Evolving on Strengths

WACOAL HOLDINGS ANNUAL REPORT 2010

Expressing Beauty

Since its establishment in 1949, the Wacoal Group has remained the foremost company in the Japanese market for women's innerwear by enabling women the world over to express their beauty. Today, based on a holding company system that encompasses 47 consolidated subsidiaries and nine affiliates, the Wacoal Group is building an even more robust operational platform in Japan while growing sales aggressively in North America, Europe, and Asia.

Also, thanks to basic research on the shape and movement of the human body as well as research on the physiology of sensation, we have developed innerwear and other garments that realize outstanding comfort and figure enhancement. This research draws on extensive analytical data that we have accumulated by measuring the physiques of over 40,000 Japanese women. As well as our signature beauty and comfort, through new functionality we will add value to realize products that even more customers love while providing products that invigorate markets.

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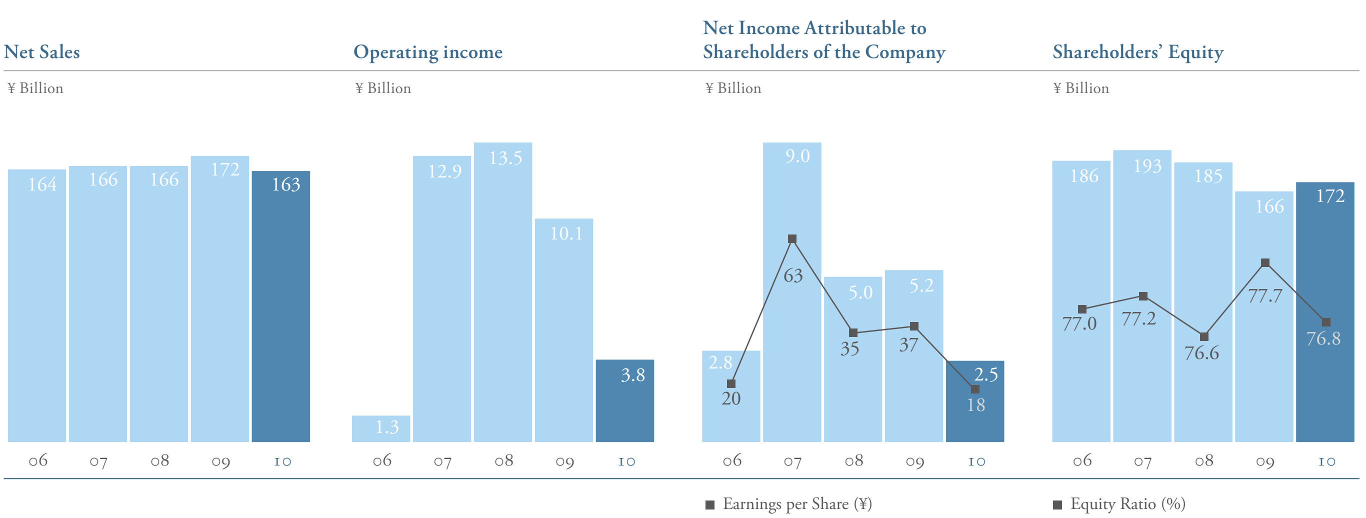
FINANCIAL HIGHLIGHTS

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen (except per share amounts)			Thousands of U.S. dollars*	% change
Years Ended March 31, 2010, 2009 and 2008	**2010**	2009	2008	**2010**	2010 vs 2009
Net sales	**¥163,297**	¥172,276	¥165,761	**$1,748,362**	– 5.2%
Operating income	**3,810**	10,129	13,540	**40,792**	– 62.4
Income before income taxes, equity in net income (loss) of affiliated companies and minority interests	**3,123**	7,627	14,353	**33,437**	– 59.1
Net income attributable to shareholders of the Company	**2,524**	5,230	4,966	**27,024**	– 51.7
ROE (%)	**1.5**	3.0	2.6		
Per share of common stock (in yen/dollars):					
Net income attributable to shareholders of the Company	**¥ 17.86**	¥ 36.75	¥ 35.14	**$ 0.19**	– 51.4
Cash dividends	**20.00**	25.00	25.00	**0.21**	– 20.0
Shareholders' equity	**1,215.52**	1,181.00	1,291.41	**13.01**	2.9
Shareholders' equity	**¥171,630**	¥165,873	¥185,113	**$1,837,580**	3.5
Total assets	**223,387**	213,486	241,619	**2,391,724**	4.6

* The U.S. dollar amounts represent translations of Japanese yen solely for convenience at the rate of ¥93.4=$1.



Facing Challenges

Aiming to Accelerate Expansion in Growing Business Areas at Home and Abroad

The table below shows the contraction of the women's innerwear market in Japan, the Wacoal Group's core operations. Furthermore, the department store sector, the mainstay sales channel of our women's innerwear wholesale operations, is also contracting. Both trends reflect the aging of Japan's society and make the prospect of significant future growth unlikely. With these unfavorable business conditions set to continue, the Wacoal Group aims to secure growth and earnings by stepping up the pace of expansion in growing business areas in Japan and overseas based on the new Medium-Term Management Plan.

Women's Innerwear Market in Japan (Retail base)

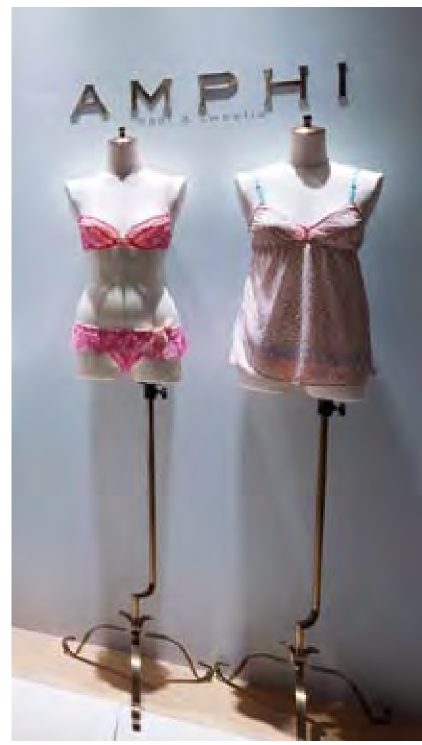
¥ Billion

01	02	03	04	05	06	07	08	09 (ESTIMATE)
791.0	792.5	791.0	767.0	758.0	740.0	725.0	682.0	627.0

Source: Yano Research Institute Ltd.

Growing Business Areas in Japan:
Building New Sales Channels

AMPHI



In 2002, the SPA operations of Wacoal Corp. cut the tape on *amphi* as a directly managed store based on a select shop concept. Mainly targeting women in their 20s, these stores carry indoor wear, fashion accessories, and sundries as well as innerwear. Our network in Japan has 52 stores, as of the end of the fiscal year.

Tasked with building new sales channels, SPA operations are growing steadily. They performed solidly in the fiscal year, contributing net sales of ¥7.1 billion, up ¥90 million year on year. Overall SPA operations accounted for 64 stores, as of the end of the fiscal year, and we will add eight stores in the current fiscal year. Going forward, SPA operations will consolidate various shop brands in order to position *amphi* as the main shop brand, thereby increasing the efficiency of investment in brands and further raising name recognition among customers.

Growing Business Areas in Japan:
Increasing Points of Contact with Customers

PEACH JOHN & LECIEN

Through a quarterly mail-order catalog and 27 stores in Japan, as of the end of the fiscal year, Peach John markets innerwear principally for young women and young career women. With a talent for creating and marketing youthful fashionable lineups, Peach John is very popular among younger women. Because the customer group of Wacoal Corp. centers on career women through senior women, Peach John will enable the Wacoal Group to grow sales by increasing points of contact with younger customers as well as carve out a larger share of the women's innerwear market in Japan.

In another initiative to increase points of contact with customers and use a variety of sales methods and channels, Lecien became a member of the Wacoal Group in August 2009. This new wholly owned subsidiary specializes in products for high-volume markets.

Growing Business Areas in Japan:
Strengthening Product Development

CW-X

Sports conditioning wear products with advanced functionality, *CW-X* has earned strong approval from leading athletes worldwide since its launch in 1991. In Japan, shipments of *CW-X* have increased in line with growing health consciousness among consumers, and this product category promises further growth. Responsible for developing the *CW-X* range, our Wellness Business has until now targeted athletes through products with advanced functionality. In February 2010, however, the Wellness Business debuted *CW-X STYLE FREE* as a strategic product with “light” functionality for everyday use. Looking beyond sportswear and using market growth as a tailwind, we are strengthening product development to realize a lineup of products that customers can wear at work, when traveling, or in other everyday situations. Moreover, in Tokyo we opened our first two directly managed *CW-X* stores, as of the end of the fiscal year, and we are heightening brand name recognition under the slogan “Supporting Healthy Lifestyles.”

Growing Business Areas Overseas

CHINA OPERATIONS

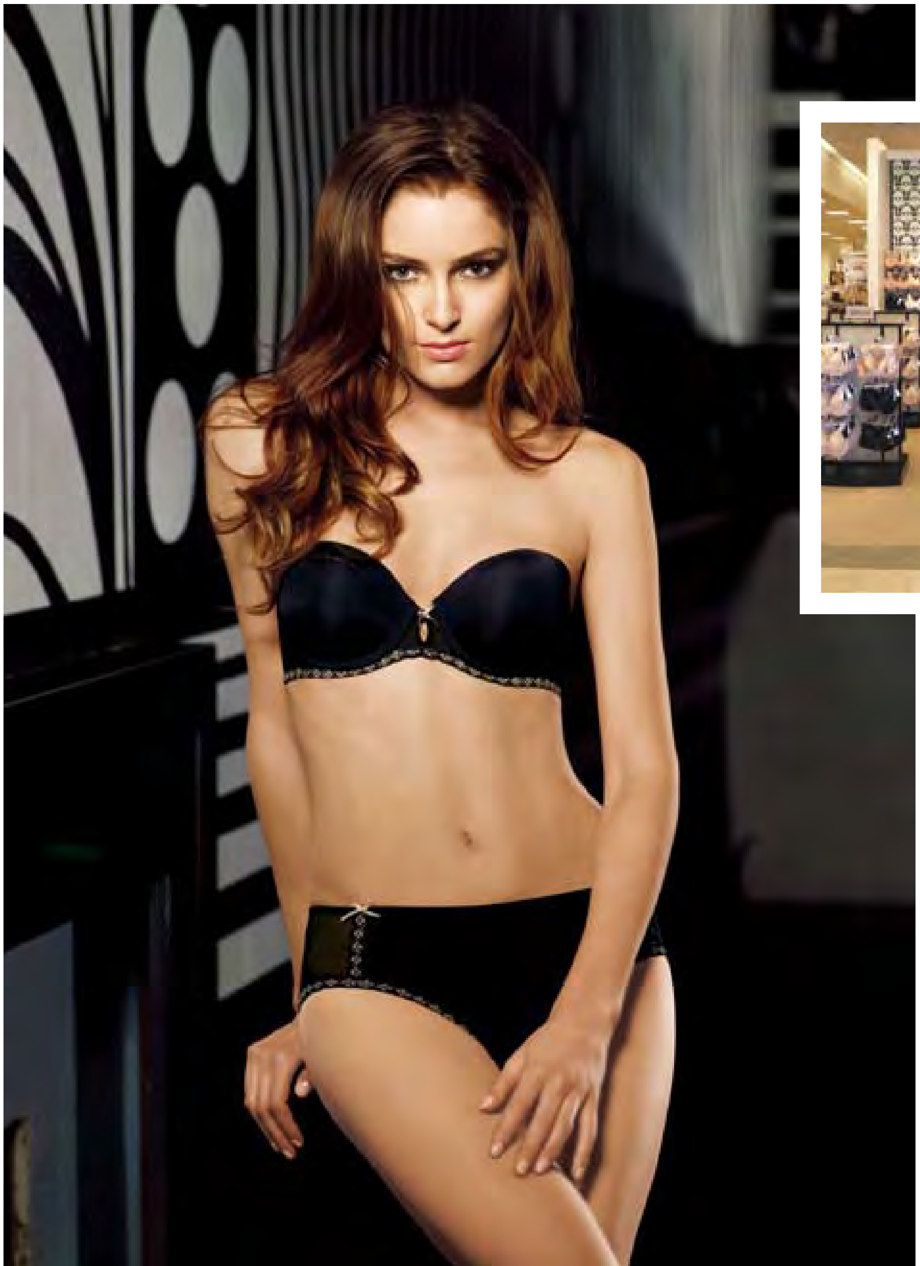
In China's thriving market, the Wacoal Group is ramping up the development of operations based on three brands: the mainstay *Wacoal* brand, *amphi* for young women, and the high-value-added brand *Salute*. In addition to accelerating wholesale operations focused on the department store channel, we are upping the pace of directly managed store openings. At the same time, we are actively pushing forward with promotional campaigns to raise *Wacoal* brand name recognition and grow sales. As part of this drive, we began featuring a famous Chinese actress, Li Xiao Ran, in advertising campaigns from August 2009.

Also, we are undertaking research to ensure Chinese women are satisfied with our innerwear. As in Japan, in China we established a research center, the Chinese Human Science Research Center, in 2002. This center measures Chinese women's physiques and checks wearing feel and product functionality by using trial-fitting monitors. The ability to develop products best suited to respective regions in this way is one of the Wacoal Group's unique strengths. With this in mind, we intend to continue collecting data on Chinese women in a wide range of regions, from the coast to the interior, in order to develop products ideally suited to Chinese women.

Growing Business Areas Overseas

U.S. OPERATIONS

In U.S. operations, the mainstay of overseas operations, the Wacoal Group brought to market two original brands to offset a decrease in sales following the cancellation of the contract for licensed products for DKI and DKNY designer brands. For high-end department stores, we introduced *Wacoal Luxe*, and we unveiled *b.tempt'd by Wacoal* as a sexy, fashionable brand. Among business partners and consumers, *b.tempt'd by Wacoal* is attracting considerable attention and acclaim, with more stores carrying the new brand than initially planned.



Evolving on Strengths

Message from the Management

"We will regain our ability to respond to changing market conditions and strengthen growing business areas even further."

Yoshikata Tsukamoto
Representative Director

Report on Business Results for the Fiscal Year

In the fiscal year under review, ended March 31, 2010, the Wacoal Group recorded year-on-year declines of 5.2% in net sales, to ¥163.3 billion; 62.4% in operating income, to ¥3.8 billion; and 51.7% in net income attributable to shareholders of the Company, to ¥2.5 billion.

In the fiscal year, conditions remained tough, despite signs of recovery from the downturn that began with the 2008 worldwide financial crisis. In Japan's retail sector, there was a strengthening of a tendency among consumers to favor lower priced products and spend carefully. As a result, the Wacoal Group's mainstay sales channels—department stores and general merchandising stores—saw very challenging business conditions continue unabated.

Faced with these business conditions, the Wacoal Group's mainstay operating company Wacoal Corp. led initiatives that concentrated on increasing product appeal even further and marketing products to meet consumer needs more accurately. However, due to an overall downturn in sales of women's innerwear, business conditions were severe. On the other hand, although not compensating for slumping sales of women's innerwear, men's innerwear and SPA (specialty store retailer of private label apparel) operations posted sales on the same level as those of the previous fiscal year. Moreover, growing consumer health awareness provided a following wind for the Wellness Business, which achieved a year-on-year increase in sales.

Overseas, operations improved profitability due to cost reductions and the absence of the previous fiscal year's losses related to the DKI and DKNY designer brands. Other positive developments included *b.tempt'd by Wacoal*, which outperformed initial sales targets after marketing at the beginning of 2009. As for China, we steadily grew market share among existing stores, mainly department store channels, by promoting three brands: our mainstay *Wacoal* brand, *amphi* targeting young women, and the high-value-added brand *Salute*.

Overview of the Previous Medium-Term Management Plan

The fiscal year marked the final year of our previous three-year Medium-Term Management Plan, which set out net sales of ¥180 billion and operating income of ¥15.3 billion as numerical targets for the fiscal year. Unfortunately, however, we fell short of these targets. Similarly, reaching the numerical targets of our CAP21 growth strategy for the current fiscal year is likely to be very challenging. Setting our sights on net sales of ¥200 billion and operating income of ¥18 billion, we began this growth strategy four years ago.

We did not reach our targets for three main reasons. First, the recent volatility of business conditions led to a significant slump in mainstay women's innerwear wholesale operations in Japan. Second, our operational structure was unable to respond fully to such changing business conditions. Third, our overseas operations, which should have driven growth, did not expand quickly enough.

Behind the first reason was the shrinking of the women's innerwear and men's innerwear segments in Japan's innerwear market. While high-end product sales are sluggish, high-volume markets are shifting toward low-priced products. In particular, the women's innerwear market is much smaller than it was a decade ago and is likely to become smaller still. This shrinking of markets was a major factor in the Group's lackluster performance.

The backdrop of the second reason was the diversification of the sales channel used by consumers today in recent years, as well as our existing sales channels undergoing dramatic structural change. The business results of business partners in our main sales channels—department stores, specialty stores, and general merchandising stores—are trending downward, with department stores seeing particularly marked decreases. Because Wacoal Corp. focuses on mid-to-high-end products, the department store channel accounts for a large share of its sales. Consequently, not only the downturn among department stores but also our inability to respond quickly to this change adversely affected business results.

Until now, we have developed new pillars of our business, such as the Wellness Business, men's innerwear operations, SPA operations, and Internet sales to counteract the downward trend in the women's innerwear market. However, these new businesses were unable to fully offset the economic slump. Nonetheless, our new businesses have reached a size where they can steadily contribute to business results. And, the outlook for these businesses is very promising. Looking at the Group as a whole, business development possibilities are multiplying. For example, we are steadily moving forward to increase points of contact with customers through such initiatives as making Peach John Co., Ltd., and Lecien Corporation wholly owned subsidiaries. Over the past three years, our efforts to expand operations in growing business areas have produced solid benefits. Further, we have almost finished building a structure for higher earnings by integrating the manufacturing operations of the *Wacoal* brand and the *Wing* brand. This initiative is enabling us to consolidate varieties and colors for each *Wacoal*-brand product, which lowers inventory loss and thereby reduces the cost of sales as a percentage of net sales. Going forward, however, I think we need to reform the women's innerwear wholesale operations in order to respond to changes in sales channels.

Behind the third reason was the strong growth of markets in emerging countries such as China, Brazil, Russia, and India. These countries have high-market potential. Another factor was the attempts to expand market shares in the U.S. and Europe. In this environment, expanding overseas operations was critical to our growth. The reason we did not meet targets was because we did not develop these operations rapidly enough. However, we did take a range of different measures to develop overseas operations. In mainstay U.S. operations, sales declined due to low consumer spending and the cancellation of a contract for licensed products for DKI and DKNY designer brands. However, we took steps toward building highly profitable operations by changing over to our original brand products, which have higher profit margins. A good example is our *b.tempt'd by Wacoal* brand, which debuted in January 2009 to a favorable reception. Also, in China we continued to grow market share by heightening the name recognition of three key brands through sales initiatives and stepped-up advertising.

Bearing in mind the many tasks and successes that efforts under the previous Medium-Term Management Plan have given us, we will steadily push forward with measures under the new Medium-Term Management Plan, which began from April 2010. Furthermore, in light of the progress of these measures and trends in business conditions, we will continue to seek new growth by pursuing our CAP21 growth strategy.

CORPORATE ACTIVATION PROJECT 21

A Summary of CAP21

CAP21 is an abbreviation of Corporate Activation Project 21. Under this growth strategy, we are reorganizing and strengthening existing operations while developing operations in business areas that promise growth. In these development efforts, rather than limiting ourselves to independent efforts, we actively seek M&As as well as capital and operational tie-ups.

NEW MEDIUM-TERM MANAGEMENT PLAN

A Summary of the New Medium-Term Management Plan

Period

April 2010–March 2013

Target corporate profile

Global Wacoal Group

Group strategies over three years

- Heighten the overall capabilities of the Wacoal Group through collaboration among Group companies to realize each company's strengths
- Secure and increase earnings
  Restructure operations focusing on innerwear wholesale operations
  Accelerate expansion in growing business areas at home and abroad
- Strengthen system for Groupwide management

Target corporate profile for 2013

- New revenue and earnings pillars established alongside existing innerwear wholesale operations
- Overseas operations such as those in the U.S. and China support growth
- Restructured innerwear wholesale operations see profitability improve
- System for Groupwide management further developed and strengthened
- Meeting corporate social responsibilities and compliance requirements

Numerical targets

For fiscal 2013, net sales of ¥190 billion and operating income of at least ¥8 billion

The main focuses of our new Medium-Term Management Plan, launched from April 2010, are improving our ability to respond to dramatic changes in market conditions while stepping up initiatives in growing business areas. In accordance with the above Group strategies, our efforts to regain responsiveness to market change will mainly involve realizing our overall capabilities as a corporate group and restructuring women's innerwear wholesale operations. During the previous Medium-Term Management Plan, we were unable to completely reflect sudden changes in market conditions due to the structure of our operations. As a result, revenues and earnings continued to decline, causing the Group to lose momentum. Given that the women's innerwear market is unlikely to grow in Japan, we must shift to an operational structure geared toward securing earnings. Vice president Hideo Kawanaka will explain these structural reform efforts in more detail later in this section.

Meanwhile, to add further impetus to efforts in growing business areas, we will accelerate the expansion of a range of initiatives that are already contributing earnings and thereby achieve further growth. Specifically, overseas operations will play a central role in supporting growth. In particular, we will focus on restoring growth in operations in the U.S., which is showing signs of economic recovery, and claiming a larger market share through our fast-growing operations in China. Our director responsible for international operations, Tadashi Yamamoto, will cover these initiatives in more detail later in this section.

However, I would like to first explain our strategies for growing business areas in Japan beyond our existing innerwear wholesale operations. In SPA operations, which are tasked with building new sales channels by developing directly managed stores, we intend to increase store openings while maintaining profitability. Over three years, we aim to increase total sales from direct retail operations 33%, from ¥150 billion for the fiscal year to ¥20 billion.

In the Wellness Business, which is developing the sports conditioning wear product *CW-X* and seeing sales grow favorably as a result, we will redouble business development efforts. Aiming to boost sales by one-third in three years, from ¥9 billion for the fiscal year to ¥12 billion, we will bring new products to market, enrich our existing product lineups, diversify sales channels through new store openings, raise name recognition through advertising, and increase overseas sales.

Another growing business area is men's innerwear. Since making a full-fledged entry into this market by introducing *Cross Walker*, our operations have been performing well. We intend to develop these operations vigorously in order to establish an unshakable position in the men's innerwear market. Plans call for a 25% rise in sales, from ¥4 billion for the fiscal year to ¥5 billion, by increasing the number of stores carrying our products, taking advantage of Internet sales, and launching new brands targeting senior customers.

At the same time, in existing women's innerwear wholesale operations we aim to secure our solid position as the company with the largest share of the market. To that end, based on its unique R&D, the Wacoal Group will develop high-quality products with advanced functionality so that it can offer products that truly have value for customers. Moreover, we will extend our market share by introducing products to low-price high-volume markets, a large area that we have not yet actively exploited. These efforts to win further market share will draw on the combined expertise of Peach John, which sells low-priced products for young women, and Lecien, which specializes in low-cost production for high-volume markets.

As we take these steps to increase profitability and strengthen our growth potential, I think we need to make sure of reaching the numerical targets we have set out for the three-year period. I hope that we can meet our new targets ahead of schedule and get back on a growth track.

Capital Measures and Returns to Shareholders

The Wacoal Group's basic financial policy is to pursue flexible capital measures based on a strong financial foundation and on ample cash flows. Accordingly, as part of efforts to strengthen profitability in growing business areas, we will actively invest in overseas operations. This investment will target returning U.S. operations to growth and raising brand name recognition through advertising and sales campaigns in China. In Japan, we will continue to invest in operations for which name recognition remains low, such as men's innerwear operations and the Wellness Business. Meanwhile, we must improve operations and reduce costs and expenses in order to increase efficiency and restore the wholesale channel's ability to respond to business condition changes.

