

REACHING OUT

WACOAL HOLDINGS Integrated Report 2012

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A SUSTAINABLE WACOAL

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INVESTOR INFORMATION

Editorial Policy for This Report

Aiming to further understanding of its financial and non-financial information, the Wacoal Group began issuing integrated reports from the previous fiscal year. This new format combines an annual report, detailing business results and business strategies for shareholders and other investors, with a communication report, focusing on the Group's corporate social responsibility (CSR) initiatives. Reflecting this editorial policy, for our report on the fiscal year under review we have further enhanced the content and changed the title from Annual Report to Integrated Report. We intend to continue pursuing an editorial policy that responds to reader expectations.

Announced publicly in 1964, Wacoal's vision includes the phrase "mutual trust." The motivation for putting these words into our vision came from our founder Koichi Tsukamoto's decision—based on his humanistic philosophy—to position mutual trust at the center of business management and thereby build relationships of trust with employees.

Since then, aiming to realize the goal of "Helping women to express their beauty" set out at the time of its 1946 establishment, Wacoal has built relationships of mutual trust not only with employees but also with society. Above all else, building mutual trust with the world's women has been at the core of our business activities.

Based on a holding company system that encompasses 47 consolidated subsidiaries and nine affiliates as of March 2012, the Wacoal Group is building an even more robust operational platform in Japan while growing sales aggressively in North America, Europe, and Asia. In this manner, Wacoal has continued to advance by developing its innerwear business. As we moved forward as a company, however, it became clear that showing strong empathy with women through our business activities would earn society's recognition for the worthwhile functions we perform. With this in mind, Wacoal declared itself "a company empathetic to women" in 2001. This phrase expresses Wacoal's ambition to be a company that empathizes with women in all aspects of its business operations.

With its sights set on establishing a stronger global presence, the Wacoal Group is stepping up the pace of business development worldwide. As we pursue these business ventures, we will never forget the philosophy of our founder—we will continue growing with local communities in each region and building mutual trust.

In addition to explaining our business strategies that will drive growth going forward, we hope this integrated report furthers understanding of our unique CSR activities aimed at building mutual trust with society.

REACHING OUT

THE WACOAL GROUP MANAGEMENT PHILOSOPHY

Wacoal has since our founding pursued the essence of “beauty” which transcends the ages, while always keeping a close eye on the values and aesthetic sense of women.

Furthermore, in the course of conducting our business we listen to the opinions of each individual customer and modestly seek to transform ourselves, so as to build “a relationship of mutual trust” with each individual. Wacoal is founded on this philosophy of mutual trust, and has remained our Management Philosophy since our founding.

OVERVIEW

OUR MISSION

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

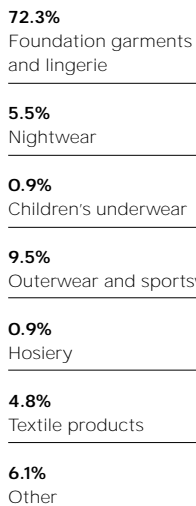
OUR VISION

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

Share of Net Sales



OUR PRODUCTS

We are 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.

1946

Koichi Tsukamoto establishes Wako Shoji (precursor to Waco Corp.)



1950

Begins production of inaugural brassiere: No. 101



A brassiere from around 1951

1964

Changes name to Wacoal Corp.

1964

Lists on second sections of several stock exchanges

1964

Establishes Product Research Department (precursor to Human Science Research Center)



1965

Publishes Golden Proportions and offers proportion "making"



1949

Establishes Wako Corp.

1962

Sets out mutual trust as overriding goal of business management

1970

Embarks on first overseas foray Exhibited at the Osaka Expo



ACTION

THE FOOTPRINTS OF THE WACOAL GROUP

The Wacoal Group traces its origins to Wako Shoji, which Koichi Tsukamoto founded in 1946. Initially, he began the Company to market brassiere pads. Since then, we have grown in tandem with the women's innerwear market in Japan while continually contributing to society.

1964

Begins sales of first internationally patented product: Tummy Girdle



1970

Posts sales above ¥10 billion

1964

Announces basic management policy and vision publically

1973

Establishes Social Welfare Department (changes name to Remamma Department in 1979)

1965

Sets out Mission

■ Principal Business Lines ■ Principal CSR Initiatives

1974

Begins supplying Remamma brassieres

**1977**

Becomes first company in textile industry to issue American depository receipts (ADRs)

1977

Enters U.S. market

1978

Establishes Kyoto Costume Institute (KCI)

1979

Posts sales above ¥80 billion

1979

Renewed the CI initiative logo

1979

Publishes Beautiful Proportions

**1981**

Posts sales above ¥100 billion

1983

Records first decrease in revenue and earnings, switches to lean business management

1983

Establishes Wacoal America, Inc.

1984

Announces new Wacoal Declaration: Physique Industry

**1985**

Opened the multipurpose cultural facility Spiral

1986

Establishes Beijing Wacoal Co., Ltd.

**1990**

Establishes Wacoal France S.A.

**1991**

Supports establishment of the Karada Bunka Kenkyukai (physique culture research group) by academics (changes name to Nyubou Bunka Kenkyukai (breast culture research group) in 1996)

1992

Changes Central Research Center's name to Human Science Research Center

**1995**

Publishes Golden Canon

**2000**

Publishes Spiral Aging

2001

Announces new Wacoal Declaration: Wacoal as a Company Empathetic to Women

2001

Establishes Tsubomi School

2002

Establishes Chinese Human Science Research Center

2002

Launches Pink Ribbon activities in Japan

**2005**

Establishes Wacoal Holdings as holding company

2008

Begins brassiere recycling initiative in earnest

2009

Launches Breast Cancer Screening Support Project

2010

Publishes Aging of the Physique and the Principles of Beauty

**2010**

Begins joint research with Okayama University on safety and usability of innerwear for women who have had breast reconstruction

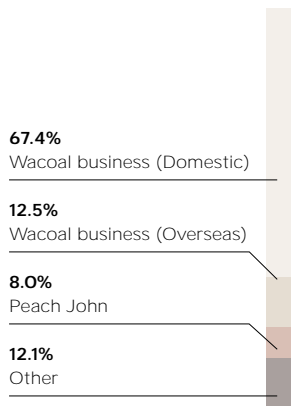
2012

Eveden Group Limited becomes a wholly owned subsidiary of Wacoal Holdings

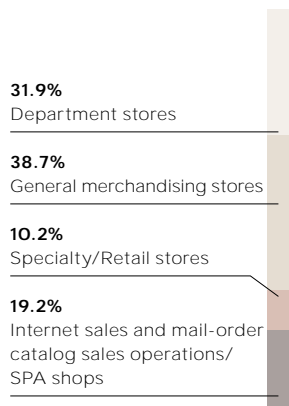
WACOAL BY FIGURES

Year ended March 31, 2012

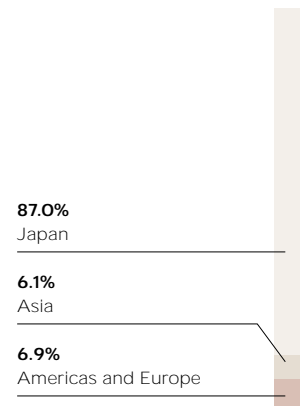
Sales by Business Segment¹



Sales by Sales Channel (Wacoal Corp.)²



Sales by Geographic Segment¹



¹ Percentage figures are calculated based on external customers sales

² Figures are Wacoal Corp. business results

DIRECTION

WACOAL GROUP ORGANIZATION

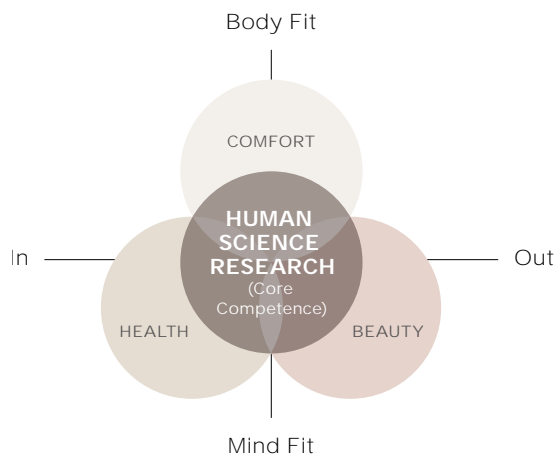


OUR BUSINESS FIELDS

At Wacoal, we see the “body” as having both a physical and a mental/spiritual side, and our intimate apparel and wellness businesses, based on our core competences, offer three corresponding forms of value: beauty, comfort, and health.

One of these core competences is the Human Science Research Center we have built up over many years. Looking at things from the Human Science perspective enables us to discover the new values our customers desire and transform them into products. Having a clear sense of different people’s needs, turning those insights into products and services that offer new value, and delivering them to customers in the appropriate space—this is the process through which we have managed to create everything from new brands to new lifestyles.

The Different Business Fields of “Body Design”



WACOAL'S OVERSEAS OPERATIONS

FY2012	Wacoal Holdings Equity Owned	Net Sales (¥ Million)
Wacoal International Corp. (U.S.A.)	100%	¥10,475
Wacoal China Co., Ltd.	100	6,020
Wacoal Hong Kong Co., Ltd.	80	1,922
Wacoal France S.A.	100	1,194
Wacoal Singapore Pte. Ltd.	100	695
Philippine Wacoal Corp.	67	425
Shinyoung Wacoal Inc. (South Korea)	25	13,776
Thai Wacoal Public Co., Ltd.	34	10,198
Taiwan Wacoal Co., Ltd.	50	10,373



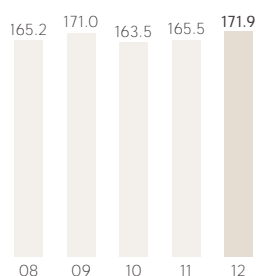
KEY FIGURES

Years ended March 31, 2012, 2011 and 2010	Millions of Yen			Thousands of U.S. Dollars*	% Change
	2012	2011	2010	2012 2012 vs 2011	
Net sales	¥171,897	¥165,548	¥163,548	\$2,085,875	3.8%
Operating income	10,377	4,401	3,829	125,919	135.8%
Selling, general and administrative expenses	79,629	77,716	78,524	966,254	2.5%
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	10,207	3,927	3,155	123,856	159.9%
Net income attributable to Wacoal Holdings Corp.	6,913	2,785	2,475	83,885	148.2%
Return on assets (ROA)	3.1%	1.3%	1.1%		
Return on equity (ROE)	4.1%	1.6%	1.5%		
Net cash provided by operating activities	¥ 10,060	¥ 10,441	¥ 9,463	\$ 122,072	-3.6%
Net cash used in investing activities	(3,467)	(703)	(3,573)	(42,070)	393.2%
Net cash used in financing activities	(2,824)	(4,965)	(5,363)	(34,268)	-43.1%
Cash and cash equivalents	29,985	26,316	22,328	363,851	13.9%
Total assets	221,098	215,276	222,889	2,682,903	2.7%
Total shareholders' equity	171,496	167,480	171,860	2,081,010	2.4%

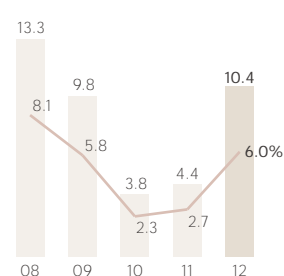
* The U.S. dollar amounts represent translations of Japanese yen solely for convenience at the rate of ¥82.41=\$1.

