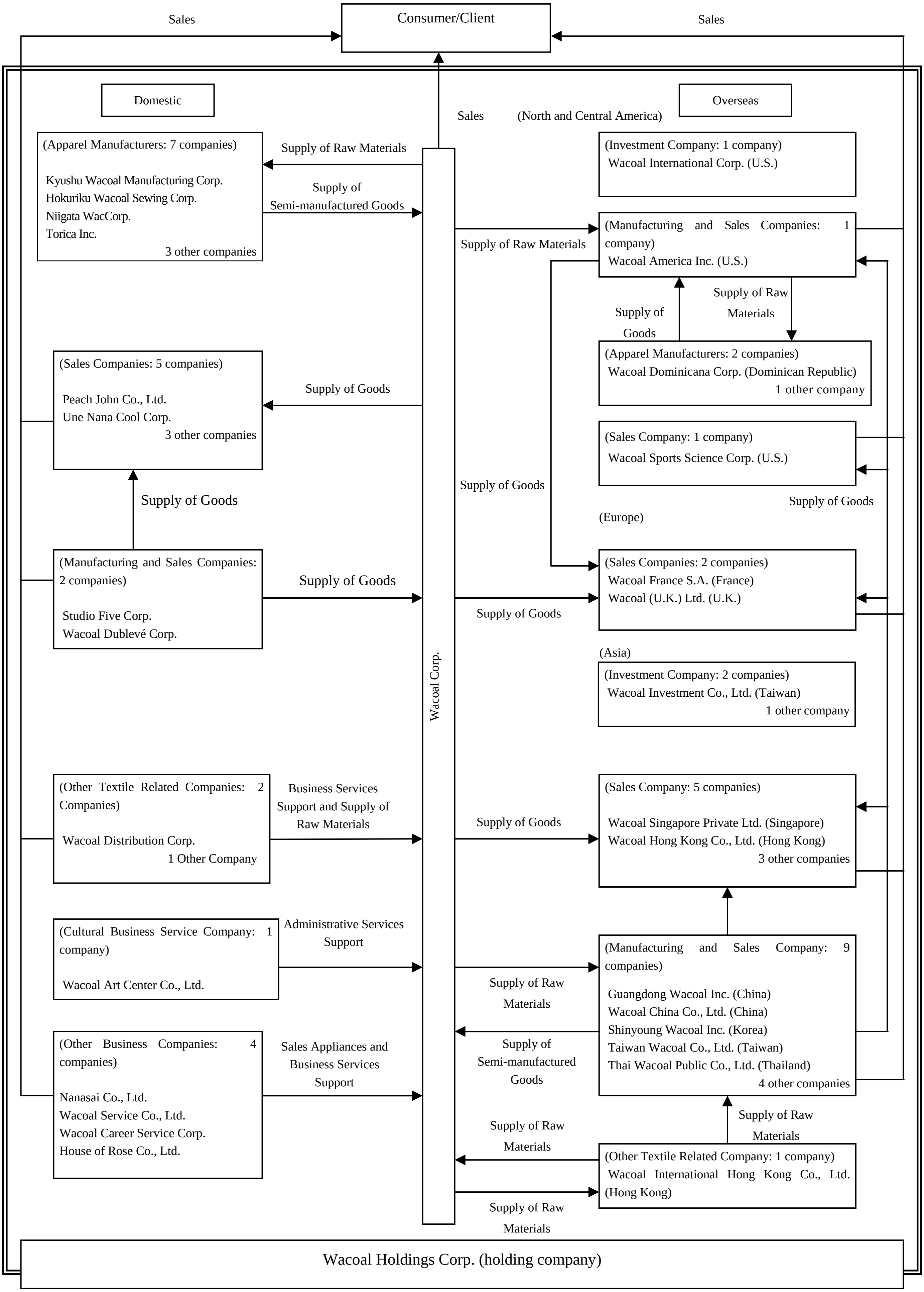
2. Status of Corporate Group

Our corporate group consists of Wacoal Holdings Corp. (the "Company"), 38 subsidiaries and 8 affiliates, and is principally engaged in the manufacture and wholesale distribution of innerwear (primarily women's foundation wear, lingerie, nightwear and children's underwear), outerwear, sportswear, and other textile goods and related products, as well as the wholesale and direct sale of certain products to consumers. Our corporate group also conducts business in the restaurant, culture, services, and interior design businesses.

Segment information and a summary of the various companies that make up our corporate group are as follows.

| Business Segment | Operating Segment | Major Affiliated Companies | |
|---|---|---|---|
| Textile Goods and Related Products | Manufacturing and Sales Companies | Domestic | Wacoal Corporation<br>Studio Five Corp.<br>One other company<br>(Total: 3 companies) |
| | | Overseas | Wacoal America, Inc.,<br>Wacoal China Co., Ltd.<br>Shinyoung Wacoal Inc. (South Korea)<br>Taiwan Wacoal Co., Ltd.<br>Thai Wacoal Public Co., Ltd.<br>Three other companies<br>(Total: 8 companies) |
| | Sales Companies | Domestic | Peach John Co., Ltd.<br>Une Nana Cool Corp.<br>Three other companies<br>(Total: 5 companies) |
| | | Overseas | Wacoal Singapore Private Ltd.<br>Wacoal Hong Kong Co., Ltd.<br>Wacoal France Société Anonyme<br>Wacoal (UK) Ltd.<br>Four other companies<br>(Total: 8 companies) |
| | Apparel Manufacturers | Domestic | Kyushu Wacoal Sewing Corp.<br>Hokuriku Wacoal Sewing Corp.<br>Niigata Wacoal Sewing Corp.<br>Torica Inc.<br>Three other companies<br>(Total: 7 companies) |
| | | Overseas | Wacoal Dominicana Corp. (Dominican Republic)<br>Guandong Wacoal Inc.<br>Two other companies<br>(Total: 4 companies) |
| | Other Textile Related Companies | Domestic | Wacoal Distribution Corp.<br>One other company<br>(Total: 2 companies) |
| | | Overseas | Wacoal International Hong Kong Co., Ltd.<br>(Total: 1 company) |
| Others | Cultural Business Service Companies | Domestic | Wacoal Corporation<br>Wacoal Art Center Co., Ltd.<br>(Total: 2 companies) |
| | Other Business Companies | Domestic | Nanasai Co., Ltd.<br>Wacoal Service Co., Ltd.<br>Wacoal Career Service Corp.<br>House of Rose Co., Ltd.<br>(Total: 4 companies) |
| | | Overseas | Wacoal International Corp. (U.S.)<br>Wacoal Investment Co., Ltd. (Taiwan)<br>One other company<br>(Total: 3 companies) |

The business distribution diagram is as follows:



## 3. Management Policies

The following matters have not been significantly changed since the disclosure in the financial statements for the fiscal year ended March 31, 2007 (disclosed on May 10, 2007), and are omitted.

(1) Basic Business Policy

(2) Measures for Business Targets

(3) Our Medium- and Long-Term Business Strategy

For the financial statements for the fiscal year ended March 31, 2007 disclosing the above matters, please refer to the following URL.

(Company website)

http://www.wacoalholdings.jp/ir/financial_results.html

(The Tokyo Stock Exchange website (listed company information search page))

http://www.tse.or.jp/listing/compsearch/index.html

(4) Issues to Address

The average age of our customers is naturally increasing as a result of the general ageing of the population. Separately, changes in the consumer behavior of young consumers in favor of fashion merchandise can also generally be seen in the innerwear industry. We believe it is necessary to respond to such changes through the creation of new value, as well as means of communication. Furthermore, we consider it an important challenge to be able to position ourselves favorably in the context of changes in the behavior of young consumers, which has intensified competition among retailers and created a new low-end product market.