Regarding M&As, so far we have implemented major mergers with Peach John and Lecien. Going forward, however, I want to include companies with which we can realize manufacturing synergies as a manufacturer in the innerwear industry in the scope of our M&A activities. Overseas, rather than developing operations independently, we intend to scrutinize potential local partners to find companies that are certain to facilitate operational expansion. Looking forward, based on a stable financial foundation, the Wacoal Group will make the investments needed to increase earnings.

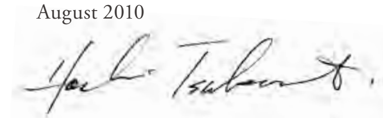
In relation to returns to shareholders, we view meeting the expectations of our shareholders by steadily increasing earnings to heighten enterprise value as an important management task, in accordance with our basic policy of paying stable dividends in light of consolidated business results. Regrettably, we had to reflect less favorable business results by lowering cash dividends to ¥20 per share for the fiscal year, a reduction of ¥5 from the previous fiscal year. Further, since 2001 we have purchased treasury stock as part of increasing returns to shareholders. In the fiscal year, we improved capital efficiency by purchasing 1,130,000 shares of treasury stock, bringing treasury stock purchased to a total of 21.3 million shares. As for retained earnings, while considering investment in new businesses and M&As, we will purchase treasury stock flexibly to improve capital efficiency and realize returns to our shareholders.

Outlook for the Current Fiscal Year

Emerging nations are driving recovery in economies worldwide. In Japan, however, the business climate remains harsh, and consumer spending will likely need more time to recover. Mindful of these trends and in accordance with its new Medium-Term Management Plan, the Wacoal Group will regain its ability to respond to changing conditions, restructure operations to ensure earnings, and strengthen measures in growing business areas. As a result, for the current fiscal year we expect to post increases of 5.3% in net sales, to ¥172.0 billion; 31.2% in operating income, to ¥5.0 billion, and 26.8% in net income attributable to shareholders of the Company, to ¥3.2 billion. This forecast assumes a foreign exchange rate of US$1=¥92, but foreign exchange rate fluctuations could significantly affect consolidated business results because U.S. operations account for a large share of Wacoal's consolidated revenues and earnings.

Our newly launched Medium-Term Management Plan sets out a Global Wacoal Group as a target corporate profile. However, this does not mean that our sole focus will be on building the presence of our overseas operations. We also intend to retain our leading position in Japan, our home market, by continuing to manufacture unique high-quality products with advanced functionality. Establishing an even more dominant position in Japan will heighten our brand equity and product recognition worldwide. This is the type of Global Wacoal Group we should seek. Also, the Wacoal Group's Human Science Research Center, which has conducted basic research on women's physiques for more than 40 years, is unique. None of our competitors have such an organization, which enables us to discover what customers see as offering real value and develop appealing products suited to the times. In accordance with our basic approach to manufacturing, which is also our basic management strategy, we will continue creating products loved by customers and developing products that meet the needs of the times in order to raise enterprise value. In closing, I would like to ask our shareholders and other investors for their continued understanding and support.

August 2010



Yoshikata Tsukamoto
Representative Director

Evolving on Strengths

Message from the Management

“The Wacoal Group will raise the productivity of each employee and ensure stable profitability.”

Hideo Kawanaka
Director and Vice President
(Business Restructuring and Peach John)

Restructuring Innerwear Wholesale Operations

I am very much aware that our core operations, women’s innerwear wholesale operations in Japan, are facing extremely challenging conditions. As our president Yoshikata Tsukamoto explained, restructuring these core operations is a priority task that we have to tackle quickly. My mission is to accelerate the business restructuring that we have carried out so far while implementing further restructuring decisively in order to improve our ability to respond to dramatic changes in market conditions as set out in our new Medium-Term Management Plan.

Initially, we will concentrate on putting a brake on a rapid decrease in profitability. Because the market is shrinking, women’s innerwear wholesale operations in Japan have little prospect of growing. Therefore, we have to change the structure of operations and earnings to suit the size of revenues. We need to realize a leaner structure that secures earnings even in the midst of a sales downturn. While continuing with existing initiatives to revise fixed costs and reduce expenses, we intend to move forward with such new reforms as increasing the productivity of each employee, reforming the profit structure in the department store channel, and deploying personnel with a view to improving productivity. Among these initiatives, I think that increasing the productivity of individual employees is a key strategy. If employees have the motivation to handle multiple roles, it will not only reduce costs but also give rise to synergies that will encourage new ideas.

In order to lead these efforts, we established a restructuring advancement project in April 2010. In its first three months, this project identified tasks, established strategies, and set out improvement targets, which we are trying to reach in one year. This is the first time we have set a time limit on such a project, but we are absolutely determined to meet these targets so that we can respond to volatile times and survive as a company.

Peach John’s Current Standing and Business Strategies

Popular among young women and young career women, Peach John recorded a 12% year-on-year decline in net sales, to ¥13.2 billion, for the fiscal year. In Japan, Peach John has its own sales channels centered on mail-order catalog sales and store sales. Recently, the methods customers use to order have rapidly shifted from telephone and fax to the Internet. Although we developed an IT infrastructure to increase customer convenience, Internet orders were lackluster, and consequently net sales decreased. I believe the main reason for this was a decline in product planning capabilities. With this in mind, we intend to reinforce product planning capabilities and take full advantage of our new IT infrastructure to provide young women and young career women with the very latest product information.

Further, we intend to increase the profitability of each store in order to secure earnings. Based on exacting assessments of the profitability of the 27 stores that Peach John operates primarily in the Tokyo metropolitan area as of August 31, 2010, we will implement a scrap-and-build program in order to create a network of stores that attracts even more customers. Overseas, plans call for establishing an operational platform in China and rapidly expanding operations. We have began to actively develop a store network while managing operations efficiently through collaboration with the operations of Wacoal Corp. in China. Our two stores in Hong Kong are seeing brisk sales, and store openings are slated for China in August 2010. By advancing these strategies, we aim to achieve net sales of ¥15.6 billion and operating income of ¥0.8 billion in three years time.

Evolving on Strengths

Message from the Management

"We will accelerate the development of overseas operations to make them a growth driver."

Tadashi Yamamoto
Director and Senior Corporate Officer
(General Manager of International Operations)

Aiming to Expand Overseas Operations Rapidly

Strengthening and expanding overseas operations has been an important facet of our growth strategy since the previous Medium-Term Management Plan. Because Japan's market is shrinking, overseas operations are key to growth. However, under the previous Medium-Term Management Plan, efforts to strengthen and expand overseas operations lacked speed. While the worldwide recession affected us, I think we did not progress sufficiently in brand loyalty penetration and other efforts to build a foundation from which to accelerate growth. Although the Wacoal Group markets products in 39 countries, market share worldwide remains low because often the Group sells products on a small scale through sales agencies. In response, we will expand overseas operations at a greater pace by strengthening operational platforms in the U.S. and China while laying foundations in new markets with considerable potential such as Germany, Brazil, and Russia through further brand loyalty penetration. As a result, we aim to increase overseas sales, including those of affiliates, ¥17.0 billion, to ¥69.0 billion, by fiscal 2013.

Operations in China and the U.S. Crucial to Growth

For the immediate future, China and the U.S. will be our priorities overseas. The rapid turnaround of the Chinese market after the business climate worsened testifies to its burgeoning potential. Furthermore, because the Wacoal Group's competence lies in high-quality products with advanced functionality, the growing affluence of the population along China's coastal areas is a major opportunity.

In China, initiatives focus on three brands with a view to catering to a broad range of customers. As well as the mainstay *Wacoal* brand, we are developing *amphi*, for young women, and the high-value-added brand *Salute*. During the fiscal year, we increased their name recognition in China by mounting advertising campaigns on a larger scale. Consequently, our share of sales increased steadily at existing stores centered on the department store channel, comprising 333 stores at the end of the fiscal year. We will continue raising name recognition while increasing the number of stores carrying our products, in coastal areas and inland areas of northeastern China. Also, over three years we plan to open 23 directly managed stores, including factory outlets, giving us 25 stores. Further, to increase points of contact with customers, we began sales through a major Internet shopping site, Taobao, from February 2010. Through such efforts, we aim to realize growth in step with the expansion of China's market and, in three years, grow sales 150%, to ¥10.0 billion.

In the U.S., accounting for the largest portion of overseas earnings, our priority is to raise growth and earnings. During the fiscal year, we raised the name recognition of a new original brand introduced in response to the cancellation of the contract for licensed products for DKI and DKNY designer brands. As a sexy and fashionable brand, *b.tempt'd by Wacoal* has earned strong endorsement from business partners and consumers. In the fiscal year, about half the number of stores carried this new brand compared with the number that carried DKI and DKNY designer brands. However, by raising this number close to the level achieved for DKI and DKNY, we plan to increase sales and brand loyalty in the current fiscal year. Further, we will use U.S. operations to launch the new brand in Canada, Mexico, and Brazil. Although still far from the sales levels of DKI and DKNY products, we look forward to improved profitability because *b.tempt'd by Wacoal* is an in-house brand. Also, we plan to market Shapewear, a women's undergarment with corrective functionality—an area in which we have long-standing expertise. Further, U.S. operations will increase points of contact with customers by launching an Internet sales web site in August 2010. Our goals are to return U.S. operations to growth and increase sales 25%, to ¥13.0 billion, by fiscal 2013.

Aiming for Sustainable Growth

The Wacoal Group's Management Philosophy and Corporate Social Responsibility

Seeking to "contribute to society by helping women to express their beauty," the Wacoal Group has sought to improve women's lifestyles through its innerwear business since its foundation. While constantly monitoring changes in women's values and sense of beauty, we have pursued manufacturing that realizes the essence of timeless beauty. In these efforts, our basic management strategy has been to focus on customer feedback in order to continue creating products loved by customers and develop new products that meet the needs of the times.

Further, *mutual trust* is a key facet of our vision and our management philosophy. This ideal began with the absolute trust managers place in employees, which became expressed as *mutual trust* between the Company and its workforce. Today, our business management values *mutual trust* in a broad range of relationships with society, including relationships with customers, business partners, local communities, and shareholders.

No matter what the era, as it advances business initiatives the Wacoal Group will never forget to consider and benefit society. Building *mutual trust* with society is the goal of the Wacoal Group's corporate social responsibility activities.

Our Mission

We will contribute to society by helping women to express their beauty.

Our Vision

We, the employees and management of Wacoal, will maintain a refined corporate culture based on mutual trust and will continually strive to make the Company a global leader in the industry.

Our Values

1. Create products loved by customers.
2. Develop new products that meet the needs of the times.
3. Conduct business in a fair manner with a forward focus.
4. Build a better Wacoal through better human resources.
5. Fear not failure and boast not of success.

The Aio mobile breast cancer screening unit

SOCIAL CONTRIBUTION

In a variety of ways, the social contribution activities of the Wacoal Group are *helping women to express their beauty* in accordance with its Mission.
The criteria for the Wacoal Group's social contribution activities are that they must enable many women to lead more healthy and active lifestyles, they must be something that the Wacoal Group is uniquely qualified to do, and they must be socially significant. By conscientiously continuing such activities, we deepen our relationships with women and society at large and increase recognition for the value of the role we play.

Wacoal Breast Care Activities

Aiming to facilitate the early diagnosis and treatment of breast cancer and other breast diseases, we conduct the activities summarized below. Furthermore, the Wacoal Group plans to advance these activities throughout the Group and overseas.

• Pink Ribbon Activities

Pink Ribbon activities involve awareness campaigns that promote the early diagnosis and treatment of breast cancer worldwide. As an innerwear manufacturer, the Wacoal Group makes unique contributions to Pink Ribbon activities. In these efforts our goals are to help as many women as possible that suffer due to breast cancer and protect women's health through the early diagnosis of breast cancer.

For example, we increase awareness through the Pink Ribbon Fitting Campaign. In this campaign, held for one month every October, we donate ¥10 to the Japan Cancer Society's "breast cancer eradication smile fund" for every brassiere customers try on at stores. Moreover, since 2005 we have operated a system whereby shareholders are able to make contributions to this fund equivalent to a part of the Wacoal essence check gift certificates provided as a shareholder benefit. Wacoal matches the amount of these contributions with its own contributions to the fund.

Also, our support extends overseas. Wacoal Group companies in 12 countries and regions, including the U.S., China, and Southeast Asia, support Pink Ribbon activities in light of regional needs, and these efforts are producing benefits.

www.wacoalholdings.jp/community_e/environment.html

• Breast Cancer Screening Support Project

We began the Breast Cancer Screening Support Project in October 2009. Through this project we hope to help as many women as possible undergo breast cancer screening. To that end, and as a company empathetic to women, the Wacoal Group purchased a new mobile breast cancer screening unit. As an expression of our compassion for women, we named the mobile unit Aio, which means "with love" in Japanese. The Aio mobile breast cancer screening unit is traveling all over Japan to give more women easy access to breast cancer screening.

Remamma products

Spark Angels

• Remamma

The Wacoal Group has developed an original range of Remamma products for women who have undergone operations for breast cancer. We began manufacturing these products in 1974 with the aim of restoring smiles and attractive bodylines to women who have suffered from breast cancer.

Through consultation with physicians and rehabilitation specialists as well as many years of in-house research, the Wacoal Group has developed the Remamma product range, which includes natural-feeling pads through to stylish innerwear and bathing suits. To date, more than 180,000 women have used these products. Customers can consult with us and purchase Remamma products at five Remamma Room stores around Japan. Further, we provide these products through the Remamma website and at Consultation and Fitting Sessions held annually in various regions.

Although we run Remamma as a business, we view it as a "social" business that does not put profit first and which we are uniquely qualified to operate as a women's innerwear manufacturer.

www.wacoalholdings.jp/community_e/environment.html

Tsubomi School

The Wacoal Group conducts Tsubomi School innerwear classes nationwide for girls, from the fourth year of elementary school through the second year of junior high school, and their guardians. Tsubomi School programs seek to alleviate the uncertainty and insecurity that is common among adolescent girls due to dramatic physical change by promoting understanding of physical development and innerwear. Also, Tsubomi School programs use the results of research by the Wacoal Group's Human Science Research Center on the maturing process of children.

Our personnel visit regional children's associations, girl scouts groups, and schools to provide instruction on the differences between adults and children and the correct way to select and use innerwear based on stages of maturity. Because guardians and children study together, the programs provide a chance for them to discuss physical changes and innerwear at home. Held with the cooperation of the National Federation of Kodomo-kai, Tsubomi School programs have instructed more than 20,000 participants since October 2001.

www.wacoalholdings.jp/community_e/environment.html

Sports Activities

The Wacoal Group actively promotes women's sports. We formed the Spark Angels women's track team with a view to enabling each athlete to realize her abilities and thereby show the beauty of women taking part in sport and competing energetically and positively.

Since we established Spark Angels more than 20 years ago, the team has built an impressive record, with several individual athletes participating in the Olympics and numerous other track and field events at home and abroad. As well as qualifying for the recent Beijing Olympics, team member Kayoko Fukushi represented Japan at four consecutive events through to the World Championships in Athletics in 2009.

Through such activities, the Wacoal Group wants to give greater exposure to the joy of sports and the beauty of women who take part in them. At the Wacoal Group, we want to remain a company that helps women do their best.

www.wacoalholdings.jp/community_e/culture.html

Nyubou Bunka Kenkyukai

The Wacoal Group is a long-time supporter of the Nyubou Bunka Kenkyukai, established in 1991. This organization gathers specialists from a wide range of fields, including medicine, biology, and other sciences as well as sociology and the humanities, who address physical and psychological issues associated with women in relation to the breast. Since its establishment, the organization has continued to deepen understanding of the significance of women in society through discussions and exchanges of information on research findings and academic insights.

www.wacoal.jp/company/nyubou-bunka/index.html

"Luxury in Fashion Reconsidered"
©The Kyoto Costume Institute, photo by Naoya Hatakeyama

CULTURAL ACTIVITIES

Contributing to the spread and development of Japan's Western fashion culture for women through its innerwear operations, the Wacoal Group is engaged in a variety of cultural activities that have a particular emphasis on the themes of fashion and art. We are involved in these activities because we want to go beyond the area of innerwear products and contribute to culture and lifestyles as they relate to women.

The Kyoto Costume Institute

We established the Kyoto Costume Institute in order to specialize in the collection, research, preservation, and display of historical Western garments and explore the future of costume culture. Established with the all-round support from the Wacoal Group in 1978, the institute has continued its activities for more than three decades.

Centered on garments with historical value, the institute's collection of more than 30,000 items includes documents of cultural interest, posters, and fashion plates. Using unique painstaking preservation methods, we preserve delicate, easily damaged fibers, such as those of medieval garments. Further, museums and art galleries in Paris, New York, Los Angeles, and other cities around the world have invited the institute to exhibit the results of its research. As a result, these exhibitions enable international cultural exchanges in regions worldwide.

Recent activities include holding the "Luxury in Fashion Reconsidered" exhibition at the National Museum of Modern Art, Kyoto and the Museum of Contemporary Art Tokyo in 2009. Themed on the changing relationship between luxury and fashion in different societies from the 17th century through to the present day, the exhibition attracted a large number of visitors.

www.kci.or.jp/

Japanese Painting Exhibition

In the 1980s, Wacoal Corp., now under the umbrella of Wacoal Holdings Corp., and Kyocera Corporation established an exhibition to promote international exchanges not only in business but also in the Arts. The result was the Modern Japanese Painting Exhibition, which toured five countries and seven cities worldwide, including London and Paris, from February 1985 through November 1986. As a retrospective of this exhibition, the recently held Japanese Painting Exhibition showed one work from 45 of the 48 artists featured. Further, Wacoal Holdings Corp. and Kyocera Corporation held the exhibition at the Museum of Kyoto in 2009 to commemorate their respective 60th and 50th anniversaries and express their gratitude to society. The 21st century has been characterized by the rapid emergence of new forms of culture, vigorous business powers, and the swift globalization of information. Amidst this environment, the aesthetic value of Japanese culture is being revaluated within Japan. In this exhibit, masterpieces by 45 artists representative of Japanese painting, stepping out of the bounds of their individual circles, have gathered together in one place. This has allowed a great number of people to reconfirm the beauty of these works. Through these efforts, we are contributing to the further advancement of Japanese culture in Kyoto, and throughout the rest of Japan.

The SPIRAL Building

The Wacoal Group established the SPIRAL building in 1985 in Aoyama, Tokyo, as a multipurpose cultural facility that combines art and everyday life. Part of the facility, the Spiral Hall hosts a diverse spectrum of events, including theater, music concerts, and other kinds of performance as well as symposiums and art exhibitions. Also, the facility provides space for young artists to exhibit and perform and organizes a variety of cultural projects.

The SPIRAL building attracts attention from many different quarters as a place where visitors can experience a complete fusion of art and everyday life and as a source and focal point for cultural trends. In keeping with its mission, the facility includes a contemporary art gallery, a home furnishing retail store, a CD/DVD store, a cafe, a restaurant, and a hairdresser's salon. Through the cultural projects at the SPIRAL building, the Wacoal Group intends to continue providing society at large with ideas for incorporating art into everyday life.

www.spiral.co.jp/e_language/index.html

PERSONNEL DEVELOPMENT

The personnel of the Wacoal Group are one of its most important assets. Mindful of this, the Group works to deepen trust with employees, create workplace environments that enable all employees to work with vigor and with a sense of fulfillment, and develop systems for developing and optimally utilizing personnel. In addition to respecting human rights and individuality as a matter of course, we are taking steps to diversify our workforce and help employees balance professional and family commitments.

Diversity Management

Striving to create fair workplaces that respect personnel diversity, Wacoal Group companies around the world employ a wide range of people regardless of their race, gender, age group, or whether or not they have disabilities.

In Japan, women account for approximately 86% of the workforce of Wacoal Corp., but they occupy less than 15% of management positions. To rectify this imbalance, we offer a range of personnel development programs to help ambitious female employees advance their careers. Further, we currently employ 100 individuals with disabilities, which also meets the 1.8% minimum employment rate required of private sector companies. However, our efforts in this regard do not simply involve securing a fixed number of employees, we are creating barrier-free offices in order to make it easier for our disabled employees to work.

Overseas, as well as hiring employees locally in the regions where we operate, we try to build long-term partnerships with employees by promoting local employees to executive positions and developing personnel measures that reflect respect for local customs, culture, and religion.

Balance between Professional and Family Commitments

Because we have many female employees, we are improving and extending a range of programs that support employees simultaneously fulfilling important roles at work and at home. These include maternity and childcare leave programs and a leave system for employees caring for or nursing family members.

Meanwhile, our employees have independently established a support group for working women with children, the WACWAC Mothers' Group, and we support the initiatives of this group. The group helps communication about a broad range of topics. As well as enabling exchanges of a variety of information about childbirth and child-rearing, it puts forward ideas relating to such issues as combining work and other aspects of life or creating employee-friendly workplaces.

Personnel Development

In order to foster the kind of self-starting personnel that will contribute to the future continued development of the Wacoal Group, the Group conducts training programs based on the employee's work history and current position, such as the Leader Development Training and Career Training programs. We also have a self-education support system that assists employees' independent efforts to develop abilities in line with their career plans. In addition, we have a variety of awards designed to further heighten employee motivation.

Bra recycle bag

ENVIRONMENTAL MANAGEMENT

In order to protect the global environment, the Wacoal Group takes measures to reduce environmental burden at all stages of its operations, from design and materials development through production, transportation, sales, and collection. In accordance with our environmental policy, we prepare a medium-term environmental action plan every three years and conduct environmental management initiatives to reach the plan's targets. Also, the Wacoal Group is working to raise the overall level of its environmental efforts by using an environmental management system.

Reduction of Environmental Burden

At the Wacoal Group factories producing such innerwear products as brassieres, girdles, and bodices, the largest environmental burden stems from cutting wastage from polyester, nylon, and other textile materials. At the design stage, we use CAD to reduce cutting wastage. Nevertheless, about 40% of materials end up as cutting wastage, which accounts for around 40% of the total waste factories generate. To resolve this problem, Kyushu Wacoal Manufacturing Corp., which operates our main factory, uses thermal recycling to create recycled plastic fuel (RPF), which a paper manufacturing company uses. Thanks to such initiatives, the waste recycle rate of the Wacoal Group's 14 operating bases in Japan rose to 89% in 2009.

Other initiatives to reduce the environmental burden of operations include measures to reduce CO_2 emissions associated with transportation. In these efforts, we are moving forward with plans to increase the use of trains instead of trucks for shipping products from factories, and we are consolidating distribution centers to build a more efficient distribution network. Through a range of such initiatives, Wacoal Corp. reduced its CO_2 emissions 6% year on year in Japan for 2009.

Strengthened Development of Eco Products

The Wacoal Group engages in environment-friendly product development. For example, developing innerwear that helps maintain body temperature contributes to society's energy-saving efforts, while encouraging the use of recycled fabric or synthetic fabric made from plants helps resource recycling.

As a result of these measures, eco products are generating a larger share of sales every year. In the fiscal year, they accounted for approximately 60% of sales.

Brassiere Recycling Campaign

We began the Brassiere Recycling Campaign after a survey revealed that many women are reluctant to discard as garbage brassieres that they no longer wear. In this initiative, customers put brassieres they no longer need in specially designed collection bags and bring them to stores. The collected brassieres are processed into RPF, which a paper manufacturer uses.

During our 2009 Brassiere Recycling Campaign, lasting roughly two months from February 12 to April 22, 800 stores collected approximately 13,000 brassieres. These were converted into 5,180 kg of recycled plastic fuel. Collecting the unneeded innerwear of customers is an important responsibility of the Wacoal Group as a manufacturer. At the same time, such initiatives are an important part of our environmental preservation activities. This particular initiative is spreading beyond Japan to countries worldwide, with Group company Taiwan Wacoal Co., Ltd., advancing a similar project.

