REACHING OUT

WACOAL HOLDINGS
Integrated Report 2013

REACHING OUT

Aiming to "contribute to society by helping women to express their beauty," the Wacoal Group 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 always been at the core of our business activities. To make products customers love, we have accumulated knowledge and experience and unflaggingly developed all business processes, from research and development through to manufacturing, sales, and customer support. Consequently, the Wacoal Group has established unique strengths in each business process.

Moreover, the resulting unique competitive advantages are building our presence in markets. Thus, by combining such strengths, the Wacoal Group creates value day after day. With our sights set on establishing a stronger global presence for the Wacoal Group, we are accelerating business development worldwide. As we draw on strengths to 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.

This report incorporates an integrated narrative linking the features of the Wacoal Group's unique value creation, a review of the medium-term management plan ended in March 2013, and overview and analysis of the new medium-term management plan that began from April 2013. We hope this integrated report furthers understanding of the Wacoal Group's efforts to leverage unique intellectual assets and advance business strategies to sustain growth.

CONTENTS

Editorial policy for this report The Wacoal Group issues integrated reports, combining an annual report detailing business results and business strategies for shareholders and other investors, with a communication report that focuses on the Group's corporate social responsibility (CSR) initiatives. For this integrated report, we have increased and enhanced the content in light of a new framework the World Intellectual Capital Initiative (WICI)* advocates. Going forward, we will continue pursuing an editorial policy that responds to reader expectations.

*World Intellectual Capital Initiative—Established in 2007 and comprising organizations representing companies, analysts, investors, accountants, and academics, the WICI seeks to improve corporate reporting on intellectual assets or capital and key performance indicators (KPIs), which are areas of considerable interest to shareholders and other stakeholders.

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.

OUR MISSION

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

OUR VISION

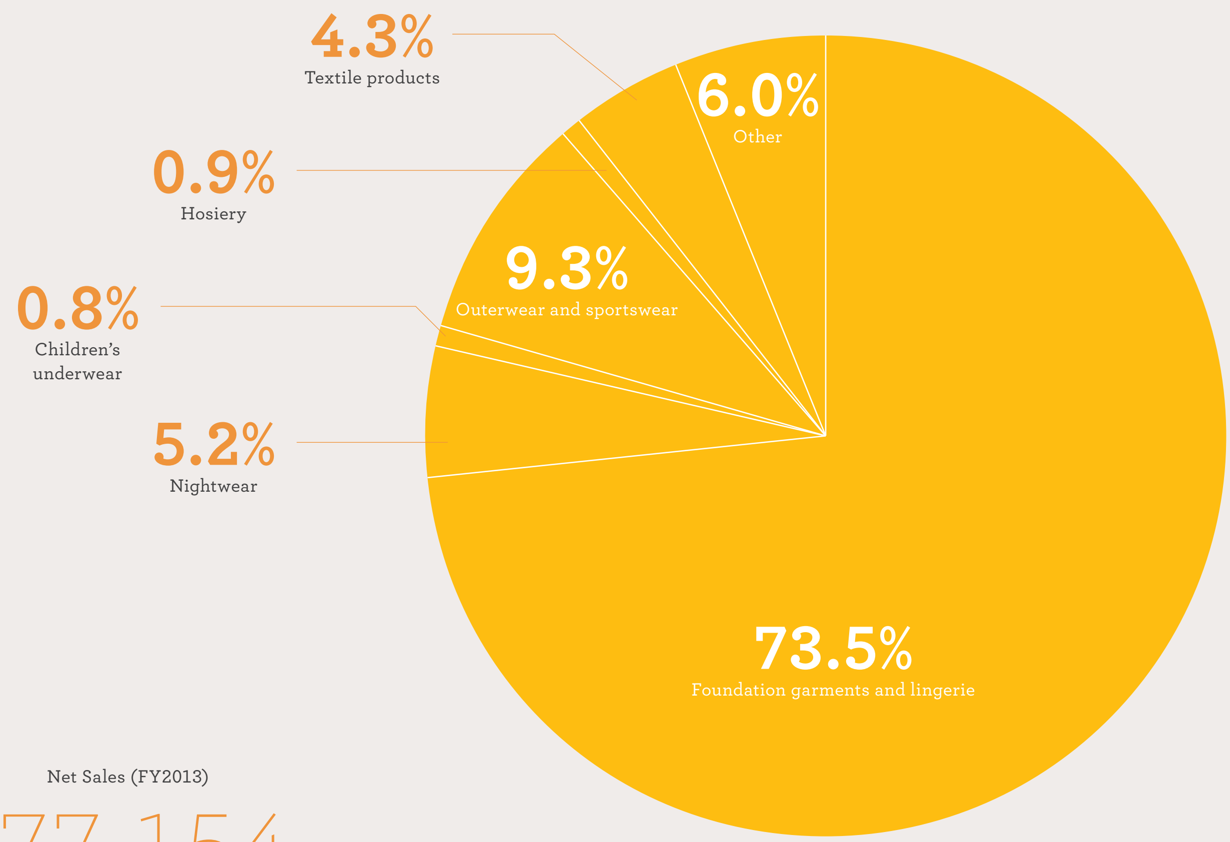
We, the employees and management of Wacoal, will maintain a refined corporate culture based on mutual trust and will continually strive to make the Company a global leader in the industry.

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

OUR PRODUCTS

Share of Net Sales by Product Category



Net Sales (FY2013)

¥177,154 million

Net Sales by Product Category (Millions of Yen)

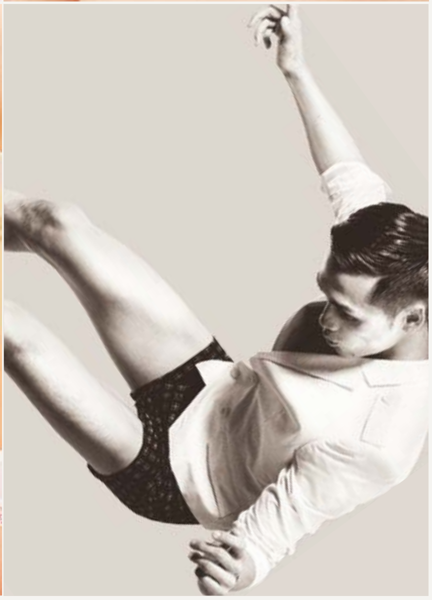
	2013	2012	2011
Foundation garments and lingerie	¥130,284	¥124,303	¥116,127
Nightwear	9,232	9,390	8,713
Children's underwear	1,467	1,530	1,476
Outerwear and sportswear	16,439	16,371	17,397
Hosiery	1,559	1,646	1,666
Textile products	7,580	8,226	7,493
Other	10,593	10,431	12,676
Total	¥177,154	¥171,897	¥165,548





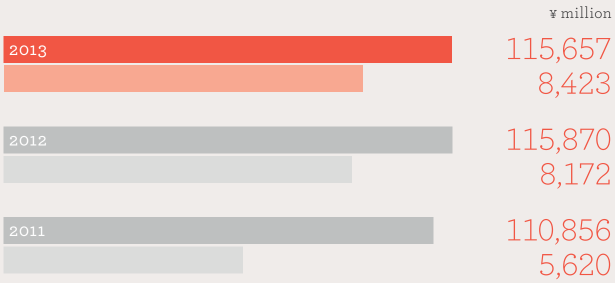






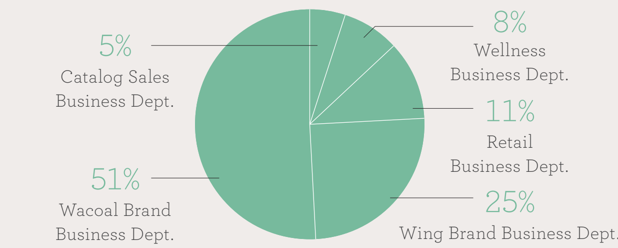
WACOAL BUSINESS (Domestic)

Net Sales to External Customers/Operating Profit

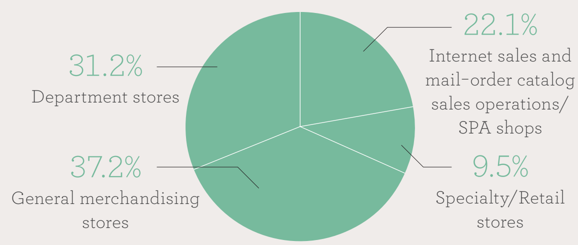


Net Sales YOY DOWN 0.2%

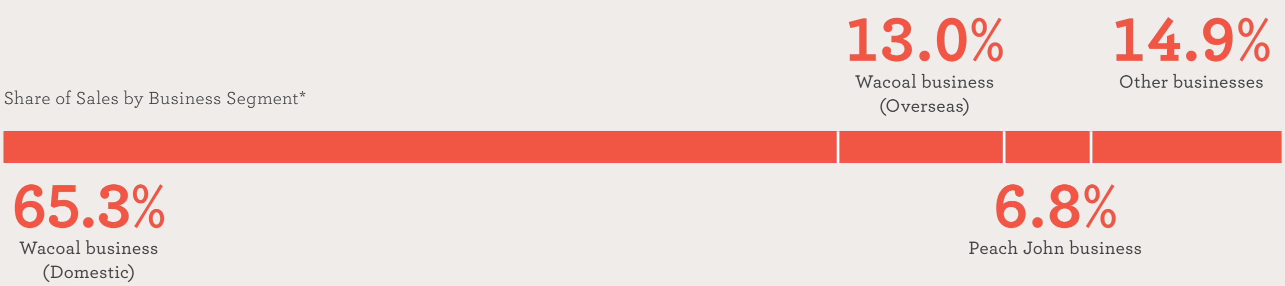
Share of Sales by Business (Wacoal Corp.) (FY2013)



Share of Sales by Sales Channel (Wacoal Corp.) (FY2013)



Share of Sales by Business Segment*



Wacoal Business (Domestic) Mainly wholesale operations of Wacoal Corp. for department stores, general merchandising stores, and specialty stores

Wacoal Business (Overseas) Mainly operations of Wacoal International (U.S.) and Wacoal China

Peach John Business Operations of Peach John became wholly owned subsidiary in 2008

Other Businesses Mainly operations of Nanasai Co., Ltd. (became subsidiary in 1987, Lecien Corporation (became subsidiary in 2009), Wacoal Eveden Limited (U.K., became subsidiary in 2012)

* Percentage figures are calculated based on external customers sales

OUR BUSINESSES

PEACH JOHN BUSINESS

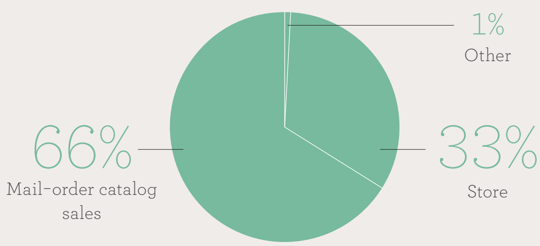
Net Sales to External Customers / Operating Profit

¥ million

	Net Sales	Operating Profit
2013	11,972	-2,701
2012	13,836	529
2011	11,575	-2,879

Net Sales YOY DOWN 13.5%

Sales by Business Format (Peach John Co., Ltd.)