There is also an urgent need to expand the scale of operations into new channels, in addition to our existing channels, such as department stores, chain stores and boutiques, which have supported the growth of our group throughout the years.

As it is difficult to expect a large expansion in the domestic consumer market in the long term, we believe business expansion overseas is essential for our future growth. Currently, we intend to achieve further growth in our U.S. business, which is our core overseas business, and we believe that business expansion or new entries in the area where greater marketability is expected (such as China) will become a key issue.

In response to these issues, our group promotes a new growth strategy CAP 21, under which we aim to achieve business expansion by focusing on investment of sources in the area with competitive superiority through “selection of business and concentration” and as for overseas, to achieve brand or graphical expansion through an aggressive investment.

4. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheet

| Accounts | As of March 31, 2008 | As of March 31, 2007 | Amount Increased/(Decreased) |
|---|---|---|---|
| (Assets) | Million Yen | Million Yen | Million Yen |
| Current assets | | | |
| Cash and bank deposits | 15,857 | 10,613 | 5,244 |
| Time deposits and certificate of deposit | 12,186 | 9,203 | 2,983 |
| Marketable securities | 12,614 | 14,392 | (1,778) |
| Receivables | | | |
| Notes receivable | 353 | 550 | (197) |
| Accounts receivable-trade | 22,337 | 22,882 | (545) |
| | 22,690 | 23,432 | (742) |
| Allowance for returns and doubtful receivables | (3,145) | (2,979) | (166) |
| | 19,545 | 20,453 | (908) |
| Inventories | 30,020 | 30,199 | (179) |
| Deferred tax assets | 5,411 | 4,980 | 431 |
| Other current assets | 3,212 | 3,075 | 137 |
| Total current assets | 98,845 | 92,915 | 5,930 |
| Tangible fixed assets | | | |
| Land | 20,711 | 20,874 | (163) |
| Buildings and structures | 58,575 | 59,168 | (593) |
| Machinery and equipment | 14,448 | 14,179 | 269 |
| Construction in progress | 99 | 472 | (373) |
| | 93,833 | 94,693 | (860) |
| Accumulated depreciation | (42,285) | (41,911) | (374) |
| Net tangible fixed assets | 51,548 | 52,782 | (1,234) |
| Other assets | | | |
| Investments in affiliated companies | 18,942 | 34,012 | (15,070) |
| Investments | 38,056 | 54,117 | (16,061) |
| Prepaid pension cost | 3,444 | 7,089 | (3,645) |
| Deferred tax assets | 1,462 | 1,048 | 414 |
| Goodwill and other assets | 29,322 | 8,303 | 21,019 |
| Total other assets | 91,226 | 104,569 | (13,343) |
| Total Assets | 241,619 | 250,266 | (8,647) |

| Accounts | As of March 31, 2008 | As of March 31, 2007 | Amount Increased/ (Decreased) |
|---|---|---|---|
| (Liabilities) | Million Yen | Million Yen | Million Yen |
| I. Current Liabilities | | | |
| Short-term bank loans | 5,572 | 5,822 | (250) |
| Payables | | | |
| Notes payable | 1,935 | 1,503 | 432 |
| Accounts payable-trade | 9,394 | 10,536 | (1,142) |
| | 11,329 | 12,039 | (710) |
| Accounts payable | 6,327 | 6,900 | (573) |
| Accrued payroll and bonuses | 6,645 | 6,416 | 229 |
| Accrued corporate taxes, etc. | 3,872 | 1,378 | 2,494 |
| Long-term debt to be repaid within one year | 48 | 51 | (3) |
| Other current liabilities | 2,217 | 2,262 | (45) |
| Total current liabilities | 36,010 | 34,868 | 1,142 |
| II. Long-term liabilities | | | |
| Long-term debt | 81 | 111 | (30) |
| Reserves for retirement benefit | 2,181 | 2,072 | 109 |
| Deferred tax liability | 14,527 | 16,959 | (2,432) |
| Other long-term liabilities | 1,356 | 517 | 839 |
| Total long-term liabilities | 18,145 | 19,659 | (1,514) |
| (Minority interests) | | | |
| Minority interests | 2,351 | 2,461 | (110) |
| (Shareholders' equity) | | | |
| I. Common stock | 13,260 | 13,260 | - |
| II. Additional paid-in capital | 29,262 | 25,242 | 4,020 |
| III. Retained earnings | 136,589 | 140,666 | (4,077) |
| IV. Accumulated other comprehensive income (loss) | | | |
| Foreign currency exchange adjustment | 248 | 716 | (468) |
| Unrealized gain on securities | 5,295 | 14,428 | (9,133) |
| Pension liability adjustment | 514 | 4,130 | (3,616) |
| V. Treasury stock | (55) | (5,164) | 5,109 |
| Total shareholders' equity | 185,113 | 193,278 | (8,165) |
| Total liabilities, minority interests and shareholders' equity | 241,619 | 250,266 | (8,647) |

(2) Consolidated Income Statement

| Accounts | Fiscal Year Ended March 31, 2008 | | Fiscal Year Ended March 31, 2007 | | Amount Increased/ (Decreased) |
|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Million Yen |
| I. Sales | 165,761 | 100.0 | 166,410 | 100.0 | (649) |
| II. Operating expenses | | | | | |
| Cost of sales | 83,127 | 50.1 | 84,658 | 50.9 | (1,531) |
| Selling, general and administrative expenses | 69,094 | 41.7 | 68,856 | 41.4 | 238 |
| Total operating expenses | 152,221 | 91.8 | 153,514 | 92.3 | (1,293) |
| Operating income | 13,540 | 8.2 | 12,896 | 7.7 | 644 |
| III. Other income and (expenses) | | | | | |
| Interest income | 303 | 0.2 | 236 | 0.1 | 67 |
| Interest expense | (78) | (0.0) | (73) | (0.0) | (5) |
| Dividend income | 641 | 0.4 | 603 | 0.4 | 38 |
| Gain on sale and exchange of marketable securities and/or investment securities | 715 | 0.4 | 406 | 0.3 | 309 |
| Valuation loss on investment in securities | (923) | (0.6) | (365) | (0.2) | (558) |
| Others (net) | 155 | 0.1 | 217 | 0.1 | (62) |
| Total other income (expense), net | 813 | 0.5 | 1,024 | 0.7 | (211) |
| Income before income taxes, equity in net income of affiliated companies and minority interests | 14,353 | 8.7 | 13,920 | 8.4 | 433 |
| Income taxes | | | | | |
| Current | 5,577 | 3.4 | 2,874 | 1.7 | 2,703 |
| Deferred | 276 | 0.2 | 3,628 | 2.2 | (3,352) |
| Total income taxes | 5,853 | 3.6 | 6,502 | 3.9 | (649) |
| Income before equity in net income of affiliated companies and minority interests | 8,500 | 5.1 | 7,418 | 4.5 | 1,082 |
| Equity in net income of affiliated companies | (3,392) | (2.0) | 1,771 | 1.0 | (5,163) |
| Minority interests | (142) | (0.1) | (160) | (0.1) | 18 |
| Net income | 4,966 | 3.0 | 9,029 | 5.4 | (4,063) |
| Earnings per share | 35.14 | | 63.18 | | |

(3) Consolidated Comprehensive Income Statement

| Accounts | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 | Amount Increased/ (Decreased) |
|---|---|---|---|
| | Million Yen | Million Yen | Million Yen |
| I. Net income | 4,966 | 9,029 | (4,063) |
| II. Other comprehensive income (loss) – after adjustment of tax effect | | | |
| Foreign currency exchange adjustment | (468) | 1,452 | (1,920) |
| Net unrealized gain on securities | (9,133) | 117 | (9,250) |
| Pension liability adjustment | (3,616) | - | (3,616) |
| Total of other comprehensive income (loss) | (13,217) | 1,569 | (14,786) |
| Comprehensive income (loss) | (8,251) | 10,598 | (18,849) |