CORPORATE GOVERNANCE

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

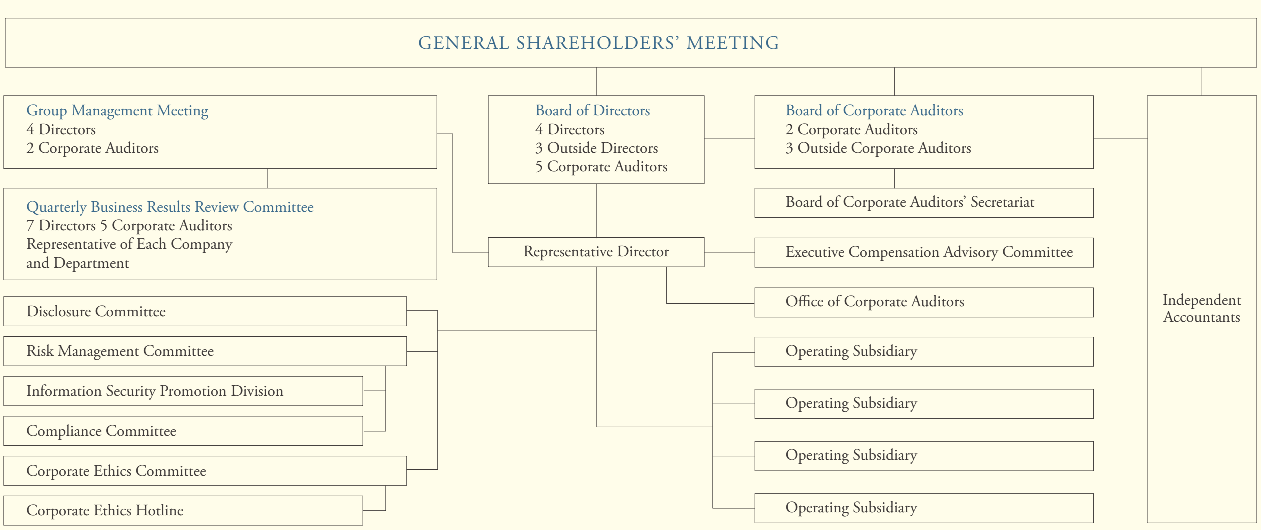
Management Philosophy and Corporate Governance

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

Regarding our progress in developing corporate governance systems, in 2002 the Company introduced a corporate officer system to clarify responsibility for operational implementation, speed up decision making, and strengthen the monitoring functions of the Board of Directors. In 2003, Wacoal established the Disclosure Committee in order to ensure the accuracy of the financial and other information made available to the public. Further, in 2005 we elected outside directors to ensure management decisions are balanced and not made solely by directors. Meanwhile, in October 2005 we transferred to a holding company system in order to realize a more effective management system that enables strategic decision making and optimal resource deployment for Group companies overall while clarifying responsibility and authority and allowing flexible operations at operating subsidiaries.

Corporate Governance Structure

As of June 29, 2010



Corporate Governance System

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

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

Also, the Group has established the Group Management Meeting, which comprises directors and corporate auditors. The meeting considers Group management strategy and other important management issues and conducts prior deliberation of matters for consideration by the Board of Directors. Including outside directors, the Executive Compensation Advisory Committee develops proposals for the appointment, promotion, and compensation of executives and contributes to the realization of highly transparent and equitable business management.

Disclosure Policy

The Group has established the Disclosure Committee in order to ensure the accuracy of financial and other information issued by the Group. This committee checks the propriety of the Group's internal controls and disclosure based on Section 302 of the U.S. Sarbanes-Oxley Act with respect to 20-F annual reports filed with the U.S. Securities and Exchange Commission and other financial reports submitted by the representative director and directors responsible for financial matters. In addition, the committee checks the accuracy of disclosed information. The representative director and the directors responsible for financial matters prepare written oaths based on the reports that the committee has verified.

Attendance of Outside Directors at Meetings of the Board of Directors

April 2009–March 2010

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

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

April 2009–March 2010

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

Limited Liability Agreements Concluded with Outside Directors and Outside Corporate Auditors

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

Requirements for Resolutions Electing Directors

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

Determination of Dividends from Retained Earnings

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

Compensation of Executives

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

Compliance System

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

Risk Management System

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

Performance of Duties by Directors

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

Group Management Systems of the Wacoal Group

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

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

After the Group's June 2006 ordinary general shareholders' meeting passed a resolution authorizing the adoption of a basic policy on measures against the acquisition of a substantial shareholding of the Group, the Board of Directors decided upon specific countermeasures reflecting that basic policy. Further, the June 2009 ordinary general shareholders' meeting renewed this policy. In principle, the Group does not oppose the acquisition of large shareholdings that contribute to the enhancement of the enterprise value and shareholders' common interests. The Group's defensive measures against takeovers, or peacetime takeover defensive measures, include providing advance warning that there are procedures prospective purchasers of the Group's shares must follow and that a gratis allocation of acquisition rights for the subscription of new shares with discriminatory treatment for the exercise of such rights may be implemented. In addition, the Group has established the Independent Committee to ensure that initiations of defensive measures against takeovers are based on substantive, objective decisions and not based on arbitrary decisions by the Board of Directors. For further details, please refer to the Group's web site.

www.wacoalholdings.jp/ir_e/news.html

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Wacoal Holdings Corp. and Subsidiaries

As of June 29, 2010

Representative Director

Yoshikata Tsukamoto
Representative Director,
President and Corporate Officer,
Wacoal Corp.

Director and Vice President

Hideo Kawanaka
Director, Vice President and Corporate Officer,
Wacoal Corp., In charge of Business Restructuring,
Sales Control Department and Peach John Support

Directors

Tadashi Yamamoto
Director and Senior Corporate
Officer, Wacoal Corp.,
General Manager of International
Operations

Ikuo Otani
Director and Corporate Officer,
Supervisor of Accounting, Wacoal Corp.

Mamoru Ozaki
(Outside Director)
Advisor, Yazaki Sogyo Corporation,
Outside Director, Fujikyuko Co., Ltd.,
Outside Director, Kikkoman
Corporation

Morio Ikeda
(Outside Director)
Adviser, Shiseido Company, Limited
Chairman of the Board of Trustees and
Chancellor of Toyo Eiwa Jogakuin,
Chairman of Public Interest Corporation
Commission, Outside Director of
Asahi Kasei Corporation, Outside
Director of Isetan Mitsukoshi Holdings,
Outside Director of Tokyo Metropolitan
Television Broadcasting Corp.

Atsushi Horiba
(Outside Director)
Representative Director and
Chairman and President,
HORIBA, Ltd.

Corporate Auditors

Kimiaki Shiraishi
(Standing Corporate Auditor)

Yoshio Kawashima
(Standing Corporate Auditor)

Akira Katayanagi
(Outside Corporate Auditor)
Representative Director and Chairman,
Mitsubishi UFJ NICOS Co., Ltd.
Outside Statutory Auditor, Hyakujushi Bank, Ltd.

Tomoharu Kuda
(Outside Corporate Auditor)
Certified Public Accountant

Yoko Takemura
(Outside Corporate Auditor)
Partner at Miyake Imai Ikeda law firm, Lawyer

Message from an Outside Director

Mamoru Ozaki, Outside Director

Based on 44 years of experience working as a public servant and in government institutions, I fulfill my managerial oversight responsibilities from a slightly removed perspective. I consider corporate compliance, social responsibility, consumer protection, macro-economics, and trends in principal overseas countries. I believe that Wacoal's corporate governance systems can effectively respond to changing times. I am particularly impressed with the overall approach to corporate management, the adaptability of internal systems to a management environment in which laws and other systems change rapidly, and the establishment and updating of internal policies. However, it is important to deepen understanding of corporate governance systems and continue growing the Company.

As the population declines, consumer spending in Japan is rapidly approaching its upper limit. Without growth in consumer spending, companies will have to fight for market share. While this is important for a competitive society, it narrows business perspectives. The Wacoal Group must view the market from a global perspective, and make the *Wacoal* brand recognized worldwide. Wacoal will tirelessly pursue the two goals of leading fashion trends and creating eternal beauty. Bearing these factors in mind, I ask shareholders and other investors for continued support of the Company from a long-term rather than a short-term perspective.

Message from an Outside Director

Yoko Takemura, Outside Corporate Auditor

I have worked with Wacoal for 15 years as a legal advisor, plus 5 years as a corporate auditor. As part of my oversight responsibilities, I focus particular attention on any legal issues that may arise during the execution of business activities. I believe that it is the responsibility of the corporate auditors to make objective judgments while taking into consideration the direction of the Company, and offering advice and opinions accordingly.

Since its founding, Wacoal has operated based on the vision of establishing a refined corporate culture based on *mutual trust*. Even before society began to focus on CSR activities, Wacoal had been placing importance on social contribution, compliance, and corporate governance. Going forward, additions to the current corporate governance system may become necessary to respond to advances in information systems technology and changes in social trends. However, as long as Wacoal does not forget its vision, its corporate governance system will naturally maintain its effectiveness.

I believe the fact that Wacoal continues to implement management based on its vision of establishing a refined corporate culture based on mutual trust is something worthy of the trust of its shareholders and other investors. In order to maintain this approach to management, Wacoal must continue to walk down the path of proper business.

ELEVEN-YEAR FINANCIAL SUMMARY

Wacoal Holdings Corp. and Subsidiaries

Years ended March 31 (millions of yen, except per share amounts)	**2010**	2009	2008
For the year			
Net sales	**¥163,297**	¥172,276	¥165,761
Cost of sales	**79,953**	84,686	83,127
% of net sales	**49.0%**	49.2%	50.1%
Selling, general and administrative expenses	**78,392**	77,399	69,245
Loss (gain) on sale or disposal of property, plant and equipment	**25**	33	(184)
Impairment charges on long-lived assets	**23**	29	33
Government subsidy			
Special retirement related expenses			
Total selling, general and administrative expenses	**78,511**	77,461	69,094
% of net sales	**48.1%**	45.0%	41.7%
Operating income	**3,810**	10,129	13,540
Other income and expenses, net	**(733)**	(2,701)	588
Net interest income (expense)	**46**	199	225
Income before income taxes, equity in net income (loss) of affiliated companies and minority interests	**3,123**	7,627	14,353
Income taxes	**1,574**	3,213	5,853
Net income attributable to shareholders of the Company	**2,524**	5,230	4,966
Return on assets	**1.2%**	2.3%	2.1%
Return on equity	**1.5%**	3.0%	2.6%
Net cash provided by operating activities	**9,449**	8,168	14,225
Net cash (used in) provided by investing activities	**(2,698)**	(4,714)	3,590
Net cash (used in) provided by financing activities	**(5,438)**	(7,448)	(9,400)
Depreciation and amortization	**4,807**	4,546	3,908
Capital expenditures	**3,998**	2,362	1,211
Per share of common stock (in yen)			
Net income attributable to shareholders of the Company	**¥ 17.86**	¥36.75	¥35.14
Cash dividends	**20.00**	25.00	25.00
Shareholders' equity	**1,216**	1,181	1,291
At year-end			
Total current assets	**¥ 89,933**	¥ 90,619	¥ 98,845
Total current liabilities	**35,683**	31,943	36,010
Cash and cash equivalents	**24,317**	22,939	28,043
Net property, plant and equipment	**51,820**	49,039	51,548
Total assets	**223,387**	213,486	241,619
Short-term bank loans and long-term debt, including current portion	**8,129**	5,302	5,701
Total shareholders' equity	**171,630**	165,873	185,113

2007	2006	2005	2004	2003	2002	2001	2000
¥166,410	¥164,122	¥160,968	¥163,155	¥163,709	¥162,829	¥162,023	¥165,937
84,658	84,322	84,041	84,638	85,306	86,567	87,493	89,290
50.9%	51.4%	52.2%	51.9%	52.1%	53.2%	54.0%	53.8%
68,831	69,720	72,128	72,472	70,440	68,336	64,831	66,004
25	612	133	455	143	740	75	(474)
	614		2,574	556			
		(7,100)					
	7,521						
68,856	78,467	65,161	75,501	71,139	69,076	64,906	65,530
41.4%	47.8%	40.5%	46.3%	43.5%	42.4%	40.1%	39.5%
12,896	1,333	11,766	3,016	7,264	7,186	9,624	11,117
861	1,976	206	1,404	(2,800)	310	10,443	338
163	157	107	112	140	117	62	(54)
13,920	3,466	12,079	4,532	4,604	7,613	20,129	11,401
6,502	1,459	5,800	2,520	2,487	3,785	9,058	4,961
9,029	2,821	6,790	2,902	2,898	4,983	10,889	7,254
3.7%	1.2%	3.0%	1.3%	1.3%	2.2%	4.6%	3.1%
4.8%	1.6%	3.9%	1.8%	1.8%	2.9%	6.3%	4.2%
9,339	719	2,045	5,201	7,858	8,653	11,480	8,451
(1,185)	(2,069)	(5,528)	1,328	(9,839)	(9,412)	(13,686)	(9,624)
(8,404)	(3,428)	296	(6,138)	(6,006)	(5,472)	(6,478)	(2,611)
3,735	3,433	3,312	3,081	2,971	3,533	3,265	3,157
2,536	6,456	5,418	2,338	2,104	2,484	1,182	7,757
¥63.18	¥19.60	¥47.17	¥19.85	¥19.48	¥33.22	¥71.17	¥47.07
22.00	20.00	20.00	15.00	13.50	13.50	16.50	13.50
1,375	1,296	1,221	1,186	1,097	1,128	1,142	1,127
¥ 92,915	¥110,773	¥120,300	¥123,045	¥124,486	¥127,390	¥129,508	¥127,734
34,868	35,525	34,970	33,899	33,576	37,095	41,449	38,490
19,816	19,893	24,195	27,443	27,246	35,381	41,196	49,889
52,782	53,501	51,826	49,932	54,171	57,291	58,644	59,990
250,266	242,296	226,196	224,803	218,105	223,985	232,262	237,721
5,984	6,458	6,911	4,450	6,301	8,079	8,865	9,658
193,278	186,475	175,746	170,758	160,839	168,205	172,558	173,612

MANAGEMENT'S DISCUSSION AND ANALYSIS

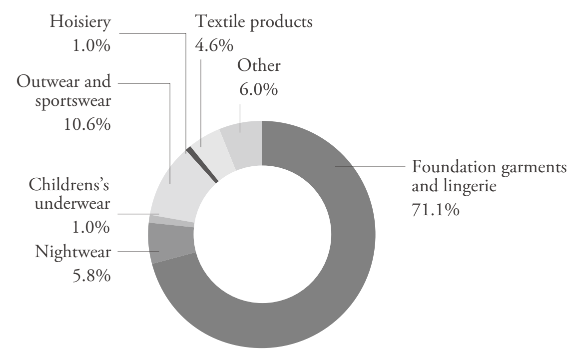
Wacoal Holdings Corp. and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

Financial information contained in this section is based on the consolidated financial statements included in this annual report, which have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The Wacoal Group consists of 1 holding company (the Company), 47 consolidated subsidiaries and 9 equity-method affiliates.

The Wacoal Group is engaged in the manufacturing, wholesaling, and – for certain products – retailing of women's foundation garments and lingerie, nightwear, children's underwear, outerwear and sportswear, hosiery and other textile products. Other operations include restaurant businesses, cultural and service-related operations, and the construction of interiors for commercial premises.

Share of Net Sales

2010



OVERVIEW

We are the leading designer, manufacturer and marketer of women's intimate apparel in Japan, with the largest share of the Japanese market for foundation garments and lingerie. We also sell our foundation garments and lingerie products in several overseas markets. Sales of foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips and women's briefs) accounted for approximately 71.0% of our consolidated net sales for fiscal 2010. Our outerwear and sportswear product category has been the most successful of our product categories over the last three fiscal years, as net sales grew consistently from ¥8,920 million for fiscal 2008, or 5.4% of out total net sales, to ¥17,241 million for fiscal 2010, or 10.6% of our total net sales. We also design, manufacture and sell nightwear, children's underwear, hosiery and other apparel and textile products, and engage in several business lines that are ancillary to our core apparel business.

Revenues

We principally generate revenues from sales of innerwear (consisting of foundation garments and lingerie, nightwear and children's underwear), outerwear and sportswear, hosiery, textile products and other products.

The following table sets forth information with respect to our net sales by category of products for fiscal 2010, 2009 and 2008:

For fiscal 2010, approximately 86% of the sales of Wacoal Corp. (the net sales of which account for approximately 64% of our consolidated sales) were apparel sales made on a wholesale basis to department stores, general merchandisers and other general retailers, and approximately 12% were apparel sales made through our own specialty retail stores, catalog sales and the Internet. Sales from our other businesses (which include store and home design services, restaurant businesses, cultural products and other services) comprised the remaining 2% of Wacoal Corp.'s sales for fiscal 2010.

Over the past five fiscal years, fluctuations in our sales have typically reflected changes in unit volume, as average unit prices have generally remained stable during this period.

Cost of Sales

Our cost of sales arises principally from material and manufacturing costs related to the production of our apparel products.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses principally consist of employee compensation and benefit expenses and promotional expenses, such as advertising costs. Other selling, general and administrative expenses include shipment costs, payment fees (including outsourcing payments) and rental payments for our specialty retail stores. Our selling, general and administrative expenses do not include any impairment charges on long-lived assets or any gains or losses on the sale or disposal of property, plant and equipment. However, these expenses are included in operating costs and expenses and thus impact our operating income.

Net Sales (and Percentage) by Product Category

Millions of Yen

	2010		2009		2008	
Innerwear						
Foundation Garments and Lingerie	**¥116,068**	**71.0%**	¥123,368	71.6%	¥123,460	74.4%
Nightwear	**9,438**	**5.8**	11,019	6.4	10,611	6.4
Children's Underwear	**1,608**	**1.0**	1,950	1.1	1,953	1.2
Total Innerwear	**127,114**	**77.8**	136,337	79.1	136,024	82.0
Outerwear and Sportswear	**17,241**	**10.6**	15,498	9.0	8,920	5.4
Hosiery	**1,701**	**1.0**	1,657	1.0	1,803	1.1
Textile Products	**7,462**	**4.6**	6,270	3.6	3,963	2.4
Other	**9,779**	**6.0**	12,514	7.3	15,051	9.1
Total	**¥163,297**	**100.0%**	¥172,276	100.0%	¥165,761	100.0%

Income Tax Expenses

Our income tax expenses depend on our taxable income, applicable statutory tax rates and the proportion of current and deferred income taxes. Our effective tax rate depends on a range of factors, including applicable statutory tax rates, permanently non-deductible expenses, unrecognized tax benefits, any valuation allowance with respect to tax loss carryforwards and tax exemptions. The effective tax rate was 50.4% for fiscal 2010, 42.1% for fiscal 2009 and 40.8% for fiscal 2008.

KEY INDUSTRY TRENDS

We believe that the following have been key trends in our industry during the last three fiscal years:

- Consumer spending in Japan has stagnated since the second half of 2007 following increased fuel prices and volatility in the stock and currency exchange markets due to the U.S. sub-prime mortgage crisis, and has not gained strength. Although there are signs of economic recovery following the recent implementation of economic stimulus measures in many countries, the pace of the recovery in most of the world's developed countries continues to be slow. The women's apparel industry in particular continues to be in a sluggish state, characterized by an increasing number of cost conscious consumers who are exercising more cautious spending habits.
- The number of department stores, one of our key distribution channels, and retail sales through department stores declined due to the deterioration in consumption caused by the worsening economy. General merchandising stores faced not only decreases in the numbers of new branch openings due to stagnant consumption levels, but also reductions in store sizes and increases in store closings, as well as reductions in retail sales. At the same time however, sales at direct sales outlets and on the Internet have steadily risen.
- Due to the adverse changes in the consumer behavior and retail industry coupled with factors such as a decline in the female population, the market for women's innerwear garments in Japan shrank, and the prices of innerwear declined in terms of both overall prices and average price per item. The numbers of innerwear items purchased and owned per person also decreased.
- Outerwear and other manufacturers entered the innerwear market. These manufacturers offer their products by focusing on new elements, such as fashionability, lifestyle and price, rather than function and quality. Because the economic downturn has led consumers to become more price conscious, these new manufacturers and others achieved a greater market share.
- These manufacturers and other competitors strengthened their cost reduction efforts by, for example, sourcing fabric and producing garments in China and other lower-cost countries. Sales in Japan of lower priced women's innerwear garments manufactured in these counties increased, leading to an intensification of price competition in our industry. The recent development and tendency of general merchandisers producing their own low priced "private brand" merchandise accelerated these trends.
- Although catalog marketing has made little progress, new sales strategies such as e-commerce and television marketing have led to more diversified sales channels and exposure to new customer groups.

We have taken steps to address these key industry trends, in seeking to build on the core strengths of our market position and brand awareness with Japanese consumers. We continue to seek to sell higher-end products to reach consumers seeking high quality innerwear garments and to mitigate the adverse impact on sales and margins from lower priced garments. We have taken steps to reduce our cost structure, such as producing more products in lower-cost countries such as China and Vietnam, consolidating and modernizing our product distribution centers and expanding our early retirement program. We are also seeking to expand sales in overseas markets—in particular China, the United States and Europe, as well as in the ASEAN region, where we launched our sorci age brand—and increase sales through our own specialty retail stores, our catalog operations and the Internet. Pursuant to our CAP 21 strategic plan, we intend to extend our innerwear product offerings into the mid-price range and include more fashionable offerings in our product mix to help us reach a broader customer base. We believe that Peach John and Lecien will help us to advance these goals. We will continue to implement these steps and evaluate other strategies to address challenges and opportunities in the industry going forward.

RESULTS OF OPERATIONS— FISCAL 2010 COMPARED TO FISCAL 2009

Net Sales

Consolidated net sales decreased 5.2% from ¥172,276 million for fiscal 2009 to ¥163,297 million for fiscal 2010.

Wacoal Brand

Innerwear. The overall sales of brassieres, our main product, for fiscal 2010 were below the sales for fiscal 2009. This was the case despite the strong performance of our *Ribbon Bra*, a product that we launched in January 2010 as part of our campaign brassiere *LALAN* series and that gained strong support from our consumers for its functionality and design, because this strong performance was more than offset by the poor performance of other brassiere products. We launched new products in our new *Style Science* functional underwear series in each of the four seasons in fiscal 2010, with an emphasis on the *Cross-Walker*, but the sales of these new products for fiscal 2010 were below the sales of this series for fiscal 2009. Although the summer products from our *Sugoi* seasonal undergarments performed well, overall sales from this series were below the sales for fiscal 2009 due to the poor performance of our usual autumn and winter products, which were affected by increased competition from our competitors' products. Outside Japan, *b.tempte'd by Wacoal* and our new lower-priced brassiere and functional bottom products marked in the United States performed strongly, and sales of our coal Wacoal brand products in China grew.

Outerwear. In contrast to the performance of our innerwear products, our new outerwear product, *Sugo-T*, achieved sales exceeding our expectations, and fiscal 2010 sales of *Gra-P*, our value-added brand targeting senior consumers, exceeded the sales for fiscal 2009. Thus, the overall sales for fiscal 2010 of our Wacoal brand products fell below the sales for fiscal 2009 due primarily to generally weak sales of our innerwear products, which more than offset gains in sales of our outerwear and other products sold under the Wacoal brand.

Wing Brand

In our Wing brand business, although sales of some of our campaign brassieres continued as planned, our other brassiere and *Style Science* products performed poorly. As in our Wacoal brand business, sales of our Wing brand undergarments were lower than fiscal 2009 sales due to increased competition from private-label brands sold by specialty clothing stores and general merchandisers. The overall sales of our men's innerwear products, which achieved significant growth during the fiscal 2010 as a result of an increase in new store openings, exceeded fiscal 2009 sales. This was primarily due to the performance of our *Cross-Walker* products, which were sold mainly by general merchandisers under the *BROS* brand and more than offset the decreased sales of *DAMS* at department stores as compared to fiscal 2009 sales. Thus, the overall sales of our Wing brand business fell below fiscal 2009 sales due primarily to the poor performance of our core women's products, which more than offset any increased sales of our men's innerwear products.

Other Brands

Luxury Products. Sales of our luxury products fell below sales for fiscal 2009, primarily because sales of our department store product *PARFAGE*, along with other luxury products, fell below the sales for fiscal 2009.