Mail-Order Catalog Sales (Peach John Co., Ltd.)

¥ million

2013	7,439
2012	8,815
2011	7,525

Store Sales (Peach John Co., Ltd.)

¥ million

2013	3,632
2012	4,159
2011	3,812

OTHER BUSINESSES

Net Sales to External Customers / Operating Profit

¥ million

	Net Sales	Operating Profit
2013	26,444	947
2012	20,795	236
2011	23,107	338

Net Sales YOY UP 27.2%

Sales of Lecien Corporation

¥ million

2013	11,758
2012	13,854
2011	13,355

Sales of Nanasai Co., Ltd.

¥ million

2013	9,684
2012	9,637
2011	11,469

Sales of Wacoal Eveden Limited

¥ million

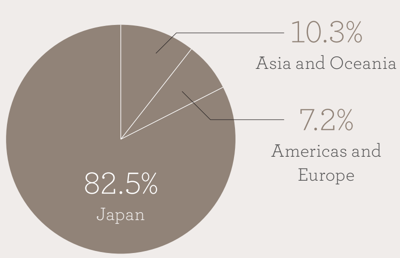
2013	7,203

OUR OVERSEAS OPERATIONS

20
Number of countries where the Wacoal Group has operating bases

The establishment of joint venture companies in South Korea, Thailand, and Taiwan in 1970 heralded the Wacoal Group's entry into overseas markets. At present, the Wacoal Group markets products in 70 countries, has 50 operating companies overseas including affiliates, and recorded overseas sales*[1] of approximately ¥69.1 billion in fiscal 2013. Among our overseas businesses, we boast a particularly strong presence in department stores in the United States. In addition, in South Korea, Thailand, Taiwan, Indonesia, Vietnam, the Philippines, and other countries, Wacoal has become established as a leading brand.

Shares of Sales by Geographic Segment*[2]

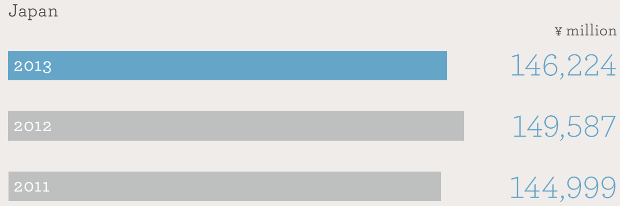


Consolidated Overseas Sales (FY2013) ¥30.9 billion

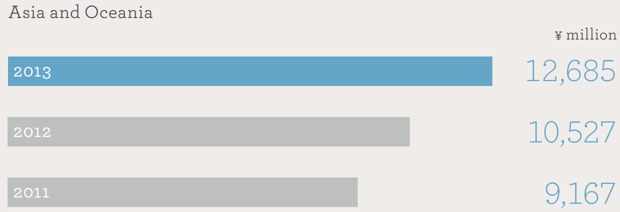
Overseas Affiliates Sales (FY2013) ¥38.2 billion

Sales by Geographic Segment

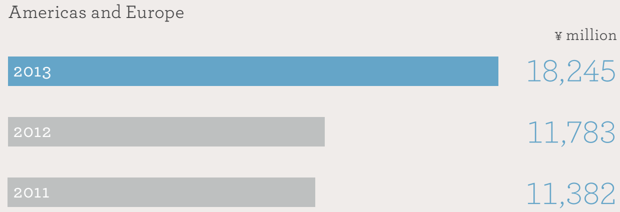
Japan



Asia and Oceania



Americas and Europe



*1 This includes sales of affiliates and therefore differs from consolidated overseas net sales *2 Percentage figures are calculated based on external customers sales

WACOAL BUSINESS (Overseas)

Net Sales to External Customers / Operating Profit

¥ million

Year	Net Sales to External Customers	Operating Profit
2013	23,081	1,430
2012	21,396	1,440
2011	20,010	1,322

Sales / Operating Profit of Wacoal France

¥ million

Year	Sales	Operating Profit
2013	1,090	9
2012	1,194	30
2011	1,104	-13

Sales / Operating Profit of Wacoal International (U.S.)

¥ million

Year	Sales	Operating Profit
2013	11,631	1,434
2012	10,475	1,113
2011	10,252	1,017

Sales / Operating Profit of Wacoal China

¥ million

Year	Sales	Operating Profit
2013	6,625	-346
2012	6,020	-212
2011	5,182	-213

Internet Sales in United States

¥ million

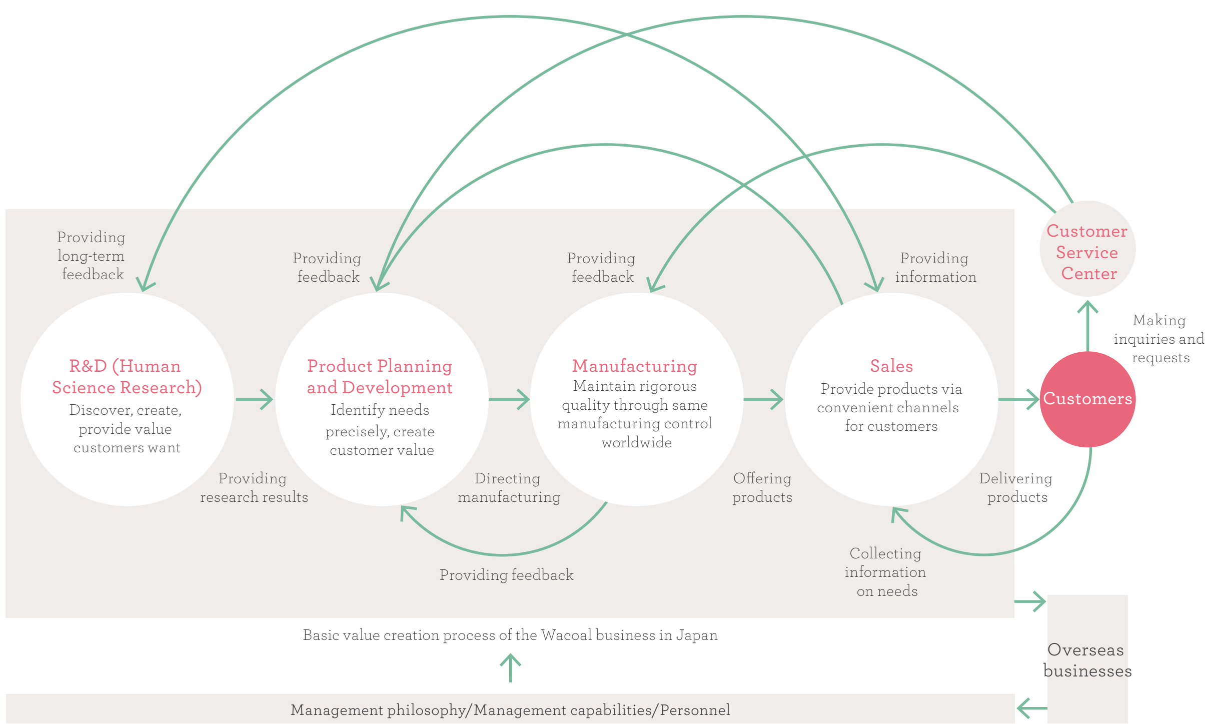
Year	Internet Sales
2013	497
2012	382
2011	122


From left
FANTASIE (Wacoal Eveden)
b.tempt'd by Wacoal
(Wacoal America)
LA ROSABELLE
(Wacoal China)

OUR STRENGTHS

The Wacoal Group's corporate mission is to "contribute to society by helping women to express their beauty." To realize this mission, we are advancing operations by leveraging our insistence on unique strengths in all business processes, from research and development through to manufacturing capabilities, sales channels, and consultative sales. Always the basis of its activities, empathy with women enables the Wacoal Group to create original value. By bringing to bear such strengths not only in domestic operations but also in operations overseas, we want to realize a stronger global presence for the Wacoal Group.

To further stakeholders' understanding of the Wacoal Group's unique value creation, this section explains initiatives based on key performance indicators (KPIs) reflecting the characteristics of each business process.



The Business Process of Wacoal

As it has progressed in step with women for more than half a century, the Wacoal Group has cultivated human science research as a core competence. From a human science perspective, we discover, create, and provide value customers want. Further, we identify individual customer's needs precisely, reflect these in high-value-added products and services, and provide them through sales channels that are convenient for customers.

In this integrated value creation process, the Wacoal Group will respect women's values and individuality fully as it continues to take on the challenge of becoming a company that women love the world over.