(4) Consolidated Shareholders' Equity Statement

Fiscal Year Ended March 31, 2008

| Item | Shareholders' Equity | | | | | |
|---|---|---|---|---|---|---|
| | No. of Shares Held Outside the Company | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated other comprehensive income | Treasury stock |
| | Thousand shares | Million Yen | Million Yen | Million Yen | Million Yen | Million Yen |
| As of April 1, 2007 | 140,577 | 13,260 | 25,242 | 140,666 | 19,274 | (5,164) |
| Net income | | | | 4,966 | | |
| Other comprehensive loss | | | | | (13,217) | |
| Cash dividends paid (22.0 yen per share) | | | | (3,093) | | |
| Purchase of treasury stock | (3,936) | | | | | (6,015) |
| Cancellation of treasury stock | | | | (5,950) | | 5,950 |
| Issuance of new shares for stock swap* | 3,261 | | 4,474 | | | |
| Diminution of treasury stock for stock swap* | 3,440 | | (454) | | | 5,174 |
| As of March 31, 2008 | 143,342 | 13,260 | 29,262 | 136,589 | 6,057 | (55) |

*This is for the stock swap agreement with Peach John Co., Ltd.

Fiscal Year Ended March 31, 2007

| Item | Shareholders' Equity | | | | | |
|---|---|---|---|---|---|---|
| | No. of Shares Held Outside the Company | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated other comprehensive income | Treasury stock |
| | Thousand shares | Million Yen | Million Yen | Million Yen | Million Yen | Million Yen |
| As of April 1, 2006 | 143,916 | 13,260 | 25,242 | 134,515 | 13,575 | (117) |
| Net income | | | | 9,029 | | |
| Other comprehensive income | | | | | 1,569 | |
| Cash dividends paid (20.0 yen per share) | | | | (2,878) | | |
| Purchase of treasury stock | (3,339) | | | | | (5,047) |
| Adjustment for application of FASB Standard No. 158 (after tax) | | | | | 4,130 | |
| As of March 31, 2007 | 140,577 | 13,260 | 25,242 | 140,666 | 19,274 | (5,164) |

(5) Consolidated Cash Flow Statement

| Accounts | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 | Amount Increased/ (Decreased) |
|---|---|---|---|
| | Million Yen | Million Yen | Million Yen |
| I. Operating activities | | | |
| 1. Net income | 4,966 | 9,029 | (4,063) |
| 2. Adjustment of net income to cash flow from operating activities | | | |
| (1) Depreciation and amortization | 3,908 | 3,735 | 173 |
| (2) Deferred taxes | 276 | 3,628 | (3,352) |
| (3) Gain/loss on sale of fixed assets | (184) | 25 | (209) |
| (4) Impairment loss on fixed assets | 33 | - | 33 |
| (5) Valuation loss on investment in securities | 923 | 365 | 558 |
| (6) Gain on sale and exchange of marketable securities and investment securities | (715) | (406) | (309) |
| (7) Equity in net income of affiliated companies (after deduction of dividend income) | 4,198 | (1,164) | 5,362 |
| (8) Changes in assets and liabilities | | | |
| Decrease in receivables | 2,012 | 574 | 1,438 |
| Decrease (increase) in inventories | 1,218 | (2,897) | 4,115 |
| Decrease (increase) in other current assets | 49 | (371) | 420 |
| Increase (decrease) in payables | (2,614) | 219 | (2,833) |
| (Decrease) in reserves for retirement benefits | (2,613) | (2,472) | (141) |
| Increase (decrease) in accrued expenses and other liabilities | 2,681 | (696) | 3,377 |
| (9) Others | | | |
| Net cash flow from operating activities | 87 | (230) | 317 |
| | 14,225 | 9,339 | 4,886 |
| II. Investing activities | | | |
| 1. Proceeds from sale and redemption of marketable securities | 10,506 | 28,509 | (18,003) |
| 2. Acquisition of marketable securities | (9,892) | (9,929) | 37 |
| 3. Proceeds from sales of fixed assets | 1,057 | 524 | 533 |
| 4. Acquisition of tangible fixed assets | (1,211) | (2,536) | 1,325 |
| 5. Proceeds from sale of investments | 1,414 | 8 | 1,406 |
| 6. Acquisition of investments in affiliated companies | - | (15,326) | 15,326 |
| 7. Acquisition of investments | (618) | (1,887) | 1,269 |
| 8. Proceeds from acquisition of shares of the newly consolidated subsidiaries | 4,115 | 80 | 4,035 |
| 9. Increase in other assets | (1,781) | (628) | (1,153) |
| Net cash flow from investing activities | 3,590 | (1,185) | 4,775 |
| III. Financing activities | | | |
| 1. Decrease in short-term bank loans | (259) | (575) | 316 |
| 2. Proceeds from long-term debt | 18 | 130 | (112) |
| 3. Repayment of long-term debt | (51) | (34) | (17) |
| 4. Purchase of treasury stock | (6,015) | (5,047) | (968) |
| 5. Dividend payment | (3,093) | (2,878) | (215) |
| Net cash flow from financing activities | (9,400) | (8,404) | (996) |
| IV. Effect of exchange rate on cash and cash equivalents | (188) | 173 | (361) |
| V. Increase/decrease in cash and cash equivalents | 8,227 | (77) | 8,304 |
| VI. Initial balance of cash and cash equivalents | 19,816 | 19,893 | (77) |
| VII. Year end balance of cash and cash equivalents | 28,043 | 19,816 | 8,227 |

Additional Information

| | | | |
|---|---|---|---|
| Cash paid for | | | |
| Interest | 78 | 70 | 8 |
| Income taxes, etc. | 2,542 | 4,667 | (2,125) |
| Investment activities without cash disbursement | | | |
| Acquisition amount of investment securities through stock swap | 143 | - | 143 |
| Acquisition amount of shares of consolidated | 9,194 | - | 9,194 |

| | | | |
|---|---|---|---|
| subsidiaries through stock swap | | | |

(6) Basic Significant Matters in Preparation of Consolidated Financial Statements

(i) Matters Regarding the Scope of Consolidation and Application of the Equity Method

Major consolidated subsidiaries:
Wacoal Corporation, Peach John Co., Ltd., Studio Five Corp., Kyushu Wacoal Manufacturing Corp., Torica Co., Ltd., Nanasai Co., Ltd., Wacoal International Corp., Wacoal America Inc., Wacoal France S.A., Wacoal Hong Kong Co., Ltd., Wacoal Investment Co., Ltd. and Wacoal China Co., Ltd.

Major Affiliated Companies:
Shinyoung Wacoal Inc., Taiwan Wacoal Co., Ltd. and Thai Wacoal Public Co., Ltd.

(ii) Matters Regarding New Subsidiaries and Affiliates

Consolidated (new): Peach John Co., Ltd., PJ Hong Kong Limited, K.K. Honey Bee International
Equity Method (excluded): Peach John Co., Ltd.

(iii) Standard of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared based on terms, format and preparation methods in compliance with accounting standards generally accepted in the United States (hereinafter referred to as the "U.S. Accounting Standards") except for segment information which is prepared using Accounting Standards Generally Accepted in Japan. Various laws and ordinances relating to accounting in the U.S. include Regulation S-X, Accounting Series Releases regarding reporting to the Security Exchange Commission, the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), and Accounting Research Bulletin (ARB) of the Committee on Accounting Procedures, among others.