Wellness Products. In our wellness business, sports-related products performed strongly primarily because of an increase in health conscious consumers. These products include our new sports tights in our conditioning wear product, *CW-X* sports, and our functional wear for golf and running, *Jyuryu*. With the aim of furthering the brand recognition of our *CW-X* line, we opened our first retail store in January 2010 and one additional store in February 2010. Due to the successful openings of these stores, sales of our *CW-X* line for fiscal 2010 increased as compared to sales for fiscal 2009. Similarly, our leggings and footwear products performed well. Sales of our body styling wear, *Style Cover*, and our highly fashionable and functional business footwear, *Success Walk*, increased as compared to sales for fiscal 2009. As a result of the foregoing, overall sales of our wellness products exceeded the sales for fiscal 2009.

Lecien Products. Net sales of Lecien's innerwear and clothing products for fiscal 2010 were below its sales for fiscal 2009 due to the severe conditions of general merchandisers.

Licensed Products. As a result of the termination of our manufacturing and distribution license for *Donna Karan (DKI, DKNY)* products during fiscal 2009, we did not carry any licensed products in the United States for fiscal 2010.

Specialty Retail Business

AMPHI. In our specialty retail store business, we focused our expansion on our retail store *AMPHI*. Despite an increase in the number of customers and sales volume that we achieved primarily through price reductions, the average amount spent per customer for fiscal 2010 was lower for fiscal 2009, resulting in decreased sales for fiscal 2010.

Wacoal Factory. Sales for fiscal 2010 from our Wacoal Factory Store, which is located in outlet malls, exceeded the sales for fiscal 2009.

Une Nana Cool. Our subsidiary specialty retail business, Une Nana Cool Corp., experienced a decrease in sales at existing stores compared to fiscal 2009 primarily due to a decrease in the number of customers visiting shopping centers where our shops are located. Sales for fiscal 2010 at Une Nana Cool, however, did not change materially as compared to sales from fiscal 2009, because sales from our new store openings offset decreased sales at our existing stores.

Peach John. Although we made efforts to improve net sales through Peach John's retail stores by continuing to develop products sold only at those retail stores, net sales for fiscal 2010 at the retail stores declined as compared to net sales for fiscal 2009, primarily due to a decrease in the overall number of shoppers at the shopping malls and other buildings in which Peach John is a tenant. The decrease in the number of Peach John retail stores from 28, as of March 31, 2009, to 27, as of March 31, 2010, also contributed to the decrease in net sales.

As a result of the foregoing, overall sales of our specialty retail store business for fiscal 2010 increased as compared to sales for fiscal 2009. We are currently focused on improvement of profitability of our specialty retail business, and as part of these efforts, we have been reorganizing our shop brands to consolidate them into *AMPHI* as the "master shop brand" from fiscal 2010.

Catalogue and Online Sales Business

In our Wacoal brand catalog sales business, although the number of purchasers of our core catalog sales remained broadly the same between fiscal 2010 and fiscal 2009, the average amount spent per customer was lower, and as a result, sales for fiscal 2010 fell below fiscal 2009 sales. Peach John mail-order sales from our seasonal catalogs for fiscal 2010 were all below the sales for fiscal 2009 due to a fall in Peach John catalog orders. In contrast to our catalog business, the number of purchasers at our Wacoal Web Store and sales increased for fiscal 2010, even though the average amount spent per customer remained largely unchanged as compared to the average amount for fiscal 2009. The growth in our online business was mainly a result of our expanded product categories and an active Internet advertising campaign. As a result, the overall sales from our catalog and online sales business increased for fiscal 2010.

Other Businesses

Fiscal 2010 net sales attributable to our mannequin and fixture rental business, as well as interior design and remodeling business, which we conduct through our subsidiary Nanasai, decreased due to reduced orders primarily resulting from poor sales at department stores, suspension and termination of store remodeling and downsizing that accompanies the economic deterioration.

Cost of Sales

Our cost of sales decreased 5.6% from ¥84,686 million for fiscal 2009 to ¥79,953 million for fiscal 2010, primarily due to a decrease in net sales, which more than offset the impact of our acquisition of Lecien in August 2009. Cost of sales as a percentage of net sales decreased 0.1%, from 49.1% for fiscal 2009 to 49.0% for fiscal 2010. The slight improvement in cost of sales as a percentage of net sales is primarily due to the absence of losses, including a liquidation expense of ¥630 million, associated with the liquidation of Tokai Wacoal Sewing Corp., which we recognized as cost in fiscal 2009. The cost of sales would have increased slightly for fiscal 2010 without the effect of these losses, despite our efforts to improve inventory management by achieving fewer returned goods and fewer losses from inventory write-downs, as well as improved efficiencies in overseas production.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased 1.3% from ¥77,399 million for fiscal 2009 to ¥78,392 million for fiscal 2010. This increase was primarily due to an increase in our net periodic benefit costs, which in turn was primarily attributable to the increased amortization of actuarial losses, as well as the impact of our acquisition of Lecien in August 2009, which more than offset any cost-reduction efforts. The amortization of actuarial losses increased for fiscal 2010, because of the significant valuation loss in plan assets as of the end of fiscal 2009 that were required to be amortized starting in fiscal 2010. The selling, general and administrative expenses as a percentage of net sales increased by 3.1% from 44.9% for fiscal 2009 to 48.0% for fiscal 2010. The greater increase in the selling, general and administrative expenses as a percentage of net sales, as compared to the increase in the absolute number, is primarily due to the decrease in net sales.

Impairment of Goodwill and Other Intangible Assets

When Peach John became our wholly-owned subsidiary in fiscal 2008, we recognized Peach John's catalog customer relationships as an intangible fixed asset with the intent to depreciate it using the straight-line method over a period of seven years. At the end of fiscal 2010, however, we evaluated the recoverability of this asset and recognized an impairment loss of approximately ¥1,023 million as a result. In addition, we also recognized an impairment loss of ¥71 million with respect to Lecien, after we evaluated the recoverability of the goodwill we recognized when we acquired a 100% interest in Lecien in August 2009.

Operating Margin

Our operating margin (*i.e.*, operating income as a percentage of net sales) decreased to 2.3% for fiscal 2010, as compared to 5.9% for fiscal 2009, because the rate of decrease in our operating costs and expenses was not sufficient to offset the rate of decrease in net sales, and we recognized significantly larger impairment charges for fiscal 2010. The slower rate of decrease in our operating costs and expenses were primarily attributable to stagnant sales through department stores and general merchandisers, which have historically yielded a greater operating margin through higher prices for us than other distribution channels, combined with decreased operating margin of our Peach John Business, as we incurred increased personnel and other costs from store openings and other expansion efforts to market the business.

Total Other Loss, Net

Total other loss, net, decreased ¥1,815 million from ¥2,502 million for fiscal 2009 to ¥687 million for fiscal 2010. This decrease was primarily due to a decrease in impairment charges on marketable securities and investments.

Net Income Attributable to Wacoal Holdings Corp.

Net income attributable to Wacoal Holdings Corp. for fiscal 2010 was ¥2,524 million, a decrease of ¥2,706 million compared to ¥5,230 million for fiscal 2009. The smaller decrease in net income attributable to Wacoal Holdings Corp. as compared to the decrease in income before income taxes, equity in net income (loss) of affiliated companies, and net loss (income) attributable to noncontrolling interests is primarily due to the decrease in income taxes. Although our current income taxes increased for fiscal 2010, it was more than offset by the decrease in our deferred income taxes. However, the effective tax rate increased from 42.1% in fiscal 2009 to 50.4% in fiscal 2010, primarily due to an increase in permanently non-deductible expenses as a percentage of taxable income, unrecognized tax benefits and undistributed earnings of foreign subsidiaries, which more than offset a decrease in the valuation allowance for tax loss carryforwards. The decrease in the valuation allowance for tax loss carryforwards was due to a reversal in the valuation allowance as a result of changes in our legal structure. Accordingly, we utilized ¥721 million of tax loss carryforwards, and recognized the tax benefits of ¥293 million for the year ended March 31, 2010.

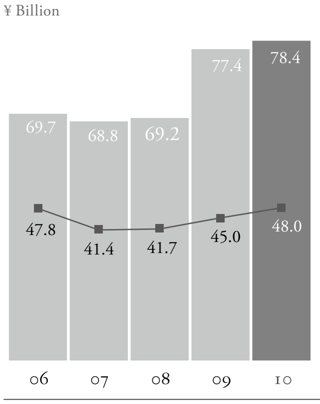
LIQUIDITY AND CAPITAL RESOURCES.

Our main source of liquidity is net cash flows from operations which allows us to secure working capital, make capital investments and pay dividends without relying on substantial borrowings or other financing from outside of the group. However, as of March 31, 2010 we had credit facilities at financial institutions totaling ¥29,331 million, with an outstanding balance of ¥8,129 million, including borrowings by Lecien of ¥3,487 million and borrowing by Nanasai of ¥2,200 million.

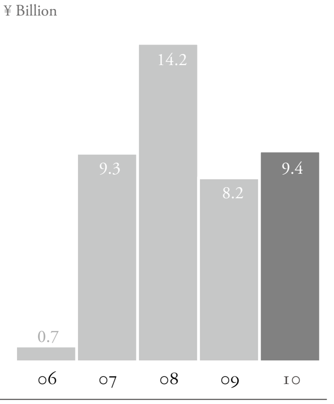
In general, all of our credit facilities have automatically renewed terms, and we are not aware of any issues with respect to any of our lenders that could cause these facilities to become unavailable. Even if any of our subsidiaries loses access to funds from such credit facilities, we believe that it is possible for companies in our group to provide funds. Our borrowing requirements are not affected by seasonality.

We are not aware of any restrictions on the transfers of funds from a subsidiary to a parent company in the form of a cash dividend, loan or cash advance. We believe that our working capital is adequate for our present requirements and for our business operations both in the long and short-term.

SG&A Expenses



Net Cash Provided by Operating Activities



■ Ratio of SG&A expenses to total net sales (%)

Cash Flows

Fiscal 2010 Compared to Fiscal 2009

Cash Provided by Operating Activities. Net cash provided by operating activities increased slightly by ¥1,281 million from ¥8,168 million for fiscal 2009 to ¥9,449 million for fiscal 2010. This was primarily due to substantial progress achieved in cost-reduction efforts and to a decrease in inventory, despite a decrease in net sales. Cash inflows from operating activities consisted mainly of cash received from customers and cash outflows are mainly payments for production costs, selling, general and administrative expenses, and income taxes. For fiscal 2010, cash inflows from cash received from customers decreased due to a decrease in net sales. This decrease was more than offset by a decrease in cash outflows achieved through cost reductions and efforts to keep inventory levels lower. In addition, despite a small increase in selling, general and administrative expenses, cash outflows for payments relating to such expenses decreased as a result of successful cost-cutting efforts that resulted in reduced personnel and publicity expenses. The increase in selling, general and administrative expenses, despite the decrease in cash outflows, was primarily attributable to increases in non-cash items, such as depreciation and amortization and liability for termination and retirement benefits. Cash outflow for payments of income taxes decreased, due to the decrease in taxable income.

Net Cash Used in Investing Activities. Net cash used in investing activities decreased by ¥2,016 million from ¥4,714 million for fiscal 2009 to ¥2,698 million for fiscal 2010. This was primarily due to an increase in proceeds from the sale and redemption of marketable securities of ¥5,007 million which was partially offset by increase in payments to acquire marketable securities of ¥2,407 million and an increase in capital expenditures of ¥1,636 million.

Net Cash Used in Financing Activities. Net cash used in financing activities decreased by ¥2,010 million from ¥7,448 million for fiscal 2009 to ¥5,438 million for fiscal 2010. This was primarily due to a decrease of ¥2,389 million in treasury stock purchases.

Capital Expenditures

Capital expenditures were ¥3,998 million for fiscal 2010, ¥2,362 million for fiscal 2009 and ¥1,211 million for fiscal 2008. These expenditures were primarily for the repair of office facilities of our domestic subsidiaries and the expansion of our specialty retail store network. Payments to acquire intangible assets were ¥1,755 million for fiscal 2010, ¥1,846 million for fiscal 2009 and ¥1,678 million for fiscal 2008. These payments primarily comprised of payments for information technology-related investments.

For fiscal 2011 we expect to spend approximately ¥530 million for office maintenance and repair and ¥120 million for investments in information technology and our retail sales space in China. Although we currently do not have any concrete plans, we expect to continue to make expenditures for the expansion of our specialty retail store network (including costs for the development of new stores and the closure of underperforming stores) and for maintenance, to meet applicable legal requirements and to facilitate the manufacture of new products with new designs and specifications. Furthermore, we intend to evaluate and pursue opportunities for acquisitions, investments and other strategic transactions that we believe will help us achieve our business objectives, including extending our product offerings in Japan and in overseas markets and strengthening our capabilities in the Internet, catalog and other marketing channels. We expect to fund these capital expenditures and other expenditures through our cash from operations, existing cash reserves and other available sources of liquidity.

In fiscal 2009, we sold plants and other property in connection with the liquidation of our subsidiary Tokai Wacoal Sewing Corp with a book value of ¥59 million, and in fiscal 2008, we sold overseas corporate housing units and other property with a book value of ¥211 million.

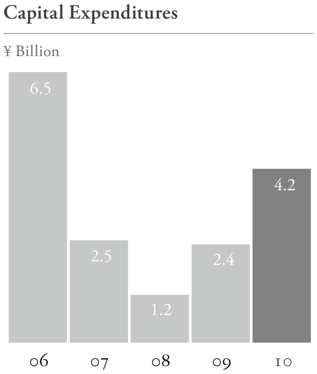
Cash Dividends

On May 11, 2010, our board of directors approved a fiscal year-end dividend of ¥100 per five shares of common stock to our shareholders on record as of March 31, 2010, and dividends in a total amount of ¥2,828 million were paid on June 7, 2010. Our current policy is to pay cash dividends once a year, and we seek to pay stable cash dividends based on our consideration of numerous factors, including our ability to improve our enterprise value through investments using retained earnings, ability to improve our net income per share and results of operations.

Share Repurchases

We repurchased 309,472 shares of common stock during fiscal 2010 from shareholders who held shares constituting less than one unit and requested that such shares be repurchased, as well as from dissenting shareholders in our share exchange with Lecien who requested that their shares be repurchased. See "Item 10.B. Memorandum and Articles of Association—Capital Stock—Distribution of Surplus—Unit Share System". On February 22, 2010, our board of directors approved by resolution repurchases of up to 750 thousand shares of common stock up to a total purchase amount of ¥794 million. Pursuant to this board of directors resolution, we had repurchased 740 thousand shares of common stock for a total purchase price of ¥784 million as of February 23, 2010. In addition, also on February 22 we purchased 93 thousand shares of common stock for a total purchase price of ¥98 million from our subsidiaries Wacoal Corp. and Torica Co., Ltd.

Capital Expenditures



RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

For more than 40 years, since the establishment of our Human Science Research Center, we have aimed to achieve harmony between the human body and clothing. In particular, we have conducted research into women's body in order to accurately understand the Japanese woman's physique. In order to accurately understand the Japanese woman's physique, we have developed such things as a silhouette analysis system and a three-dimensional measuring system. However, we are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological and mental aspects of garment design.

One of our most important research results was the *Golden Canon*, which we announced in 1995, and which provides a set of indicators that characterize the beautiful Japanese woman's body. We also began applying new sales methods at that time. From 1995 to 1998 we participated in a project led by the Ministry of International Trade and Industry (presently the Ministry of Economy, Trade and Industry) enriching the basic study of sensory comfort and conducting research based on reactions to three factors: pressure, heat and touch. Based on this research, we are focused on developing new products that are not only comfortable for the wearer but have a positive physiological effect. In 2000, we conducted an analysis on the physiological changes associated with aging throughout a 25 year period from the teenage years to the 40s. We named the principles of these changes *SPIRAL Aging*.

Our research and development activities for fiscal 2010 have been very fruitful as we have been able to succeed in producing new products by improving and building on our existing products. For example, we conducted research into the relationship between aging and changes in the physical form of the body, and determined and announced the law of this relationship. In addition, since fiscal 2007, we have continued our research and development in men's innerwear, and have continued to make progress in implementing the measurement of the male body and improved the organization of our monitoring and data collection system.

The cost of research and development for fiscal 2010 was approximately ¥778 million, compared to ¥768 million for fiscal 2009 and ¥766 million for fiscal 2008. We expect to maintain a similar level of research and development expenditures for fiscal 2011.

RISK FACTORS

Our business, performance and financial condition are subject to risks and uncertainties, including those described in the risk factors below. These risks and uncertainties could result in a material adverse effect on our results of operations and financial condition, and a material decline in the trading price of our common stock and American Depositary Shares ("ADSs").

1. The recent global economic downturn, which has weakened the Japanese economy, could negatively affect our business, results of operations and financial condition
2. Continued difficulties faced or changes in business policies made by department stores, general merchandisers and other general retailers in Japan would hurt our business
3. Our sales may decline if we are unable to effectively anticipate and respond to consumer tastes and preferences and deliver high-quality products
4. The apparel market is highly competitive, and our share of sales or profitability may decline if we are unable to maintain our competitiveness
5. Our specialty retail store network expansion may not lead to improved sales and profits
6. We may experience difficulties in successfully increasing our catalog and Internet sales
7. We are subject to inventory risks that could negatively impact our operating results
8. Improvement in our profitability will largely depend on our ability to reduce costs
9. It may be difficult for us to attract and retain highly qualified personnel
10. Our business may be adversely affected by seasonality
11. We may face increasing risks relating to conducting business internationally
12. We may not be successful with acquisitions and other strategic transactions with third parties
13. We may not be able to recover the cost of investments we make in pursuing growth opportunities and developing new markets
14. We may face infringement of our intellectual property rights or claims that we infringe the intellectual property rights of others
15. If we fail to protect our customers' privacy and data and maintain the confidentiality of our trade secrets we may face proceedings against us and lose customer confidence
16. If we fail to maintain adequate internal controls over financial reporting we may not be able to produce reliable financial reports in a timely manner or prevent financial fraud
17. Our holdings of equity securities expose us to market risks
18. Natural disasters and epidemics could affect our manufacturing abilities or sales results
19. We may become classified as a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. holders of our stock or ADSs
20. Yen-dollar fluctuations could cause the market price of the ADSs to decline and reduce dividend amounts payable to ADS holders as expressed in U.S. dollars
21. As a holder of ADSs, you will have fewer rights than a shareholder has, and you must act through the depositary to exercise those rights
22. Japan's unit share system imposes restrictions on holdings of our common stock that do not constitute whole units

CONSOLIDATED BALANCE SHEETS

Wacoal Holdings Corp. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2010 and 2009	**2010**	2009	**2010**
ASSETS			
Current Assets:			
Cash and cash equivalents:			
Cash	**¥16,704**	¥13,378	**$178,843**
Time deposits and certificates of deposit	**7,613**	9,561	**81,510**
Total	**24,317**	22,939	**260,353**
Marketable securities (Notes 3, 19 and 20)	**6,529**	10,483	**69,904**
Notes and accounts receivable:			
Trade notes	**469**	541	**5,021**
Trade accounts (Note 17)	**21,116**	19,422	**226,081**
Allowance for returns and doubtful receivables (Note 4)	**(1,972)**	(2,279)	**(21,113)**
Inventories (Note 5)	**32,103**	31,153	**343,715**
Deferred income taxes (Note 16)	**4,595**	5,395	**49,197**
Other current assets (Notes 17, 19 and 20)	**2,776**	2,965	**29,722**
Total current assets	**89,933**	90,619	**962,880**
Property, Plant and Equipment:			
Land (Notes 9 and 20)	**22,012**	20,502	**235,675**
Buildings and building improvements (Notes 9, 11 and 20)	**61,585**	58,216	**659,368**
Machinery and equipment	**14,773**	13,660	**158,169**
Construction in progress	**103**	68	**1,103**
Total	**98,473**	92,446	**1,054,315**
Accumulated depreciation	**(46,653)**	(43,407)	**(499,497)**
Net property, plant and equipment	**51,820**	49,039	**554,818**
Other Assets:			
Investments in affiliated companies (Note 6)	**14,769**	13,283	**158,126**
Investments (Notes 3, 9, 19 and 20)	**35,828**	29,182	**383,597**
Goodwill (Notes 7 and 8)	**11,203**	11,203	**119,947**
Other intangible assets (Notes 7 and 8)	**12,351**	13,242	**132,238**
Prepaid pension expense (Note 12)	**263**		**2,816**
Deferred income taxes (Note 16)	**935**	1,088	**10,011**
Other	**6,285**	5,830	**67,291**
Total other assets	**81,634**	73,828	**874,026**
Total	**¥223,387**	¥213,486	**$2,391,724**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2010 and 2009	**2010**	2009	**2010**
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term bank loans (Note 9)	**¥7,941**	¥5,221	**$85,021**
Notes and accounts payable:			
Trade notes	**2,174**	2,498	**23,276**
Trade accounts (Note 17)	**9,161**	9,172	**98,084**
Other payables	**5,975**	5,817	**63,973**
Accrued payroll and bonuses	**5,927**	6,336	**63,458**
Income taxes payable (Note 16)	**2,105**	747	**22,537**
Current portion of long-term debt (Note 9)	**108**	39	**1,156**
Other current liabilities (Notes 12 and 20)	**2,292**	2,113	**24,540**
Total current liabilities	**35,683**	31,943	**382,045**
Long-term Liabilities:			
Long-term debt (Note 9)	**80**	42	**857**
Liability for termination and retirement benefits (Note 12)	**2,269**	4,090	**24,293**
Deferred income taxes (Note 16)	**9,380**	8,346	**100,428**
Other long-term liabilities (Notes 11, 12 and 16)	**2,422**	1,098	**25,932**
Total long-term liabilities	**14,151**	13,576	**151,510**
Commitments and Contingencies (Notes 9 and 10)			
EQUITY			
Wacoal Holdings Corp. Shareholders' Equity (Notes 13 and 22):			
Common stock, no par value— authorized, 500,000,000 shares in 2010 and 2009; issued 143,378,085 shares in 2010 and 2009	**13,260**	13,260	**141,970**
Additional paid-in capital (Note 14)	**29,366**	29,316	**314,411**
Retained earnings	**137,155**	138,235	**1,468,469**
Accumulated other comprehensive loss (Note 15):			
Foreign currency translation adjustments	**(7,505)**	(8,288)	**(80,354)**
Unrealized gain on securities	**3,669**	325	**39,283**
Pension liability adjustments (Note 12)	**(1,783)**	(3,383)	**(19,090)**
Total accumulated other comprehensive loss	**(5,619)**	(11,346)	**(60,161)**
Less treasury stock at cost—2,179,739 shares and 2,927,238 shares in 2010 and 2009	**(2,532)**	(3,592)	**(27,109)**
Total Wacoal Holdings Corp. shareholders' equity	**171,630**	165,873	**1,837,580**
Noncontrolling Interests	**1,923**	2,094	**20,589**
Total equity	**173,553**	167,967	**1,858,169**
Total	**¥223,387**	¥213,486	**$2,391,724**