OUR STRENGTHS

RESEARCH & DEVELOPMENT

Number of women and girls between the ages of 4 and 69 undergoing physique measurement ever year

approx. 1,000

Number of people we have measured continuously for more than 30 years

200+

Patents, utility models, and industrial designs registered, or for which applications filed, in Japan

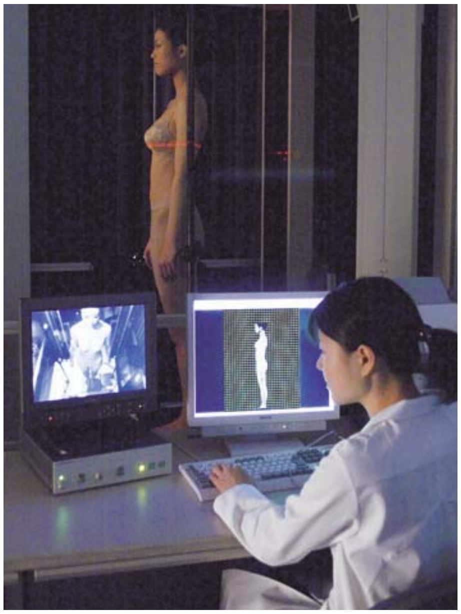
approx. 550

Number of women and girls we have accumulated data on during nearly 50 years

40,000+

Human Science Research—the Core of Value Creation for Customers

Since its establishment nearly 50 years ago, Wacoal's Human Science Research Center has been conducting a variety of basic research on women's physiques. The center measures the physiques of approximately 1,000 women and girls, mainly between the ages of 4 and 69, every year and has accumulated data on more than 40,000 people. Further, by measuring the same individuals over long periods of time, we are conducting and publishing the results of research that sheds light on the changes in women's physiques that accompany aging. Human science research enables us to create unique value linking people and science.



OUR STRENGTHS

MANUFACTURING CAPABILITIES

Number of brassieres sales annually worldwide

approx. 45.2 million

Brassiere stitching reflecting the need to balance strength and productivity

6,000+

Parts included in a brassiere

40+

Plants worldwide

24

Sizes of semi-order-made brassieres

3,030

Manufacturing Capabilities—Creating Value for Customers

One brassiere has more than 40 parts, which comprise approximately 25 different components and materials. Furthermore, we sew all of these parts together manually, with each process calling for meticulous attention to detail. Over many years, the Wacoal Group has fostered technicians with consummate skills that enable them to sew together parts into an attractive shape without diverging even slightly.

In addition, we control cutting and sewing processes strictly based on original quality standards. Only products passing a comprehensive and scrupulous final quality inspection are offered to customers as Wacoal products. We became the first company in Japan's apparel industry to acquire accreditation under ISO 9001, a group of international standards for quality management systems, testifying to the Wacoal Group's commitment to uncompromising quality control in manufacturing. 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*.

OUR STRENGTHS

POINTS OF CONTACT WITH CUSTOMERS

Points of Contact with Customers Worldwide

The Wacoal Group markets through points of contact that cater to each customer's preferred way of shopping. As well as consultative sales through department stores and general merchandising stores, we sell our products through specialty stores and directly managed stores. Recently, variety stores and drug stores have become promising new sales channel for us. Also, aiming to provide even easier ways for customers to browse and buy products, we offer products through mail-order catalog sales and Internet sales. In this way, we have secured a wide range of sales channel and built solid foundations as a leading company in Japan's innerwear market.

As well as in Japan, we market Wacoal products in more than 70 countries around the world. We offer our products at approximately 22,300 sales areas worldwide, including Japan. Thus, by pursuing the same strategy as we have in Japan to establish points of contact with customers in regions overseas that reflect demand, we deliver Wacoal products to customers globally.

Number of stores worldwide

approx. 22,300

Share of ladies innerwear market in Japan (FY2013)

34.0%

Source: NIKKEI BUSINESS DAILY

Number of countries where the Wacoal Group markets products

70+

Number of directly managed stores in Japan

266

CUSTOMER SUPPORT

Beauty advisors in Japan

approx. 3,400

Beauty advisors worldwide (including Japan)

approx. 8,200

Approximate number of customer inquiries Customer Service Center receives annually

approx. 48,000

After response to complaint, percentage intending to repurchase

97.0%

Consultative Sales—the Frontline in Providing Value for Customers

The principal point of contact between the Wacoal Group and its customers are beauty advisors in sales areas. The title "beauty advisor" reflects the commitment to continually providing customers with beauty that is central to our corporate stance and expresses our belief that receiving specialist advice through face-to-face consultative sales builds trust.

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. With this in mind, we are advancing initiatives that will enable us to collect such day-to-day customer feedback from beauty advisors more dynamically and use it in operational decision making and product development. Also our Customer Service Center responds to approximately 48,000 inquiries and requests a year. In addition to providing explanations to customers, the center relays customer feedback to relevant departments as part of our initiatives to reflect customers' opinions in products and services.

OUR STRENGTHS

SUPPORTING WOMEN

Development of Mutual Trust with Society

Because the Wacoal Group aims to be a company empathetic to women, building mutual trust with the women of the world is the natural mission for it to pursue.

Wacoal's Breastcare Activities

For many years the Wacoal Group has been developing the Remamma project, which caters to women that have undergone breast cancer surgery. Also, to encourage early discovery, diagnosis, and treatment, we have been organizing and promoting Pink Ribbon Activities in earnest since September 2002. As participates of these activities, we launched the Breast Cancer Examination Support Project in October 2009. The Wacoal Group intends to accelerate its breastcare activities to free as many women as possible from the suffering breast cancer causes.

Remamma Project—Since its establishment directly under the control of the president in 1974, the Social Welfare Section has developed an array of items for women who have undergone breast surgery by combining original human science research, patient feedback, and expert medical opinions. More than 190,000 women have used Remamma products during the past 39 years. As well as selling the Remamma lineup and providing individual customers with consultations at six Remamma Rooms around the country, we cater to women in remote areas through mail-order catalog sales.

Furthermore, at more than 10 locations we organize annual free consultation events that enable customers to be measured and try products on. In fiscal 2013, we held 11 consultation events, which received approximately 1,200 visitors (Cumulative total of 21,126 customers since 1993).

Pink Ribbon Activities—The Wacoal Group engages in multifaceted Pink Ribbon Activities in 12 countries and regions worldwide. Since 2007, Wacoal has been holding the Pink Ribbon Fitting Campaign in Japan. For every brassiere customers try on at stores, we donate ¥10 to the Japan Cancer Society's Wipe Out Breast Cancer Smile Fund. In the 2012 campaign, 188,408 women tried on 496,364 brassieres, resulting in a donation from the Wacoal Group of ¥4,963,640.

Brassiere Recycling

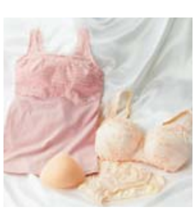
As one of its environmental initiatives, Wacoal has been conducting the Brassiere Recycling Campaign since 2008. Customers put brassieres that they no longer need in specially designed collection bags and bring them to stores. The collected brassieres and the unopened bags containing them are processed into RPF (Refuse Paper & Plastic Fuel) that paper manufacturers use as a heat source. Also, Taiwan has been taking part in this campaign since 2010.

In fiscal 2013, we collected 58,798 brassiere collection bags (or approximately 224,500 brassieres calculating based on the weight processed and the assumption that one brassiere weighs 100g), which were processed into approximately 22.45 tons of RPF, up 41% from the previous fiscal year.

Tsubomi School

The Tsubomi School refers to innerwear classes the Wacoal Group conducts for girls, from the fourth year of elementary school through the second year of junior high school, and their guardians. Based on the data of Wacoal's Human Science Research Center and incorporating games, the classes enable participants to have fun as they learn about the physical and emotional changes accompanying adolescence. We provide instruction at regional children's associations and girl scouts groups, with an increasing number of classes held at elementary schools and junior high schools in recent years. As of March 2013, more than 51,869 people have participated in the classes since they began in October 2001.

Also, in response to recent years' growing demand for seminars for adults, we have been holding Aging Seminars that explain how the physique ages. In fiscal 2013, we hosted 40 seminars, in which 1,792 people participated.



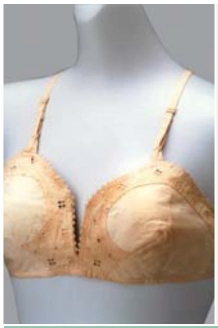
From left
Remamma innerwear
One of Wacoal's original Pink Ribbon Badges
Bra Recycle bag
Tsubomi School logo

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.

www.wacoalholdings.jp/history

Corporate Development



1949
Establishes Wako Corp.

1950
Begins production of inaugural brassiere: No. 101

1952
Changes trademark from Clover to Wacoal

1964
Changes name to Wacoal Corp.

1964
Lists on second sections of several stock exchanges

1959
Establishes first sewing subsidiaries in Japan

Overseas Operations

1970
Enters overseas markets for first time (establishes joint venture companies in South Korea, Thailand, and Taiwan)

1970
Embarks on first overseas foray Exhibits at the Osaka Expo

1977
Enters U.S. market

Human Science Research

1964
Establishes Product Research Department (precursor to Human Science Research Center)

1965
Publishes Golden Proportions and offers proportion "making"

Development of Mutual Trust with Society

1962
Sets out mutual trust as overriding goal of business management

1964
Announces basic management policy and vision publically

1965
Sets out Mission

1973
Establishes Social Welfare Department (changes name to Remamma Department in 1979)

1974
Begins supplying Remamma Brassieres

1978
Establishes Kyoto Costume Institute (KCI)

1965
Begins sales of first internationally patented product: Tummy Girdle

1970
Posts sales above ¥10 billion

1971
Lists some shares in stock exchanges' First Section

1977
Becomes first company in textile industry to issue American depository receipts (ADRs)

1979
Posts sales above ¥80 billion

1981
Posts sales above ¥100 billion

1983
Records first decrease in revenue and earnings, switches to lean business management

2005
Establishes Wacoal Holdings as holding company

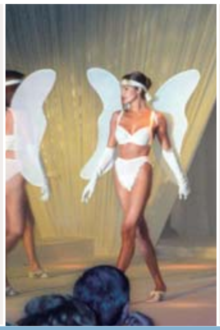
2012
Eveden Group Limited becomes a wholly owned subsidiary of Wacoal Holdings

1978
Establishes sales base in Singapore (currently Wacoal Singapore Pte. Ltd.)

1983
Establishes Wacoal Hong Kong, Co. Ltd. and Wacoal America, Inc.

1986
Establishes Beijing Wacoal Co., Ltd.

1989
Establishes Philippine Wacoal Corp.



1990
Establishes Wacoal France S.A.

1991
Establishes PT. Indonesia Wacoal

1995
Establishes Guangdong Wacoal Inc.

1997
Establishes Vietnam Wacoal Corp.

2002
Establishes Wacoal (UK) Limited

2003
Establishes Wacoal Malaysia Sdn. Bhd.

2003
Establishes Dalian Wacoal Co., Ltd.

2011
Establishes WACOAL CANADA INC.

1979
Publishes Beautiful Proportions

1992
Changes Central Research Center's name to Human Science Research Center

1995
Publishes Golden Canon

2000
Publishes Spiral Aging

2010
Publishes Aging of the Physique and the Principles of Beauty

1984
Announces new Wacoal Declaration: Physique Industry

1985
Opens the multipurpose cultural facility Spiral

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)