(iv) Significant Accounting Policies

a. Valuation Standard of Inventories

The average cost method was mainly used for goods, products and supplies, and the first-in first-out method was used for raw materials, with both valued at the lower of cost or market accounting method.

b. Valuation Standard of Tangible Fixed Assets and Method of Depreciation

Tangible fixed assets are valued at the acquisition cost. Depreciation expenses are calculated mainly using the straight-line method based on the estimated useful lives of assets (the lease term or useful life, whichever is shorter, is used for capitalized leased assets).

c. Valuation Method of Marketable Securities and Investment Securities

Based on the provisions of FASB Standard No. 115, marketable securities and investment securities have been classified as available for sale securities, and valued at a fair value. Moreover, unrealized valuation profit/loss is classified and included in other comprehensive income within shareholders' equity.

d. Reserve for Retirement Benefits

This is accounted for based on the provisions of FASB Standard No. 87 and No. 158.

e. Lease Transactions

Based on the provisions of FASB Standard No. 13, capital leases have been capitalized at fair value of the lease payments.

f. Accounting Procedure for Consumption Tax, etc.

Accounting procedure for consumption tax, etc., is based on the tax-excluded method.

g. Consolidated Cash Flow Statement

Upon preparing the consolidated cash flow statements, time deposits and certificate of deposits with original maturities of three (3) months or less have been included in cash and cash equivalents.

h. Newly Adopted Accounting Policies

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognizing in an enterprise's financial statements in accordance with FASB Statement No. 109 "Accounting for Income Taxes". FIN 48 also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. There is no material impact on the financial condition and business results by the adoption of FIN 48.

(7) Notes to the Consolidated Financial Statements

(i) Market Value, etc. of Securities

(Unit: Million Yen)

| | As of March 31, 2008 | | | | As of March 31, 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | Acquisition Cost | Total Unrealized Profit | Total Unrealized Loss | Fair Value | Acquisition Cost | Total Unrealized Profit | Total Unrealized Loss | Fair Value |
| Securities | | | | | | | | |
| National and Local Government Bonds | 2,309 | 12 | 0 | 2,321 | 3,210 | 3 | 12 | 3,201 |
| Corporate Bonds | 4,302 | 4 | 127 | 4,179 | 6,304 | 4 | 125 | 6,183 |
| Bank Bonds | 100 | 0 | 1 | 99 | 700 | 0 | 2 | 698 |
| Trust Fund | 5,475 | 118 | 144 | 5,449 | 4,187 | 166 | 43 | 4,310 |
| Total | 12,186 | 134 | 272 | 12,048 | 14,401 | 173 | 182 | 14,392 |
| Investment | | | | | | | | |
| Equities | 25,762 | 13,333 | 2,114 | 36,981 | 26,842 | 26,378 | 101 | 53,119 |
| Total | 25,762 | 13,333 | 2,114 | 36,981 | 26,842 | 26,378 | 101 | 53,119 |

(ii) Prepaid Pension Cost and Reserve for Retirement Benefits

Employee Retirement Benefit Plans

Our subsidiaries have several retirement benefit plans. Wacoal Corporation has adopted a defined-contribution pension fund plan, and some subsidiaries have adopted an eligible pension plan.

The market value of estimated future payments, increase and decrease of fair value of pension assets, and related information are as follows:

| | March 31, 2008<br>Million yen | March 31, 2007<br>Million yen |
|---|---|---|
| Increase/(decrease) of fair value of estimated future payment | | |
| Initial balance of fair value of estimated future payment | 33,059 | 32,687 |
| Service expense | 858 | 936 |
| Interest rate expense | 761 | 748 |
| Contributions by employees | 73 | 75 |
| Actuarial losses | (1,041) | (245) |
| Pension benefits from pension assets | (394) | (883) |
| Temporary benefits from pension assets | (569) | (105) |
| Pension benefits from the company | (187) | (154) |
| Increase due to change in scope of consolidation | 259 | - |
| Current year end balance of fair value of estimated future payment | 32,819 | 33,059 |
| Increase/(decrease) of fair value of pension assets | | |
| Initial balance of pension assets | 29,345 | 26,962 |
| Actual increase | (2,674) | 776 |
| Pension contributed by the company | 2,490 | 2,520 |
| Contributions by employees | 73 | 75 |
| Pension benefits | (394) | (883) |
| Temporary benefits | (569) | (105) |
| Current year end balance of pension assets | 28,271 | 29,345 |
| Initial balance of pension benefit trusts | 8,703 | 8,898 |
| Actual increase | (2,907) | (195) |
| Current year end balance of pension benefit trusts | 5,796 | 8,703 |
| Funded status | 1,248 | 4,989 |

| | Fiscal Year Ended March 31, 2008<br>Million yen | Fiscal Year Ended March 31, 2007<br>Million yen |
|---|---|---|
| Breakdown of recognized amount on the consolidated balance sheet | | |
| Prepaid pension cost | 3,444 | 7,089 |
| Accrued expenses | (104) | (113) |
| Reserve for retirement benefits | (2,092) | (1,987) |
| | 1,248 | 4,989 |

Breakdown of recognized amount in accumulated other comprehensive income (loss) - before adjustment of tax effect

| | | |
|---|---|---|
| Unrecognized actuarial differences | (4,705) | 702 |
| Unrecognized prior service liabilities (decrease in liabilities) | 5,571 | 6,263 |
| | 866 | 6,965 |

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| | Million yen | Million yen |
| Current year retirement benefit expense | | |
| Service expense | 858 | 936 |
| Interest rate expense | 761 | 748 |
| Expected long-term performance benefit from pension assets | (788) | (726) |
| Amortized and deferred net unrecognized liability | (770) | (826) |
| Total | 61 | 132 |

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| | % | % |
| Assumptions | | |
| Actuarial assumptions - retirement benefit obligations | | |
| Reduction ratio | 2.5 | 2.5 |
| Expected promotion ratio of wage standard | 0.0 | 0.5 |
| Actuarial assumptions - net pension cost for the term | | |
| Reduction ratio | 2.5 | 2.5 |
| Expected promotion ratio of wage standards | 0.5 | 0.5 |
| Expected long-term performance benefit from pension assets | 2.5 | 2.5 |

Unrecognized losses have been amortized over the length of average remaining service (12 years).

(iii) Tax Effect

The effective corporate tax rate is different from the legal tax rate due to the following reasons:

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| | % | % |
| Legal tax rate | 40.7 | 40.7 |
| Reasons increased (decreased) | | |
| Expense net deductible for tax purpose | 2.9 | 6.5 |
| Changes in valuation allowance | (1.5) | (2.0) |
| Undistributed earnings of subsidiaries and affiliates | 2.6 | 0.8 |
| Tax rate balance of foreign companies | (2.5) | (0.8) |
| Tax credit | (0.2) | (1.3) |
| Others | (1.2) | 2.8 |
| Effective corporate tax rate | 40.8 | 46.7 |

The effect of temporary differences, etc. for deferred tax assets/liabilities is as follows.

| | Fiscal Year Ended March 31, 2008 | | Fiscal Year Ended March 31, 2007 | |
|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| | Million yen | Million yen | Million yen | Million yen |
| Sales returns | 1,082 | | 1,117 | |
| Allowance for doubtful receivables | | 252 | | 383 |
| Inventory valuation | 1,201 | | 1,273 | |
| Intercompany profits | 248 | | 218 | |
| Accrued bonuses | 1,420 | | 1,392 | |
| Valuation loss on investment securities | 1,141 | | 760 | |
| Gain on sales of fixed assets | | 1,753 | | 1,724 |
| Undistributed earnings of foreign subsidiaries and affiliates | | 2,695 | | 2,742 |
| Net unrealized gain on marketable securities | | 4,511 | | 10,691 |
| Net realized gain on exchange of investment securities | | 2,453 | | 2,415 |
| Long-term pre-paid expense | 291 | | 330 | |
| Enterprise taxes | 363 | | 126 | |
| Compensated absences | 902 | | 812 | |
| Retirement expense | 966 | 815 | 753 | 2,331 |
| Excess over depreciation and amortization and impairment loss | 1,343 | | 1,445 | |
| Tax loss carried forwards | 2,054 | | 1,795 | |
| Assets acquired through stock swap | | 5,410 | | |
| Other temporary differences | 679 | 37 | 838 | 39 |
| Total | 11,690 | 17,926 | 10,859 | 20,325 |
| Valuation allowance | (1,418) | | (1,465) | |
| Total | 10,272 | 17,926 | 9,394 | 20,325 |

(iv) Contract Amount, Market Value and Valuation Profit/Loss of Derivative Transactions

In order to hedge exchange rate and interest rate risks, forward exchange contracts have been utilized as financial derivative products. There have also been non-market forward exchange transactions (dollar-buying, yen-selling), but profits and losses of such transactions have been omitted as the amounts involved are non-material.