CONSOLIDATED STATEMENTS OF INCOME

Wacoal Holdings Corp. and Subsidiaries

			Millions of Yen	Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2010, 2009 and 2008	**2010**	2009	2008	**2010**
Net Sales (Note 17)	**¥163,297**	¥172,276	¥165,761	**$1,748,362**
Operating Costs and Expenses (income):				
Cost of sales (Notes 12 and 17)	**79,953**	84,686	83,127	**856,028**
Selling, general and administrative (Notes 1, 7, 12, 14 and 17)	**78,392**	77,399	69,245	**839,315**
Impairment charges on property, plant and equipment (Note 20)	**23**	29	33	**246**
Impairment charges on goodwill (Notes 8 and 20)	**71**			**760**
Impairment charges on other intangible assets (Notes 8 and 20)	**1,023**			**10,953**
Loss (gain) on sale or disposal of property, plant and equipment	**25**	33	(184)	**268**
Total operating costs and expenses	**159,487**	162,147	152,221	**1,707,570**
Operating Income	**3,810**	10,129	13,540	**40,792**
Other Income (expenses):				
Interest income	**144**	274	303	**1,542**
Interest expense	**(98)**	(75)	(78)	**(1,049)**
Dividend income	**619**	677	641	**6,627**
Gain on sale or exchange of marketable securities and investments—net (Note 3)	**7**	19	715	**75**
Impairment charges on marketable securities and investments (Note 3)	**(1,460)**	(3,550)	(937)	**(15,632)**
Other—net (Notes 1 and 20)	**101**	153	169	**1,082**
Total other (loss) income—net	**(687)**	(2,502)	813	**(7,355)**
Income Before Income Taxes, Equity in Net Income (loss) of Affiliated Companies, and Net Loss (income) Attributable to Noncontrolling Interests (Note 16)	**3,123**	7,627	14,353	**33,437**
Income Taxes (Note 16):				
Current	**3,161**	2,717	5,577	**33,844**
Deferred	**(1,587)**	496	276	**(16,992)**
Total income taxes	**1,574**	3,213	5,853	**16,852**
Inomce Before Equity in Net Income (loss) of Affiliated Companes, and Net Income Attributable to Noncontrolling Interests	**1,549**	4,414	8,500	**16,585**
Equity in Net Income (loss) of Affiliated Companies (Notes 6 and 7)	**907**	893	(3,392)	**9,711**
Net Income	**2,456**	5,307	5,108	**26,296**
Net Loss (income) Attributable to Noncontrolling Interests	**68**	(77)	(142)	**728**
Net Income Attributable to Wacoal Holdings Corp.	**¥2,524**	¥5,230	¥4,966	**$27,024**

			Yen	U.S. Dollars (Note 2)
Years Ended March 31, 2010, 2009 and 2008	**2010**	2009	2008	**2010**
Net Income Attributable to Wacoal Holdings Corp. Per Share (Note 18):				
Basic	**¥17.86**	¥36.75	¥35.14	**$0.19**
Diluted	**¥17.85**	¥36.74	¥35.14	**$0.19**
Net Income Attributable to Wacoal Holdings Corp. Per American Depositary Receipt (5 shares of common stock) (Note 18):				
Basic	**¥89.28**	¥183.74	¥175.72	**$0.96**
Diluted	**¥89.24**	¥183.72	¥175.72	**$0.96**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Wacoal Holdings Corp. and Subsidiaries

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2010, 2009 and 2008	**2010**	2009	2008	**2010**
Net Income	**¥ 2,456**	¥5,307	¥5,108	**$26,296**
Other Comprehensive Income (loss), Net of Tax (Note 15):				
Foreign currency translation adjustments	**795**	(8,710)	(498)	**8,512**
Unrealized gains (losses) on securities	**3,351**	(4,978)	(9,149)	**35,878**
Pension liability adjustments	**1,600**	(3,897)	(3,616)	**17,131**
Other Comprehensive Income (loss)	**5,746**	(17,585)	(13,263)	**61,521**
Comprehensive Income (loss)	**8,202**	(12,278)	(8,155)	**87,817**
Comprehensive Income (loss) Attributable to Noncontrolling Interests	**49**	105	(96)	**524**
Comprehensive Income (loss) Attributable to Wacoal Holdings Corp.	**¥8,251**	¥(12,173)	¥(8,251)	**$88,341**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

Wacoal Holdings Corp. and Subsidiaries

Millions of Yen

Years Ended March 31, 2010, 2009 and 2008	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2007	140,577	¥13,260	¥25,242	¥140,666	¥19,274	¥(5,164)	¥193,278	¥2,461	¥195,739
Net income				4,966			4,966	142	5,108
Other comprehensive loss					(13,217)		(13,217)	(46)	(13,263)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥110 per 5 shares of common stock				(3,093)			(3,093)		(3,093)
Cash dividends paid to noncontrolling interests								(90)	(90)
Repurchase of treasury stock	(3,936)					(6,015)	(6,015)		(6,015)
Cancellation of treasury stock				(5,950)		5,950			
Issuance of new shares to acquire a subsidiary (Note 7)	3,261		4,474				4,474		4,474
Distribution of treasury stock to acquire a subsidiary (Note 7)	3,440		(454)			5,174	4,720		4,720
Purchase of common shares of the Company's subsidiary								(116)	(116)
BALANCE, MARCH 31, 2008	143,342	13,260	29,262	136,589	6,057	(55)	185,113	2,351	187,464
Net income				5,230			5,230	77	5,307
Other comprehensive loss					(17,403)		(17,403)	(182)	(17,585)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥125 per 5 shares of common stock				(3,584)			(3,584)		(3,584)
Cash dividends paid to noncontrolling interests								(83)	(83)
Repurchase of treasury stock	(2,891)					(3,537)	(3,537)		(3,537)
Share-based compensation granted (Note 14)			54				54		54
Purchase of common shares of the Company's subsidiary								(69)	(69)
BALANCE, MARCH 31, 2009	140,451	13,260	29,316	138,235	(11,346)	(3,592)	165,873	2,094	167,967
Net income				**2,524**			**2,524**	**(68)**	**2,456**
Other comprehensive income					**5,727**		**5,727**	**19**	**5,746**
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥125 per 5 shares of common stock				**(3,511)**			**(3,511)**		**(3,511)**
Cash dividends paid to noncontrolling interests								**(76)**	**(76)**
Repurchase of treasury stock	**(1,372)**					**(1,540)**	**(1,540)**		**(1,540)**
Sale of treasury stock	**11**					**13**	**13**		**13**
Share-based compensation granted and exercised (Note 14)	**4**		**50**			**5**	**55**		**55**
Purchase and sales of common shares of the Company's subsidiaries								**(46)**	**(46)**
Distribution of treasury stock to acquire a subsidiary (Note 7)	**2,104**			**(93)**		**2,582**	**2,489**		**2,489**
Balance, March 31, 2010	**141,198**	**¥13,260**	**¥29,366**	**¥137,155**	**¥(5,619)**	**¥(2,532)**	**¥171,630**	**¥1,923**	**¥173,553**

Thousands of U.S. Dollars (Note 2)

Years Ended March 31, 2010, 2009 and 2008	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2009	$141,970	$313,876	$1,480,032	$(121,478)	$(38,458)	$1,775,942	$22,420	$1,798,362
Net income			**27,024**			**27,024**	**(728)**	**26,296**
Other comprehensive income				**61,317**		**61,317**	**204**	**61,521**
Cash dividends paid to Wacoal Holdings Corp. shareholders, $125 per 5 shares of common stock			**(37,591)**			**(37,591)**		**(37,591)**
Cash dividends paid to noncontrolling interests							**(814)**	**(814)**
Repurchase of treasury stock					**(16,489)**	**(16,489)**		**(16,489)**
Sale of treasury stock					**139**	**139**		**139**
Share-based compensation granted and exercised (Note 14)		**535**			**54**	**589**		**589**
Purchase and sales of common shares of the Company's subsidiaries							**(493)**	**(493)**
Distribution of treasury stock to acquire a subsidiary (Note 7)			**(996)**		**27,645**	**26,649**		**26,649**
Balance, March 31, 2010	**$141,970**	**$314,411**	**$1,468,469**	**$(60,161)**	**$(27,109)**	**$1,837,580**	**$20,589**	**$1,858,169**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2010, 2009 and 2008	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2010	2009	2008	**2010**
Operating Activities:				
Net income	**¥2,456**	¥5,307	¥5,108	**$26,296**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**4,807**	4,546	3,908	**51,467**
Share-based compensation (Note 14)	**55**	54		**589**
Provision for returns and doubtful receivables—net	**(360)**	(725)	190	**(3,855)**
Deferred income taxes	**(1,587)**	496	276	**(16,992)**
Loss (gain) on sale or disposal of property, plant and equipment	**25**	33	(184)	**268**
Impairment charges on property, plant and equipment (Note 20)	**23**	29	33	**246**
Impairment charges on goodwill (Notes 8 and 20)	**71**			**760**
Impairment charges on other intangible assets (Notes 8 and 20)	**1,023**			**10,953**
Gain on sale or exchange of marketable securities and investments (Note 3)	**(7)**	(19)	(715)	**(75)**
Impairment charges on marketable securities and investments (Note 3)	**1,460**	3,550	937	**15,632**
Equity in net (income) loss of affiliated companies, less dividends	**(492)**	(296)	4,198	**(5,268)**
Changes in assets and liabilities:				
Decrease in notes and accounts receivable	**1,794**	2,109	1,822	**19,208**
Decrease (increase) in inventories	**806**	(2,494)	1,218	**8,630**
Decrease in other current assets	**331**	105	49	**3,544**
(Decrease) increase in notes and accounts payable	**(2,525)**	841	(2,614)	**(27,035)**
Increase (decrease) in liability for termination and retirement benefits	**439**	(1,209)	(2,613)	**4,700**
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	**996**	(3,550)	2,681	**10,664**
Other	**134**	(609)	(69)	**1,435**
Net cash provided by operating activities	**9,449**	8,168	14,225	**101,167**
Investing Activities:				
Proceeds from sales and redemption of marketable securities	**12,131**	7,124	10,506	**129,882**
Payments to acquire marketable securities	**(7,846)**	(5,439)	(9,892)	**(84,005)**
Proceeds from sales of property, plant and equipment	**468**	159	1,057	**5,011**
Capital expenditures	**(3,998)**	(2,362)	(1,211)	**(42,805)**
Payments to acquire intangible assets (Note 8)	**(1,755)**	(1,846)	(1,678)	**(18,790)**
Proceeds from sales of investments	**5**	30	1,414	**54**
Payments to acquire investments	**(2,019)**	(1,871)	(618)	**(21,617)**
Cash balances of subsidiary acquired through share exchanges (Note 7)	**362**		4,115	**3,876**
Other	**(46)**	(509)	(103)	**(493)**
Net cash (used in) provided by investing activities	**(2,698)**	(4,714)	3,590	**(28,887)**
Finacing Activities:				
Decrease in short-term bank loans—net	(442)	(279)	(259)	(4,733)
Proceeds from issuance of long-term debt			18	
Repayments of long-term debt	**(350)**	(48)	(51)	**(3,747)**
Repurchase of treasury stock	**(1,148)**	(3,537)	(6,015)	**(12,291)**
Sale of treasury stock	**13**			**139**
Dividends paid on common stock	**(3,511)**	(3,584)	(3,093)	**(37,591)**
Net cash used in financing activities	**(5,438)**	(7,448)	(9,400)	**(58,223)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**65**	(1,110)	(188)	**696**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,378**	(5,104)	8,227	**14,753**
Cash and Cash Equivalents, Beginning of Year	**22,939**	28,043	19,816	**245,600**
Cash and Cash Equivalents, End of Year	**¥24,317**	¥22,939	¥28,043	**$260,353**
Additional Cash Flow Information:				
Cash paid for:				
Interest	**¥ 98**	¥ 75	¥ 78	**$ 1,049**
Income taxes	**2,078**	7,268	2,542	**22,248**
Noncash Investing Activities:				
Fair value of certain marketable securities received in exchange for other marketable securities with a carrying values of ¥5 million ($54 thousand) and ¥7 million in 2010 and 2009, respectively	**¥ 11**	¥ 9	¥ 143	**$ 118**
Acquisition of subsidiary through share exchange (Note 7)	**2,489**		9,194	**26,649**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wacoal Holdings Corp. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements —Wacoal Holdings Corp. (the "Company") and subsidiaries are predominantly engaged in one industry, the manufacture and sale of apparel, including foundation garments, lingerie, nightwear and outerwear in Japan, the United States of America, Europe and certain Asian countries.

The accompanying consolidated financial statements, stated in Japanese yen, have been prepared on the basis of accounting principles generally accepted in the United States of America.

Consolidation—The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (collectively, the "Companies"). All intercompany transactions and balances are eliminated.

Foreign subsidiaries of the Company have a fiscal year ending December 31. The accounts of those subsidiaries are included in the Company's consolidated financial statements based on the subsidiaries' fiscal year.

As further described in Note 7 to the consolidated financial statements, on January 10, 2008, the Company acquired the remaining 51% interest in a domestic subsidiary of Peach John Co., Ltd. ("PJ") with a fiscal year ended February 29, 2008. Prior to January 10, 2008, the Company accounted for its original investment of 49% in this subsidiary using the equity method. As of March 31, 2008 and thereafter, the subsidiary is included in the Company's consolidated balance sheet based on the subsidiary's fiscal year end. However, because the subsidiary's results of operations and changes in financial position between January 10, 2008 and March 31, 2008 were not significant, the Company continued to account for its investment using the equity method and the income from the subsidiary's operations for the fiscal year ended February 29, 2008 was included in equity in net income (loss) of affiliated companies in the consolidated statements of income. The subsidiary is included in the Company's consolidated statements of income for the year ended March 31, 2010 and 2009 based on the subsidiary's fiscal year end for the year ended February 28, 2010 and 2009. On August 17, 2009, the Company acquired the outstanding common shares of Lecien Corp. ("Lecien") with a fiscal year ended March 31, 2010. Lecien's results of operations were included in the Company's consolidated statements of income for the year ended March 31, 2010 from August 1, 2009.

Investments in affiliated companies where the Company's ownership is 20% to 50% are accounted for using the equity method.

Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee of between 20% to 50%, although other factors are considered in determining whether the equity method of accounting is appropriate.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include all time deposits and certificates of deposit (all of which are interest-bearing) with original maturities of three months or less, which can be withdrawn at face value at any time without diminution of principal.

Foreign Currency Translation—Assets and liabilities of foreign subsidiaries have been translated to Japanese yen at period-end exchange rates and income and expenses have been translated using average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements, net of tax, are included in other comprehensive income (loss), a separate component of equity. Exchange gains and losses resulting from foreign currency transactions and the conversion of monetary assets and liabilities denominated in foreign currencies are included in other income (expenses) in the consolidated statements of income.

Foreign currency translation gains for the years ended March 31, 2010, 2009 and 2008 were ¥43 million ($460 thousand), ¥35 million and ¥35 million, respectively, and have been included in other income (expenses).

Marketable Securities and Investments—The Companies classify their debt and marketable equity securities as available-for-sale and carry them at fair value with a corresponding recognition of unrealized holding gains or losses (net of tax) in other comprehensive income (loss), a separate component of equity, until realized. Equity securities that do not have readily determinable fair values are recorded at cost. Gains and losses on sales of investments are computed based on cost determined using the average cost method.

If a decline in the fair value of marketable securities and investments is determined to be other-than-temporary, an impairment charge is recorded in the consolidated statements of income. The Companies periodically determine whether a decline in the fair value of marketable securities and investments is deemed to be other-than temporary based on criteria that include the duration of the market decline, the extent to which cost exceeds market value, the financial position and business outlook of the issuer and the intent and ability of the Companies to retain the impaired marketable securities and investments for a sufficient period of time for anticipated recovery in market value.

Allowance for Sales Returns—Allowance for sales returns is estimated based on historical products returns experience, sales movements, and the overall retail industry situation.

Allowance for Doubtful Receivables—Allowance for doubtful notes and receivables is estimated based on historical collection experience and additional information including current economic conditions and creditworthiness of each applicable customer.

Inventories— Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method for raw materials and the average cost method for work in process and finished products. Cost includes net prices paid for materials purchased, production labor cost, factory overhead and charges for customs duties.

Property, Plant and Equipment—Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired on or after April 1, 1998, which are depreciated using the straight-line method, based upon the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and building improvements: 5 - 50 years (Mainly 38 years)

Machinery and equipment: 2 - 20 years (Mainly 5 years)

Depreciation expense for the years ended March 31, 2010, 2009 and 2008 are ¥3,016 million ($32,291 thousand), ¥3,050 million and ¥2,999 million, respectively.

Goodwill and Other Intangible Assets—Goodwill represents the excess of the purchase price over the related underlying tangible and intangible net asset values of business acquired.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if conditions indicate an earlier review is necessary. Goodwill is allocated and reviewed for impairment by reporting units, which consist primarily of the operating segments and certain other reporting units. The goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying value of the goodwill is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

To test for other intangible assets with indefinite useful lives, the carrying value of an intangible asset is compared with its fair value. If the carrying value of the other intangible assets with indefinite useful lives is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Other intangible assets with estimable useful lives consist primarily of customer relationship and software and are amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Customer relationship: 7 years

Software: 5 years

Impairment of Long-lived Assets—The carrying values of long-lived assets, held and used by the Companies, are evaluated for impairment whenever there is an event or change in circumstances that indicates that such assets have been impaired or that the carrying amounts of such assets might not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. The impairment loss is measured as the amount by which the carrying amount of a long lived asset exceeds its fair value.

Derivatives—Derivative instruments, including certain derivative instruments embedded in other contracts, are accounted for in accordance with the guidance for derivatives and hedging. Because such derivative instruments are not designated as a hedge, changes in the fair value are recorded in earnings.

Asset Retirement Obligations—The Companies have obligations arising from contractual commitments to remove leasehold improvements from leased facilities and return the property to a specified condition when the lease terminates. The Companies recognize asset retirement obligations at the inception of a lease. The asset retirement obligation is measured with an expected present value technique based on historical experience and recorded in other long-term liabilities in the consolidated balance sheets and is subsequently adjusted for changes in estimated disposal costs. The difference between the gross expected future cash flow and its present value is accreted over the life of the related lease, which is determined using best estimate because the Companies' lease contracts generally have automatic renewal articles. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Termination and Retirement Plans—Termination and retirement benefits are accounted for in accordance with the guidance for retirement benefits. Provisions for termination and retirement benefits include those for directors and corporate auditors of the Companies.

The Companies do not recognize a gain or loss on settlement of the pension obligation when the cost of all settlements in a year is less than or equal to the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year.

Leases—Certain noncancelable leases are classified as capital leases and the leased assets are included as part of property, plant and equipment. Such leasing arrangements involve the computer aided design system and the computer hardware. Other leases are classified as operating leases and are not capitalized. The payments on such leases are recorded as expense. The rental expense under operating leases is recognized on a straight-line basis.

Treasury Stock—The Companies account for treasury stock under the cost method and include treasury stock as a component of equity.

Acquisitions—The Company accounts for acquisitions using the acquisition method in accordance with the guidance for business combinations. The Company allocates the purchase price to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition, including intangible assets that can be identified and named. The purchase price in excess of the fair value of the net assets and liability is recorded as goodwill.

Share-Based Compensation—Share-based compensation is accounted for in accordance with the guidance for stock compensation. The Company measures share-based compensation cost at the grant date, based on the fair value of the award and recognizes the cost over the requisite service period, which is the vesting period. The fair value of the award is estimated using the Black-Scholes option-pricing model.

Revenue Recognition—The Companies recognize revenue on sales to retailers, mail order catalog sales and internet sales when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred resulting in transfer of title and risk of loss, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured. As for consignment sales, the Companies recognize revenue when the products are sold to the ultimate customer. The Companies recognize revenue on direct retailing sales at the Companies' directly managed retail stores at the point of sale to the customer.

Advertising Expenses—Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2010, 2009 and 2008 were ¥11,643 million ($124,657 thousand), ¥13,624 million and ¥11,768 million, respectively, and have been included in selling, general and administrative expenses.

Shipping and Handling Costs—Shipping and handling costs for the years ended March 31, 2010, 2009 and 2008 were ¥5,324 million ($57,002 thousand), ¥4,895 million and ¥4,062 million, respectively, and have been included in selling, general and administrative expenses.

Research and Development Costs—Research and development costs are expensed as incurred. Research and development costs for the years ended March 31, 2010, 2009 and 2008 were ¥778 million ($8,330 thousand), ¥768 million and ¥766 million, respectively, and have been included in selling, general and administrative expenses.

Income Taxes—The provision for income taxes is determined under the asset and liability method in accordance with the guidance for income taxes. Under this method, deferred tax assets and liabilities are determined for temporary differences between the financial statement and tax bases of assets and liabilities and tax loss carry forwards at presently enacted tax rates. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future.

The Companies assess their income tax positions and record tax benefits for all years subject to examination based upon their evaluation of the facts, circumstances and information available as of the end of fiscal year. For those tax positions only where there is greater than 50 percent likelihood that the tax position will be sustained, the Companies record the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.

Reclassifications—Certain reclassifications have been made to the prior years' financial statements to conform with the current year's presentation.

To conform to the 2010 presentation, the Companies have reclassified share-based compensation to "share-based compensation," which had previously been presented as "Other" in other expenses in the consolidated statements of cash flows for the year ended March 31, 2009.

Recent Accounting Pronouncements:

The Codification—In June, 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification ("ASC"). ASC became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF") and related literature. Additionally, rules and interpretive releases of the U.S. Securities and Exchange Commission ("SEC") under authority of the federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The Codification eliminates the previous U.S. GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. This Codification was effective for interim and annual periods ending after September 15, 2009. The Companies adopted the Codification from the quarter ending September 30, 2009. There was no impact to the consolidated financial results of operations and financial position.

Fair Value Measurements—In September 2006, the FASB issued the new guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. For all financial assets and liabilities that are recognized or disclosed at fair value, this guidance is effective for fiscal years beginning after November 15, 2007. For certain nonfinancial assets and liabilities that are recognized or disclosed at fair value, this guidance was effective for fiscal years beginning after November 15, 2008. The Companies adopted the guidance for all financial assets and liabilities that are recognized or disclosed at fair value from the first quarter beginning April 1, 2008, and for certain nonfinancial assets and liabilities that are recognized or disclosed at fair value from the first quarter beginning April 1, 2009. This adoption did not have a material impact on the Companies' consolidated results of operations and financial position. See Notes 19 and 20 for disclosures required by this guidance.

In April 2009, the FASB issued the new guidance for determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly, which provides additional guidance on measuring the fair value of financial instruments when markets become inactive and quoted prices may reflect distressed transactions. This guidance was effective for interim or fiscal years ending after June 15, 2009. The Companies adopted the guidance from the first quarter beginning April 1, 2009. This adoption did not have a material impact on the Companies' consolidated financial position, result of operations or cash flows.

In January 2010, the FASB issued additional disclosure requirements for fair value measurements. According to the guidance, the fair value hierarchy disclosures are to be further disaggregated by class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the consolidated balance sheets. The guidance also requires additional disclosure about significant transfers between Levels 1 and 2 of the fair value hierarchy. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009 except for the requirement regarding the Level 3 activity which is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. These amendments do not have an impact on the consolidated financial position, result of operations or cash flows as this guidance relates only to additional disclosures.

In September 2009, the FASB issued amended guidance concerning fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent). If fair value is not readily determinable, the amended guidance permits, as a practical expedient, a reporting entity to measure the fair value of an investment using the net asset value per share (or its equivalent) provided by the investee without further adjustment. In accordance with the guidance, the Companies adopted these amendments for the year ended March 31, 2010. This adoption did not have a material impact on the Companies' consolidated financial position, result of operations or cash flows.

Recognition and Presentation of Other-Than-Temporary Impairments—In April 2009, the FASB issued the new guidance for recognition and presentation of other-than-temporary impairments." This guidance amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This guidance did not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The guidance was effective for interim or fiscal years ending after June 15, 2009. The Companies adopted this guidance from the first quarter beginning April 1, 2009. This adoption did not have a material impact on the Companies' consolidated financial position, result of operations or cash flows.

Business Combinations—In December 2007, the FASB issued new accounting guidance for business combinations. This guidance establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. This statement also established disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. In April 2009, the FASB issued an amendment to the revised business combination guidance. This amends and clarifies the revised guidance to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The revised guidance and amendment are effective for business combinations for which the acquisition date is on or after the beginning of the fiscal year beginning on or after December 15, 2008. The Companies adopted this guidance from the first quarter beginning April 1, 2009. See Note 7 for further information.

Noncontrolling Interest in Consolidated Financial Statements—In December 2007, the FASB issued new accounting guidance for noncontrolling interests in consolidated financial statements. This guidance established accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The guidance also established disclosure requirements that clearly identified and distinguished between the interests of the parent and the interests of the noncontrolling owners. The guidance was effective for fiscal years beginning on or after December 15, 2008 on a prospective basis, except for certain presentation and disclosure requirements, which must be applied retrospectively for all period presented, and was adopted by the Companies from the first quarter beginning April 1, 2009. Upon the adoption of this guidance, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and shareholders' equity on the consolidated balance sheets, are now included as a separate component of total equity. In addition, consolidated net income on the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interests. These financial statement presentation requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements have been reclassified or adjusted to conform to this guidance. This adoption did not have a material impact on the Companies' consolidated financial position, result of operations or cash flows.