2001
Announces new Wacoal Declaration: Wacoal as a Company Empathetic to Women

2001
Establishes Tsubomi School

2002
Launches Pink Ribbon activities in Japan

2008
Begins brassiere recycling initiative in earnest

2009
Launches Breast Cancer Screening Support Project

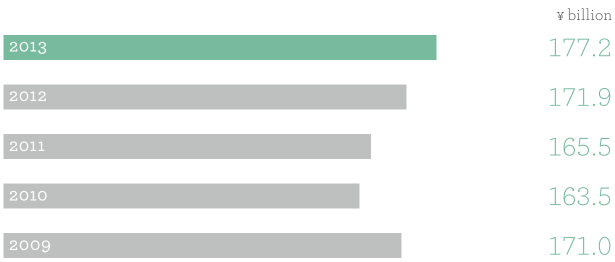
KEY FIGURES

(Years ended March 31, 2013, 2012 and 2011)	2013	2012	Millions of yen 2011	Thousands of U.S. dollars* 2013	% change 2013 vs 2012
Net sales	¥177,154	¥171,897	¥165,548	$1,881,414	3.1%
Operating income	8,099	10,377	4,401	86,013	-22.0%
Selling, general and administrative expenses	82,869	79,629	77,716	880,087	4.1%
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	10,544	10,207	3,927	111,979	3.3%
Net income attributable to Wacoal Holdings Corp.	7,623	6,913	2,785	80,958	10.3%
Return on assets (ROA)	3.2%	3.1%	1.3%	3.2%	
Return on equity (ROE)	4.3%	4.1%	1.6%	4.3%	
Net cash provided by operating activities	¥ 12,741	¥10,060	¥ 10,441	$ 135,312	26.7%
Net cash used in investing activities	(23,436)	(3,467)	(703)	(248,895)	576.0%
Net cash provided by (used in) financing activities	5,303	(2,824)	(4,965)	56,319	-287.8%
Cash and cash equivalents	24,860	29,985	26,316	264,019	-17.1%
Total assets	253,803	221,098	215,276	2,695,444	14.8%
Total shareholders' equity	185,840	171,496	167,480	1,973,662	8.4%
Per share of common stock			Yen	U.S. dollars*	
Net income attributable to Wacoal Holdings Corp. (Basic)	¥ 54.12	¥ 49.08	¥ 19.73	$ 0.58	10.3%
Cash dividends	28.00	28.00	20.00	0.29	—
Shareholders' equity	1,319.47	1,217.57	1,189.08	14.01	8.4%

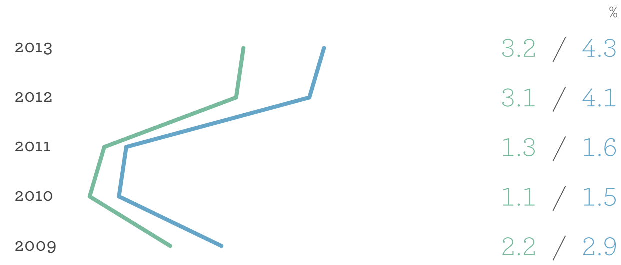
Number of brassiere sales (Millions)	45.2	41.8	39.0		8.1%
Research and development expenses (Millions of yen, thousands of U.S. dollars)	¥788	¥801	¥815	$8,368	-1.6%
CO_2 emissions (Tons)	6,243t	6,297t	7,635t		-1.0%
Waste emissions (Tons)	1,164t	1,169t	1,170t		-0.4%
Number of employees (Consolidated)			People		
Wacoal Business (Domestic)	7,486	7,229	7,241		3.6%
Wacoal Business (Overseas)	7,746	7,520	7,004		3.0%
Peach John	338	364	422		-7.1%
Other	3,052	1,411	1,346		116.3%
Total	18,622	16,524	16,013		12.7%
Number of consolidated female employees	13,892	11,208	10,660		23.9%
Outside director ratio	28.57%	37.50%	37.50%		

* The U.S. dollar amounts represent translations of Japanese yen solely for convenience at the rate of ¥94.16=$1.

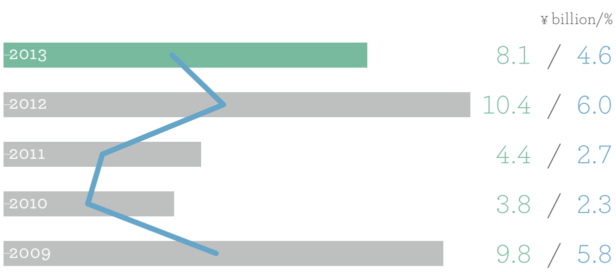
Net Sales



ROA/ROE



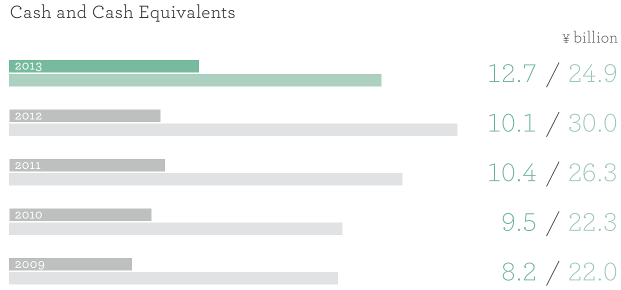
Operating Income/Operating Income Margin



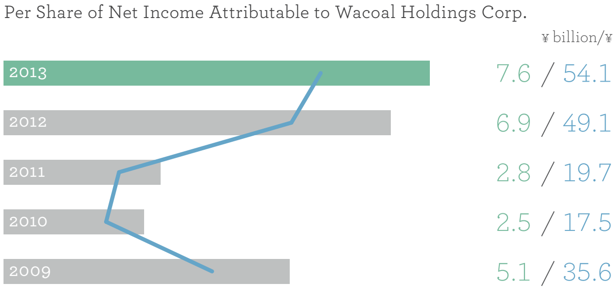
Total Shareholders' Equity/Equity Ratio

SG&A Expenses/% of Net Sales

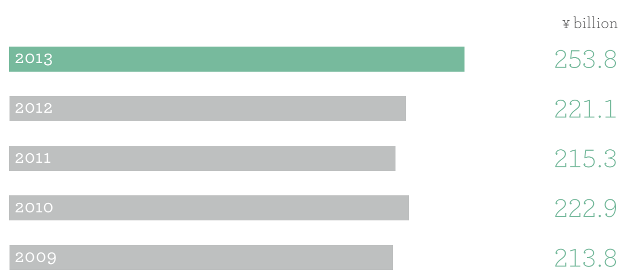
Net Cash Provided by Operating Activities/
Cash and Cash Equivalents



Net Income Attributable to Wacoal Holdings Corp./
Per Share of Net Income Attributable to Wacoal Holdings Corp.



Total Assets



LOOKING BACK

Review of the Fiscal 2011–2013 Medium-Term Management Plan

The Wacoal Group's previous medium-term management plan began in April 2010 and ended on March 31, 2013. During these three years, the plan's main goals were restoring our ability to adapt to volatile market conditions and stepping up initiatives in growth areas. The plan's measures to restore adaptability focused on realizing comprehensive capabilities as a Group and restructuring wholesale operations for women's innerwear.

Meanwhile, efforts to step up initiatives in growth areas concentrated on overseas businesses. Priority businesses were the U.S. business, tasked with leveraging the economic recovery at that time to achieve new growth, and the China business, which sought to grow market share in China's rapidly expanding market.

Summary of the Previous Medium-Term Management Plan

Corporate Profile

- A stronger global presence for the Wacoal Group

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 profit-ability improve
- System for Groupwide management further developed and strengthened
- Meeting CSR and compliance requirements

Numerical Targets (Fiscal 2013)

Net Sales

¥190,000 million

Operating Income

¥8,000 million

Backdrop to the Launch of the Fiscal 2011–2013 Medium-Term Management Plan

When the Wacoal Group introduced the previous medium-term management plan, the situation it faced had three principal features. First, its core business, wholesale operations for women's innerwear in Japan, had slumped significantly due to radical changes in business conditions. Second, the Group's operational structure was unable to adapt completely to these business condition changes. Third, overseas businesses, which should have been driving growth, lacked momentum.

The first issue stemmed from lackluster sales of high-end products as the markets for men's and women's innerwear continued to contract in Japan. Moreover, Japan's high-volume market was shifting toward low-priced products. In particular, the shrinking of the women's innerwear market contributed significantly to wholesale operations' stagnation.

The second issue was attributable to a major change in the structure of sales channels resulting from consumers' use of an increasingly diverse range of retail channels. Declining sales in such mainstay retail channels as department stores, specialty stores, and general merchandising stores had a substantial effect on the Group. Furthermore, our inability to respond rapidly to this change dealt a severe blow to business results.

As for the third issue, the Group needed to expand overseas businesses to achieve growth but was unable to develop businesses rapidly enough.

Priority Measures Implemented over the Three Years and Their Results

Wacoal Group as a whole

- High-value-added innerwear businesses in Japan under the Wacoal and Wing brands remain the Group's core businesses. However, the retail operations of the Wacoal business continue to grow and promise to contribute further earnings.
- Became more efficient thanks to further integration of the logistics operations of Wacoal Corp. and Lecien Corporation in Japan and reorganization of logistics bases
- Enabled Group to realize comprehensive capabilities by entrenching the Group Strategy Meeting, where mainly domestic Group companies share issues, develop mutual support systems, and advance coordination

Wacoal business (domestic)

Net sales to external customers:
¥115,657 million, up 1.5% versus fiscal 2010
Operating income: **¥8,423 million, up 85.4%** versus fiscal 2010

Improved the profitability of women's innerwear wholesale operations in Japan through structural reform

We reduced product development man-hours by reducing the varieties for each newly planned product and reusing existing patterns. Further, aiming to enhance sales efficiency in the department stores sales channel, we reduced returns of unsold goods by rigorously ensuring timing, quantities, and products were appropriate when introducing products, and we deployed beauty advisors more efficiently. These initiatives improved earnings approximately ¥1.5 billion.