(v) Information on Par Share

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| Net income | 4,966 million yen | 9,029 million yen |
| Number of average shares issued during the year | 141,304,256 shares | 142,910,187 shares |
| Net income per share | 35.14 yen | 63.18 yen |
| Diluted net earnings per share | - | - |

(vi) Segment Information

a. Segment Information by Type of Business

Fiscal Year Ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(Unit: Million Yen)

| | Textile goods and related products | Others | Total | Elimination or corporate | Consolidated |
|---|---|---|---|---|---|
| I. Sales | | | | | |
| (1) Sales to outside customers | 150,710 | 15,051 | 165,761 | - | 165,761 |
| (2) Internal sales among segments | - | 3,665 | 3,665 | (3,665) | - |
| Total | 150,710 | 18,716 | 169,426 | (3,665) | 165,761 |
| Operating expenses | 136,967 | 18,521 | 155,488 | (3,267) | 152,221 |
| Operating income (Loss) | 13,743 | 195 | 13,938 | (398) | 13,540 |
| II. Assets, depreciation and amortization and capital expenditure | | | | | |
| Assets | 156,479 | 18,733 | 175,212 | 66,407 | 241,619 |

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortization | 3,619 | 218 | 3,837 | 71 | 3,908 |
| Capital expenditure | 1,136 | 75 | 1,211 | - | 1,211 |

Fiscal Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007)

(Unit: Million Yen)

| | Textile goods and related products | Others | Total | Elimination or corporate | Consolidated |
|---|---|---|---|---|---|
| I. Sales | | | | | |
| (1) Sales to outside customers | 150,349 | 16,061 | 166,410 | - | 166,410 |
| (2) Internal sales among segments | - | 3,982 | 3,982 | (3,982) | - |
| Total | 150,349 | 20,043 | 170,392 | (3,982) | 166,410 |
| Operating expenses | 136,875 | 19,828 | 156,703 | (3,189) | 153,514 |
| Operating income | 13,474 | 215 | 13,689 | (793) | 12,896 |
| II. Assets, depreciation and amortization and capital expenditure | | | | | |
| Assets | 147,264 | 21,227 | 168,491 | 81,775 | 250,266 |
| Depreciation and amortization | 3,472 | 187 | 3,659 | 76 | 3,735 |
| Capital expenditure | 2,082 | 454 | 2,536 | - | 2,536 |

(Note) 1. Segment information is prepared based on the consolidated financial statement regulations.
2. Our business is classified into textile goods and related products and others based on the type, quality, and resemblance in the sales market of such products.
3. Core products of 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.

b. Segment Information by Location

Fiscal Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(Unit: Million Yen)

| | Japan | Asia | Europe/U.S. | Total | Elimination or corporate | Consolidated |
|---|---|---|---|---|---|---|
| I. Sales | | | | | | |
| (1) Sales to outside customers | 139,618 | 7,646 | 18,497 | 165,761 | - | 165,761 |
| (2) Internal sales among segments | 1,158 | 6,669 | - | 7,827 | (7,827) | - |
| Total | 140,776 | 14,315 | 18,497 | 173,588 | (7,827) | 165,761 |
| Operating expenses | 130,265 | 13,452 | 15,933 | 159,650 | (7,429) | 152,221 |
| Operating income | 10,511 | 863 | 2,564 | 13,938 | (398) | 13,540 |
| II. Assets | 154,174 | 25,680 | 12,424 | 192,278 | 49,341 | 241,619 |

Fiscal Year Ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(Unit: Million Yen)

| | Japan | Asia | Europe/U.S. | Total | Elimination or corporate | Consolidated |
|---|---|---|---|---|---|---|
| I. Sales | | | | | | |
| (1) Sales to outside customers | 141,676 | 6,713 | 18,021 | 166,410 | - | 166,410 |
| (2) Internal sales among segments | 1,259 | 5,612 | - | 6,871 | (6,871) | - |
| Total | 142,935 | 12,325 | 18,021 | 173,281 | (6,871) | 166,410 |
| Operating expenses | 132,559 | 11,857 | 15,176 | 159,592 | (6,078) | 153,514 |
| Operating income | 10,376 | 468 | 2,845 | 13,689 | (793) | 12,896 |
| II. Assets | 149,458 | 24,899 | 11,424 | 185,781 | 64,485 | 250,266 |

(Note) 1. Segment information is prepared based on the consolidated financial statement regulations.
2. Countries or areas are classified according to geographical proximity.
3. Main countries and areas belonging to classifications other than Japan
Asia: various countries of East Asia and Southeast Asia
Europe/U.S.: the U.S. and various European countries

c. Overseas Sales

Fiscal Year Ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(Unit: Million Yen)

| | Asia | Europe/U.S. | Total |
|---|---|---|---|
| I. Overseas sales | 7,646 | 18,497 | 26,143 |
| II. Consolidated sales | - | - | 165,761 |
| III. Ratio of overseas sales in consolidated sales | 4.6% | 11.2% | 15.8% |

Fiscal Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007)

(Unit: Million Yen)

| | Asia | Europe/U.S. | Total |
|---|---|---|---|
| I. Overseas sales | 6,713 | 18,021 | 24,734 |
| II. Consolidated sales | - | - | 166,410 |
| III. Ratio of overseas sales in consolidated sales | 4.0% | 10.8% | 14.8% |

(Note) 1. Segment information is prepared based on the consolidated financial statement regulations.
2. Countries or areas are classified according to geographical proximity.
3. Main countries and areas belonging to classifications other than Japan
Asia: various countries of East Asia and Southeast Asia
Europe/U.S.: the U.S. and various European countries

(vii) Status of Production and Sales

a. Production Results

| Segment name by type of business | Fiscal Year Ended March 31, 2008 | | Fiscal Year Ended March 31, 2007 | |
|---|---|---|---|---|
| | Amount | Distribution Ratio | Amount | Distribution Ratio |
| | Million Yen | % | Million Yen | % |
| Textile goods and related products | 68,168 | 100.0 | 71,366 | 100.0 |

b. Sales Results

| Segment name by type of business | | Fiscal Year Ended March 31, 2008 | | Fiscal Year Ended March 31, 2007 | |
|---|---|---|---|---|---|
| | | Amount | Distribution Ratio | Amount | Distribution Ratio |
| | | Million Yen | % | Million Yen | % |
| Textile goods and related products | Innerwear | | | | |
| | Foundation and lingerie | 123,460 | 74.4 | 123,295 | 74.1 |
| | Nightwear | 10,611 | 6.4 | 10,081 | 6.0 |
| | Children’s underwear | 1,953 | 1.2 | 2,069 | 1.2 |
| | Subtotal | 136,024 | 82.0 | 135,445 | 81.3 |
| | Outerwear/Sportswear | 8,920 | 5.4 | 8,751 | 5.3 |
| | Hosiery | 1,803 | 1.1 | 2,102 | 1.3 |
| | Other textile goods and related products | 3,963 | 2.4 | 4,051 | 2.4 |
| | Total | 150,710 | 90.9 | 150,349 | 90.3 |
| Others | | 15,051 | 9.1 | 16,061 | 9.7 |
| Total | | 165,761 | 100.0 | 166,410 | 100.0 |

(Omission of Disclosure)

We have omitted the notes regarding the lease transactions, related-party transactions, stock options and business combinations etc. because we believe it is not sufficiently necessary to disclose information on these matters in these financial statements.