PERFORMANCE

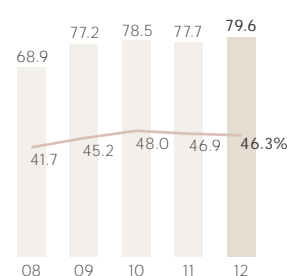
Net Sales
¥ Billion



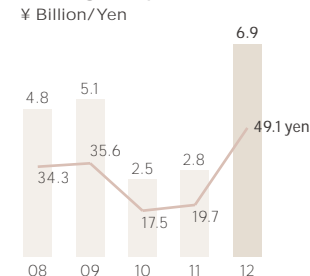
**Operating Income/
Operating Income Margin**
¥ Billion/%



**SG&A Expenses/
% of Net Sales**
¥ Billion/%

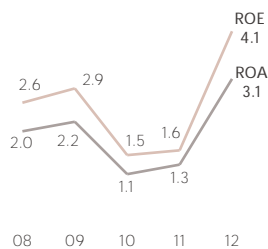


**Net Income Attributable
to Wacoal Holdings Corp./
Per Share of Net Income
Attributable to Wacoal
Holdings Corp.**
¥ Billion/Yen

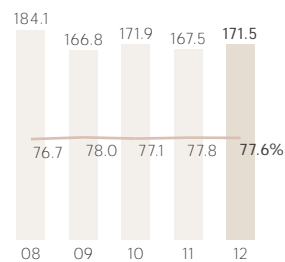


Years ended March 31, 2012, 2011 and 2010	Yen			U.S. Dollars*	% Change
	2012	2011	2010	2012	2012 vs 2011
Per share of common stock					
Net income attributable to Wacoal Holdings Corp. (Basic)	¥ 49.08	¥ 19.73	¥ 17.51	\$ 0.60	148.8%
Cash dividends	28.00	20.00	20.00	0.34	40.0%
Shareholders' equity	1,217.57	1,189.08	1,217.15	14.77	2.4%
Number of brassiere sales (Millions)					
	41.8	39.0	—		7.2%
Research and development expenses (Millions of Yen, Thousands of U.S. Dollars)					
	¥801	¥815	¥778	\$9,720	-1.7%
CO ₂ emissions (Tons)					
	6,297t	7,635t	7,859t		-21.2%
Waste emissions (Tons)					
	1,169t	1,170t	1,230t		-0.1%
Number of employee (Consolidated)					
People					
Wacoal Business (Domestic)	7,229	7,241	7,453		-0.2%
Wacoal Business (Overseas)	7,520	7,004	6,349		7.4%
Peach John	364	422	467		-13.7%
Other	1,411	1,346	1,417		4.8%
Total	16,524	16,013	15,686		3.2%
Number of consolidated female employees	11,208	10,660	—		5.1%
Outside director ratio	37.5%	37.5%	42.9%		

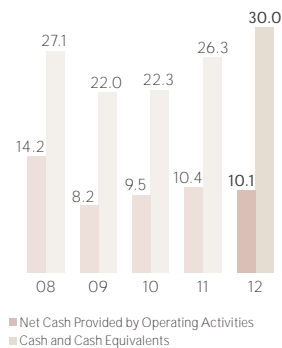
ROA/ROE
%



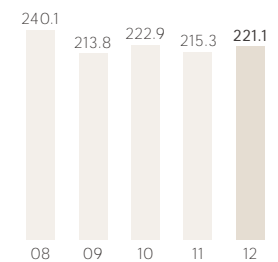
Total Shareholders' Equity/
Equity Ratio
¥ Billion/%



Net Cash Provided by
Operating Activities/
Cash and Cash Equivalents
¥ Billion



Total Assets
¥ Billion



STRATEGY

FROM TOP MANAGEMENT



YOSHIKATA TSUKAMOTO

President and Representative Director, Wacoal Holdings Corp.

Through a firm commitment to mutual trust and empathy with women as our corporate raison d'être, we will sustain growth.

The Wacoal Group—

Empathy with Women and Mutual Trust

The corporate mission of the Wacoal Group has been to “contribute to society by helping women to express their beauty” since its establishment in 1946. As we have pursued this mission through our corporate activities, mutual trust has consistently been the bedrock of our business management. Reflecting the view that cultivating mutual trust contributes to everyone’s happiness, the Wacoal Group’s vision is to create a company founded on respect for human dignity and relationships of strong mutual trust—not only between the Wacoal Group and its customers but also between the Group and its employees, society, and other stakeholders.

During the more than half a century since our establishment, we have grown enterprise value by constantly creating products customers love and developing products meeting the needs of the times. In tandem with these efforts, we have developed corporate social responsibility (CSR) initiatives actively, thereby building mutual trust with the women that use our products.

Over a decade ago, in 2001, the Wacoal Group declared itself “a company empathetic to women.” Empathy with women is the Wacoal Group’s designated role. Manufacturing products that resonate with women is something that also resonates with society. For example, the Wacoal Group’s Human Science Research Center has conducted basic research on women’s physiques for nearly 50 years. In a broad variety of ways, we use the results of this research to develop products that help women to express their beauty. In April 2010, significant interest focused on the Wacoal Group’s announcement of research results on Aging of the Physique and the Principles of Beauty (For details, please see page 23.), underscoring the Group’s credentials as a truly unique company.

Through a firm commitment to mutual trust and empathy with women as our corporate raison d'être, we will sustain growth.

Fiscal 2012 Business Results Report

For fiscal 2012, ended March 31, 2012, the Wacoal Group achieved year-on-year increases of 3.8% in net sales, to ¥171,897 million; 135.8 % in operating income, to ¥10,377 million; and 148.2% in net income, to ¥6,913 million.

Regarding sales, in the Wacoal Group's domestic business, mainstay brassieres and undergarments sold briskly thanks to product rollouts and promotions that appealed to consumers based on the Human Science Research Center's findings about the how the physique ages. Furthermore, despite currency fluctuation, the Wacoal Group's overseas businesses posted year-on-year sales increases as businesses in the United States and China grew sales, and Peach John Co., Ltd., achieved a recovery in business results.

Meanwhile, earnings were up significantly year on year. This was attributable to Peach John achieving profitability based on a rebuilt earnings structure and the favorable performance of the Wacoal Group's domestic business, which offset the deficit of the Group's business in China and the Lecien Corporation's loss due to withdrawal from an employees' pension fund.

Progress in the Second Year of the Medium-Term Management Plan

We have completed the second year of our medium-term management plan, launched in April 2010. In earnings, we made steady progress, achieving our targets one year ahead of schedule. Although tasks remain, I am sure the strategic direction of our efforts to achieve our targets is correct. Accordingly, we will continue advancing vigorously.

Domestically, we continued restructuring innerwear wholesale operations. As a result, our earnings structure improved significantly, and operating income recovered significantly. Particularly successful was an initiative that rightsized the deployment of department store sales area personnel and reduced inventory. Further, sales promotions exploiting research on aging reaffirmed the value of Wacoal products and heightened customer endorsement. In addition, the retail business, which operates directly managed stores, and mail-order operations, responsible for such operations as Internet sales, continued growing steadily.

Overseas, businesses performed well, posting an 11% year-on-year increase in sales in the Americas on a local currency basis. In Europe, Wacoal France S.A. moved into the black for the first time in the fiscal year under review. As for our business in China, although sales grew 21% from the previous fiscal year as new stores opened, this was below our target. And, the business recognized a loss due to higher selling,

AN OVERVIEW OF THE MEDIUM-TERM MANAGEMENT PLAN PERIOD

TARGET

April 2010—March 2013

CORPORATE PROFILE

A stronger global presence for the Wacoal Group

NUMERICAL TARGETS (FISCAL 2013)

Net sales of at least ¥190 billion

Operating income of at least ¥8 billion

GROUP STRATEGIES OVER THE THREE YEARS

- Heighten the overall capabilities of the Wacoal Group through promoting 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 FISCAL 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 CSR and compliance requirements
-

STRATEGY FROM TOP MANAGEMENT

general and administrative expenses reflecting stepped-up store openings. Nevertheless, China remains the most important region for the Wacoal Group's growth going forward. Keeping our sights set on realizing earnings, we will therefore concentrate efforts on increasing brand visibility in China.

After recording losses for two consecutive years, Peach John achieved a 20% rise in net sales year on year and a dramatic return to operating income. However, these business results remain below expectations given the level of the company's business results for the fiscal year ended March 2009, when it posted net sales of ¥15.0 billion and operating income of ¥1.3 billion. With this in mind, we will strengthen profitability even further.

In other businesses, Lecien, which became a wholly owned subsidiary in 2010, actually improved earnings significantly if we exclude the loss arising from withdrawal from the employees' pension fund.

Thus, we are progressing well in reforming the earnings structures of operating companies. However, as net sales show, our growth stills needs to regain momentum. To this end, in the current fiscal year I will focus more on net sales growth as a growth driver while targeting earnings above those of the fiscal year under review.