Employer's Disclosures about Postretirement Benefit Plan Assets—
In December 2008, the FASB issued new guidance for employers' disclosures about postretirement benefit plan assets. This guidance requires providing detailed disclosures about plan assets including how investment allocation decisions are made, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, and significant concentrations of risk within plan assets. In January 2010, the FASB issued an amendment to this guidance. This amends the terminology from major categories of assets to classes of assets and provides a cross reference to the guidance for fair value measurements described above on how to determine appropriate classes to present fair value presentation. This guidance was effective for reporting periods ending after December 15, 2009. This guidance required only additional disclosures. See Note 12 for disclosures required by this guidance.

Subsequent Events—In May 2009, the FASB issued the new guidance for subsequent events. This guidance establishes general standards of accounting for and disclosure of events that occur after balance sheet date but before financial statements are issued or are available to be issued. The guidance was effective for interim or fiscal years ending after June 15, 2009. The Companies adopted this guidance from the first quarter beginning April 1, 2009. See Note 22 for further information.

2. TRANSLATION INTO U.S. DOLLAR STATEMENTS

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥93.4 to $1, the noon buying rate for yen in New York City at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. MARKETABLE SECURITIES AND INVESTMENTS

The fair value of debt and marketable equity securities is based on quoted market prices at March 31, 2010 and 2009. The fair values of the debt and marketable equity securities were as follows:

				Millions of Yen
2010	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
National debt securities	**¥ 1,160**	**¥ 10**		**¥ 1,170**
Corporate debt securities	**1,885**	**12**	**¥ 42**	**1,855**
Bank debt securities	**100**	**0**		**100**
Mutual fund	**3,229**	**175**	**1**	**3,404**
Total	**¥ 6,374**	**¥ 198**	**¥ 43**	**¥ 6,529**
Noncurrent:				
Equity securities	**¥23,841**	**¥9,415**	**¥604**	**¥32,652**

				Millions of Yen
2009	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
National debt securities	¥ 1,659	¥ 13		¥ 1,672
Corporate debt securities	5,011	56	¥ 143	4,924
Bank debt securities	100		0	100
Mutual fund	3,987	261	461	3,787
Total	¥10,757	¥ 330	¥ 604	¥10,483
Noncurrent:				
Equity securities	¥22,505	¥5,961	¥2,173	¥26,293

				Thousands of U.S. Dollars
2010	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
National debt securities	$ 12,420	$ 107		$ 12,527
Corporate debt securities	20,182	129	$ 450	19,861
Bank debt securities	1,070	0		1,070
Mutual fund	34,572	1,884	10	36,446
Total	$ 68,244	$ 2,120	$ 460	$ 69,904
Noncurrent:				
Equity securities	$255,257	$100,803	$6,467	$349,593

There were no securities which had been in a continuous unrealized loss position for more than 12 months at March 31, 2010 and 2009. Gross unrealized holding losses and fair values of debt and marketable equity securities, all of which have been in a continuous unrealized loss position for less than 12 months at March 31, 2010 and 2009, were as follows:

		Millions of Yen		Thousands of U.S. Dollars
2010	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Current:				
Corporate debt securities	¥ 643	¥ 42	$ 6,884	$ 450
Mutual fund	44	1	471	10
Total	¥ 687	¥ 43	$ 7,355	$ 460
Noncurrent:				
Equity securities	¥3,867	¥604	$41,403	$6,467

		Millions of Yen
2009	Fair Value	Gross Unrealized Loss
Current:		
Corporate debt securities	¥3,638	¥ 143
Bank debt securities	100	0
Mutual fund	2,247	461
Total	¥5,985	¥ 604
Noncurrent:		
Equity securities	¥5,862	¥2,173

The unrealized losses on investments were caused primarily by a general decline in stock prices in Japan as of the end of the fiscal year. The Companies periodically determine whether a decline in the fair value of marketable securities and investments is deemed to be other-than temporary based on criteria that includes the duration of market decline, the extent to which cost exceeds market value, the financial position and business outlook of the issuer and the intent and ability of the Companies to retain the impaired marketable securities and investments for sufficient period of time for anticipated recovery in market value as described in Note 1. No investments were identified that meet the Companies' criterion for recognition of an impairment loss on investments in unrealized loss position presented above. Therefore, the Companies do not believe the unrealized losses represent an other-than-temporary impairment as of March 31, 2010 and 2009.

Future maturities of debt securities and mutual fund classified as available-for-sale at March 31, 2010 were as follows:

		Millions of Yen		Thousands of U.S. Dollars
	Cost	Fair Value	Cost	Fair Value
Due within one year	¥2,684	¥2,739	$28,737	$29,325
Due after one year through five years	1,673	1,698	17,912	18,180
Due after five years through ten years	958	976	10,257	10,450
After ten years	1,059	1,116	11,338	11,949
Total	¥6,374	¥6,529	$68,244	$69,904

Proceeds from sales of available-for-sale securities were ¥795 million ($8,512 thousand), ¥304 million and ¥2,136 million for the years ended March 31, 2010, 2009 and 2008, respectively. The gross realized gains on the sales of available-for-sale securities for the years ended March 31, 2010, 2009 and 2008 were ¥4 million ($43 thousand), ¥0 million and ¥557 million, respectively. The gross realized losses on the sales of available-for-sale securities for the year ended March 31, 2010 were ¥3 million ($32 thousand). No realized losses were recorded in 2009 and 2008.

During the years ended March 31, 2010, 2009 and 2008, the Companies exchanged certain equity securities for other marketable securities. The Companies recorded the newly received securities at fair value and recognized a gain of ¥6 million ($64 thousand), ¥2 million and ¥95 million in the years ended March 31, 2010, 2009 and 2008, respectively.

The Companies recognized impairment charges on marketable securities and investments in which declines in fair value are other-than-temporary are ¥1,445 million ($15,471 thousand), ¥3,547 million and ¥923 million in the years ended March 31, 2010, 2009 and 2008, respectively.

Investments in non-marketable equity securities for which there is no readily determinable fair value were accounted for using the cost method and aggregated ¥3,085 million ($33,030 thousand) and ¥2,865 million at March 31, 2010 and 2009, respectively. Investments in non-marketable equity securities are reviewed annually or upon the occurrence of an event for other-than temporary impairment. The Companies recognized impairment charges on investments in non-marketable equity securities of ¥15 million ($161 thousand), ¥3 million and ¥14 million in the years ended March 31, 2010, 2009 and 2008, respectively.

The Company's subsidiary in the United States of America adopted a non-qualified deferred compensation plan and trust agreement. Investments consist of several mutual funds, which are recorded at the fair market value of ¥91 million ($974 thousand) and ¥24 million as of March 31, 2010 and 2009, respectively.

4. VALUATION AND QUALIFYING ACCOUNTS

Information related to the Companies' allowance for doubtful receivables was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Balance at beginning of year	**¥ 82**	¥77	¥ 82	**$ 878**
Increase due to change in scope of consolidation (Note 7)	**28**			**300**
Charged to costs and expenses	**38**	13	10	**407**
Balances written-off/reversed	**(32)**	(8)	(15)	**(343)**
Balance at end of year	**¥116**	¥82	¥ 77	**$1,242**

Information related to the Companies' allowance for returns was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Balance at beginning of year	**¥ 2,197**	¥ 3,068	¥ 2,897	**$ 23,522**
Increase due to change in scope of consolidation (Note 7)	**15**			**160**
Charged to costs and expenses	**1,856**	2,197	3,068	**19,872**
Balances written-off/reversed	**(2,212)**	(3,068)	(2,897)	**(23,683)**
Balance at end of year	**¥ 1,856**	¥ 2,197	¥ 3,068	**$ 19,871**

5. INVENTORIES

Inventories at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Finished products	**¥27,752**	¥26,702	**$297,130**
Work in process	**3,263**	3,269	**34,936**
Raw materials	**1,088**	1,182	**11,649**
Total	**¥32,103**	¥31,153	**$343,715**

6. INVESTMENTS IN AFFILIATED COMPANIES

Investments are accounted for using the equity method of accounting if the investment provides the Companies the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee of between 20% to 50%, although other factors are considered in determining whether the equity method of accounting is appropriate. The Companies record investments in equity method investees meeting these characteristics as "Investments in affiliated companies." Under the equity method, the Companies record their proportionate share of an affiliated companies' income or loss based on the most recently available financial statements.

The Companies' investments in affiliated companies and percentage of ownership at March 31, 2010 and 2009 include, among others, the following companies:

	Percentage of Ownership (%)	
Name of Investee	**2010**	2009
Thai Wacoal Public Company Limited	**34**	34
Shinyoung Wacoal Inc.	**25**	25
Indonesia Wacoal Co., Ltd.	**42**	42
Taiwan Wacoal Co., Ltd.	**50**	50
House of Rose Co., Ltd.	**20**	20

Investments in affiliated companies which have quoted market price at March 31, 2010 and 2009 compared with related carrying amounts were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Carrying amount	**¥8,814**	¥7,823	**$94,368**
Aggregate value of quoted market price	**7,768**	6,524	**83,169**

The following tables represent the affiliated companies' summarized information from the balance sheets as of March 31, 2010 and 2009, and statements of operations for the years ended March 31, 2010, 2009, and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current assets	**¥30,303**	¥30,974	**$324,443**
Noncurrent assets	**29,221**	24,926	**312,859**
Total	**¥59,524**	¥55,900	**$637,302**
Current liabilities	**¥ 7,165**	¥ 8,247	**$ 76,713**
Long-term liabilities	**6,143**	5,771	**65,771**
Equity	**46,216**	41,882	**494,818**
Total	**¥59,524**	¥55,900	**$637,302**

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Net sales	**¥49,130**	¥57,488	¥81,466	**$526,017**
Gross profit	**25,948**	30,388	44,063	**277,816**
Income before income taxes	**3,730**	3,630	7,480	**39,936**
Net income	**2,777**	2,832	5,087	**29,732**

Dividends received from the affiliated companies were ¥415 million ($4,443 thousand), ¥597 million and ¥806 million during the years ended March 31, 2010, 2009 and 2008, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥14,369 million ($153,844 thousand) and ¥14,272 million at March 31, 2010 and 2009, respectively.

7. ACQUISITIONS

PJ—On June 2, 2006, the Company acquired 49% of the issued common shares of PJ, primarily a mail-order innerwear retailer. Since then, the Company accounted for this investment using the equity method. During the year ended March 31, 2008, because of the decline in fair value of PJ's shares, the Company recognized an impairment loss of ¥4,694 million, which was included in equity in net loss of affiliated companies. On January 10, 2008, the Company acquired the remaining 51% of the outstanding common shares of PJ through share exchange. This aimed to expand its innerwear operations' market area by including customer age groups and product styles that it had not been able to develop fully.

This transaction was accounted for as an acquisition. PJ is included in the Company's consolidated balance sheet as of March 31, 2008 based on PJ's fiscal year end, which is February 29, 2008. However, because PJ's results of operations and change in financial position between January 10, 2008 and March 31, 2008 were not significant, the Company continued to account for its investment using the equity method and the income from PJ's operations for the fiscal year ended February 29, 2008 was included in equity in net income (loss) of affiliated companies in the consolidated statements of income.

The purchase cost of the additional shares was ¥9,266 million, which consisted of the fair value of the shares distributed to the shareholders of PJ and the direct costs of the business combination. As consideration for the acquisition, the Company distributed 3,261,400 new shares and 3,440,000 shares of treasury stock to the shareholders of PJ. Those shares were valued at ¥1,372 per share which was the five-day average stock price before the acquisition announcement on November 9, 2007.

The purchase price of additional PJ shares was allocated based upon the estimated fair value of the identifiable assets acquired and liabilities assumed. The Company's new basis of investment in PJ was ¥21,814 million, including the initial investment of ¥10,670 million for the 49% shares and the corresponding amount of deferred tax liability of ¥1,878 million for the outside basis temporary differences, which the Company recognized on investment in PJ upon the acquisition.

As a result of the allocation of new basis of investment in PJ, the Company recognized goodwill of ¥11,203 million and intangible assets of ¥8,677 million, in aggregate, which were classified as goodwill and other intangible assets in the consolidated balance sheets. Intangible assets consisted of trademark of ¥5,316 million and customer relationship of ¥3,361 million.
The trademark is not subject to amortization and the customer relationship is subject to amortization over estimated useful life of 7 years. Goodwill is not deductible for tax purpose.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2008
Cash	¥ 4,115
Other current assets	2,693
Property, plant, and equipment	698
Goodwill	11,203
Other intangible assets	8,677
Other assets	692
Total assets acquired	28,078
Current liabilities	2,432
Long-term debt	3,832
Total liabilities assumed	6,264
Net assets acquired	¥21,814

Unaudited Pro Forma Results

Unaudited pro forma financial information is presented below as if the acquisition of PJ occurred at the beginning of the 2008.

	Millions of Yen
	2008
Pro forma sales	¥180,407
Pro forma operating income	14,627
Pro forma net income	5,492

	Yen
	2008
Pro forma earnings per share	¥39

Lecien—On August 17, 2009, the Company acquired all the outstanding common shares of Lecien which primarily manufactures and sells innerwear, lace, handicrafts and tapestries, through share exchange. This aimed to expand its business field. This enables the Company to maintain the growth of its innerwear business in the domestic market by making its presence known in the new market and developing new and different products, sales methods and channels, as well as pricing strategies.

This transaction was accounted for as an acquisition. Lecien's results of operations were included in the Company's consolidated statements of income for the year ended March 31, 2010 from August 1, 2009. Lecien's results of operations and change in financial position between August 1, 2009 and August 17, 2009 were not significant.

The purchase cost of the acquisition was ¥2,489 million ($26,649 thousand), which was the fair value of the shares distributed to the shareholders of Lecien. As consideration for the acquisition, the Company distributed 2,104,063 shares of treasury stock to the shareholders of Lecien. Those shares were valued at ¥1,183 ($13) per share which was the stock price on the acquisition date of August 17, 2009.

The purchase price of Lecien's shares was allocated based upon the estimated fair value of the identifiable assets acquired and liabilities assumed. As a result of the allocation of basis of investment in Lecien, the Company recognized goodwill of ¥71 million ($760 thousand).

Lecien's net sales and net loss included in the Company's consolidated statement of income for the year ended March 31, 2010 were ¥8,751 million ($93,694 thousand), and ¥245 million ($2,623 thousand), respectively.

The costs of the business combinations was ¥121 million ($1,296 thousand), which was included in selling, general and administrative.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Cash	¥ 362	$ 3,876
Trade notes and receivable	3,381	36,199
Other current assets	1,841	19,711
Property, plant, and equipment	2,164	23,169
Investments	1,101	11,788
Goodwill	71	760
Other intangible assets	144	1,542
Other assets	798	8,544
Total assets acquired	9,862	105,589
Current liabilities	5,725	61,296
Long-term liabilities	1,602	17,152
Total liabilities assumed	7,327	78,448
Noncontrolling interests	46	492
Net assets acquired	¥2,489	$26,649

Unaudited Pro Forma Results

Unaudited pro forma financial information was presented below as if the acquisition of Lecien occurred at the beginning of the 2009 and fiscal year.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Pro forma sales	¥167,621	¥188,374	$1,794,657
Pro forma operating income	3,272	10,115	35,032
Pro forma net income attributable to Wacoal Holdings Corp.	1,864	4,970	19,957

	Yen		U.S. Dollars
	2010	2009	2010
Pro forma net income attributable to Wacoal Holdings Corp. per share:			
Basic	¥13.19	¥34.92	$0.14
Diluted	13.18	34.92	0.14

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill —The changes in the carrying amount of goodwill for the year ended March 31, 2010 were as follows:

	Millions of Yen		
			2010
	Peach John Segment	Other Segment	Total
Balance at beginning of year			
Goodwill	¥11,203		¥11,203
Accumulated impairment losses			
Total	11,203		11,203
Goodwill acquired during year		¥71	71
Impairment losses		(71)	(71)
Total			
Balance at end of year			
Goodwill	11,203		11,203
Accumulated impairment losses			
Total	¥11,203		¥11,203

There was no change in the carrying amount of goodwill and accumulated impairment losses for the year ended March 31, 2009.

	Thousands of U.S. Dollars		
	2010		
	Peach John Segment	Other Segment	Total
Balance at beginning of year			
Goodwill	**$119,947**		**$119,947**
Accumulated impairment losses			
Total	**119,947**		**119,947**
Goodwill acquired during year		$ 760	**760**
Impairment losses		(760)	**(760)**
Total			
Balance at end of year			
Goodwill	**119,947**		**119,947**
Accumulated impairment losses			
Total	**$119,947**		**$119,947**

Goodwill of Other segment was recorded from acquired business of Lecien as further described in Note 7. Lecien segment was tested for impairment in the fourth quarter, after the annual forecasting process. The Company identified a decline in fair value of Lecien primarily because of events that occurred after the acquisition date, and recognized an impairment loss of ¥71 million ($760 thousand), which was included in impairment charges on goodwill in the Other segment. The fair value of that operating segment was estimated using the expected present value of future cash flows.

Other Intangible Assets —The components of acquired intangible assets excluding goodwill at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2010			
Year Ended March 31	Gross Carrying Amount	Accumulated Amortization and Impairment Loss	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:				
Customer relationship	**¥ 3,361**	**¥1,983**	**$ 35,985**	**$21,231**
Software	**7,486**	**2,851**	**80,150**	**30,525**
Other	**1,326**	**404**	**14,197**	**4,325**
Total	**¥12,173**	**¥5,238**	**$130,332**	**$56,081**
Unamortized intangible assets:				
Trademark	**¥5,316**		**$56,916**	
Other	**100**		**1,071**	
Total	**¥5,416**		**$57,987**	

	Millions of Yen	
	2009	
Year Ended March 31	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:		
Customer relationship	¥ 3,361	¥ 480
Software	7,118	2,730
Other	945	386
Total	¥11,424	¥3,596
Unamortized intangible assets:		
Trademark	¥ 5,316	
Other	98	
Total	¥ 5,414	

Other intangible assets acquired during the year ended March 31, 2010 totaled ¥1,755 million ($18,790 thousand) which primarily consist of software of ¥1,746 million ($18,694 thousand) with estimated useful life of 5 years.

During the year ended March 31, 2010, the Company recorded an impairment charges on other intangible assets of ¥1,023 million ($10,953 thousand) for customer relationship in Peach John Segment, in connection with the decline in the fair value, which was caused by a downturn in consumption because of the general market condition. Customer relationship was valued by use of the excess earnings method. Aggregate amortization expenses related to other intangible assets and future estimated amortization expense were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	**2010**
Year Ended March 31		
Aggregate amortization expense		
2010	**¥1,791**	**$19,176**
Year Ending March 31		
Estimated amortization expense		
2011	**1,468**	**15,717**
2012	**1,413**	**15,128**
2013	**1,231**	**13,180**
2014	**999**	**10,696**
2015	**747**	**7,998**
Total	**¥5,858**	**$62,719**

	Millions of Yen
	2009
Year Ended March 31	
Aggregate amortization expense	
2009	¥1,496
Year Ending March 31	
Estimated amortization expense	
2010	1,570
2011	1,541
2012	1,441
2013	1,251
2014	967
Total	¥6,770

	Millions of Yen
	2008
Year Ended March 31	
Aggregate amortization expense	
2008	¥ 909
Year Ending March 31	
Estimated amortization expense	
2009	1,379
2010	1,260
2011	1,200
2012	1,084
2013	841
Total	¥5,764

9. SHORT-TERM BANK LOANS AND LONG TERM DEBT

Short-term bank loans at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Unsecured bank loans	**¥4,591**	¥5,221	**$49,154**
Collateralized bank loans	**3,350**		**35,867**
Total	**¥7,941**	¥5,221	**$85,021**

The weighted-average annual interest rates on short-term bank loans as of March 31, 2010 and 2009 were 1.3% and 1.5%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Collateralized bank loans, with interest at 3.7% (based on current market rates), maturing through 2013	**¥ 137**		**$ 1,467**
Capital lease obligation	**51**	¥ 81	**546**
Total	**188**	81	**2,013**
Less current portion	**(108)**	(39)	**(1,156)**
Long-term debt, less current portion	**¥ 80**	¥ 42	**$ 857**

The annual maturities of long-term debt at March 31, 2010 were as follows:

Year Ended March 31	Millions of Yen	Thousands of U.S. Dollars
2011	**¥108**	**$1,156**
2012	**67**	**718**
2013	**13**	**139**
Total	**¥188**	**$2,013**

Lecien, which is the subsidiary acquired as of August 17, 2009 as further described in Note 7, pledges assets as security for loans. At March 31, 2010, assets pledged as collateral for bank loans, including ¥280 million ($2,998 thousand) of investments presented as treasury stock on the consolidated balance sheets, were as follows. There were no assets pledged for loans at March 31, 2009.

	Millions of Yen	Thousands of U.S. Dollars
Land	¥1,015	$10,867
Buildings	412	4,411
Investments	977	10,461
Total	¥2,404	$25,739

As is customary in Japan, both short-term and long-term loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank and the bank has the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank.

10. LEASES

The Companies lease most of their store premises, some of their distribution centers, and certain equipment. Most leases have automatic renewal provisions and allow the Companies to extend the lease term beyond the initial base period, subject to the terms agreed at lease inception. Future minimum rental commitments on non-cancelable operating leases are presented below:

Year Ended March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 688	$ 7,366
2012	662	7,088
2013	564	6,039
2014	162	1,734
2015	174	1,863
Thereafter	782	8,373
Total	¥3,032	$32,463

Rental expenses were ¥5,252 million ($56,231 thousand), ¥4,800 million and ¥3,979 million for the years ended March 31, 2010, 2009 and 2008, respectively.

11. ASSET RETIREMENT OBLIGATIONS

The Companies recorded the fair value of asset retirement obligations in order to recognize legal obligations associated with the removal of leasehold improvements from leased facilities and return the property to a specified condition when the lease terminates.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Balance at beginning of year	**¥443**	¥382	**$4,743**
Increase due to change in scope of consolidation (Note 7)	**97**		**1,039**
Accretion expense	**11**	10	**118**
Liabilities incurred	**66**	105	**706**
Liabilities settled	**(22)**	(46)	**(235)**
Changes due to translation of foreign currencies	**(1)**	(8)	**(11)**
Balance at end of year	**¥594**	¥443	**$6,360**

12. TERMINATION AND RETIREMENT PLANS

Employee Retirement Plans—The Companies sponsor termination and retirement benefit plans that cover substantially all employees. Benefits are based on the employee's years of service, position and performance. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Companies have a contributory defined retirement benefit plan, several partially funded plans administered by independent trustees and several unfunded termination plans administered by the Companies. Benefits under the contributory defined retirement benefit plan are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions. Benefits under the other termination and retirement benefit plan are paid either as lump-sum payments or periodic payments under certain conditions. The benefits are usually paid as a lump-sum payment, if the employee resigns before the mandatory retirement age.