5. Non-Consolidated Financial Statements (unaudited)

(1) Balance Sheet

| Accounts | As of March 31, 2008 | | As of March 31, 2007 | | Amount Increased/ (Decreased) |
|---|---|---|---|---|---|
| (Assets) | Million Yen | % | Million Yen | % | Million Yen |
| I. Current Assets | 5,102 | 3.4 | 6,689 | 4.4 | (1,587) |
| Cash and bank deposits | 698 | | 1,399 | | (700) |
| Marketable securities | 2,898 | | 3,188 | | (290) |
| Deferred tax assets | 70 | | 129 | | (59) |
| Others | 1,434 | | 1,971 | | (536) |
| II. Fixed Assets | 144,979 | 96.6 | 143,636 | 95.6 | 1,343 |
| 1. Tangible fixed assets | 39,262 | 26.2 | 40,510 | 27.0 | (1,248) |
| Buildings | 19,000 | | 20,047 | | (1,047) |
| Structures | 435 | | 500 | | (65) |
| Equipment and tools | 1,575 | | 1,564 | | 11 |
| Land | 18,247 | | 18,398 | | (150) |
| Others | 4 | | - | | 4 |
| 2. Intangible fixed assets | 588 | 0.4 | 588 | 0.4 | 0 |
| Leasehold right | 585 | | 585 | | - |
| Others | 2 | | 2 | | 0 |
| 3. Investment and other assets | 105,128 | 70.0 | 102,537 | 68.2 | 2,591 |
| Investment securities | 9,111 | | 11,149 | | (2,038) |
| Stock of affiliated companies | 95,542 | | 91,164 | | 4,377 |
| Deferred tax assets | 270 | | 59 | | 211 |
| Others | 205 | | 163 | | 41 |
| Total Assets | 150,081 | 100.0 | 150,325 | 100.0 | (244) |

| Accounts | As of March 31, 2008 | | As of March 31, 2007 | | Amount Increased/ (Decreased) |
|---|---|---|---|---|---|
| (Liabilities) | Million Yen | % | Million Yen | % | Million Yen |
| I. Current Liabilities | 2,069 | 1.4 | 4,436 | 3.0 | (2,366) |
| Notes payable | 4 | | 8 | | (4) |
| Borrowings from affiliated companies | 1,000 | | 2,500 | | (1,500) |
| Accrued liability | 824 | | 1,594 | | (769) |
| Accrued expenses | 13 | | 10 | | 3 |
| Accrued corporate taxes, etc. | 89 | | 198 | | (109) |
| Accrued bonuses | 76 | | 56 | | 20 |
| Reserve for officers' bonuses | 40 | | 30 | | 10 |
| Others | 21 | | 38 | | (16) |
| II. Fixed Liabilities | 448 | 0.3 | 454 | 0.3 | (5) |
| Others | 448 | | 454 | | (5) |
| Total Liabilities | 2,518 | 1.7 | 4,890 | 3.3 | (2,372) |
| (Net Assets) | | | | | |
| I. Shareholders' equity | 147,687 | 98.4 | 145,476 | 96.7 | 2,211 |
| 1. Common stock | 13,260 | 8.8 | 13,260 | 8.8 | - |
| 2. Additional paid-in capital | 29,294 | 19.5 | 25,273 | 16.8 | 4,020 |
| Capital reserve | 29,294 | | 25,273 | | 4,020 |
| 3. Retained earnings | 105,187 | 70.1 | 112,106 | 74.5 | (6,918) |
| (1) Retained earnings reserve | 3,315 | | 3,315 | | - |
| (2) Other retained earnings | 101,872 | | 108,791 | | (6,918) |
| Reserve of deferred gain on sales of fixed assets | 2,075 | | 2,191 | | (116) |
| Dividend equalization reserve | - | | 3,000 | | (3,000) |
| General reserve | 95,000 | | 100,000 | | (5,000) |
| Retained earnings carried forward | 4,797 | | 3,599 | | 1,197 |
| 4. Treasury stock | (54) | | (5,163) | (3.4) | 5,108 |
| II. Difference of appreciation and conversion | (124) | (0.1) | (41) | (0.0) | (83) |
| Other securities valuation difference | (124) | (0.1) | (41) | (0.0) | (83) |
| Total Net Assets | 147,562 | 98.3 | 145,434 | 96.7 | 2,127 |
| Total Liabilities and Net Assets | 150,081 | 100.0 | 150,325 | 100.0 | (244) |

(2) Income Statement

| Accounts | | Fiscal Year Ended March 31, 2008 | | Fiscal Year Ended March 31, 2007 | | Amount Increased/ (Decreased) |
|---|---|---|---|---|---|---|
| | | Million Yen | % | Million Yen | % | |
| I. | Operating revenue | 10,863 | 100.0 | 6,005 | 100.0 | 4,858 |
| | Income from rent | 4,052 | | 4,158 | | (105) |
| | Dividend Income | 6,518 | | 1,570 | | 4,947 |
| | Others | 292 | | 276 | | 16 |
| II. | Operating expenses | 4,058 | 37.4 | 4,435 | 73.8 | (376) |
| | Cost of lease | 2,031 | | 2,423 | | (392) |
| | Selling, general and administrative expenses | 2,027 | | 2,011 | | 15 |
| Operating income | | 6,804 | 62.6 | 1,570 | 26.2 | 5,234 |
| III. | Non-operating income | 162 | 1.5 | 584 | 9.7 | (422) |
| | Interest income | 82 | | 80 | | 2 |
| | Dividends received | 33 | | 64 | | (30) |
| | Gain on sell of marketable securities | - | | 406 | | (406) |
| | Others | 46 | | 33 | | 12 |
| IV. | Non-operating expenses | 29 | 0.2 | 22 | 0.4 | 7 |
| | Interest expense | 13 | | 21 | | (7) |
| | Others | 16 | | 1 | | 14 |
| Current income | | 6,937 | 63.9 | 2,132 | 35.5 | 4,805 |
| V. | Extraordinary gains | 578 | 5.3 | 243 | 4.0 | 334 |
| | Gains on sales of fixed assets | 578 | | 243 | | 334 |
| VI. | Extraordinary loss | 5,029 | 46.3 | 567 | 9.4 | 4,462 |
| | Loss on sale of fixed assets | 108 | | 148 | | (40) |
| | Impairment loss | 32 | | - | | 32 |
| | Valuation loss of affiliate stock | 4,888 | | 418 | | 4,469 |
| Pre-tax net income | | 2,486 | 22.9 | 1,808 | 30.1 | 678 |
| Corporate tax, resident tax and enterprise tax | | 457 | 4.2 | 300 | 5.0 | 157 |
| Adjustment of corporate tax, etc. | | (94) | (0.9) | (8) | (0.1) | (86) |
| Net income | | 2,123 | 19.6 | 1,516 | 25.2 | 607 |