Measures and Strategies for the Final Year of the Medium-Term Management Plan

The current fiscal year is the final year of the medium-term management plan, themed on change and taking on challenges. We embarked upon this plan determined to realize stable earnings while building new growth engines. I think an objective analysis of our achievements over the past two years vindicates the direction of our strategies and measures. In the final year, we will work toward realization of the plan's targets unstintingly. Guiding these efforts, our overriding strategies will be returning to basics and reinforcing strengths and strengthening our ability to take measures from a global viewpoint. Moreover, in the current fiscal year we intend to establish a solid platform from which to launch our next medium-term management plan, beginning from April 2013.

Given that the Wacoal Group's domestic businesses account for the majority of net sales, maintaining and expanding the sales of this business is crucial. In Japan,

we will clearly identify priority areas, such as directly managed stores and Internet sales, and accelerate their growth. At the same time, we will begin restructuring the manufacturing area in earnest. Also, emulating the success of its aging research, the Wacoal Group will take advantage of its strengths to ramp up development of products and services offering real value that generates new demand. If these efforts convince customers of the superior value of Wacoal products, I think we can realize our goal of returning to basics and reinforcing strengths.

As I mentioned, overseas businesses are our growth drivers. I believe accelerating expansion of these businesses is important to reach the medium-term management plan's net sales target and realize our target corporate profile—a stronger global presence for the Wacoal Group. Including affiliates, the Wacoal Group has 30 overseas operating companies, which generate local sales of ¥59.6 billion. This breaks down into ¥10.6 billion from the Americas, ¥1.2 billion from Europe, ¥9.3 billion from China including Hong Kong, and ¥38.5 billion from Asia excluding China. However, this operational scale is only half way toward establishing a stronger global presence for the Wacoal Group.

Aiming to expand and improve our overseas businesses, we will classify them under four regions—the Americas, Europe, China, and Asia excluding China—and pursue strategies suited to each region's characteristics. Further, to build a stronger position for Wacoal as a global brand, we will establish a structure that enables us to advance businesses more forcefully and optimize overall collaboration among regions.

Among overseas strategies, accelerating our business in China is the top priority. If we consider the size of China's market, the scope for us to grow is significant. Therefore, while reforming the profit structure of the business, we intend to continue actively allocating management resources to China to heighten the visibility of the Wacoal corporate brand and increase market share.

Meanwhile, in Europe we made Eveden Group Limited, headquartered in Northamptonshire, the United Kingdom, a subsidiary by acquiring all of its shares in April 2012. Eveden manufactures and sells women's innerwear and swimwear. The group boasts a sales network comprising over 5,000 retailers, principally in the United Kingdom but also in

Australia and more than 50 other countries in Europe, North America, Asia, and other regions. Eveden's product lineup covers areas beyond the scope of our lineup. Including high-quality fashionable innerwear and swimwear for a wide range of physiques and sizes, the product lineup testifies to outstanding production technology. As a result, mutually exploiting each other's management resources promises synergies. Also, this new subsidiary will accelerate the Wacoal Group's globalization and contribute to achieving medium-term management goals significantly.

The Group's Overall Capabilities Heighten Steadily

The Wacoal Group has made good progress toward heightening its overall capabilities—one of the medium-term management plan's Group strategies. The improved profitability of operating companies and intensified collaboration within the Group were major contributors to reaching the operating income target early. For example, the operating company Wacoal Corp. supported the research and development of various companies; Lecien and affiliates provided production support; and Nanasai Co., Ltd., supported sales area development and supplied fixtures. Intensifying such collaboration among operating companies, not only domestically but overseas, will quicken the pace of overseas business expansion, thereby adding momentum to the establishment of a stronger global presence for the Wacoal Group.

As the Group's holding company, Wacoal Holdings Corp. has an extremely important part to play in this intensified collaboration within the Group. Coordinating the Group laterally, the Company will set out overall goals and explore and advance growth strategies. Other functions will include monitoring the roles and tasks of operating companies, deciding the allocation of resources within the Group, and supporting collaborative efforts. Consequently, the holding company's decisions will be pivotal in determining the Wacoal Group's destiny. We will keep this foremost in our minds as we tackle various initiatives going forward.

Peach John, Lecien, and the latest addition Eveden have given the Group a fairly extensive portfolio of business lines. Fulfilling my role as the leader of the holding company, I intend to overview operations, shedding light on structural problems companies have and taking steps to resolve them.


Sure-Footed Steps toward a Stronger Global Presence

The medium-term management plan sets out creating a stronger global presence for the Wacoal Group as a target corporate profile. This is based on a goal of our vision, which also calls on us to "maintain a refined corporate culture based on mutual trust." I believe one key component of our target corporate profile entails continuing to value mutual trust as the starting point of our business while earning endorsement for our products from women everywhere. In other words, our products should be available in markets worldwide, and Wacoal should be a brand everyone knows. We should put down roots in local communities to become a company everyone loves. To realize this vision, I think we need to reexamine high-quality products with advanced functionality that we have taken for granted as our strength. I want to rebuild the Wacoal Group's unique strength—the real value it gives customers—so that this value gains recognition the world over.

I remain convinced that advancing CSR initiatives directly related to our mainstay innerwear business realizes our corporate mission, which calls on us to "contribute to society by helping women to express their beauty."

As we move forward, I would like to ask our shareholders, investors, and other stakeholders for their continued understanding and support.

August 2012



Yoshikata Tsukamoto
President and Representative Director

PERFORMANCE OVERVIEW AND STRATEGIES BY SEGMENT

WACOAL BUSINESS (DOMESTIC)

Fiscal 2012 Performance Summary

In innerwear wholesale operations, sales were up year on year as mainstay brassieres and undergarments sold steadily due to sales promotions and product rollouts that appealed to customers effectively based on the findings of the Human Science Research Center's research into the physique changes that accompany aging.

Regarding retail operations, mainstay directly managed store AMPHI grew sales due to the positive effect of new store openings as well as a strong performance by existing stores attributable to heightened brand visibility. Further, Wacoal Factory Store, located in outlet malls, performed well overall thanks to an enhanced product lineup, counteracting damage the March 2011 earthquake caused to certain stores. As a result, retail operations' sales rose year on year.

Meanwhile, in the Wellness Business overall sales were unchanged year on year. This also reflected the effects of the earthquake and lower sales from television infomercials, which offset steady sales of sports tights under the CW-X sports conditioning wear brand and functional business footwear.

The mail-order sales business saw a year-on-year rise in sales on solid mail-order catalog sales and higher Internet sales.

Consequently, the domestic Wacoal business achieved sales above those of the previous fiscal year due to a favorable performance by mainstay innerwear wholesale operations and expanded retail operations. Operating income was also up due to higher sales, lower cost of sales, and improvement in selling, general and administrative expenses as a percentage of net sales.

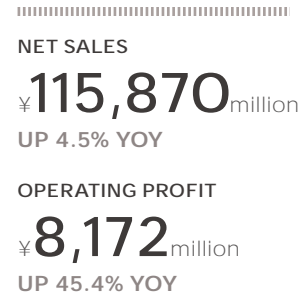
Strategies for the Final Year of the Medium-Term Management Plan

The domestic Wacoal business will boost sales and profitability by advancing the following three priority strategies.

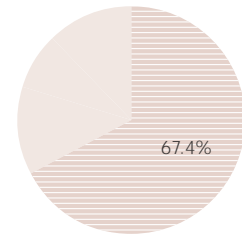
1 Increase share of Japan's innerwear market

Maintaining and increasing sales in Japan is indispensable if the Group is to realize sustained growth. Accordingly, the Group aims to grow its share of Japan's innerwear market and peripheral markets by identifying the growth areas clearly and then implementing strategies and measures while fostering collaboration among operating companies centered on Wacoal Corp.

As the mainstay of earnings, innerwear wholesale operations will strengthen product development based on the concept of physique changes that accompany aging, which has been well received by customers. For the Wacoal brand, we will increase sales by bringing new offerings to market and further highlighting the benefits of product lineups. We will also grow sales by reorganizing the Wing brand based on the aging concept. In addition, to carve out a larger share of the market for brassieres priced in the ¥2,000 range, which we view as a high-volume market, we will expand and enhance our product lineup centered on chain stores and directly managed stores. Going forward, the Wacoal Group will concentrate on expanding its share of Japan's innerwear market based on a two-pronged approach of extending and upgrading aging-related product lineups while strengthening its presence in the high-volume market.

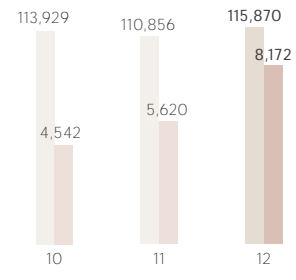


Sales by Business Segment



* Percentage figures are calculated based on external customers sales

Net Sales to External Customers/Operating Profit ¥ Million





2 Continue structural reform and introduce to manufacturing area

The structural reform we have been implementing as a key task under the current medium-term management plan is steadily producing benefits, and profitability has improved as a consequence. In the current fiscal year, we intend to continue structural reform with a view to realizing even greater profitability and widening our operating income margin.

The focus of our structural reform will shift from distribution, sales, and planning and designing to manufacturing and product procurement. These efforts will not simply seek lower cost in manufacturing divisions. Our goal is to analyze manufacturing systems and production items from a Groupwide perspective and then build a manufacturing structure optimized for the Group as a whole. During the current fiscal year, we will analyze the present situation and then set out specific measures and numerical targets, which we will begin pursuing in earnest under the medium-term management plan beginning in the coming fiscal year.

3 Establish businesses as new sales mainstays

Retail operations and the Wellness Business, the mail-order sales business, and the menswear business are growing as future earnings mainstays.

In the fiscal year under review, retail operations revised the positioning of directly managed store brands to strengthen offerings in the high-volume market and realize area control. In the current fiscal year, by stepping up new product development, we will attract a wider customer base, thereby improving our profit margin.

The Wellness Business will accelerate growth of CW-X by increasing points of contact with customers and expanding the brand's product lineup. To expand the customer base of CW-X, we will strengthen the appeal of the brand's image while coordinating operations with Internet sales. Moreover, in the current fiscal year, plans call for forays into new areas through such initiatives as collaborating with a major pharmaceuticals manufacturer to market supporters through drug stores.

In the mail-order sales business, our Internet sales web site, Wacoal Web Store, will cater to diverse customer needs by carrying more products and offering a more extensive range of sizes to establish a comprehensive selection of products that stores are unable to realize. Also, aiming to acquire more customers and cultivate brand loyalty through increased customer convenience, we will further upgrade our web site and rollout smart-phone compatible applications.