Reinforced solid position in domestic market for women's innerwear

Product rollouts and promotions based on the Human Science Research Center's findings about how the physique ages appealed to customers effectively and invigorated the market. Identifying brassieres priced between ¥2,000 and ¥3,000 as its high-volume market, the Wacoal Group expanded and improved product lineups mainly for chain stores and directly managed stores, which helped increase net sales.

Numerical Targets Achievement Percentage

Net Sales (Fiscal 2013)

vs fiscal 2010 UP 8.3% Achievement percentage 93.2%

¥177,154 million

Even taking into account an approximately ¥3 billion negative effect on net sales due to currency exchange, net sales were roughly ¥10 billion below target.

Operating Income (Fiscal 2013)

vs fiscal 2010 UP 111.5% Achievement percentage 101.2%

¥8,099 million

The domestic business centered on the Wacoal brand improved significantly thanks to structural reform. The Group met this target one year early. In the plan's final year, the Group kept operating income at the targeted level despite recognizing a ¥2.9 billion impairment loss.

Advanced businesses that will become new sales mainstays

Retail operations: These operations increased net sales steadily by opening AMPHI, Une Nana Cool, and other stores in railway station buildings, fashion-themed commercial facilities, and shopping centers. Respective business formats contributed significantly as our mainstays in growth areas.

Wellness Business: Responsible for developing the CW-X sports conditioning wear, this business grew net sales steadily by expanding product lineups and opening directly managed stores. However, growth softened due to stagnation of its mainstay sportswear market.

Men's innerwear: Net sales declined because rolling out products in a greater number of stores, actively promoting Internet sales, and marketing new brands for seniors did not completely counteract the ending of a boom resulting from customers' concern over metabolic syndrome.

Internet sales: Introducing an Internet mall grew net sales but not to the extent anticipated.

Wacoal business (overseas)

Net sales to external customers:

¥23,081 million, up 19.6% versus fiscal 2010

Operating income: ¥1,430 million, down 11.5% versus fiscal 2010

Americas business

We stably realized year-on-year operating income growth of at least 10% throughout the three-year period. Business results were steady, reaching the initial net sales target of US$140 million. We increased market share in mid-to-high-end department stores by strengthening b.tempt'd by Wacoal and products with advanced functionality. Also, we developed new sales channels and markets, such as in-house Internet sales, Canada, and Brazil.

Europe business

Although still a small business, Wacoal France S.A. successfully rolled out Shapewear, heightened its standing in the market, and remained profitable. In April 2012, we acquired the U.K.'s Eveden Group Limited*, which sells women's innerwear in Europe, North America, Australia, and Asia. The company has become the mainstay of the Europe business. Also, it has bases in regions where the Wacoal Group did not have a presence.

* Eveden Group Limited changed its name to Wacoal Eveden Limited in January 2013. The company's business result figures are included in other businesses.

China business

Although we rapidly grew net sales by opening stores in inland regions, we did not reach our 7.5 billion yuan net sales target. Meanwhile, rapid expansion increased SG&A expenses, leading to a deterioration in profitability. From fiscal 2013, we sought to move into the black as soon as possible by heightening the emphasis on securing earnings through efforts to strengthen the foundations of sales operations and improve cost. At the same time, we launched a new brand, LA ROSABELLE, targeting middle-class customers.

Asia business

Net sales grew in step with the economic growth of the region's countries, but growth rates in countries where we have a presence have softened. Therefore, we need to revise pricing strategies and cost with a view to further growth. In India, which has many entry barriers, we are continuing to explore market entry methods, including the selection of sales partners and product supply systems.

Peach John business

Net sales to external customers:

¥11,972 million, down 8.5% versus fiscal 2010

Operating loss:

¥2,701 million, down ¥1,109 million versus fiscal 2010

The business did not reach its ¥15.6 billion net sales target due to a generational change among mainstay customers, lackluster sales of outerwear and sundries, and inventory shortages during product launches. To address the earnings issue, we increased efficiency by reducing cost and expense. These efforts included reducing fixed costs through integration of operating bases and other restructuring measures. However, as a result of lower net sales and the recognition of an impairment loss on intangible fixed assets, the business recorded an operating loss, compared with the previous fiscal year's operating income of ¥529 million.

Other businesses

Net sales to external customers:

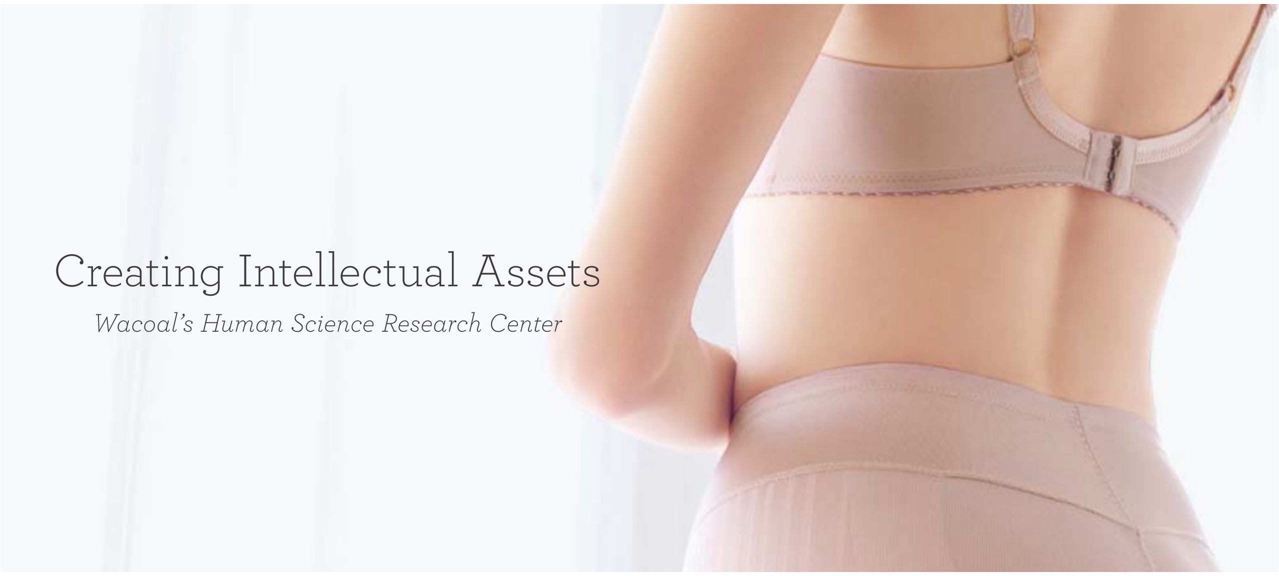
¥26,444 million, up 53.3% versus fiscal 2010

Operating income: ¥947 million, operating loss of ¥737 million for fiscal 2010

While streamlining its unprofitable businesses, Lecien helped the Group's foray into the high-volume market and low-cost manufacturing. The business achieved operating income but did not realize the ¥15 billion net sales target. Nanasai Co., Ltd., heightened its revenue-generating capabilities while maintaining profitability by leveraging high-value-added product development and services based on mannequin production and sales area construction. Further, reflecting the inclusion of Wacoal Eveden, this business segment's revenues and earnings surpassed the medium-term management plan's initial targets significantly.

FOCUS STORY

R&D—The heart of Wacoal's technology management



Creating Intellectual Assets

Wacoal's Human Science Research Center

The huge amount of measurement data that Wacoal's Human Science Research Center has collected is the departure point of all of the Wacoal Group's activities and the wellspring of the Group's competitive advantages. Human science research achievements enable us to fulfill women's wish to be beautiful, which is our ultimate goal.

LOVE, AGING—Invigorating the Women's Innerwear Market

Wacoal's Human Science Research Center published research results on the "Aging of the Physique and the Principles of Beauty" in April 2010. These research results gave an overall view of body aging—a phenomena that until then had only been understood intuitively—by detailing specific stages of change in the bust and bottom. The result of nearly fifty years of steady effort, this initiative epitomizes the Wacoal Group's unique intellectual assets. Meeting with a great response that included mass media coverage, the announcement of the research results successfully underscored the Group's status as a truly unique entity.

Recognizing the research results as opportunity to further heighten Wacoal's brand value, we exploited them to develop products. Working in concert, the product development team and Wacoal's Human Science Research Center launched large-scale promotional LOVE, AGING campaigns. Beginning in the 2010 autumn-winter season, we developed products designed to accommodate changes in the physique with aging

A LOVE, AGING campaign logo

and marketed them under the Laseé, Gra-P, Cutie, Kirei, and Graces brands. Emphasizing to customers that for all age groups the aging concept is essential in the correct selection of innerwear, these campaigns not only contributed to the Wacoal Group's business results but also invigorated the market for women's innerwear in Japan.

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

Wacoal's Human Science Research Center—Pursuing the Evolution of Women's Beauty Tirelessly

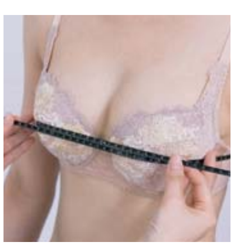
Since its establishment in 1964, Wacoal's Human Science Research Center has consistently shed further scientific light on feminine beauty. The center currently has a team of 52 personnel, of whom 41 are women, and encompasses a diverse range of research areas, including physique shape, internal tissue, 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.

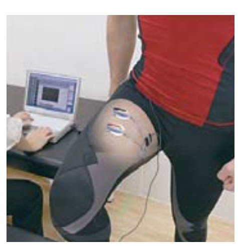
Further, the center has continued research on changes in the physique shapes of modern women, since announcing a report titled "New-Breed Generation of Recent Years" in 1992. Released in 2004, a subsequent report comparing the proportions of women in their 20s with those of women 10 years earlier, "The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

Research on the Five Senses Using the Latest Technology

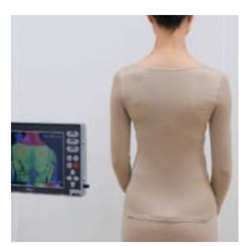
Highly precise measurements determine "shape" by combining the Martin measuring method with a contactless three-dimensional measuring method that uses laser equipment.