(3) Statements of Changes in Shareholders' Equity

Fiscal Year Ended March 31, 2008 (April 1, 2007 - March 31, 2008) (In Millions of Yen)

| | Shareholders' equity | | | | | | Difference of appreciation and conversion | | Total net assets |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | | Treasury stock | Total shareholders' equity | Other securities valuation difference | Total difference of appreciation and conversion | |
| | | Capital reserve | Retained earnings reserve | Other retained earnings | | | | | |
| Balance as of March 31, 2007 | 13,260 | 25,273 | 3,315 | 108,791 | (5,163) | 145,476 | (41) | (41) | 145,434 |
| Changes during fiscal year 2008 | | | | | | | | | |
| Transfer from reserve for deferred gain on sales of fixed assets | | | | - | | - | | | - |
| Transfer from contingent reserve | | | | - | | - | | | - |
| Dividends from surplus | | | | (3,092) | | (3,092) | | | (3,092) |
| Transfer to contingent reserve | | | | - | | - | | | - |
| Net income | | | | 2,123 | | 2,123 | | | 2,123 |
| Acquisition of treasury stock | | | | | (6,014) | (6,014) | | | (6,014) |
| Cancellation of treasury stock | | | | (5,949) | 5,949 | - | | | - |
| Issuance of new shares for stock swap* | | 4,474 | | | | 4,474 | | | 4,474 |
| Diminution of treasury stock for stock swap* | | (454) | | | 5,173 | 4,719 | | | 4,719 |
| Net change of items other than shareholders' equity | | | | | | | (83) | (83) | (83) |
| Total changes during fiscal year 2008 | - | 4,020 | - | (6,918) | 5,108 | 2,211 | (83) | (83) | 2,127 |
| Balance as of March 31, 2008 | 13,260 | 29,294 | 3,315 | 101,872 | (54) | 147,687 | (124) | (124) | 147,562 |

*This is for the stock swap agreement with Peach John Co., Ltd.

(Note) Breakdown of other retained earnings

| | Reserve for deferred gain on sales of fixed assets | Reserve for dividend averaging | General reserve | Retained earnings carried forward | Total |
|---|---|---|---|---|---|
| Balance as of March 31, 2007 | 2,191 | 3,000 | 100,000 | 3,599 | 108,791 |
| Changes during fiscal year 2008 | | | | | |
| Transfer from reserve for deferred gain on sales of fixed assets | (116) | | | 116 | - |
| Transfer from contingent reserve | | | (8,000) | 8,000 | - |
| Dividends from surplus | | | | (3,092) | (3,092) |
| Transfer to contingent reserve | | (3,000) | 3,000 | | - |
| Net income | | | | 2,123 | 2,123 |
| Acquisition of treasury stock | | | | | |
| Cancellation of treasury stock | | | | (5,949) | (5,949) |
| Issuance of new shares for stock swap | | | | | |
| Diminution of treasury stock for stock swap | | | | | |
| Net change of items other than shareholders' equity | | | | | |
| Total changes during fiscal year 2008 | (116) | (3,000) | (5,000) | 1,197 | (6,918) |
| Balance as of March 31, 2008 | 2,075 | - | 95,000 | 4,797 | 101,872 |

Fiscal Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007) (In Millions of Yen)

| | Shareholders' equity | | | | | | Difference of appreciation and conversion | | Total net assets |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | | Treasury stock | Total shareholders' equity | Other securities valuation difference | Total difference of appreciation and conversion | |
| | | Capital reserve | Retained earnings reserve | Other retained earnings | | | | | |
| Balance as of March 31, 2006 | 13,260 | 25,273 | 3,315 | 110,178 | (117) | 151,909 | 67 | 67 | 151,976 |
| Changes during fiscal year 2007 | | | | | | | | | |
| Fund of reserve for deferred gain on sales of fixed assets | | | | - | | - | | | - |
| Transfer from reserve for deferred gain on sales of fixed assets | | | | - | | - | | | - |
| Dividends from surplus | | | | (2,878) | | (2,878) | | | (2,878) |
| Bonus of directors | | | | (25) | | (25) | | | (25) |
| Net income | | | | 1,516 | | 1,516 | | | 1,516 |
| Acquisition of treasury stock | | | | | (5,046) | (5,046) | | | (5,046) |
| Net change of items other than shareholders' equity | | | | | | | (108) | (108) | (108) |
| Total changes during fiscal year 2007 | - | - | - | (1,387) | (5,046) | (6,433) | (108) | (108) | (6,541) |
| Balance as of March 31, 2007 | 13,260 | 25,273 | 3,315 | 108,791 | (5,163) | 145,476 | (41) | (41) | 145,434 |

(Note) Breakdown of other retained earnings

| | Reserve for deferred gain on sales of fixed assets | Reserve for dividend averaging | General reserve | Retained earnings carried forward | Total |
|---|---|---|---|---|---|
| Balance as of March 31, 2006 | 2,219 | 3,000 | 100,000 | 4,958 | 110,178 |
| Changes during fiscal year 2007 | | | | | |
| Fund of reserve for deferred gain on sales of fixed assets | 109 | | | (109) | - |
| Transfer from reserve for deferred gain on sales of fixed assets | (136) | | | 136 | - |
| Dividends from surplus | | | | (2,878) | (2,878) |
| Bonus of directors | | | | (25) | (25) |
| Net income | | | | 1,516 | 1,516 |
| Acquisition of treasury stock | | | | | |
| Net change of items other than shareholders' equity | | | | | |
| Total changes during fiscal year 2007 | (27) | - | - | (1,359) | (1,387) |
| Balance as of March 31, 2007 | 2,191 | 3,000 | 100,000 | 3,599 | 108,791 |

(4) Significant Accounting Policies

(i) Valuation Standards and Method of Assets

Valuation standards and method of securities

Stock of affiliated companies: Cost accounting method based on moving average method

Other securities:

Securities with market value: Market value method based on market price on closing day for the end of the year (Variance in valuation is based on method of directly including all net assets, and cost of sales is calculated based on moving average method)

Securities without market value: Cost accounting method based on moving average method

(ii) Depreciation Method of Fixed Assets

a. Tangible fixed assets: Constant percentage method (fixed amount method for buildings (excluding fixtures incidental to buildings) acquired on or after April 1, 1998). Durable years for major items are as follows.

Buildings and structures: 5 to 50 years
Machinery and vehicles: 2 to 4 years
Equipment and tools: 2 to 20 years

(Change of Accounting Policies)

Following the revisions made to the Corporation Tax Law in 2007, we have changed to the depreciation method pursuant to said revised Corporation Tax Law with regard to the tangible fixed assets acquired on and after April 1, 2007. The effect by such change on the income statement is minor.

(Additional Information)

With regard to the tangible fixed assets acquired on or before March 31, 2007, the depreciation method has been changed so that they are amortized uniformly over a five-year period following the end of depreciation period until the amount reaches the limit for depreciation. The effect of such change on the income statement is minor.

b. Intangible fixed assets: Fixed amount method

(iii) Reserves

a. Accrued bonuses: In order to provide bonuses to employees, accrued bonuses are reserved based on the anticipated amount to be paid.

b. Reserve for officers' bonuses: In order to provide bonuses to officers, reserve for officers' bonuses are reserved based on the anticipated amount to be paid and recorded as "Accrued bonuses" under Current Liabilities.

(iv) Processing Method of Lease Transactions

Finance lease transactions, other than those in which the ownership of the leased item is acknowledged to be transferred to the borrower, are pursuant to accounting procedures based on the method according to an ordinary lease transaction.

(v) Other Material Matters in Preparation of Financial Statements

Accounting procedures for consumption tax, etc. are based on the tax-excluded method.