In men's innerwear operations, we aim to increase sales by bolstering the appeal of products for seniors through tie-ups with major business customers.



AMPHI



b.tempt'd by Wacoal

Business Strategies by Region

Americas Business

In the Americas, we are moving forward with a multi-brand strategy in the mid-to-high-end market—our area of strength—based on the mainstay Wacoal brand and in-house brand b.tempt'd by Wacoal. We aim to grow sales of Wacoal brand products by further heightening the appeal of undergarments with advanced functionality, such as Shapewear and Daywear. For b.tempt'd by Wacoal, we aim to increase sales by claiming a larger share of the U.S. market and enhancing brand value. Also, for both brands, plans call for increasing market share in such surrounding countries as Canada, Brazil, and Mexico. By rolling out both brands in the Americas and then across into Europe, we will grow them into global brands.

Further, in Internet sales we will strengthen Wacoal Direct, which has been expanding steadily since its 2010 start-up. And, we intend to promote multichannel sales that combine Internet sales and store sales. As for production, with the manufacturing of products for Europe also in mind, we intend to enhance the quality and productivity of our plant in the Dominican Republic.

Europe Business

In Europe, the Wacoal brand's reputation is building as Shapewear and the lineup of other functional products it represents earn market recognition. In France, we aim to increase earnings by claiming a greater share of the specialty store market and improving the efficiency of our operations serving department stores.

Further, Eveden has established a standing as a major innerwear manufacturer in the European market. By using this subsidiary's distribution and sales infrastructure, we intend to establish points of contact with more new customers and enhance the appeal of our products.

China Business

In China, sales are growing. However, because our business in China is still at the advance investment stage, it is recording operating losses. Therefore, our tasks are to grow sales and secure earnings. To increase sales, we intend to raise brand visibility by continuing advertising and promotional activities. In conjunction with these activities, we will use the specialty store agencies channel to grow market share. Further, to promote the development of products painstakingly designed to suit Chinese women, we will strengthen collaboration with the Chinese Human Science Research Center. Also, we will broaden our customer base by rolling out new brands targeting high-volume markets for mid-priced products.

In efforts to improve profitability, the business will lower the cost of sales as a percentage of net sales by creating more campaign products independently while exploiting the capabilities of its operating companies and revising material selection.

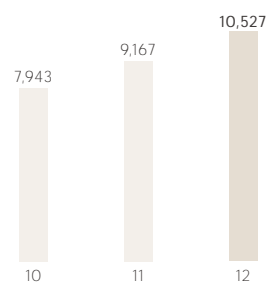
Asia Excluding China Business

In Asia, we want to strengthen earning power through supply chain initiatives that take advantage of operating bases in Thailand, Taiwan, and Indonesia and include the establishment of joint venture companies. At the same time, we will consider further expanding and enhancing production infrastructure.

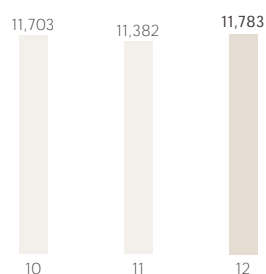
In another initiative, continuing our forays into Asia's emerging countries, we will consider how and when to enter India's market.



Net Sales
(Asia excluding China)
¥ Million



Net Sales
(Americas and Europe)
¥ Million



Wacoal brand for China



Lecien products

OTHER BUSINESSES

Fiscal 2012 Performance Summary (Main Subsidiaries)

Lecien

The company posted favorable sales thanks to rollouts of mainstay innerwear jointly developed with major customers. However, outerwear sales were lower due to the removal of low-margin products from the lineup. Consequently, Lecien's fiscal 2012 sales were unchanged year on year. The company recognized an operating loss because steady improvement in the profitability of its operations did not offset the loss incurred due to withdrawal from an employees' pension fund.

Nanasai

Manufacturing, selling, and renting mannequins and undertaking commercial facility interior design and remodeling, this subsidiary saw buoyant product sales. However, short-term mannequin rental was sluggish because department stores completed a round of sales area remodeling, while the Great East Japan Earthquake caused customers to curb investment and cancel promotional events. As a result, the company recorded a year-on-year decline in sales. Operating income was below the previous fiscal year's because reduced expenses were unable to fully compensate for lower sales.

Strategies for the Final Year of the Medium-Term Management Plan

Lecien

Heightening profit margins in all operations and building an operational structure that realizes profits stably are this company's pressing tasks. Targeting chain stores, its main sales channel, the company will step up rollouts of high-value-added products, such as innerwear jointly developed with major customers and private brands. For outerwear, we will continue removing low-margin products from the lineup while developing high-value-added products that exploit the research findings of the Wacoal Group's Human Science Research Center.

As for production, we intend to strengthen our manufacturing system in Asia. In addition to ramping up production capacity, we aim to expand and improve quality control systems to increase the stability of production infrastructure overseas. Then, with a view to maximizing Group synergies, the Wacoal Group will incorporate Lecien's production infrastructure into its supply chain. At the same time, Lecien will increase its capacity to supply lace materials to the Group's operating companies.

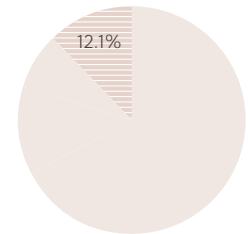
Nanasai

This company faces the task of heightening profitability. Its strengths lie in the development of high-value-added products and services centered on the manufacture of mannequins and sales area construction. However, to entrench a profitable operational structure, the company will enhance the profitability of its core mannequin business and sales area construction business.

NET SALES
 ¥ **20,795** million
 DOWN 10.0% YOY

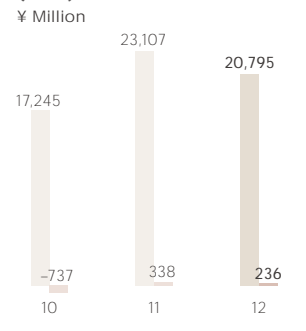
OPERATING PROFIT
 ¥ **236** million
 DOWN 30.2% YOY

Sales by Business Segment



* Percentage figures are calculated based on external customers sales

Net Sales to External Customers/Operating Profit (Loss)



A SUSTAINABLE WACOAL

Operations with Sustainability Built-in

The Wacoal Group's goal is to "contribute to society by helping women to express their beauty." To this end, we aim to be a company empathetic to women in every aspect of our operations, including research and development, production technology, and consultative sales. As well as being our raison d'être, realizing empathy with women is a passionate commitment that drives our business development.

THE BUSINESS PROCESS OF WACOAL AS A COMPANY EMPATHETIC TO WOMEN

RESEARCH AND DEVELOPMENT

The Starting Point of Manufacturing

MEASUREMENTS TAKEN
OF EACH WOMAN

158

WOMEN REPRESENTED IN PHYSIQUE
MEASUREMENT DATA (IN JAPAN)

40,000+

Wacoal's Human Science Research Center has accumulated data on more than 40,000 women since its launch in 1964. Using a standard international measurement method, the Martin measurement method, the center takes 158 measurements of each woman.



FOR DETAILS, PLEASE SEE PAGE 22.

PRODUCTION TECHNOLOGY

The Creation of Customer Satisfaction

NUMBER OF MANUFACTURING
BASES WORLDWIDE

21

THE SAME QUALITY THE WORLD OVER

Made by
WACOAL

The Wacoal Group has 21 manufacturing bases worldwide. With "made by Wacoal" as our slogan, around the world we rigorously apply our unique manufacturing philosophy to deliver safe, reliable products customers love.



FOR DETAILS, PLEASE SEE PAGE 24.

CONSULTATIVE SALES

The Dedication of Beauty Advisors to Each Customer

NUMBER OF SALES
AREAS WORLDWIDE

15,000

BEAUTY ADVISORS
AT STORES WORLDWIDE

8,200

At Wacoal, we refer to in-store sales personnel as beauty advisors. At 15,000 sales areas the world over, approximately 8,200 beauty advisors provide information and sell products based on consultations.



FOR DETAILS, PLEASE SEE PAGE 26.

SUPPORTING WOMEN

The Development of Mutual Trust with Society

REMAMMA
BRASSIERES USED

180,000

SIZE PATTERNS
FOR PROBLEM-SOLVING-TYPE PRODUCTS

3,030

The Remamma project began in 1974 as a business directly under the president's control. More than 180,000 women have used Remamma products. Further, the semi-order-made brand Wacoal Dublevé creates innerwear that fits each woman's physique. Offering 3,030 sizes, this brand is gaining prominence as a lineup of problem-solving-type products.



FOR DETAILS, PLEASE SEE PAGE 28-31.

A SUSTAINABLE WACOAL

RESEARCH AND DEVELOPMENT

The Starting Point of Manufacturing

Wacoal's goal is to fulfill women's wish to be beautiful. The starting point of all of Wacoal's initiatives is the huge amount of data that the Human Science Research Center has gathered.

In Pursuit of Evolving Feminine Beauty

Since its establishment in 1964, Wacoal's Human Science Research Center has consistently shed further scientific light on feminine beauty. The center currently has a team of 37 personnel, of whom 27 are women, and encompasses a diverse range of research areas, including physique shape, internal tissue, sensation, physiology, psychology, and lifestyle. Every year, the center measures the physiques of approximately 1,000 women between the ages of 4 and 69. To date, it has accumulated data on more than 40,000 women.

Based on this database, we proposed the "golden proportions" as the new standard of beauty for Japanese women in 1965. Since then, the center has deepened its research, announcing the "beautiful proportions" for each age group in 1979 and the "golden canon" for each individual's achievement of a beautiful balance in 1995.

Further, the center has continued research on changes in the physique shapes of modern women, since announcing a report titled "New-Breed Generation of Recent Years" in 1992. Released in 2004, a subsequent report comparing the proportions of women in their 20s with those of women 10 years earlier, "The Reality of the Physiques of Modern Women," met with a great deal of interest from various quarters.

Research on the Five Senses Using the Latest Technology

Wacoal's Human Science Research Center achieves highly precise measurements by combining the Martin measuring method with a contactless three-dimensional measuring method that uses laser equipment. Moreover, the center's research on the movement of the body during exercise underpins the development of sportswear with highly advanced functionality and foundation garments.

During the development process, the center repeatedly conducts wearing tests using prototypes and rigorously monitors shape, movement, and wearing comfort. Research on the five senses using the latest technology has led to the creation of many hit products.