The center's research on the movement of the body during exercise underpins the development of sportswear with highly advanced functionality and foundation garments.



This research focuses on three facets or stimuli relating to comfort: temperature, contact, and touch. As a result, our product development realizes wearing comfort based on temperature, fabric texture, and fit.



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. These research results led to the publication of the above-mentioned “Aging of the Physique and the Principles of Beauty” in 2010.

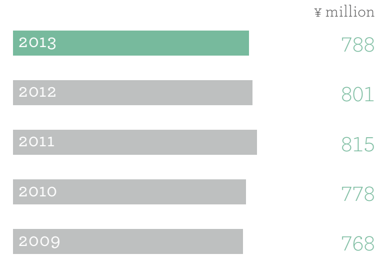
The R&D of Wacoal China

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.

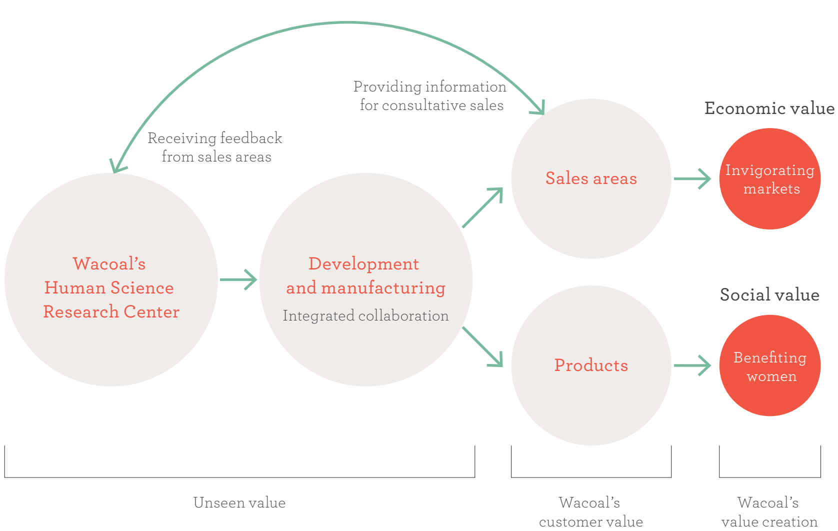
Wacoal’s Human Science Research Center—An Intellectual and Social Asset

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. Empathy with women is the Wacoal Group’s designated role. Moreover, manufacturing products that resonate with women is something that also resonates with society. Central to these efforts is the Human Science Research Center, which has conducted research on women’s physiques for nearly 50 years. During this time, it 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. The center’s huge amount of data is an intellectual asset that contributes to the value of the Wacoal brand as well as a social asset enabling Wacoal’s multifaceted contributions to society.

Research and Development Expenses



Value Creation Process Led by Wacoal’s Human Science Research Center



Flagship Products that Leverage Research Results

Shakitto Bra

Cross Walker

MESSAGE FROM TOP MANAGEMENT

Based on our corporate mission to "contribute to society by helping women to express their beauty," we will establish a stronger global presence for the Wacoal Group by creating unique enterprise value.

Yoshikata Tsukamoto
President and Representative Director, Wacoal Holdings Corp.

Toward Our Target Corporate Profile

Under the three-year medium-term management plan that ended in March 2013, we took an array of measures to create a stronger global presence for the Wacoal Group. In addition, the plan called on us to realize this target corporate profile 10 years after its launch. Based on our new medium-term management plan launched in April 2013, we will continue advancing toward this target corporate profile. A stronger global presence for the Wacoal Group means achieving the following corporate profile.

- Wacoal Group's products and services earning strong trust from customers in markets worldwide
- Countries and regions in which Group has businesses continue to increase
- Coordinating business development on global scale based on Group's network
- Rolling out innovative products in markets worldwide and developing innerwear culture constantly
- Group's goals and management philosophy instilled in personnel worldwide

During the period of the previous medium-term management plan, the Wacoal Group expanded its overseas operations by making Eveden Group Limited, currently Wacoal Eveden Limited, a subsidiary. It has 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. As a result, the Wacoal Group's products have become available in more than 70 countries. Moreover, we now have more than 50 operating bases in 20 countries. This operational scale makes us one of the world's largest innerwear companies. However, our current status only realizes one part of our target corporate profile. Going forward, we have many tasks to tackle. Therefore, we will have to redouble efforts.

With this in mind, the Group is determined to accelerate initiatives aimed at realizing a stronger global presence for the Wacoal Group by ensuring a common understanding among Group personnel worldwide of its corporate mission to “contribute to society by helping women to express their beauty” and the Wacoal Group’s corporate raison d’être in society.

Evaluation of the Medium-Term Management Plan Ended March 2013

In fiscal 2013, ended March 31, 2013, and the final year of the previous medium-term management plan, the Wacoal Group posted a 3.1% year-on-year increase in net sales, to ¥177.154 billion, below the ¥190 billion target. Despite decreasing 22.0 % year on year, to ¥8.099 billion, operating income surpassed the target of ¥8 billion or more.

Aiming to grow net sales, in Japan we increased our share of the mainstay innerwear market and restructured operations. At the same time, we strengthened growth by actively developing businesses overseas. However, net sales were significantly below target due to a decline in department store sales and the effect of exchange rates on overseas businesses.

Meanwhile, the steep decrease in operating income reflected an impairment loss of ¥2.852 billion arising from revaluation of Peach John’s fair value. Nevertheless, we reached our operating income target one year ahead of schedule, testifying to the higher earnings level that ongoing restructuring of domestic wholesale operations is realizing.

While not reaching the net sales target is extremely regrettable, during the past three years I think we have had considerable success in laying the groundwork for the coming three years. For example, including the Eveden Group Limited (currently Wacoal Eveden Limited) in the Group will lend further impetus to its global strategy going forward. Moreover, in our mainstay domestic business a revamped earnings structure—featuring reduced product development man-hours and increased sales efficiency in the department store channel—will enable us to develop businesses even more aggressively.

Business Conditions and the Wacoal Group’s Tasks

The Wacoal Group is likely to see its market in Japan contract as consumers’ spending power declines due to a higher consumption tax and social insurance premiums. Furthermore, the aging of Japan’s population is expected to change the structure of consumption and diversify the market. On the other hand, the Japanese government’s economic policies promise to boost the domestic economy. However, we intend to analyze market changes objectively while continuing to concentrate efforts on developing and selling products customers love. As we pursue a stronger global presence for the Wacoal Group, Japan remains our mother market and our largest earnings source. Bearing this in mind, further cementing our domestic foundations by conducting even more in-depth marketing and heightening our ability to cater to regions and markets we have yet to exploit fully is a major task going forward. (For details, please see page 28.)

Overseas, Western markets harbor potential causes of economic instability, while China and other emerging economies in Asia face concerns about rising manufacturing cost as wages increase. In these conditions, the Wacoal Group will analyze market trends in each country and region and increase or reduce the pace of business expansion as appropriate. In the mainstay U.S. market, we will continue measures aimed at steady growth. As for Europe, the Group will rebuild product strategies and sales channels centered on Wacoal Eveden. Over the past several years, in China we have been undertaking advance investment to expand operations. However, given the economic slowdown and the deterioration of sentiment toward Japan in the country, we intend to curb new investment from Japan for the time being. Instead, we will restrict capital expenditures to local investment through Wacoal China Co., Ltd., while focusing on improving core profitability. In this way, plans call for continuing to expand businesses steadily in countries and regions where we already have a presence. In those regions where we do not have a presence, our task is to establish bridgeheads as rapidly as possible.

New Medium-Term Management Plan

The new medium-term management plan launched in April 2013 calls on the Group to make maximum use of management resources to extend the scope of the business areas and regions in which it enjoys competitive advantages and expand operations. Further, we have established increasing the operating income margin to at least 7% as a numerical target to reach in three years. To this end, we have set our sights on net sales of ¥200 billion and operating income of ¥14 billion in the plan's final year. Aiming to enhance the operating margin, I want to expand businesses in Japan and overseas while rationalizing and heightening the efficiency of business management to increase adaptability and profitability.

With these targets in mind, the new plan sets out medium-term management strategies and tasks. Later sections explain tasks and priority measures, so here I would like to focus on management strategies.

Management Strategies over the Coming Three Years

The first management strategy calls on us to evolve into a global company by establishing a stronger global presence for the Wacoal Group based on five countries and regions. Accordingly, we aim to expand businesses in Japan, the Americas, Europe, China, and Asia by heightening our competitiveness in markets.

Under the second management strategy, we will strengthen the Group's comprehensive capabilities by increasing coordination among companies in Japan and overseas. This will entail coordinating within the Wacoal Group as a whole to bring to bear its comprehensive capabilities to resolve problems difficult for local Group companies in countries or regions to resolve alone. By effectively combining the assets, brands, expertise, and capabilities of each company, we will raise efficiency and boost competitiveness.

The third management strategy will strengthen the profit structure of the Group so that it can adapt to changing conditions. Establishing a profit structure able to respond to changing conditions in markets in Japan and overseas while securing earnings is critical. Therefore, we intend to control inventory, sales, and manufacturing rigorously on a Groupwide basis and pursue an improved operating margin as the benchmark of profit-structure strengthening.

Finally, the fourth management strategy will continue to build mutual trust with society by advancing corporate social responsibility (CSR) initiatives. For the Wacoal Group, CSR initiatives mean conducting all business activities fairly and providing customers with products they want. Through such efforts each officer and employee aims to build relationships of trust with customers and society at large. Specifically, we will continue social contribution initiatives under seven headings: enhancing governance and compliance, respecting human rights, utilizing and training personnel and respecting diversity, preserving the environment, realizing fair business practices, ensuring safe, reliable products and services, and conducting breastcare activities.

Cultivation of Further Group Coordination and Unity

During the previous medium-term management plan, I think we strengthened coordination within the Group considerably. However, as the above-mentioned management strategies suggest, to achieve the growth we seek Group companies must realize synergies to an even greater extent. Accordingly, the holding company Wacoal Holdings Corp. will serve as a "control tower" for the whole Group by showing the direction it should proceed in and analyzing and advancing growth strategies. In addition, Wacoal Holdings will support coordination by monitoring the roles and tasks of each operating company, reengineering operations to enhance efficiency, and determining resource allocation within the Group. Also, we are addressing issues relating to personnel training and the human resources system. For example, we have launched a "women's empowerment project," aimed at increasing diversity by establishing conditions that encourage female employees—who account for the majority of our workforce—to play a variety of more prominent roles.