(5) Notes to Non-Consolidated Financial Statements

| | (Fiscal Year Ended March 31, 2008) | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| (Notes to the Balance Sheet) | | |
| Accumulated depreciation in tangible fixed assets | 26,617 million yen | 27,141 million yen |

(Notes to the Statements of Changes in Shareholders' Equity)

Fiscal Year Ended March 31, 2008 (April 1, 2007 - March 31, 2008)
Matters concerning the type and number of treasury stock:

| Type of Stock | Shares as of the end of fiscal year 2007 | Increase during fiscal year 2008 | Decrease during fiscal year 2008 | Shares as of the end of fiscal year 2008 |
|---|---|---|---|---|
| Ordinary stock | 3,440,116 | 3,935,882 | (7,340,000) | 35,998 |

*Reason for Increase in the Number of Shares of Treasury Stock

| | |
|---|---|
| Increase in shares due to acquisition pursuant to the resolution of the board of directors: | 3,926,000 shares |
| Increased in shares due to purchase of fractional stocks: | 9,882 shares |
| Decrease in shares due to stock swap and cancellation of treasury stock: | (7,340,000) shares |

Fiscal Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007)
Matters concerning the type and number of treasury stock:

| Type of Stock | Shares as of the end of fiscal year 2006 | Increase during fiscal year 2007 | Decrease during fiscal year 2007 | Shares as of the end of fiscal year 2007 |
|---|---|---|---|---|
| Ordinary stock | 100,752 | 3,339,364 | - | 3,440,116 |

*Reason for Increase in the Number of Shares of Treasury Stock

| | |
|---|---|
| Increase in shares due to acquisition pursuant to the resolution of the board of directors: | 3,324,000 shares |
| Increased in shares due to purchase of fractional stocks: | 15,364 shares |

(Notes to Tax Effect)

(i) Breakdown of deferred tax assets and deferred tax liabilities

| | Fiscal Year Ended March 31, 2008 Million yen | Fiscal Year Ended March 31, 2007 Million yen |
|---|---|---|
| Deferred tax assets | | |
| Valuation loss on investment securities | 440 | 316 |
| Reserve for bonus payment | 30 | 28 |
| Excess over depreciation and amortization and impairment loss | 1,024 | 1,119 |
| Others | 269 | 264 |
| Total deferred tax asset | 1,765 | 1,728 |
| Deferred tax liabilities | | |
| Reserve for deferred gain on sales of fixed assets | (1,424) | (1,504) |
| Others | (0) | (35) |
| Total deferred tax liability | (1,424) | (1,539) |
| Net deferred tax asset (liability) | 340 | 188 |

(ii) Difference in corporate and other tax rates between legal tax rate and the legal tax rate after application of tax effect accounting

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| Legal tax rate | 40.7 | 40.7 |
| Reasons increased (decreased) | | |
| Tax deduction | (0.6) | (0.9) |
| Income excluding profit | (105.6) | (33.7) |
| Expenses excluding loss | 3.5 | 5.4 |
| Valuation reserve | 74.2 | - |
| Other | 2.4 | 4.7 |
| Effective corporate and other tax rates after application of tax effect | 14.6 | 16.2 |

(Notes to Marketable Securities)

Shares of affiliated companies with market value

| | Fiscal Year Ended March 31, 2008 | Fiscal Year Ended March 31, 2007 |
|---|---|---|
| | Million yen | Million yen |
| Appropriation on balance sheet | 2,163 | 2,163 |
| Market value | 4,690 | 4,349 |
| Balance | 2,527 | 2,185 |

6. Others

(1) Changes to Corporate Officers

The scheduled changes to directors and auditors after the conclusion of the 60th ordinary general meeting of shareholders to be held on June 27, 2008 will be as follows.

(i) Directors

1. New Candidates for Director (as of June 27, 2008 (expected))

Tsuneo Shimizu (Wacoal Corporation, Director and Senior Corporate Officer)
Atsushi Horiba (HORIBA, Ltd., Chairman, President & CEO)
*Mr. Atsushi Horiba is an outside director as set out in Article 2-15 of the Corporation Law.

2. Resigning Directors (as of June 27, 2008 (expected))

Yuzo Ito
Tatsuya Kondo

3. Promotion of Director (as of June 27, 2008 (expected))

Director and Vice President Shoichi Suezawa (Senior Managing Director)

(ii) Statutory Auditors

1. Candidate for Statutory Auditor (as of June 27, 2008 (expected))

Yoshio Kawashima (General Manager in charge of the Audit Office)

2. Resigning Statutory Auditors (as of June 27, 2008 (expected))

Hajime Kotake

The management and administrative organization after the conclusion of the 60th Ordinary General Meeting of Shareholders to be held on June 27, 2008 will be as follows:

Management and Administrative Organization for the 61st Fiscal Year

| Director/Statutory Auditor | Name |
|---|---|
| Representative Director | Yoshikata Tsukamoto |
| Director and Vice President | Shoichi Suezawa |
| Senior Managing Director | Hideo Kawanaka |
| Director | Tadashi Yamamoto |
| Director | Tsuneo Shimizu (new) |
| Director (outside director) | Kazuo Inamori |
| Director (outside director) | Mamoru Ozaki |
| Director (outside director) | Atsushi Horiba (new) |
| | |
| Statutory Auditor | Kimiaki Shiraishi |
| Statutory Auditor | Yoshio Kawashima (new) |
| Statutory Auditor (outside statutory auditor) | Yutaka Hasegawa |
| Statutory Auditor (outside statutory auditor) | Tomoharu Kuda |
| Statutory Auditor (outside statutory auditor) | Yoko Takemura |

(Reference)

The management and administrative organization for the 4th quarter of Wacoal Corporation will be as follows:

Management and Administrative Organization for the 4th Fiscal Year

| Director/Statutory Auditor | Corporate Officer | Name | Responsibility |
|---|---|---|---|
| Representative Director | President and Corporate Officer | Yoshikata Tsukamoto | |
| Director | Vice President and Corporate Officer | Hideo Kawanaka | In charge of Business Restructuring and General Manager of Sales Control Department |
| Director | Senior Corporate Officer | Tsuneo Shimizu | Assistant Manager of Sales Control Department |
| Director | Senior Corporate Officer | Tadashi Yamamoto | General Manager of International Operation |
| Director | Senior Corporate Officer | Hironobu Yasuhara | General Manager of Wing Brand Operation Division |
| Director | Senior Corporate Officer | Yuzo Ide | General Manager of Wacoal Brand Operation Division |
| Director | Corporate Officer | Ikuo Otani | In charge of Corporate Planning |
| Director | Corporate Officer | Akio Shinozaki | Chief of Human Science Research Center and General Manager of Intellectual Property Division |
| Director | Corporate Officer | Yoshiyuki Nakajima | General Manager of Technology/Production Division |
| | | | |
| Statutory Auditor | | Kimiaki Shiraishi | |
| Statutory Auditor | | Shoichi Kono | |
| | | | |
| | Managing Corporate Officer | Yasuyuki Nakatsutsumi | Wacoal Brand Operation Division, General Manager of East Japan Sales Control |
| | Corporate Officer | Masakazu Kitagawa | Wacoal Brand Operation Division, General Manager of West Japan Sales Control |
| | Corporate Officer | Masahiro Joshin | Wacoal Brand Operation Division, General Manager of Chain Stores Sales Control |
| | Corporate Officer | Haruo Minami | Wing Brand Operation Division, General Manager of Tokyo Sales Office |
| | Corporate Officer | Ichiro Katsura | General Manager of Administration Department |
| | Corporate Officer | Akio Ouchi | General Manager of Information System Division |
| | Corporate Officer | Nobuhiro Matsuda | In charge of Administration and Business Management of Kyoto Building and Operation and Management Manager of Specialty Retail Stores Operation Division |
| | Corporate Officer | Ryuji Fukushima | General Manager of Specialty Retail Stores Operation Division |
| | Corporate Officer | Mitsuo Yamamoto | General Manager of Personnel and Administration Department |