The R&D of Wacoal China

Since its 2002 establishment, the Chinese Human Science Research Center in Shanghai has gathered physique measurements of Chinese women in various regions stretching from northeast to southern China. Based on this data, we are developing products matching Chinese physiques and preferences. At Wacoal China Co., Ltd., Wacoal's approach to manufacturing is steadily building mutual trust.

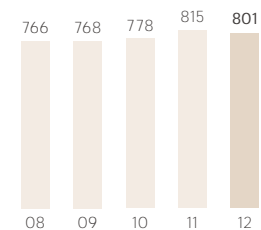


Physique measurement at Wacoal's Human Science Research Center



The personnel of Wacoal's Chinese Human Science Research Center

Research and Development ¥ Million



LOVE, AGING

Aging of the Physique and the Principles of Beauty

In addition to its scale, the data Wacoal's Human Science Research Center collects is unique in the world because it includes measurements of the same individuals made over a series of years. Based on this data, the center is progressing with research on changes in physique shape with age. One important result of this effort was the "SPIRAL Ageing" concept of 2000, which identifies three turning points in the development of the bodyline as the physique ages. This research highlighted that aging is a lifelong concern.

Subsequently, in 2010 and 2011 the center published a report detailing specific stages of change in the bust and bottom: "Aging of the Physique and the Principles of Beauty." The announcement of this report gave an overall view of body aging, a phenomenon that until then had only been understood intuitively.

The Importance of Selecting the Correct Innerwear

For all women, as they age their bust undergoes the same stages of change. The age at which the bust begins to change is different for each person.

However, for some women change begins in their 20s. Not only shape but also flexibility changes. Therefore, when selecting brassieres, the customer should not only consider size but also shape and flexibility. Consequently, even if their sizes are the same, a brassiere that fits a woman in her 20s will not necessarily fit a woman in her 40s. As with the bust, the bottom undergoes the same stages of change for all women.

Physique changes accompanying aging differ for each individual. Our study showed that 25% of women maintained youthful proportions as they aged. All such individuals had active lifestyles, ate properly, and took care to wear innerwear that fit their physique.

Aging is something that is with us all of our lives. It is not a phenomenon that suddenly occurs from a certain watershed age. For all age groups the aging concept is essential in the correct selection of innerwear.

As lineups of products designed to accommodate changes in the physique with aging, we offer such brands as PARFAGE, Lasée, Gra-P, Cutie, Kirei, and Graces. Further, from the 2010 autumn/winter season we unveiled the Love, Aging campaign, which features the circulation to stores nationwide of a multifunctional "Love Aging Mirror,"*

that reflects customers' future physique shapes. In addition, we have rolled out this educational initiative across other media formats. For example, we have developed an iPhone application for diagnosis.

Social Asset

By enabling Wacoal to "contribute to society by helping women to express their beauty," the research of the Human Science Research Center ensures this mission remains at the core of the Company's activities.

In the field of research into women's physiques, the Human Science Research Center has produced world-leading research findings. The research and development process of applying to technology new scientific knowledge that is valid and universal lies at the heart of Wacoal's technology management. Also, the huge amount of data that the center has is a social asset enabling Wacoal's multifaceted contributions to society.

* In stores, we install life-size panels with screens in their center. By using a simple touch-panel, customers are able to produce a simulated image of their bust shape in 10 to 30 years' time. Customers can print out the results and use them when selecting innerwear.



Press briefing for the announcement of Aging of the Physique and the Principles of Beauty

A SUSTAINABLE WACOAL

PRODUCTION TECHNOLOGY

The Creation of Customer Satisfaction

The uniform quality of Wacoal products worldwide that our quality control enables and the day-to-day activities of our production system sustain a broadening global circle of mutual trust.

Wacoal Plants Worldwide

The establishment of joint venture companies in Korea, Thailand, and Taiwan in 1970 heralded Wacoal's entry into overseas markets. Four decades on, the Company operates businesses in approximately 40 countries and regions and has 33 overseas bases as of March 31, 2012. In production for example, we have 21 plants around the world (including eight in Japan), and approximately 80% of our brassieres are manufactured overseas.

Whether in Japan, China, or Vietnam, we rigorously focus on bringing products to market that are loved for their safety and reliability by adhering to unique manufacturing ideals in production. Therefore, rather than emphasizing that products are made in Japan or made in China, our slogan emphasizes that they are made by Wacoal. Thus, in manufacturing, our target corporate profile is steadily becoming a reality as we establish a stronger global presence for the Wacoal Group.

Everything Comes from an Insistence on Quality

Uncompromising quality control has supported our dynamic operational development. In March 1997, Wacoal became the first company in Japan's apparel industry to acquire ISO 9001 accreditation. Further, we have established the Quality Assurance Inquiry Committee as the Group's highest authority for quality assurance. Also, we have set out quality assurance specifications, which stipulate basic policy and requirements with a view to maintaining and enhancing quality. To comply with these specifications, each of the Group's operating companies has established detailed quality assurance regulations and a quality control committee. This system enables the Group to coordinate initiatives.

At the stage of planning and developing new products, we first clarify quality requirements with respect to such facets as safety, appearance, and wearability. Based on these requirements, we prepare prototypes and check a range of specifications through wearing tests and scientific evaluations of functionality.

At production sites, we have built up extensive knowhow in such areas as sewing techniques and sewing machine needles and attachments. Each plant combines these skills

with the very latest production technology to realize strict quality control. Finally, only finished products that have passed comprehensive quality inspections reach stores as Wacoal products.

Having such a system that permits no compromise—even in the minutest details—enables us to realize uniform made by Wacoal quality even though our production system straddles several countries.

Overseas Bases As of March 31, 2012

Americas	United States	Wacoal International Corp.
		Wacoal America, Inc.
		Wacoal Sports Science Corp.
		Wacoal Direct Corp.
		LECIEN U.S.A.
	Canada	WACOAL CANADA INC.
	Dominica	Wacoal Dominicana Corp.*
Europe	France	Wacoal France S.A.
	United Kingdom	Wacoal (UK) Limited
	Netherlands	RHINETEX B.V.
Asia	Singapore	Wacoal Singapore Pte. Ltd.
	Hong Kong	Wacoal Hong Kong Co., Ltd.
		Wacoal International Hong Kong Co., Ltd.
		PJ hong kong limited
	China	Wacoal China Co., Ltd.*
		Guangdong Wacoal Inc.*
		Shanghai Yadie Fashion Co., Ltd.*
		Wacoal (Shanghai) Human Science R&D Co., Ltd.
		Dalian Wacoal Co., Ltd.*
		PEACH JOHN SHANGHAI Co., LTD.
		DALIAN LECIEN FASHION CO., LTD.*
		ZHE JIANG JIAXING LECIEN TEXTILE CO., LTD.*
	Shanghai Lecien Co., Ltd.	
NANASAI SHANGHAI CO., LTD.		
Vietnam	Vietnam Wacoal Corp.*	
	LECIEN (VIETNAM) CO., LTD.*	
South Korea	Shinyoung Wacoal Inc.*	
Thailand	Thai Wacoal Public Company Limited*	
Taiwan	Taiwan Wacoal Co., Ltd.*	
	Wacoal Investment Co., Ltd.	
Philippines	Philippine Wacoal Corp.	
Indonesia	PT. Indonesia Wacoal*	
Malaysia	Wacoal Malaysia Sdn. Bhd.	

* Overseas production bases (some including sales), other production bases in Japan at eight locations

MADE BY WACOAL

Wacoal quality the world over

Located in the city of Unzen in Mizuho, a serene rural area of Nagasaki Prefecture with Mount Unzen Fugen-dake on one side and the Sea of Ariake on the other, the Nagasaki Factory of Kyushu Wacoal Manufacturing Corp. is one of Wacoal's state-of-the-art production facilities. It employs 500 personnel, 95% of whom are women, and has a combined daily output of roughly 6,000 brassieres, girdles, and bodices.

The plant has a "quality check time" three times a day. On the signal of music played throughout the facility, all personnel recheck the work they have done that day.

Further, if a needle breaks during sewing, surrounding personnel immediately halt all work and use magnets to collect the needle fragments. They take such thoroughgoing precautions because incorporating a needle fragment into a product would severely damage the trust consumers place in Wacoal.

Moreover, before shipping products we inspect them using a needle detector, thus giving the facility several layers of checks.

Bonds of Trust Transcend Cultures and Borders

In addition, the Nagasaki Factory plays a valuable role as a mother plant supporting Wacoal's operational development overseas. Every year, the plant receives trainees from overseas subsidiaries, who learn sewing skills and the principles of quality control. Another important contribution of the Nagasaki Factory is the training of future managers of overseas plants.

In China, our two major production bases in Guangdong and Dalian not only manufacture for the domestic market but also for overseas markets including Japan.

The 1995 establishment of Guangdong Wacoal Inc. marked the first time we had taken on an entire project independently. We funded all of the capital investment, and undertook everything from site selection and construction through to hiring and training personnel and operating the plant. Subsequently, aiming to add value to the plant as a manufacturing facility, we sent technology and design instructors from Japan. The plant's personnel assimilated such technical skills as calculating the lengths of cloth required and man-hour calculations in 2004. And 2008 saw it acquire pattern design capabilities and other design capabilities. Furthermore,

approximately onethird of the founding personnel still work at the plant—a major achievement given China's generally high employee turnover rate.

Our other mainstay in China, Dalian Wacoal Co., Ltd., was established in 2003 and began sending long-term trainees to the Nagasaki Factory in autumn 2009. So far, 16 such trainees have come to Japan: four in the first intake, three in the second, and nine in the third. The training term is three years, and the first intake's trainees will complete the program this year. The trainees' manager at Dalian Wacoal explains happily, "Considering that at the outset they were bewildered and some even cried, we are proud of the progress these women have made."

When the first Dalian department store to carry the products of Wacoal China Co., Ltd., opened, many employees went on a study tour of the sales area because they wanted to see their products being purchased.

These personnel and their pride in being members of Wacoal dedicated to a unique approach to manufacturing that transcends borders embody Wacoal's CSR philosophy of creating mutual trust with society.



The Nagasaki Factory of Kyushu Wacoal Manufacturing Corp.