Contributory Defined Retirement Benefit Plan—The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Change in benefit obligations:			
Benefit obligations at beginning of year	**¥ 32,946**	¥32,819	**$352,741**
Service cost	**916**	812	**9,807**
Interest cost	**764**	751	**8,180**
Participants' contributions	**73**	73	**782**
Actuarial loss	**181**	61	**1,938**
Benefits paid from plan assets	**(607)**	(492)	**(6,499)**
Settlement paid from plan assets	**(767)**	(694)	**(8,212)**
Settlement paid by the Companies	**(129)**	(384)	**(1,381)**
Increase due to change in scope of consolidation (Note 7)	**77**		**824**
Benefit obligations at end of year	**33,454**	32,946	**358,180**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 29,069**	¥34,067	**$311,231**
Actual return on plan assets	**2,461**	(5,963)	**26,349**
Employer contributions	**1,515**	2,078	**16,221**
Participants' contributions	**72**	73	**771**
Benefit payments	**(607)**	(492)	**(6,499)**
Settlement payments	**(767)**	(694)	**(8,212)**
Fair value of plan assets at end of year	**31,743**	29,069	**339,861**
Funded status at end of year	**¥ (1,711)**	¥ (3,877)	**$ (18,319)**

Amounts recognized in the consolidated balance sheets at March 31, 2010 and 2009 consist of:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Prepaid pension expense	**¥ 263**		**$ 2,816**
Accrued expenses	**(82)**	¥ (91)	**(878)**
Liability for termination and retirement benefits	**(1,892)**	(3,786)	**(20,257)**
	¥(1,711)	¥(3,877)	**$(18,319)**

Amounts recognized in accumulated other comprehensive loss at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Actuarial loss	**¥(7,196)**	¥(10,585)	**$(77,045)**
Prior service benefit	**4,189**	4,880	**44,850**
	¥(3,007)	¥ (5,705)	**$(32,195)**

The accumulated benefit obligation for all defined benefit plans at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Accumulated benefit obligation	**¥32,727**	¥32,023	**$350,396**

Net periodic benefit costs for the Companies' plans consisted of the following for the year ended March 31:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Service cost	**¥ 916**	¥ 812	¥ 858	**$ 9,807**
Interest cost on projected benefit obligation	**764**	751	761	**8,180**
Expected return on plan assets	**(705)**	(774)	(788)	**(7,548)**
Amortization of actuarial loss (gain)	**1,814**	919	(79)	**19,422**
Amortization of prior service benefit	**(691)**	(691)	(691)	**(7,398)**
	¥2,098	¥1,017	¥ 61	**$22,463**

The unrecognized net actuarial loss and prior service benefit are being amortized over 12 years (the average remaining service life of active participants) using the declining-balance method and the straight-line method, respectively.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Current year actuarial gain (loss)	**¥1,575**	¥(6,800)	¥(5,328)	**$16,863**
Amortization of actuarial loss (gain)	**1,814**	919	(79)	**19,422**
Amortization of prior service benefit	**(691)**	(691)	(691)	**(7,398)**
	¥2,698	¥(6,572)	¥(6,098)	**$28,887**

The estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	**2010**
Actuarial loss	**¥1,259**	**¥13,480**
Prior service benefits	**(691)**	(7,398)

The Companies use a March 31 measurement date for its plans. The weighted-average assumptions used as of March 31, in computing the benefit obligations shown above were as follows:

	2010	2009
Discount rate	**2.3%**	2.5%
Rate of increase in future compensation	**0.0%**	0.0%

The weighted-average assumptions used as of March 31, in computing the net periodic benefit cost shown above were as follows:

	2010	2009	2008
Discount rate	**2.5%**	2.5%	2.5%
Rate of increase in future compensation	**0.0%**	0.0%	0.5%
Expected long-term rate of return on plan assets	**2.5%**	2.5%	2.5%

The Company's wholly owned subsidiary, Wacoal Corp.'s approach to establishing the discount rate is based upon long term Japanese government bond rates and corporate bond indices. The discount rate assumption is based upon the effective yields as of March 31, 2010 on the Japanese government bonds whose maturity dates would be the same as timing of the expected future benefit payments, adjusted for an incremental yield of approximately 25 basis points that is achieved by selecting corporate bonds whose credit characteristics satisfy the quality requirements but whose yields are slightly higher than the yields on Japanese government bonds. For other plans, similar indices and methods are used.

The expected long-term rate of return on plan assets is derived proportionally from return assumptions determined for each of the major asset classes. The return expectations for each of the asset classes are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data. The estimated long-term rate of return is based on an asset allocation of equity securities of 33.0%, debt securities of 48.0%, and other investments of 19.0%.

The Companies' investment strategy is to maintain actual asset weightings within a preset range of target allocations. The Companies' investments are broadly diversified, typically consisting primarily of equity and debt securities. The Companies believe these ranges represent an appropriate risk profile for the planned benefit payments of the plans based on the timing of the estimated benefit payment.

The asset allocation at March 31, 2010 and 2009 was as follows:

	2010	2009
Equity securities	**41.0%**	39.0%
Debt securities	**41.9%**	40.8%
Life insurance company general accounts	**13.9%**	14.8%
Cash and cash equivalents	**3.2%**	5.4%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2010 and 2009 are different from the target allocation percentages primarily because the Company maintained additional equity securities as the separate plan asset which was contributed to the plan based on an agreement between the Company and employees and are not governed by the Pension Committee. As such, the actual allocation percentage of equity securities to the total plan assets is higher than the target allocation, and similarly, the actual allocation for the debt securities and other types of assets are lower than the target allocation.

The following table presents the Companies' plan assets using the fair value hierarchy as of March 31, 2010. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

	Level 1	Level 2	Level 3	Total
				Millions of Yen
Equity securities:				
Japanese companies	¥6,112			¥ 6,112
Foreign companies	829			829
Pooled funds (a)		¥ 4,476		4,476
Debt securities:				
Japanese government bonds	1,705			1,705
Japanese municipal bonds		17		17
Japanese corporate bonds		177		177
Foreign government bonds	660			660
Pooled funds (b)		10,742		10,742
Life insurance company general accounts		4,406		4,406
Other types of investments:				
Equity long/short hedge funds (c)		1,592		1,592
Other assets		1,027		1,027
Total	¥9,306	¥22,437		¥31,743

	Level 1	Level 2	Level 3	Total
				Thousands of U.S. Dollars
Equity securities:				
Japanese companies	$65,439			$ 65,439
Foreign companies	8,876			8,876
Pooled funds (a)		$ 47,923		47,923
Debt securities:				
Japanese government bonds	18,255			18,255
Japanese municipal bonds		182		182
Japanese corporate bonds		1,895		1,895
Foreign government bonds	7,066			7,066
Pooled funds (b)		115,011		115,011
Life insurance company general accounts		47,173		47,173
Other types of investments:				
Equity long/short hedge funds (c)		17,045		17,045
Other assets		10,996		10,996
Total	$99,636	$240,225		$339,861

(a) This class includes common stock of approximately 75% Japanese companies and 25% foreign companies.

(b) This class includes approximately 48% of Japanese government bonds, 2% of Japanese municipal bonds, 37% of foreign government bonds, and 13% of corporate bonds.

(c) This class includes hedge funds that invest both long and short in approximately 51% of Japanese common stocks and 49% of foreign common stocks.

Equity securities and debt securities presented in Level 1 are primarily valued using a market approach on the quoted market prices of identical instruments. Municipal bonds and corporate bonds presented in Level 2 are primarily valued using quoted prices for identical instruments in markets that are not active. Pooled funds in equity securities or debt securities and equity long/short hedge funds which are categorized in Level 2 are valued by the sponsor of the fund primarily based on quoted prices in both active and inactive market for identical instruments which comprise funds. Life insurance company general accounts is the contracts with the insurance companies with guaranteed interest rate and return of capital, and those value are based on addition of original value and return.

The general funding policy of the funded plans is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. The Companies expect to contribute ¥1,866 million ($19,979 thousand) to their plans in the year ending March 31, 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ended March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 1,487	$ 15,921
2012	1,658	17,752
2013	1,892	20,257
2014	1,998	21,392
2015	2,115	22,645
2016–2020	11,304	121,028

Multiemployer Plan—Some subsidiaries participate in multiemployer plans. The aggregated amount of the contribution to the plans was ¥42 million ($450 thousand) for the year ended March 31, 2010. As it is probable that certain subsidiaries will withdraw from the plan, the Companies assessed the probability and recognized the estimated withdrawal liability of ¥651 million ($6,970 thousand) as of March 31, 2010.

Defined Contribution Plan—A subsidiary has a defined contribution plan. The amount of cost recognized for its contribution to the plan was ¥20 million ($214 thousand) for the year ended March 31, 2010.

Employee Early Retirement Program—The Companies provide additional benefits to employees that elect to participate in the Companies' early retirement program. Retirement benefits of ¥361 million ($3,865 thousand), ¥157 million and ¥51 million were paid in addition to normal benefits and charged to selling, general and administrative for the years ended March 31, 2010, 2009 and 2008, respectively.

Termination Plan for Directors and Corporate Auditors—The Company and certain subsidiaries had termination plans for directors and corporate auditors. Payment of termination benefits to directors and corporate auditors is made in a lump-sum upon termination and requires the approval of the shareholders before payment. In June 2005, the Company rescinded its termination plan for directors and corporate auditors upon the approval of its shareholders. The amount of benefit for each individual was fixed as of June 29, 2005 and will remain frozen until the retirement of each respective director and corporate auditor. The outstanding liabilities were ¥339 million ($3,630 thousand) at March 31, 2010, 2009 and 2008, and were recorded in other long-term liabilities. Subsidiaries still maintain plans for their directors and corporate auditors. In accordance with the guidance for determination of vested benefit obligation for a defined benefit pension plan, the subsidiaries recorded a liability for termination benefits for directors and corporate auditors at the amount that would be needed if all directors and corporate auditors were to resign at each balance sheet date. The liabilities for termination benefits for directors and corporate auditors at March 31, 2010 and 2009 were ¥377 million ($4,036 thousand) and ¥304 million, respectively, and were included in liability for termination and retirement benefits.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Board of Directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount of retained earnings available for dividends under the Companies Act was ¥96,486 million ($1,033,041 thousand) as of March 31, 2010, based on the amount recorded in the Company's general books of account.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

14. SHARE-BASED COMPENSATION

The Company adopted an annual stock option plan in the year ended March 31, 2009. Under the 2010 and 2009 stock option plan, the Company granted its shares of common stock to directors of the Company excluding outside directors and the Company's wholly owned subsidiary, Wacoal Corp., in the years ended March 31, 2010 and 2009. The Company believes that such awards better align the interests of its directors with those of its shareholders, by sharing both risk and return from fluctuations in stock prices and giving motivation to heighten its corporate value. The compensation cost is valued at fair value on the grant date. Options vest over one year in proportion to the service months of directors, and are exercisable from the day after the date of retirement up to (i) twenty years from the grant date or (ii) five years from the day after the date of retirement, whichever is earlier.

The fair value of the options is estimated by using the Black-Scholes option-pricing model with following assumptions.

Expected dividend yield is based on the actual payout of dividend in the last fiscal year and the closing price of the Company's common stock on the grant date. Expected volatility is based on the historical volatility of the Company's share over the most recent period commensurate with the expected term of the Company's stock options. Risk-free interest rate is based on the Japanese government bonds yield curve in effect at the time of grant for a period commensurate with the expected term of the Company's share options. Expected term of options granted is based on the average remaining service period of directors, assuming that those who are granted options will render service until the stated retirement date and they will exercise options immediately after their retirement.

	2010	2009
Expected dividends	**2.1%**	2.0%
Expected volatility	**30.6%**	24.7%
Risk-free interest rate	**0.5%**	1.0%
Expected term	**4.0 years**	4.8 years

A summary of option activity under the Plan as of March 31, 2010, and changes for the year ended March 31, 2010, were as follows:

		Yen	U.S. Dollars	Years	Millions of Yen	Thousands of U.S. Dollars
	Shares	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	
Outstanding at April 1, 2009	57,000	1	0			
Granted	49,000	1	0			
Exercised	4,000	1	0			
Forfeited or expired						
Outstanding at March 31, 2010	102,000	1	0	18.5	113	1,210
Exercisable at March 31, 2010	3,000	1	0	4	3	32

The total intrinsic values of options exercised was ¥5 million ($54 thousand) for the year ended March 31, 2010.

Total compensation cost recognized and the total recognized tax benefit related thereto for the year ended March 31, 2010 were ¥55 million ($589 thousand) and ¥22 million ($236 thousand), respectively. Total compensation cost recognized and the total recognized tax benefit related thereto for the year ended March 31, 2009 were ¥54 million and ¥22 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2010 and 2009, were ¥1,084 ($12) and ¥1,137, respectively.

As of March 31, 2010, there were ¥9 million ($96 thousand) of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over three months.

15. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of accumulated other comprehensive income (loss) including amounts attributable to noncontrolling interests were as follows:

Millions of Yen

	2010			2009			2008		
	Pre-Tax Amount	Tax Expense	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount	Pre-Tax Amount	Tax Credit	Net Amount
Foreign currency translation adjustments	**¥ 870**	**¥ (75)**	**¥ 795**	¥ (9,402)	¥ 692	¥ (8,710)	¥ (536)	¥ 38	¥ (498)
Unrealized gain (loss) on securities:									
Unrealized holding gain (loss)	**4,319**	**(1,735)**	**2,584**	(10,092)	4,030	(6,062)	(14,685)	5,983	(8,702)
Reclassification adjustments	**1,293**	**(526)**	**767**	1,828	(744)	1,084	(754)	307	(447)
Net unrealized gain (loss)	**5,612**	**(2,261)**	**3,351**	(8,264)	3,286	(4,978)	(15,439)	6,290	(9,149)
Pension liability adjustment:									
Unrealized holding gain (loss)	**1,575**	**(641)**	**934**	(6,800)	2,768	(4,032)	(5,328)	2,168	(3,160)
Reclassification adjustment	**1,123**	**(457)**	**666**	228	(93)	135	(770)	314	(456)
Net unrealized gain (loss)	**2,698**	**(1,098)**	**1,600**	(6,572)	2,675	(3,897)	(6,098)	2,482	(3,616)
Other comprehensive income (loss)	**¥9,180**	**¥ (3,434)**	**¥5,746**	¥(24,238)	¥6,653	¥(17,585)	¥(22,073)	¥8,810	¥(13,263)

Thousands of U.S. Dollars

	2010		
	Pre-Tax Amount	Tax Expense	Net Amount
Foreign currency translation adjustments	**$ 9,315**	**$ (803)**	**$ 8,512**
Unrealized gain on securities:			
Unrealized holding gain	**46,242**	**(18,576)**	**27,666**
Reclassification adjustments	**13,844**	**(5,632)**	**8,212**
Net unrealized gain	**60,086**	**(24,208)**	**35,878**
Pension liability adjustment:			
Unrealized holding gain	**16,863**	**(6,863)**	**10,000**
Reclassification adjustment	**12,024**	**(4,893)**	**7,131**
Net unrealized gain	**28,887**	**(11,756)**	**17,131**
Other comprehensive income	**$98,288**	**$(36,767)**	**$61,521**

16. INCOME TAXES

Income before income taxes, equity in net income (loss) of affiliated companies, and net loss (income) attributable to noncontrolling interests were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Japan	**¥ 9,445**	¥12,553	¥15,959	**$101,124**
Foreign	**(6,322)**	(4,926)	(1,606)	**(67,687)**
Total	**¥ 3,123**	¥ 7,627	¥14,353	**$ 33,437**

Income taxes expense consists of:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Current:				
Japan	**¥ 2,851**	¥2,214	¥4,652	**$ 30,525**
Foreign	**310**	503	925	**3,319**
	¥ 3,161	¥2,717	¥5,577	**$ 33,844**
Deferred:				
Japan	**¥(1,726)**	¥ 522	¥ 280	**$(18,480)**
Foreign	**139**	(26)	(4)	**1,488**
	¥(1,587)	¥ 496	¥ 276	**(16,992)**
Total income taxes	**¥ 1,574**	¥3,213	¥5,853	**$ 16,852**

The Companies are subject to a number of different taxes based on income. The effective income tax rates differed from the normal statutory rates for the following reasons for the years ended March 31, 2010, 2009 and 2008:

	2010	2009	2008
Normal Japanese statutory rates	**40.7%**	40.7%	40.7%
Increase in taxes resulting from:			
Permanently non-deductible expenses	**13.0**	5.8	2.9
Change in valuation allowance	**(7.9)**	4.1	(1.5)
Undistributed earnings of foreign subsidiaries	**2.6**	(2.1)	2.6
Differences in foreign subsidiaries' tax rate	**(5.4)**	(3.4)	(2.5)
Tax exemption	**(1.1)**	(0.3)	(0.2)
Unrecognized tax benefits	**6.5**	(1.0)	(0.2)
Other—net	**2.0**	(1.7)	(1.0)
Effective tax rates	**50.4%**	42.1%	40.8%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2010 and 2009 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		2010	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	¥ 783		¥ 838		$ 8,383	
Allowance for doubtful receivables	619		257		6,627	
Inventory valuation	1,583		1,737		16,948	
Accrued bonuses	1,166		1,415		12,484	
Impairment charges on marketable securities and investments	2,111		985		22,602	
Advanced depreciation on property, plant and equipment		¥ 1,712		¥ 1,696		$ 18,330
Undistributed earnings of foreign subsidiaries		1,852		1,712		19,829
Net unrealized gain on marketable securities and investments		3,762		1,430		40,278
Net realized gain on exchange of equity securities		2,187		2,448		23,416
Capitalized supplies	205		227		2,195	
Enterprise taxes	173		52		1,852	
Accrued vacation	832		842		8,908	
Pension expense	1,351		2,104		14,465	
Tangible fixed assets	1,442		1,328		15,439	
Tax loss carryforwards	3,185		1,733		34,101	
Intangible assets		2,726		3,337		29,186
Investment in a subsidiary		1,878		1,878		20,107
Other temporary differences	388	119	767	4	4,154	1,274
Total	13,838	14,236	12,285	12,505	148,158	152,420
Valuation allowance	(3,452)		(1,643)		(36,959)	
Total	¥10,386	¥14,236	¥10,642	¥12,505	$111,199	$152,420

The valuation allowance increased by ¥1,809 million ($19,368 thousand) and ¥225 million for the years ended March 31, 2010 and 2009, respectively.

As a result of changing the Companies' legal structure, the Companies reversed certain of valuation allowance. Accordingly, the Companies utilized ¥721 million ($7,719 thousand) of tax loss carryforwards, and recognized the tax benefits of ¥293 million ($3,137 thousand) for the year ended March 31, 2010.

At March 31, 2010, certain subsidiaries had loss carryforwards which are available to offset future taxable income of such subsidiaries expiring as follows:

Year Carryforward Expires	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 224	$ 2,398
2012	329	3,522
2013	863	9,240
2014	1,024	10,964
2015	472	5,054
2016	786	8,415
2017	3,181	34,058
Indefinitely until utilized	1,098	11,756
Total	¥7,977	$85,407

There was no portion of undistributed earnings of foreign subsidiaries which were deemed to be permanently invested as of March 31, 2010 and 2009.

The Companies adopted the guidance for the tax benefit from an uncertain tax position effective April 1, 2007. As a result of implementation of this guidance, the Companies recognized a tax benefit of ¥181 million as of April 1, 2007, and did not require a cumulative-effect adjustment to retained earnings.

A reconciliation of beginning and ending amount of unrecognized tax benefits was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Balance at beginning of year	¥106	¥420	¥181	$1,135
Additions based on tax positions related to the current year	232	20	332	2,484
Additions for tax positions of prior years	50		29	535
Reductions for tax positions of prior years	(41)		(122)	(439)
Settlements with tax authorities	(26)	(334)		(278)
Balance at end of year	¥321	¥106	¥420	$3,437

Total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥321 million ($3,437 thousand) and ¥106 million at March 31, 2010 and 2009, respectively.

Based on each of the items of which the Company is aware at March 31, 2010, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. Total amounts of interest and penalties recognized in the consolidated statements of income for the years ended March 31, 2010, 2009 and 2008 were not material.

The Companies file income tax returns in Japan and various foreign tax jurisdictions. In Japan the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2009 with few exceptions. For other countries, the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2006 with few exceptions. In the year ended March 31, 2009, the transfer pricing examination of certain domestic subsidiaries' 2002 to 2007 fiscal year and certain the U.S. subsidiaries' 2003 and 2004 fiscal year was completed.

17. RELATED PARTY TRANSACTIONS

The Companies purchase merchandise from numerous suppliers throughout the world, including certain affiliated companies of the Companies. The Companies purchased merchandise from affiliated companies in the amount of ¥1,209 million ($12,944 thousand), ¥1,674 million and ¥1,031 million in the fiscal years ended March 31, 2010, 2009 and 2008, respectively. The accounts payable to affiliated companies were ¥15 million ($161 thousand) and ¥34 million at March 31, 2010 and 2009, respectively. All such merchandise were provided in the ordinary course of business at prices and on terms and conditions that the Company believes are the same as those that would result from arm's-length negotiations between unrelated parties.

The Companies also sell supplies, materials and products to certain affiliated companies. Aggregate sales to affiliated companies were ¥354 million ($3,790 thousand), ¥958 million and ¥803 million in fiscal years ended March 31, 2010, 2009 and 2008. The accounts receivable from affiliated companies were ¥60 million ($642 thousand) and ¥123 million at March 31, 2010 and 2009, respectively.

The Companies earn royalties from the use of Wacoal Brand by certain affiliated companies. The amount of royalty revenue earned was ¥199 million ($2,131 thousand), ¥206 million and ¥229 million in the fiscal years ended March 31, 2010, 2009 and 2008, respectively. Other accounts receivables from affiliated companies, which are categorized in other current assets in the consolidated balance sheet, were ¥163 million ($1,745 thousand) and ¥165 million at March 31, 2010 and 2009, respectively.

Transaction between the Company and President's Immediate Family—The Company purchased the building and land which were owned by the president's immediate family to use as a Company's memorial house for the price based on a certification of real estate appraisal. The building and land included in the consolidated balance sheet as of March 31, 2010 were ¥35 million ($375 thousand) and ¥539 million ($5,771 thousand), respectively.

18. EARNINGS PER SHARE AND AMERICAN DEPOSITARY RECEIPT

The Company accounts for its earnings per share in accordance with the guidance for earnings per share. Basic net income attributable to Wacoal Holdings Corp. per share has been computed by dividing net income attributable to Wacoal Holdings Corp. by the weighted-average number of common stock outstanding during each year. Diluted net income attributable to Wacoal Holdings Corp. per share assumes the dilution that could occur if share-based option to issue common stock were exercised.

The computation of earnings per American Depositary Receipt ("ADR"), each ADR representing 5 shares of common stock, is based on the weighted-average number of common shares outstanding. The weighted-average number of common stock outstanding used in the computations of basic net income attributable to Wacoal Holdings Corp. per share was 141,353,141 shares for 2010, 142,316,921 shares for 2009 and 141,304,256 shares for 2008. The weighted-average number of diluted common stock outstanding used in the computations of diluted net income attributable to Wacoal Holdings Corp. per share was 141,423,315 shares, 142,336,296 shares and 141,304,256 shares for 2010, 2009 and 2008, respectively.

19. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
2010	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Note 3)	¥ 6,529	¥ 6,529	$ 69,904	$ 69,904
Investments (Note 3)	32,743	32,743	350,567	350,567
Foreign exchange contracts	61	61	653	653
Total assets	¥39,333	¥39,333	$421,124	$421,124
Liabilities:				
Foreign exchange contracts	¥ (78)	¥ (78)	$ (835)	$ (835)

2009	Carrying Amount	Fair Value
		Millions of Yen
Assets:		
Marketable securities (Note 3)	¥10,483	¥10,483
Investments (Note 3)	26,317	26,317
Total assets	¥36,800	¥36,800
Liabilities:		
Foreign exchange contracts	¥ (84)	¥ (84)

The carrying amounts of all other financial instruments approximate their estimated fair values.

Financial Instruments—The Companies are exposed to foreign currency exchange risks on the transactions denominated in foreign currencies relating to its ongoing business operations. Such risks are primarily managed by using foreign currency exchange contracts. The Companies measure forward currency exchange contracts at the fair value since they are not designated as a hedge.

Limitations—Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Concentration of Credit Risk—The Companies' business consists primarily of sales of women's intimate apparel to a large number of diverse customers in the Japanese retail industry, which include well established department stores, general merchandise stores and other general retailers and to specialty stores. No single customer constitutes 10.0% or more of the total sales, although the general retail customers that are consolidated companies in the Aeon Group collectively accounted for approximately 10.4%, 9.8% and 11.2% of the total sales in fiscal years ended March 31, 2010, 2009 and 2008, respectively.

20. FAIR VALUE MEASUREMENTS

The Companies adopted the guidance for fair value measurements on April 1, 2008. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1—Inputs are quoted prices in active markets for identical assets or liabilities.

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.