To heighten the sense of unity among Group companies, mutual communication is important. Understanding each

To establish a stronger global presence for the Wacoal Group, I want to continue highlighting the Wacoal Group's unique advantages.

other's business lines and sharing information is sure to lead to a higher level of coordination. Therefore, we will disseminate more information within the Group to heighten employees' awareness of other areas of the Group and begin creating systems that stimulate communication within the Group to promote a greater sense of unity.

Stable Returns to Shareholders

Our basic policy is to return profit to shareholders stably, in light of consolidated business results, while investing actively to grow profitability and enterprise value and increasing net income per share. For fiscal 2013, we paid cash dividends of ¥28.00 per share, unchanged from the previous fiscal year. Further, we will increase enterprise value by using internal reserves to heighten product appeal, develop manufacturing and sales systems, and invest in growth areas. At the same time, we intend to use internal reserves to improve capital efficiency and realize returns to shareholders by acquiring and retiring treasury stock flexibly.

Communication of the Management Philosophy throughout the Group, Toward a Stronger Global Presence for the Wacoal Group

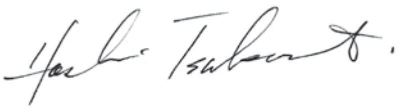
Over many years, the Wacoal Group's Human Science Research Center has accumulated data, which represents the Group's core competence. We exploit this advantage in all business processes, from product development through to marketing, manufacturing, and sales. Under the previous medium-term management plan, we capitalized on the Human Science Research Center's research on aging to roll out products and services successfully. By continuing to develop high-value-added products competitors cannot match, the Wacoal Group will stimulate further new demand. This approach is the basic mechanism through which we create value and has driven our growth. To establish a stronger global presence for the Wacoal Group, I want to continue highlighting the Wacoal Group's unique advantages.

The Wacoal Group's corporate mission is to "contribute to society by helping women to express their beauty." A passion to realize this corporate mission underpins all of our business activities. I am convinced this dedication has enabled us to build relationships of trust with society, women, and customers and become a successful business. Given the Group's accelerating globalization, I feel reemphasizing the corporate mission as our origin is important. No matter how conditions fluctuate, the Wacoal Group's goals, vision, and basic management policies will not change. In my view, the fastest way to growth is for each of us to take these unchanging values to heart and put them into practice in day-to-day duties. Therefore, to further instill the corporate mission throughout the Wacoal Group, I want to create opportunities to reconfirm and put it into practice.

Of course, to respond to the era's changes, we will not hesitate to change things that need changing. Therefore, in this regard I think we should undertake a reassessment. Meanwhile, we must convey to personnel the importance of the corporate mission and other attributes we should maintain as part of the Wacoal Group identity. Also, I want each employee to feel they are playing a central role in creating a stronger global presence for the Wacoal Group. Through such efforts, personnel the world over will inherit and share the mindset we have had since our establishment. This will make the whole Group more coherent and maximize its strengths.

Going forward, I want to sustain the growth of the Wacoal Group by maintaining and developing unique strengths as a company empathetic to women so that it continues creating unmatched value. As our development enters a new phase, I would like to ask our shareholders, investors, and other stakeholders for their continued understanding and support.

August 2013



Yoshikata Tsukamoto
President and Representative Director

LOOKING AHEAD

Overview of the Fiscal 2014–2016 Medium-Term Management Plan

The Wacoal Group's new three-year medium-term management plan began in April 2013. Under this new plan, we will continue advancing a range of measures to establish a stronger global presence for the Wacoal Group. Over the coming three years, the plan calls on the Wacoal Group to strengthen its comprehensive capabilities while ensuring its management philosophy and conduct and ethics code are shared throughout the Group as a permanent foundation.

Furthermore, to enable responses to unexpected volatility, we will bolster profitability and build even stronger relationships of trust with society. Adhering to these strategies, we intend to grow in Japan, the Americas, Europe, China, and Asia as we evolve into a global corporate group.

Summary of the New Medium-Term Management Plan

Medium-Term Strategy

- Reconfirm and implement management philosophy
- Develop into a global company
- Strengthen Group's comprehensive capabilities through collaboration among companies in Japan and overseas
- Strengthen business management system to enable response to changing conditions
- Build mutual trust with society

Tasks

- Cater to Japan's diversifying women's innerwear market, achieve sales and earnings targets
  - Secure and develop points of contact with customers
  - Hone products' strengths
  - Have Wacoal, Peach John, and Lecien grow sales in their target markets
- Increase sales and earnings overseas
  - Strengthen organization in Europe centered on Wacoal Eveden, build robust earnings foundations
  - Recover market share in Americas' high-end segment, maintain high earnings by development of new sales channels
  - Shift emphasis in China from increasing sales to earnings, penetrate middle-class customer group
- Rebuild Group's manufacturing system
  - Redeploy Group's manufacturing resources in Japan and overseas
  - Shift manufacturing capabilities from China to ASEAN
  - Develop raw material supply sources and localize purchasing centered on ASEAN
- Develop presence in growth areas outside Japan's women's innerwear business
  - Develop positions for Wellness Business and men's innerwear business with view to medium-to-long-term growth

Backdrop to Launching the Fiscal 2014–2016 Medium-Term Management Plan

We launched the new medium-term management plan in light of the following outlook for market conditions. In Japan, as the population declines we expect the consumer market to contract and the structure of consumption to diversify. Overseas, meanwhile, Asia's market is likely to expand for some time to come. In addition, Western economies seem to be on track for recovery. Overall, although challenging conditions will probably continue in our domestic market, we anticipate sufficient growth opportunities in Japan and overseas.

As for the supply side, the Wacoal Group's business development incurs risks. Such factors as rising wages in Asia and yen depreciation affect manufacturing cost significantly. Complex interrelated market conditions in Japan and overseas give rise to problems that the businesses of individual countries, regions, or operating companies find extremely difficult to resolve independently. Therefore, the Wacoal Group will have to draw on comprehensive capabilities to tackle such problems.

Key Areas Requiring Strategic Measures

In some areas of its domestic business, the Wacoal Group has not fully pursued potential opportunities. Although the Group has broadened coverage of Japan's market by expanding retail operations and participating in Lecien and Peach John, areas offering scope for expansion remain because the Group has not completely realized its potential presence in them. These areas are regions, age groups, and price range.

Regions exist in which our share of store sales is small despite these regions having similarly sized stores carrying the same brand mixes and using the same sales systems as regions where we boast a significant market share. Furthermore, there are many regions that do not have Wacoal sales areas.

Age groups refers partly to teenage customers, a group where our share of the market is limited. Another facet of this area is that major apparel chain stores are increasingly attracting customers in their 50s and 60s, who have strong loyalty to the Wacoal brand.

Price range indicates our small share of the high-volume market, in other words brassieres priced between ¥2,000 and ¥3,000.

Moreover, abundant scope for expansion remains in Americas and Europe, China, and Asia.

Quantitative Targets

FY2016 Net Sales: At least

¥200,000 million

FY2016 Operating Income: At least

¥14,000 million

Aiming for Operating Margin of at least

7%

Future Market Conditions

Japan

Consumer market contraction and diversifying consumption structure

- Consumption shrinks due to declining population and deindustrialization
- Disposable income decreases due to rising consumption tax and increased social welfare burden
- Senior market expands due to society's accelerated aging
- Brisk high-end product sales due to wealth effect
- Diversification of purchasing behavior due to distribution changes

Overseas

Asia's market grows, Western markets have scope for development

- China's and ASEAN's middle class and wealthy class increases
- U.S. stays on economic recovery track
- Europe challenging overall, but large markets centered on U.K. and Germany promise pick-up

Priority Measures of Major Operating Companies

Wacoal Corp.

Fiscal 2016 numerical targets

Net sales: ¥116.0 billion, up 3.4% versus fiscal 2013

Operating income: ¥7.4 billion, up 14.1% versus fiscal 2013

Core operating company, Wacoal Corp., will exercise leadership by controlling and instilling the Wacoal management philosophy throughout the whole Group.

Further, Wacoal's will take the following strategic measures.

Increase points of contact with customers

- Develop high-value-added products by strengthening human science research, build systems straddling sales channels and brands, develop new business models, and establish robust retail operations

Exploit Japan's high-volume market

- Aim to claim larger share of high-volume market centered on low-priced products, expand product lineup for this market by developing formats for suburbs and adults, developing market for seniors, and strengthening existing brands

Respond to changing conditions

- Control inventory rigorously and reduce inventory as percentage of net sales by 10 percentage points. Further, to mitigate risk of manufacturing cost hikes, restructure manufacturing area, introduce common items, increase percentage of materials purchased overseas, shift manufacturing capabilities to ASEAN countries

Take on new growth areas

- Aim to continue fostering businesses beyond the women's innerwear business, in new growth areas strengthen initiatives, including efforts to attract new customers by expanding product lineups in Wellness Business and men's innerwear business

Wacoal International Corp. (U.S.A.)

Fiscal 2016 numerical targets (assumed exchange rate: US$1=¥95)

Net sales: ¥16.0 billion, up 37.6% versus fiscal 2013

Operating income: ¥1.7 billion, up 18.5% versus fiscal 2013

Aim for continued growth and step up expansion

We will regain our share of the high-end market in U.S. department stores by enhancing planning capabilities for high-end products and strengthening cost-competitiveness. Also, plans call for fostering sales channels in the markets of surrounding countries in which we already have a presence, such as Canada and Brazil, and expanding Internet sales, which are brisk.

In addition, Wacoal International Corp. and Wacoal Eveden will use each other's management resources to enable both companies to increase points of contact with customers economically. Meanwhile, Wacoal International will coordinate with Wacoal Corp. in Japan and local subsidiaries in Asia to improve quality and efficiency in relation to materials purchasing, plants, and other supply chain assets.

Wacoal China Co., Ltd.