Trainees visiting the Nagasaki Factory

A SUSTAINABLE WACOAL

CONSULTATIVE SALES

The Dedication of Beauty Advisors to Each Customer

Beauty advisors are the most significant point of contact linking Wacoal to its customers. Why do we call them beauty advisors rather than simply sales personnel? The answer to this question reveals Wacoal's stance as a company empathetic to women.

Why Beauty Advisors

In 1999, Wacoal changed the title of its sales personnel from "sales ladies" to beauty advisors. This new title reflected the fact that commitment to continually providing customers with beauty is our ultimate goal and central to our corporate stance. Also, the title expresses our belief that receiving specialist advice through face-to-face consultative sales builds trust.

Wacoal has approximately 8,200 beauty advisors worldwide, including 3,400 in Japan. Beauty advisors at the sales areas of department stores nationwide—our mainstay sales channel—or our directly managed stores, provide information through consultative services and sell products. Our beauty advisors in Japan undergo rigorous training, which requires them to acquire measuring and fitting expertise and know the characteristics of product fabrics. All of them have passed our in-house Wacoal Bodyfit Examination and the Nihon Body Fashion (NBF) Association standardized exam. Particularly noteworthy are their listening skills, which beauty advisors are constantly honing as they work. As selecting innerwear is a delicate matter, the majority of customers are reluctant to fully explain their needs in detail.

For example, as Wacoal's beauty advisor training manager explains, "When a customer looking at products says, 'this will do,' it means something slightly different than if they say 'this is nice.'" A beauty advisor can only suggest products that will satisfy customers if they are able to perceive the customer's underlying feelings based on subtle differences in wording or gestures.

Beauty Advisor Feedback Is Customer Feedback

Given that creating products customers love is one of our overriding management goals, the feedback beauty advisors receive from customers is a treasure trove for us. Accordingly, we are advancing initiatives that will enable us to collect customer feedback from beauty advisor more dynamically and then use it in operational decision making and product development.

Specifically, a dozen or so years ago we established BA Study Groups and the SQUASH system.* Moreover, when developing new products, we normally use this system to present multiple prototype samples to beauty advisors to get their opinions.

* This is an original system for responding to customer feedback by relaying and sharing information. We gather customer feedback and beauty advisors' responses to it weekly and send them to headquarters. Product development departments devise remedial measures promptly and report back to beauty advisors.



A BRIDGE TO CUSTOMERS IN JAPAN AND CHINA

Dedication to each customer realizes empathy

Communicators of Beauty and Health

Our Human Science Research Center's research on aging revealed that whether or not women are able to find innerwear that fits their physique properly affects emotional and physical well-being significantly. Meanwhile, a study we conducted in fiscal 2012 (a white paper on physiques and innerwear based on data collected from 10,000 women), indicated that only 13.8% of customers tried products on or had their bust measured before purchasing brassieres.

Clearly then, a gap between the ideal situation and reality still exists in the selection of innerwear. As communicators of beauty and health, the dual responsibility beauty advisors shoulder is greater than ever.

Taking into account not only bust size but also the effect of aging when selecting innerwear is critical to realize beautiful proportions and maintain emotional and physical health. Beauty advisors working diligently day-to-day based on an appreciation of these factors, as the experts in this area most familiar to customers, contribute to women's beauty and health.

The Love, Aging sales campaign we have been conducting since fiscal 2011 has brought about a positive change in the mindset of beauty advisors and in their relationship with customers. Beauty advisors report a rise in customers who request to be measured and take the lead in broaching difficult-to-talk-about concerns relating to their body shape. Furthermore, beauty advisors now find it easier to suggest aging care solutions. Also, some stores are seeing a higher number of more-mature customers and visits from a wider range of age groups.

China: Beauty Advisors Rather Than Products Affect Customers

In China's rapidly expanding market, fierce competition is continuing among a large number of manufacturers. At this stage, the visibility of Wacoal remains low in the country's interior regions, and the effectiveness of advertising through mass media has limits. Therefore, the role of beauty advisors as links between consumers and Wacoal is important, but in a different way than in Japan.

Generally, sales personnel at retail outlets affect the purchasing behavior of Chinese women considerably, to the point where customers can be said to "follow" sales personnel. In this context, Wacoal's beauty advisors, who provide

information from an objective viewpoint, have earned the respect of competitors.

Rather than the elliptic cylinder of Japanese women's physiques, the physiques of Chinese women are closer to a regular circular cylinder. Further, the physiques of women in the north and south of China differ significantly. Thus, providing innerwear that fits is also important with regard to such regional differences, which is why data from the Chinese Human Science Research Center gives Wacoal China Co., Ltd., an absolute advantage. As points of contact with customers, beauty advisors in China emphasize the merits of Wacoal's offerings, forging links between Chinese women and Wacoal.

Whether in Japan or in China, our beauty advisors will provide consultation services to customers based on rigorous adherence to Wacoal's founding spirit and in light of the very latest scientific research results. Going beyond simply being customer oriented, beauty advisors' dedication to each customer supports Wacoal's efforts to be a company empathetic to women.



Beauty advisors in Japan



A beauty advisor in China

A SUSTAINABLE WACOAL

SUPPORTING WOMEN

The Development of Mutual Trust with Society

Far ahead of its time, the Remamma project began in 1974 as a business directly under the president's control. Because Wacoal aims to be a company empathetic to women, building mutual trust with the women of the world through this long-standing project is an obvious mission for it to pursue.

Wacoal's Breastcare Activities

Around the world, the number of breast cancer cases is increasing rapidly. Having long accounted for the highest number of cases, the West is taking a series of countermeasures that are gradually producing benefits. However, in emerging countries that have seen dramatic diet changes and in Japan the number of patients is rising steadily every year.

At Wacoal, for many years we have been developing the Remamma project, which caters to women that have undergone breast cancer surgery. Also, as a preventative approach encouraging early discovery and treatment, we have been organizing and promoting Pink Ribbon Activities in earnest since September 2002. For example, October 2009 saw us launch the Breast Cancer Examination Support Project. Wacoal intends to accelerate its breastcare activities for free to as many women as possible.

Remamma Project

Coined by Wacoal, the name Remamma reflects our desire to help restore the attractive bodylines of women who have undergone breast removal surgery. "Re," means again, and "mamma" is derived from the word mammary.

Since its establishment directly under the control of the

president in 1974, the Social Welfare Section has developed an array of items based on expert medical opinions.

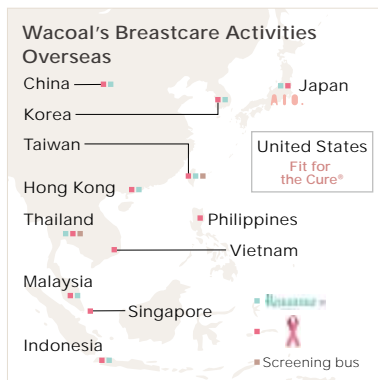
Wacoal produces pads, innerwear, and bathing suits that ease the burden on the body, have a natural feeling fit, and encase the bust gently. We have established an extensive variety of products catering to women that have had total or partial mastectomies. More than 180,000 have used Remamma products during the 38 years since this project began.

As well as selling the Remamma lineup at six Remamma Rooms around the country, we send catalogs to roughly 1,800 hospitals, which enables us to cater to women in remote areas through mail-order catalog sales. Also, at more than 10 locations we organize annual free consultation events that enable customers to be measured and try products on. Since we began holding them in 1993, more than 18,000 people have visited these events.

Pink Ribbon Activities

In 2007, Wacoal launched the Pink Ribbon Fitting Campaign as a new initiative based at sales areas. The following summarizes the campaign.

- 1 We host fitting campaigns at approximately 2,020 stores nationwide every October. For every brassiere customers try on at stores, we donate ¥10 to the Japan Cancer Society's Wipe Out Breast Cancer Smile Fund.
- 2 We donate free booklets about breast cancer.
- 3 We conduct Pink Ribbon online examinations based on a quiz format. For every respondent answering all three questions, we donate ¥3 to the aforementioned fund.



Remamma innerwear



One of Wacoal's original Pink Ribbon badges

In the 2011 campaign, 173,621 people tried on 441,277 brassieres, resulting in a donation of ¥4,412,770.

Further, shareholders can also participate in our Pink Ribbon activities by donating part of the Wacoal essence check gift certificates provided as a shareholder benefit. Under this system, Wacoal matches the amount of these contributions with its own contributions to the fund.

The Wacoal Group undertakes multifaceted breast cancer related activities in 12 countries and regions around the world. In particular, Wacoal America, Inc., has been running its all-year-round Fit for the Cure[®] campaign throughout the United States since as far back as 1999. For every brassiere that store visitors try on, we donate US\$2 to the Susan G. Komen[®] for the Cure foundation. And if they purchase an item, we donate a further US\$2 to the foundation. To date, we have given more than US\$3.0 million to this foundation through this system.

The Breast Cancer Examination Support Project

Even today, only slightly more than 20% of Japanese women undergo screening for breast cancer. Aiming to help address this problem in whatever small way we can, we purchased the Aio mobile breast cancer screening unit, which we lend to medical institutions as a way of supporting breast cancer screening.

Featuring the Aio logo, the outward appearance of the vehicle evokes ease and reassurance. Inside, it has a changing room with a relaxing aroma and it uses state-of-the-art digital mammography screening equipment. We operate the vehicle by lending it to medical institutions. If screening discovers any abnormalities, the individual is introduced to an affiliated hospital. While further strengthening tie-ups with

medical institutions in each region, we intend to deliver Aio (love) to even more women.

Wacoal's Environmental Activities

Brassiere Recycling

Wacoal holds a Brassiere Recycling Campaign every year during the period between Brassiere Day, on February 12, and Earth Day, on April 22. Customers put brassieres that they no longer need in specially designed collection bags and bring them to stores. The collected brassieres and the bags containing them are processed into RPF (Refuse Paper & Plastic Fuel). Using RPF as a power source, paper plants manufacture recycled paper, which is made into collection bags. From fiscal 2012, we broadened the scope of this initiative by beginning to collect competitors' products for recycling.

This brassiere recycling initiative began after an attitude survey Wacoal conducted in 2007 revealed that 61% of women feel reluctant to discard brassieres. With a view to catering to customers' needs while contributing to the environment, we began this campaign in fiscal 2008. Everyone involved has responded positively to the campaign, which is growing every year. Approximately 800 stores in Japan and 500 stores in Taiwan now take part in the campaign.