Level 3—Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities at fair value on a recurring basis as of March 31, 2010 and 2009 were as follows:

2010	Level 1	Level 2	Level 3	Total
				Millions of Yen
Assets:				
Marketable securities:				
Government bonds	¥ 1,160			¥ 1,160
Municipal bonds		¥ 10		10
Corporate bonds		1,855		1,855
Bank debt securities		100		100
Mutual fund		3,404		3,404
Total marketable securities	1,160	5,369		6,529
Investments:				
Listed shares	32,743			32,743
Financial instruments:				
Foreign exchange contracts		61		61
Total assets	¥33,903	¥5,430		¥39,333
Liabilities:				
Financial instruments:				
Foreign exchange contracts		¥ (78)		¥ (78)

				Millions of Yen
2009	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Government bonds	¥ 1,662			¥ 1,662
Municipal bonds		¥ 10		10
Corporate bonds		3,923		3,923
Commercial paper		1,000		1,000
Bank debt securities		100		100
Mutual fund		3,788		3,788
Total marketable securities	1,662	8,821		10,483
Investments:				
Listed shares	26,317			26,317
Total assets	¥27,979	¥8,821		¥36,800
Liabilities:				
Financial instruments:				
Foreign exchange contracts		¥ (84)		¥ (84)

				Thousands of U.S. Dollars
2010	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Government bonds	**$ 12,420**			**$ 12,420**
Municipal bonds		**$ 107**		**107**
Corporate bonds		**19,861**		**19,861**
Bank debt securities		**1,071**		**1,071**
Mutual fund		**36,445**		**36,445**
Total marketable securities	**12,420**	**57,484**		**69,904**
Investments:				
Listed shares	**350,567**			**350,567**
Financial instruments:				
Foreign exchange contracts		**653**		**653**
Total assets	**$362,987**	**$58,137**		**$421,124**
Liabilities:				
Financial instruments:				
Foreign exchange contracts		**$ (835)**		**$ (835)**

Marketable securities and investments presented in Level 1 are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Marketable securities presented in Level 2 are valued using quoted market price obtained from third parties.

As presented in Note 3, the Companies recorded impairment charges on marketable securities and investments if a decline in fair value of marketable securities and investments is determined to be other than temporary.

Financial instruments are comprised of foreign currency exchange contracts. Financial instruments are valued using quotes obtained from third parties.

The changes in the fair value of the foreign currency exchange contracts are recorded in earnings, since the foreign currency exchange contracts are not designate as a hedge. The Companies recognized ¥103 million ($1,103 thousand), ¥62 million and ¥35 million in other income (expenses) in the years ended March 31, 2010, 2009 and 2008, respectively.

The Companies recorded the financial instruments as other current assets and other current liabilities in the consolidated balance sheet at fair value of ¥61 million ($653 thousand) and ¥78 million ($835 thousand), respectively. The financial instruments presented as other current liabilities were ¥84 million at March 31, 2009.

Assets Measured at Fair Value on a Nonrecurring Basis

Assets at fair value on a nonrecurring basis as of March 31, 2010 were as follows:

					Millions of Yen
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)
Property, plant and equipment held and used:					
Land			¥ 6	¥ 6	¥ (4)
Buildings and building improvements			16	16	(19)
Total property, plant and equipment held and used			¥ 22	¥ 22	¥ (23)
Goodwill (Note 8)					(71)
Customer relationship (Note 8)			1,378	1,378	(1,023)
					¥(1,117)

					Thousands of U.S. Dollars
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)
Property, plant and equipment held and used:					
Land			$ 64	$ 64	$ (43)
Buildings and building improvements			172	172	(203)
Total property, plant and equipment held and used			$ 236	$ 236	$ (246)
Goodwill (Note 8)					(760)
Customer relationship (Note 8)			14,754	14,754	(10,953)
					$(11,959)

In accordance with the guidance for the impairment or disposal of property, plant and equipment, property, plant and equipment held and used with a carrying amount of ¥45 million ($482 thousand) were written down to their fair value of ¥22 million ($236 thousand), because certain company residences were temporary idled and fair value of these assets was below the Company's book value at March 31, 2010. Fair value was measured based on the market price under recent similar market transactions adjusted with additional reasonably available information. An impairment charge of ¥23 million ($246 thousand) was included in earnings for the period.

In accordance with the guidance for intangibles - goodwill and other, goodwill with a carrying amount of ¥71 million ($760 thousand) was written down to its implied fair value of zero, resulting in an impairment charge of ¥71 million ($760 thousand), which was included in earnings for the period. To measure the fair value of that reporting unit, the Company uses the expected present value of future cash flows and incorporates relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflect the management's estimate of assumptions that market participants would use in pricing the asset in a current transaction as of the measurement date.

As for other intangible assets, customer relationship with a carrying amount of ¥2,401 million ($25,707 thousand) was written down to its implied fair value of ¥1,378 million ($14,754 thousand), resulting in an impairment charge of ¥1,023 million ($10,953 thousand), which was included in earnings for the period. To measure the fair value of customer relationship, the Company uses the excess earnings method and incorporates relevant unobservable inputs, such as management's internal assumptions about future cash flows, the percentage of orders that the Company expects to receive from the customers existed at the point of acquisition and appropriately risk-adjusted discount rate, which reflected the management's estimate of assumptions that market participants would use in pricing the asset in a current transaction as of the measurement date. Future cash flows are based on the management's cash flow projections for the future five years, and after five these years, future cash flows was estimated using the perpetuity growth rate of zero %. The management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The percentage of orders that the Company expects to receive from the customers existed at the point of acquisition was estimated based on the historical trend of the percentage of sales to the pre-acquisition customers. Risk-adjusted discount rate of 4.8% representing weighted average cost of capital (WACC), was determined using the Capital Asset Pricing Model.

21. SEGMENT INFORMATION

Certain foreign private issuers, including the Company, have been exempted from the segment disclosure requirements of ASC 280, "Segment Reporting" in filings with the SEC under the Securities Exchange Act of 1934.

However, in September 2008, the SEC issued its "Foreign Issuer Reporting Enhancements" ("FIRE") rule. The FIRE rule eliminates an instruction to the Form 20-F that permitted certain foreign private issuers to omit segment disclosures required by U.S. GAAP from their financial statements. This aspect of the FIRE rule regarding elimination of ability to omit segment disclosures is effective for fiscal years ended on or after December 15, 2009 and was adopted by the Companies in the year ended March 31, 2010 for all periods presented.

Operating Segment Information

The Companies have four reportable segments: "Wacoal business (domestic)," "Peach John," "Nanasai" and "Wacoal business (overseas)," which are based on their location and brands. These segments represent components of the Companies for which separate financial information is available and for which operating profit (loss) is reviewed regularly by the management in deciding how to allocate the Companies' resources and in assessing their performance. The accounting policies used for these reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

"Wacoal business (domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, and other textile-related products, which are sold with "Peach John" brand. "Nanasai" segment sells and rents mannequins and shop furnitures, and designs and builds interiors for commercial premises. "Wacoal business (overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery.

Information about operating results and assets for each segment as of and for the years ended March 31, 2010, 2009 and 2008 was as follows:

Millions of Yen

2010	Wacoal Business (Domestic)	Peach John	Wacoal Business (Overseas)	Nanasai	Other	Elimination	Consolidated
Net sales:							
External customers	**¥113,929**	**¥13,224**	**¥18,899**	**¥7,502**	**¥9,743**		**¥163,297**
Intersegment	**1,793**	**7**	**6,226**	**1,069**	**2,171**	**¥(11,266)**	
Total	**115,722**	**13,231**	**25,125**	**8,571**	**11,914**	**(11,266)**	**163,297**
Operating cost and expenses:							
Operating cost and expenses	**111,180**	**13,053**	**23,795**	**9,214**	**11,937**	**(11,266)**	**157,913**
Depreciation on other intangible assets (Note 8)		**480**					**480**
Impairment charges on goodwill (Note 8)					**71**		**71**
Impairment charges on other intangible assets (Note 8)		**1,023**					**1,023**
Total	**111,180**	**14,556**	**23,795**	**9,214**	**12,008**	**(11,266)**	**159,487**
Operating profit (loss)	**4,542**	**(1,325)**	**1,330**	**(643)**	**(94)**		**3,810**
Total assets	**205,136**	**24,803**	**26,632**	**5,691**	**15,353**	**(54,228)**	**223,387**

Millions of Yen

2009	Wacoal Business (Domestic)	Peach John	Wacoal Business (Overseas)	Nanasai	Other	Elimination	Consolidated
Net sales:							
External customers	¥124,228	¥14,893	¥22,323	¥9,729	¥1,103		¥172,276
Intersegment	1,765	5	6,148	1,306	1,656	¥(10,880)	
Total	125,993	14,898	28,471	11,035	2,759	(10,880)	172,276
Operating cost and expenses:							
Operating cost and expenses	118,523	13,515	26,903	11,101	2,505	(10,880)	161,667
Depreciation on other intangible assets (Note 8)		480					480
Total	118,523	13,995	26,903	11,101	2,505	(10,880)	162,147
Operating profit (loss)	7,470	903	1,568	(66)	254		10,129
Total assets	198,590	27,030	25,406	6,799	7,995	(52,334)	213,486

Millions of Yen

2008	Wacoal Business (Domestic)	Peach John	Wacoal Business (Overseas)	Nanasai	Other	Elimination	Consolidated
Net sales:							
External customers	¥126,355		¥26,142	¥12,099	¥1,165		¥165,761
Intersegment	1,484		6,262	1,452	1,695	¥(10,893)	
Total	127,839		32,404	13,551	2,860	(10,893)	165,761
Operating cost and expenses:	117,724		29,503	13,268	2,619	(10,893)	152,221
Operating profit (loss)	10,115		2,901	283	241		13,540
Total assets	222,754	26,200	29,172	7,129	8,600	(52,236)	241,619

2010	Wacoal Business (Domestic)	Peach John	Wacoal Business (Overseas)	Nanasai	Other	Elimination	Consolidated
							Thousands of U.S. Dollars
Net sales:							
External customers	**$1,219,797**	**$141,585**	**$202,345**	**$80,321**	**$104,314**		**$1,748,362**
Intersegment	**19,197**	**75**	**66,660**	**11,445**	**23,244**	**$(120,621)**	
Total	**1,238,994**	**141,660**	**269,005**	**91,766**	**127,558**	**(120,621)**	**1,748,362**
Operating cost and expenses:							
Operating cost and expenses	**1,190,364**	**139,754**	**254,765**	**98,651**	**127,805**	**(120,621)**	**1,690,718**
Depreciation on other intangible assets (Note 8)		**5,139**					**5,139**
Impairment charges on goodwill (Note 8)					**760**		**760**
Impairment charges on other intangible assets (Note 8)		**10,953**					**10,953**
Total	**1,190,364**	**155,846**	**254,765**	**98,651**	**128,565**	**(120,621)**	**1,707,570**
Operating profit (loss)	**48,630**	**(14,186)**	**14,240**	**(6,885)**	**(1,007)**		**40,792**
Total assets	**2,196,317**	**265,557**	**285,139**	**60,932**	**164,379**	**(580,600)**	**2,391,724**

The Companies account for intersegment sales and transfers as if the sales and transfers were to third parties. Operating profit (loss) represents net sales less operating costs and expenses.

Products and Service Information

Information by products and services for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Innerwear:				
Foundation and lingerie	**¥116,068**	¥123,368	¥123,460	**$1,242,698**
Nightwear	**9,438**	11,019	10,611	**101,049**
Children's underwear	**1,608**	1,950	1,953	**17,217**
Sub total	**127,114**	136,337	136,024	**1,360,964**
Outerwear/Sportswear	**¥ 17,241**	¥ 15,498	¥ 8,920	**$ 184,593**
Hosiery	**1,701**	1,657	1,803	**18,212**
Other textile goods and related products	**7,462**	6,270	3,963	**79,893**
Others	**9,779**	12,514	15,051	**104,700**
Total	**¥163,297**	¥172,276	¥165,761	**$1,748,362**

Geographic Information

Information by major geographic area as of and for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Net sales:				
Japan	**¥144,048**	¥149,927	¥139,618	**$1,542,270**
Asia	**7,885**	7,573	7,646	**84,422**
Americas and Europe	**11,364**	14,776	18,497	**121,670**
Consolidated	**¥163,297**	¥172,276	¥165,761	**$1,748,362**
Long-lived assets:				
Japan	**¥ 47,597**	¥ 45,430	¥ 46,814	**$ 509,604**
Asia	**2,527**	1,827	2,312	**27,056**
Americas and Europe	**1,901**	1,991	2,635	**20,353**
Elimination	**(205)**	(209)	(213)	**(2,195)**
Consolidated	**¥ 51,820**	¥ 49,039	¥ 51,548	**$ 554,818**

Countries or areas are classified according to geographical proximity. Long-lived assets include property, plant and equipment and other intangible assets.

22. SUBSEQUENT EVENTS

On May 11, 2010, the Board of Directors resolved to pay a cash dividend of ¥100 ($1) per 5 shares of common stock to holders of record as of March 31, 2010 (aggregate amount of ¥2,828 million ($30,278 thousand)).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Wacoal Holdings Corp. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Wacoal Holdings Corp's management assessed the effectiveness of internal control over financial reporting as of March 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (the COSO criteria).

Wacoal Holdings Corp's management also excluded Lecien, which became our wholly-owned subsidiary on August 17, 2009, and its subsidiaries from its assessment of the effectiveness of internal control over financial reporting as of March 31, 2010. Total assets of Lecien and its subsidiaries were 3.8% of our consolidated total assets of March 31, 2010, and net sales of Lecien and its subsidiaries were 5.4% of our consolidated net sales for the year ended March 31, 2010.

Based on its assessment, management concluded that, as of March 31, 2010, Wacoal Holdings Corp's internal control over financial reporting was effective based on the COSO criteria.

Wacoal Holdings Corp's independent registered public accounting firm, Deloitte Touche Tohmatsu LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting as of March 31, 2010.

Yoshikata Tsukamoto
President and Representative Director

Ikuo Otani
Director and General Manager of Corporate Planning

June 29, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

To the Board of Directors and Stockholders of Wacoal Holdings Corp.
Kyoto, Japan

We have audited the accompanying consolidated balance sheets of Wacoal Holdings Corp. and subsidiaries (the "Companies") as of March 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended March 31, 2010, which are all expressed in Japanese yen. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our report dated June 26, 2009, we expressed a qualified opinion, because certain information required by Accounting Standards Codification ("ASC") 280 "Segment Reporting" had not been presented in the 2009 and 2008 consolidated financial statements. As discussed in Note 21 to the consolidated financial statements, the Company has now presented segment information required by ASC 280 in the 2009 and 2008 consolidated financial statements. Accordingly, our present opinion on the 2009 and 2008 consolidated financial statements, as expressed herein, is different from that expressed in our prior report on the previously issued 2009 and 2008 consolidated financial statements.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, from the first quarter beginning April 1, 2009, the Company changed its method of accounting for noncontrolling interests to conform to ASC 810 "Consolidation" and, retrospectively, adjusted the consolidated balance sheet as of March 31, 2009 and related consolidated statements of income, comprehensive income (loss), equity and cash flows for each of the years ended March 31, 2008 and 2009 for the change.

Our audits also comprehended the translation of the Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. The translation of the financial statement amounts into U.S. dollars has been made solely for convenience of readers outside of Japan.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Companies' internal control over financial reporting as of March 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 29, 2010 expressed an unqualified opinion on the Companies' internal control over financial reporting.

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June 29, 2010

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu LLC

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan
Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

To the Board of Directors and Stockholders of Wacoal Holdings Corp.
Kyoto, Japan

We have audited the internal control over financial reporting of Wacoal Holdings Corp. and subsidiaries (the "Companies") as of March 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Lecien Corp. and its subsidiaries, which were acquired on August 17, 2009 and whose financial statements constitute 3.8% of total assets and 5.4% of net sales of the consolidated financial statement amounts as of and for the year ended March 31, 2010. Accordingly, our audit did not include the internal control over financial reporting at Lecien Corp. and its subsidiaries. The Companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Companies' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Companies maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2010 of the Companies and our report dated June 29, 2010 expressed an unqualified opinion on those financial statements.

June 29, 2010

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu LLC

CORPORATE DATA

As of March 31, 2010

Head Office
29, Nakajima-cho, Kisshoin,
Minami-ku, Kyoto 601-8530, Japan
Tel: (075) 682-5111 Fax: (075) 661-5603

Website
www.wacoalholdings.jp/index_e.html

Date of Foundation
June 15, 1946

Date of Establishment
November 1, 1949

Shareholders' Equity
¥171,630 million

Number of Employees (Consolidated)
15,614

Domestic Principal Subsidiaries

Wacoal Holdings Equity Owned	%
Wacoal Corp.	100
Peach John Co., Ltd.	100
LECIEN Corporation	100
Une nana cool Corp.	100
Kyushu Wacoal Manufacturing Corp.	100
Niigata Wacoal Sewing Corp.	100
Fukuoka Wacoal Sewing Corp.	100
Miyazaki Wacoal Sewing Corp.	100
Hokuriku Wacoal Sewing Corp.	90
Torica Inc.	57
Nanasai Co., Ltd.	82
Wacoal Distribution Corp.	100

Domestic Principal Joint Ventures

Wacoal Holdings Equity Owned	%
House of Rose Co., Ltd.	20

Overseas Principal Subsidiaries

Wacoal Holdings Equity Owned	(%)
Wacoal International Corp. (U.S.A.)	100
Wacoal America, Inc.	100
Wacoal France S.A.	100
Wacoal (UK) Limited	100
Wacoal Singapore Pte. Ltd.	100
Wacoal Hong Kong Co., Ltd.	80
Wacoal International Hong Kong Co., Ltd.	100
Wacoal China Co., Ltd.	100
Guangdong Wacoal Inc.	100
Dalian Wacoal Co., Ltd.	100
Vietnam Wacoal Corp.	100
Wacoal Dominicana Corp.	100
Philippine Wacoal Corp.	67
Wacoal Sports Science Corp.	100
Wacoal (Shanghai) Human Science R&D Co., Ltd.	100

Overseas Joint Ventures

Wacoal Holdings Equity Owned	%
Shinyoung Wacoal Inc. (South Korea)	25
Thai Wacoal Public Co., Ltd.	34
Taiwan Wacoal Co., Ltd.	50
Indonesia Wacoal Co., Ltd.	42
Wacoal Malaysia Sdn. Bhd.	50
Shanghai Yadie Fashion Co., Ltd.	20

International Network

Wacoal America, Inc.
136 Madison Avenue,
New York, NY 10016, U.S.A.
Tel: 1-212-532-6100

Wacoal France S.A.
7/11 Rue des Gazometres,
93218 Saint-Denis La Plaine Cedex, France
Tel: 33-1-5593-0310

Wacoal (UK) Limited
4th Floor, Hardy House,
16-18 Beak Street,
London W1R 3HA,
United Kingdom
Tel: 44-207-439-6190

Wacoal Singapore Pte. Ltd.
215 Henderson Road,
#01-08 Henderson Industrial Park,
Singapore 159554
Tel: 65-6270-2887

Wacoal Hong Kong Co., Ltd.
8th Floor, EGL Tower,
No. 83 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Tel: 852-2811-3202

Wacoal International Hong Kong Co., Ltd.
8th Floor, EGL Tower,
No. 83 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Tel: 852-2561-9191

Wacoal China Co., Ltd.
Jia 16 Tongji North Road,
Beijing Economic & Technological
Development Area,
Beijing 100176, P. R. C.
Tel: 86-10-6787-2185

Guangdong Wacoal Inc.
Huahai Industrial District,
Xinhua Town, Huadu Qu,
Guangzhou City,
Guangdong, P. R. C.
Tel: 86-20-8686-1170˜3

Dalian Wacoal Co., Ltd.
#42 Economic & Technical
Development Zone, Dalian,
Liaoning, P. R. C.
Tel: 86-411-8733-7722

Vietnam Wacoal Corp.
110 Amata Road,
Amata Mordern Industrial Park,
Long Binh Ward, Bien Hoa City,
Dong Nai Province,
Socialist Republic of Vietnam
Tel: 84-61-892060˜2

Wacoal Dominicana Corp.
Zona Franca Industrial,
Las Americas KM22,
Autopista Las Americas,
Santo Domingo, Dominican Republic
Tel: 1-809-549-1090

Philippine Wacoal Corp.
3rd Floor, 6788 Ayala Avenue,
Makati Metro Manila, Philippines
Tel: 63-2-893-7432

Shinyoung Wacoal Inc.
345-54, Ka San Dong, Cum Chone Gu, Seoul,
Republic of Korea
Tel: 82-2-818-5120

Thai Wacoal Public Co., Ltd.
930/1 Soi Pradoo 1,
Sathupradith Bangkholaem,
Bangkok, Thailand
Tel: 66-2-289-3100˜9

Taiwan Wacoal Co., Ltd.
15, Jingkwo Road, Taoyuan,
Taiwan, R.O.C.
Tel: 886-3-326-9369˜80

Indonesia Wacoal Co., Ltd.
Jl. Tarikolot No. 59,
Citeureup-Bogor, Indonesia
Tel: 62-21-875-3611

Wacoal Malaysia Sdn. Bhd.
5th Floor, Plaza Hamodal,
Lot 15, Jalan 13/2 (Section 13),
46200 Petaling Jaya, Selangor, Malaysia
Tel: 60-3-7960-8308

Wacoal Sports Science Corp.
136 Madison Avenue,
New York, NY 10016, U.S.A.
Tel: 1-212-743-9849

Wacoal (Shanghai) Human Science R&D Co., Ltd.
7th Floor, Jiangnan Zaochuan Bldg.,
600 Luban Road, Luwan District,
Shanghai, P. R. C.
Tel: 86-21-6390-7448

INVESTOR INFORMATION

As of March 31, 2010

Stock Listings
Tokyo, Osaka, NASDAQ

Fiscal Year-End
March 31

Securities Code
3591

Common Stock
Issued: 143,378,085 shares
Outstanding: 141,198,346 shares

Trading Unit
1,000 shares

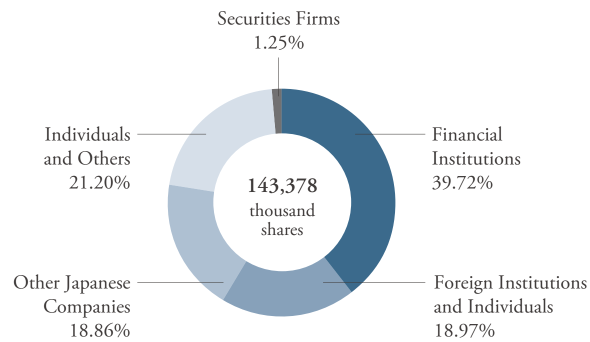
Shareholder Register Agent for Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

American Depositary Receipts
Cusip No.: 930004205
Ratio (ADR:ORD): 1:5
Exchange: NASDAQ
Symbol: WACLY

Depositary
The Bank of New York Mellon
101 Barclay Street,
New York, NY 10286, U.S.A.
Tel: 1-212-815-8161
U.S. toll free: 888-269-2377
(888-BNY-ADRS)
URL: http://www.adrbny.com

Number of Shareholders
10,350

Ownership and Distribution of Shares



Major Shareholders

	%
The Bank of New York Mellon as depositary bank for depositary receipt holders*	11.65
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.88
Meiji Yasuda Life Insurance Company	4.88
Mika Noguchi	4.67
Nippon Life Insurance Company	3.84
The Bank of Kyoto, Ltd.	3.28
The Dai-ichi Mutual Life Insurance Company	2.72
The Shiga Bank, Ltd.	2.54
Japan Trustee Services Bank, Ltd. (Trust Account)	2.31
Mitsubishi UFJ Trust and Banking Corporation	2.12

* Shares deposited to issue American Depositary Shares traded on the NASDAQ stock market.

Stock Price/Trading Volume

Forward-Looking Statements
Statements contained in this annual report that are not historical facts are forward-looking statements which reflect the Company's plans and expectations. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to differ materially from those anticipated in these statements.

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Printed in Japan
100824-FA-WT3