In Japan, we have collected a cumulative total of 338,500 brassieres, which have been processed into 33.85 tons of RPF. In fiscal 2012, we improved our performance dramatically: collecting 159,300 brassieres, which produced 15.93 tons of RPF.

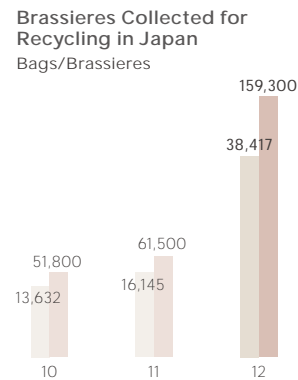
* The Susan G. Komen breast cancer foundation is the world's largest grassroots network of breast cancer survivors and activists and works to save lives, empower people, ensure quality care for all, and energize science to find cures.



Wacoal's very own mobile breast cancer screening unit, Aio



Bra recycle bag



A SUSTAINABLE WACOAL

SUPPORTING WOMEN

The Development of Mutual Trust with Society

Bust shapes vary from woman-to-woman. Our semi-order-made innerwear brand Wacoal Dublevé realizes the long-held dream of many women of handmade brassieres that fit each individual perfectly.

A Revolution in the Concept of Bust Size

Normally, bust size is established by combining measurements of the upper bust and underside of the bust. At stores, the brassieres we sell are available in approximately 50 sizes. Sometimes, however, even this is not enough. Habitually squeezing into innerwear that does not fit properly can lead to ill health or ruin a woman's bodyline.

Launched in 1999, Wacoal Dublevé offers 3,030 sizes based on combinations of sizes for the left and right circumference of the underside of the bust, or the verge's line; cup volume; and the underside of the bust.

Aiming to enable as many women as possible to enjoy perfectly fitting brassieres, we set the pricing of these products close to that of ready-made products.

In 2004, we began rolling these products out at commercial facilities and launched them at department stores from 2009. At present, we market the brand through 31 stores, comprising 18 directly managed stores and 13 department stores. For fiscal 2012, the brand posted sales of ¥1.3 billion.

Each Brassiere Made by Hand and with Devotion

After receiving an order from a customer, we begin preparing an assembly production order on the following morning at our plant. Resembling a patient's medical chart, the order is packed with data about the customer. After the order and the fabric required for the brassiere are placed in a special tray, the production process begins.

A feature of Wacoal Dublevé products is the large number of paper patterns involved. Lace alone accounts for 48 types of paper patterns. These lace parts are prepared by hand, while other parts are individually cut using specialized equipment.

We perform the sewing processes entirely by hand. With different equipment used to stitch each part, the work calls for considerable expertise and experience. Therefore, only personnel who have mastered all patterns and fabrics are entrusted to do this work at the plant. Also, the humidity of the workplace is strictly controlled using a hygrometer, because slight differences in humidity can affect the work.

Once a brassiere is completed, inspection personnel meticulously check the measurements and design. Given that, for Wacoal Dublevé products, this is the final check, these inspections are particularly thorough. Although adhering to the manufacturing of hand-made products is no easy task in an age of mass production, feedback from customers asking us to make more Wacoal Dublevé products for them keeps our motivation high.



A Dublevé sales area



COLLABORATION WITH A MEDICAL INSTITUTION

A new paradigm in tie-ups between companies and medical institutions

Previously, developing breast cancer often meant undergoing a total mastectomy. In recent years, however, partial mastectomies that minimize the area removed are becoming common rapidly. Furthermore, combining total mastectomy and breast reconstruction surgery is attracting attention as a new medical option. With a view to realizing a further role for Wacoal Dublevé, we are advancing a joint project with Okayama University Hospital, which is at the forefront of this field.

Importance of a Perfect Fit

Following breast reconstruction surgery, many patients find it difficult to decide which type of brassiere to select. As well as the sizes of off-the-peg products not fitting, gaps readily form at the top of cups, wasting the effort made to reconstruct an attractive bust.

Aiming to address this problem and improve patients' quality of life, Okayama University Hospital began joint research with Wacoal in January 2009. Since then, we have been steadily accumulating clinical research data on the safety and usability of innerwear for women who have had breast reconstruction.

Researcher Permanently Posted at the Hospital Facilitates In-Depth Communication with Patients

As part of our joint research with Okayama University Hospital, we have permanently dispatched a researcher of Wacoal's Human Science Research Center to the counseling room of the hospital's Breast Cancer Treatment and Reconstruction Center. Deploying a researcher to the hospital permanently has helped cement this patient-centered collaboration between Wacoal and the hospital.

Before breast reconstruction surgery and one month, three months, six months, and one year after surgery, we measure the shape and size of the busts of patients, who have consented to participate in the joint research project. In addition, we conduct a questionnaire about the bust and innerwear.

Advice Based on Empathy with Patients

Our joint research has revealed that for many women who have undergone surgery information about innerwear is insufficient. Often patients have not had time to consider innerwear before breast reconstruction surgery because they were preoccupied with the prospect of surgery. Further, after surgery many women find explaining their condition to sales personnel stressful. In this context,

joint research has shown the advantages of giving patients advice about innerwear in a hospital environment. "I was able to discuss things with the counselor with peace of mind because the hospital introduced her to me." "Dealing with personnel who understand the disease minimizes the psychological strain of choosing innerwear." Moreover, our research highlighted the popularity of Wacoal Dublevé among patients. "Unlike specialized innerwear for breast cancer patients, the products are attractive and colorful." "The rich variety of sizes and designs means I can find something to my liking."

Helping Women to Feel Fashionable

Many women who have undergone breast reconstruction surgery are anxious about a recurrence of the disease. Therefore, they need attentive emotional as well as physical care. On the other hand, they want to wear fashionable innerwear. In response, Wacoal can provide products that gently enclose the bust and fit perfectly. Also, we can offer a rich selection of designs to choose from. Going forward, in collaboration with medical institutions, Wacoal will draw on such capabilities to the utmost to help enhance the quality of life of women who have undergone breast reconstruction surgery.

A SUSTAINABLE WACOAL

ENVIRONMENTAL CONSERVATION ACTIVITIES

Considering that preservation of the global environment is a corporate responsibility in global business activities, Wacoal will promote the conservation of the environment, in line with a spirit of “mutual trust” for harmony with the society and our motto : “Promise of Environmental Preservation for Next Generations, Their Smiles, and Beautiful Earth.”

Environmental Policies

- 1 We will reduce environmental loads generated from business activity processes through business improvement initiatives and make efforts to prevent environmental pollution.
- 2 Establishing environmental targets focusing on the following items, we will try to accomplish the targets based on environmental management systems.
 - (1) Energy conservation, resources saving, and reduction of CO₂ emissions
 - (2) Waste reduction and recycling
 - (3) Development of products and technologies that are kind to people and the environment
 - (4) Purchase of product materials, materials, and office supplies that are kind to people and the environment
- 3 We will comply with environmental laws and ordinances, and our voluntary management standards.
- 4 We will raise our employees' environmental awareness through ecological education and make efforts to be able to cooperate and contribute to environmental preservation activities as a member of local communities.
- 5 We will disclose our environmental policies and approaches to environmental preservation, aiming to preserve the environment through wide-ranging social partnerships.

Environmental Targets

In accordance with our environmental policies, we prepare a medium-term environmental action plan every three years and conduct environmental management initiatives in a planned, systematic way to achieve the targets set out in the plan.

Medium-Term Environmental Action Plan

(April 2010—March 2013)

- 1 Improve the coordination of environmental management systems throughout the Wacoal Group.
- 2 Promote environmental protection activities based on the idea that “business improvement equals environmental improvement.”

- 3 Reduce CO₂ emissions.
- 4 Promote green purchasing.
- 5 Reinforce waste management.
- 6 Reinforce environmental risk management.
- 7 Disclose environmental information.
- 8 Raise employees' environmental awareness through environmental education.
- 9 Contribute to the preservation of the local environment, as a member of the local community.

Note: For further details, please go to our web site.
http://www.wacoalholdings.jp/csr/7m_environment_1_e.html

Case Study

Beginning Operation of a Solar Power Generation System

In February 2012, Wacoal Distribution Corp., in Shiga Prefecture, installed a solar power generation system.



Mindful of the growing social impetus toward reducing CO₂ emissions and introducing renewable energy, we installed the system to advance corporate environmental initiatives and reduce power usage volumes. A further aim in introducing the system was to contribute to the local community by providing the system's site as an evacuation site during disasters. It is a polycrystalline solar power generation system with a generation capacity of 499.95kw—sufficient to meet onethird of the company's power needs. In terms of power generation volume, the system is the largest of its kind in Shiga Prefecture (As of February 2012).

Eco Mannequins

—Environment-friendly Mannequins
 In December 2010, Nanasai Co., Ltd., introduced mannequins made of a new material that uses environmentally friendly biomass plastic*. The new material is a mixture of 15% by weight of biomass plastic and the conventional mannequin material. Our environment-conscious attitude and efforts have received warm understanding and support from our business partners.



* A plastic made from renewable bio-based resources such as corn starch, sugar cane, and food waste. Biomass plastic can be produced sustainably without using petroleum, which is considered to contribute to global warming and anticipated to deplete in near future.

CSR MANAGEMENT

The Wacoal Group's CSR

Having placed mutual trust at the heart of its business philosophy since its foundation, the Wacoal Group views the goal of CSR (corporate social responsibility) initiatives as building mutual trust with society.

In the Wacoal Group, we believe realizing the mission to “contribute to society by helping women to express their beauty” will build mutual trust with society and enable us meet our corporate social responsibilities. Based on an international consensus, the ISO 26000 standard defines sustainable development as unceasing efforts by society at large, aimed at realizing a high quality of life, health, and prosperity. Further the standard states that it is each organization's corporate social responsibility to identify its effect on society, maximize the positive effects, minimize the negative effects, and pursue truly sustainable growth.

The Wacoal Group operates businesses in approximately 40 countries and manufactures at 21 plants. Approximately 8,200 beauty advisors sell the resulting finished innerwear at roughly 15,000 sales areas worldwide. In Japan and overseas, we sell about 41.8 million brassieres per year. Given that numerous women support our manufacturing and purchase our products, we feel a natural obligation to strive to be first and foremost, a company empathetic to women.

That said, the scope of the Wacoal Group's responsibility is not limited to women. Our stakeholders include shareholders, investors, business partners, employees and their families, local communities, NPOs (nonprofit organizations) and NGOs (nongovernmental organizations), and government bodies. Therefore, we want to establish bonds of mutual trust with all of these stakeholders and earn a higher level of social trust.

The Wacoal Group's CSR Management

The Wacoal Group will manage its CSR initiatives based on two overall categories: fundamental CSR activities and proactive CSR initiatives.

As well as setting out numerical targets for earnings, the Wacoal Group's current medium-term management plan, ending in March 2013, calls on the Group to strengthen its ability to operate globally by expanding in Europe, North America, China, and Asia. Such efforts are likely to expand our international influence.

With this in mind, at this juncture we must reassess and rigorously realize CSR fundamentals to ensure that we do not affect society negatively. Further, we need to view our current situation more proactively as a good opportunity to affect society positively and advance our unique CSR initiatives. In light of these imperatives, we have grouped our contributions into fundamental CSR activities and proactive CSR initiatives.

For fundamental CSR activities, we will identify and clearly prioritize tasks based on the seven core subjects set out in the social responsibility standard ISO 26000. Then, the whole Group will mobilize in a coordinated effort to advance CSR activities.

Proactive CSR initiatives will focus on areas in which we can exploit unique characteristics and competence. These initiatives will come under three main headings—(1) Society: Tackling social problems, (2) Business: Continuously implementing social business programs through our mainstay business, and (3) Wacoal's uniqueness: Developing systems for services that respond to emerging social problems while passing on the management philosophy we have inherited.

Also, in 2004 the Wacoal Group established the CSR Promotion Office, which is dedicated to establishing CSR policy, coordinating with related divisions, gathering information, and conducting in-house educational initiatives. Aiming to further this office's ability to disseminate information and communicate with society, we transferred it to the Investor Relations & Public Relations Office in 2011.

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.

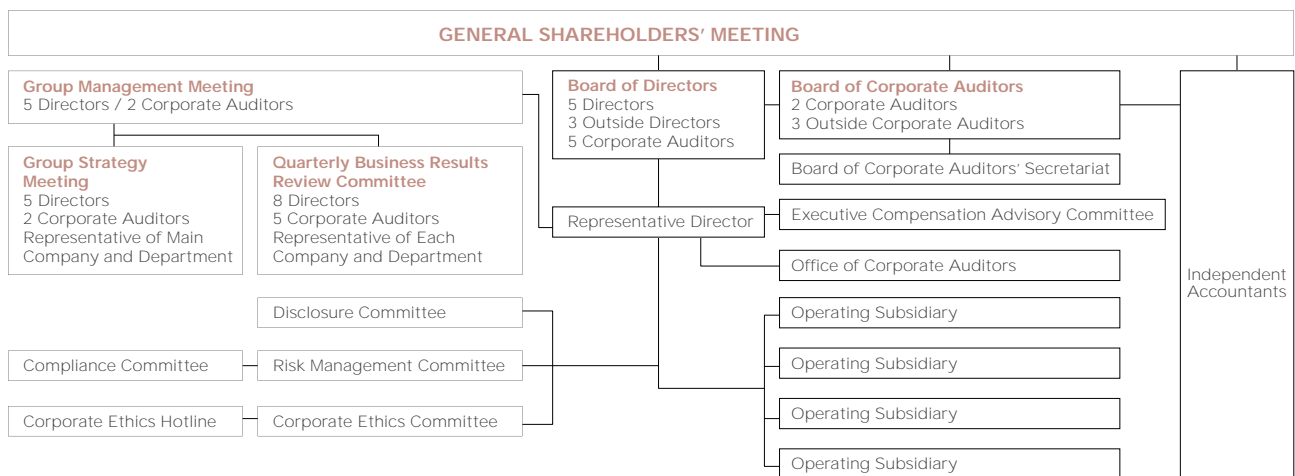
Regarding our progress in developing corporate governance systems, in 2002 the Company introduced a corporate officer system to clarify responsibility for operational implementation, speed up decision making, and strengthen the monitoring functions of the Board of Directors. In 2003, Wacoal established 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 trans-

ferred 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 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 8 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 aforementioned 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.



Corporate Governance Structure
As of June 28, 2012

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.

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 retained earnings, unless otherwise stipulated by related laws and statutory regulations.

Compensation of Executives

For the fiscal year under review, total compensation for directors was ¥236 million, total compensation for corporate auditors was ¥32 million, and total compensation for outside directors and outside corporate auditors was ¥48 million. In addition, the total compensation for directors includes acquisition rights for the subscription of new shares of ¥41 million recognized in expenses. Further, one auditor, who retired upon conclusion of the ordinary general shareholders' meeting convened on June 29, 2011, is included. Yoshikata 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 ¥162 million.

Attendance of Outside Directors at Meetings of the Board of Directors

April 2011—March 2012

Mamoru Ozaki	Attended 12 from a total of 14
Morio Ikeda	Attended 13 from a total of 14
Atsushi Horiba	Attended 9 from a total of 14

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

April 2011—March 2012

	Board of Directors	Board of Corporate Auditors
Akira Katayanagi	Attended 12 from a total of 14	Attended 14 from a total of 15
Tomoharu Kuda	Attended 14 from a total of 14	Attended 15 from a total of 15
Yoko Takemura	Attended 11 from a total of 14	Attended 12 from a total of 15

Compliance System

- In order to ensure that directors and employees adhere to relevant 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 Share Holding of the Company

After the Group's June 2009 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 2012 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

Wacoal Holdings Corp. and Subsidiaries
As of June 28, 2012



President and Representative Director
YOSHIKATA TSUKAMOTO
Representative Director and Chairman,
Wacoal Corp.



Director
YUZO IDE
Director and Senior Corporate Officer,
Wacoal Corp., General Manager of
International Operations



Director and Executive Vice President
HIDEO KAWANAKA
Director and Vice Chairman,
Wacoal Corp.
Representative Director, Chairman and
President, Peach John Co., Ltd.



Outside Director
MAMORU OZAKI
Adviser, Yazaki Sogyo Corporation/
Outside Director, Fujikyuko Co., Ltd./
Outside Director, Kikkoman Corporation



Senior Managing Director
IKUO OTANI



Outside Director
MORIO IKEDA
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./
Chairman of the Board of Trustees of Shiseido Beauty
Academy



Director
HIRONOBU YASUHARA
Representative Director, President and
Corporate Officer, Wacoal Corp.



Outside Director
ATSUSHI HORIBA
Representative Director and Chairman and
President, HORIBA, Ltd./Representative Director
and President, HORIBA STEC, Co., Ltd./
Outside Director, Rock Field Co., Ltd.

A MESSAGE

FROM AN OUTSIDE DIRECTOR MAMORU OZAKI

Almost 70 years have elapsed since end of the Second World War. During this period the laws that form the basis of corporate governance have changed considerably. The knowledge that I and my peers garnered from studying company law, then part of commercial law, at university in the mid-1950s is no longer of much use. This type of change is indicative of society's transformation. As a joint-stock company, Wacoal Holdings basically complies with the Companies Act and the stipulations of related laws. Within the limits of the law, however, there is some scope for discretion as well as freedom to implement initiatives. This gives rise to different management systems.

Because companies are fundamentally organizations for pursuing profit, the primary objective of management systems used to be ensuring that profit was appropriately distributed among shareholders, business managers, and employees. This

remains an important role today. However, the scope of modern corporate governance has broadened. Management systems have to cover a wide range of areas, such as social contribution, environmental problems, and consideration for consumers. I think today's emphasis on outside directors is actually one of the expressions of this change.

Recently, the media has reported that the government, despite opposition from the business community, has decided to make the appointment of outside directors obligatory. The Wacoal Group has already appointed outside directors. My understanding is that through such initiatives the Wacoal Group aims to contribute to the development of its business by ensuring it maintains the breadth of vision society expects. No doubt there are those with different opinions. However, I think that having the flexibility to adapt to changes in society is key to protecting enterprise value. Companies are often referred to as "going concerns." We can interpret this as meaning companies must continue changing in step with social evolution. I think this attribute is common to people's understanding of the intrinsic nature of companies.

CORPORATE AUDITORS

Wacoal Holdings Corp. and Subsidiaries
As of June 28, 2012



Standing Corporate Auditor
MITSUO YAMAMOTO



Outside Corporate Auditor
TOMO HARU KUDA
Certified Public Accountant



Standing Corporate Auditor
TOMOKI NAKAMURA



Outside Corporate Auditor
YOKO TAKEMURA
Partner at Miyake Imai Ikeda law firm,
Lawyer/Outside Statutory Auditor,
ADEKA Corporation



Outside Corporate Auditor
AKIRA KATAYANAGI
Special Advisor, Mitsubishi UFJ NICOS
Co., Ltd.

A MESSAGE

FROM AN OUTSIDE CORPORATE AUDITOR AKIRA KATAYANAGI

I think my role as an outside corporate auditor is to assess whether the Wacoal Group is growing sustainably based on sound corporate activities and whether it is deserving of society's trust. Moreover, my role is to offer advice with respect to whether the Group has established adequate systems to support these two requirements. Also, I provide opinions from an external standpoint, drawing on my experience in dealing with a variety of customers at financial institutions and my experience in corporate business management.

Regarding corporate governance, the Group has acquired new subsidiaries, such as Peach John and Lecien, and through a process of trial and error sought to maximize synergies with them. These two subsidiaries have undergone fundamental reform and are now steadily getting back on track, which I think testifies to the corporate governance the holding company is exercising. Given that Eveden, which recently became a subsidiary, is a

European company and entails elements of indirect control, I expect the Wacoal Group to use its experience thus far to step up corporate governance as it moves into a new phase.

Tasks remain with respect to internal control and compliance. The Group needs to adopt a more systematic approach in these areas. However, the Group as a whole has a favorable corporate culture that is amenable to lively discussions among personnel of different ranks. No matter how much one strengthens rules, ultimately it is personnel and directors that actually enforce them. Therefore, communication is a basic requirement of corporate governance. In addition, I think the Wacoal Group's strong focus on social contribution activities gives personnel shared experiences, deepens communication, and helps to enhance compliance awareness.

I want the Wacoal Group to exhibit pride and demonstrate responsibility befitting an industry-leading company that is rooted in the tradition of Kyoto's textile industry. At the same time, I would like the Group to value its unfettered, enterprising corporate culture as it forges ahead.