Fiscal 2016 numerical targets (assumed exchange rate: CNY1=¥15)

Net sales: ¥10.0 billion, up 50.9% versus fiscal 2013

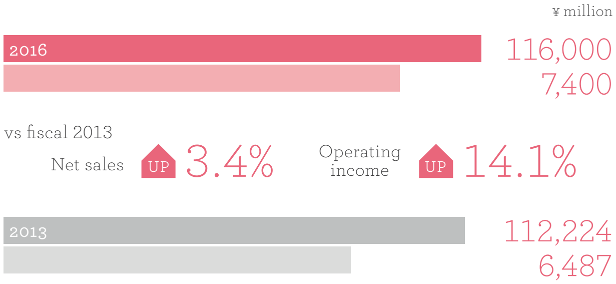
Operating income: ¥0.3 billion, versus fiscal 2013's operating loss

Increase efficiency and give priority to stabilizing business management

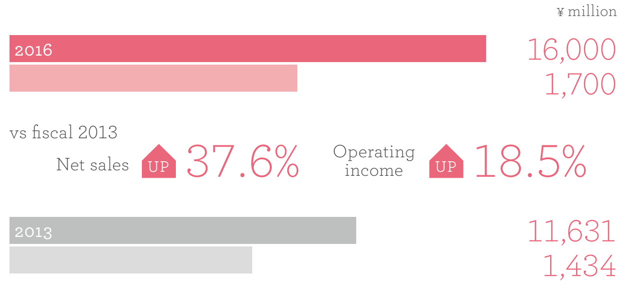
Applying a revised expansion method, we will curb new store openings and use sales agencies to expand. Also, to achieve profitability we will reduce cost by strengthening inventory control and heightening technological capabilities.

Based on the resulting leaner organization, we will steadily establish a position in the market by strengthening product lineups through the introduction of functional products to achieve differentiation from competitors and developing LA ROSABELLE to expand and improve our lineup of products targeting middle-class customers.

Net Sales/Operating Income (Wacoal Corp.)



Net Sales/Operating Income (Wacoal International Corp.)



Wacoal Eveden Limited

Fiscal 2016 numerical targets (assumed exchange rate: £1=¥140)

Net sales: ¥14.0 billion, up 94.4% versus fiscal 2013

Operating income: ¥1.7 billion, up 701.9% versus fiscal 2013

Position as core of Europe business and exploit management resources globally

By coordinating closely with Wacoal America, Inc., and Wacoal in Japan, Wacoal Eveden will realize a wide range of synergies. These will include mutual sharing of sales channels in the Americas, strengthening the sales system and expanding the Wacoal brand's presence in Europe, rolling out Wacoal Eveden products through local subsidiaries in Asia and sales operations in Japan, and leveraging sales channels in the Middle East and Oceania to market Wacoal brand products.

Further, based on the characteristics of countries and sales channels, we will deploy brands optimally within the Group and undertake effective brand investment. As for the supply side, Wacoal Eveden will reduce cost by restructuring its brand-based manufacturing system while taking full advantage of the Group's resources.

Peach John Co., Ltd.

Fiscal 2016 numerical targets

Net sales: ¥14.5 billion, up 18.8% versus fiscal 2013

Operating income: ¥1.1 billion, up 215.3% versus fiscal 2013

Rebuild customer base and grow sales

Peach John will attract new customers and increase customer numbers by completing the reorganization of brands and mail-order catalog sales it began in fiscal 2013 and using advertising and the Internet flexibly. Other initiatives will include opening new directly managed stores.

Meanwhile, aiming to ensure an optimal balance between supply and demand, we will undertake painstaking inventory and sales control based on appropriate order plans.

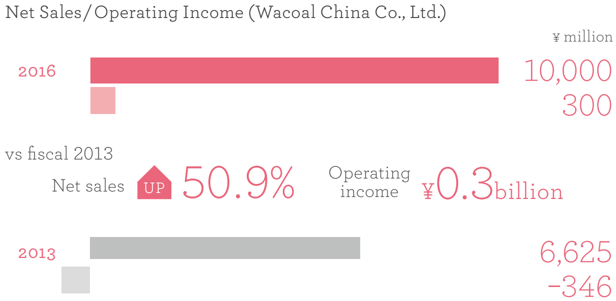
Lecien Corporation

Maintain profitability and deepen coordination within the Group as provider of infrastructure supporting Group strategies

Because the majority of Lecien Corporation's materials purchasing is overseas, and most of its sales are in Japan, hikes in personnel expenses in Asia and exchange rates can affect it significantly. Nevertheless, infrastructure that enables low-cost purchasing is critical to the efforts of the Wacoal Group as a whole to increase its presence in high-volume markets. Accordingly, Lecien will help strengthen the Group's competitiveness by maintaining profitability through a higher internal production rate, realizing stable operations at its plant in Cambodia, and establishing a materials purchasing model in the ASEAN region.

As for its business providing products outside the Group, the company will strengthen its solutions capabilities in original equipment manufacturing and increase product rollouts.

Net Sales/Operating Income (Wacoal China Co., Ltd.)



ONE-ON-ONE DISCUSSION

Discussing unseen assets that create competitive advantages

Yoshikata Tsukamoto, President and Representative Director, Wacoal Holdings Corp.

Takayuki Sumita, Chairman, WICI (As of May 17, 2013)

The Wacoal Group's Value Creation

Takayuki Sumita, the Chairman of World Intellectual Capital Initiative (WICI), and Yoshikata Tsukamoto, the President and Representative Director of Wacoal Holdings Corp., discuss the Wacoal Group's value creation from the perspective of intellectual assets based management.

Hanado Let me begin by giving an overview of the World Intellectual Capital Initiative (WICI). A three-pronged international effort encompassing Japan, Europe, and the United States, WICI has been working to realize intellectual assets based management since 2007. Intellectual assets based management primarily indicates business management in which companies focus on creating value in the most efficient manner by exploiting unique intellectual assets that are a source of strength—personnel assets, organizational assets, related assets, and other intangible assets available to companies—and combining them with tangible resources appropriately.

Regarding Mr. Sumita, as Japan's economy was beginning to change course toward financial capitalism, and the Ministry of Economy, Trade and Industry pursued initiatives based on the view that manufacturing was the foundation supporting society, he provided insight about the key role of intellectual assets as unseen business management resources. He elaborated on this insight in the interim report of the Subcommittee on Management and Intellectual Assets, under the Industrial Structure Council, and disclosure guidelines on intellectual assets based management issued in 2005. Subsequently, while performing his principal duties at the Ministry of Economy, Trade and Industry, Mr. Sumita accepted the position as chairman of WICI and has worked to build a global framework for intellectual assets based management ever since. In addition, as the chairman of WICI, he has contributed significantly to

Coordinator: Yasuhito Hanado,
WICI Governance Group,
Senior Adviser, Waseda Intellectual Capital Research Society

the activities of the International Integrated Reporting Council (IIRC), which aims to establish a global framework for integrated reporting. Through the cooperative efforts of the WICI and the IIRC, he has worked on integrated reporting frameworks, which express the essence of companies' value creation activities as a single story. These frameworks help companies create value by including key performance indicators (KPIs), which benchmark factors in value creation, communicating with stakeholders in a readily understandable manner, and providing appropriate feedback.

I would like to ask you to have an uninhibited discussion about the Wacoal Group's actual business activities from the perspective of intellectual assets based management. Topics I suggest we explore include how the Wacoal Group has formed the key values underpinning it as a company empathetic to women; how its business management maintains and controls quality, which is the foundation of customers' trust; how it exploits the results of unique research to roll out products; and the extent to which it is incorporating the strengths of the domestic business as its develops businesses globally.

Understanding of the Wacoal Group's commitment to quality has heightened customers' trust in Wacoal products.

Sumita With respect to business management, Japanese companies emphasize medium-to-long-term value and unique unseen assets in Japan that support them. Since joining the Ministry of Economy, Trade and Industry, I have sought to tell the world about this unique approach to business management among Japanese companies. With this in mind, my first priority is to create a framework that transmits information to the world effectively and that the world finds acceptable.

This emphasis on medium-to-long-term value is very firmly established in the Wacoal Group. My impression is of a company with clear key strengths, such as research and development capabilities and quality.

Tsukamoto In the initial period after the establishment of the Wacoal Group, female sales assistants, designers, and sewers analyzed overseas products to discover their construction. Based on this analysis, they made products using overseas products as models and began discussing how to improve them. This was the beginning of our focus on quality. Then, when we were able to manufacture a certain quantity of products, we began quality initiatives in earnest.

Japan has a culture that values perfecting things. Therefore, from then on, rather than design, we decided to focus on quality in relation to products' strength by conducting washing tests and stretching tests. Through higher quality we sought to earn the trust of customers and motivate them to continue using our products, thereby increasing customer loyalty. As a result of maintaining this commitment to quality, even today customers remark that although Wacoal products are expensive, because they last for a long time they are actually economic. Customers, including young customers, generally recognize that we provide good quality. Although it has taken a long time, we have successfully established a strong association between Wacoal and high quality in customers' minds.

Wacoal's Human Science Research Center is a unique intellectual asset and the source of competitive strength.

Sumita Regarding the quality that the Wacoal Group has developed, simultaneous research on materials and the human physique has been extremely important.

With respect to differentiation from competitors in the same industry, Wacoal's Human Science Research Center is extremely significant. How do you view the center?

Tsukamoto Looking back, I think it has given us a major competitive advantage. We have been collecting data for a long time, nearly 50 years. Compared with women's physiques at the time of our establishment, all aspects of modern women's physiques have changed, including height, leg length, and the balance of bust and hips. Modern Japanese women are beginning to resemble Western women. Naturally, in accordance with such changes in Japanese women's physiques, the Wacoal Group's products have evolved to cater to changing needs. The data that we have continuously collected enables us to adapt product lineups in this way. We believe we should be the leader in products for Japanese women as well as Southeast Asian women, who are similar to Japanese women.

Sumita What goals are you pursuing under the new medium-term management plan launched in April 2013? How do you intend to leverage quality and other strengths of the Wacoal Group?

Tsukamoto Basically, we intend to continue what we are doing at present. However, companies that only maintain the status quo decline. Therefore, we have to change to meet the demands of the times. For example, in Japan's market we have to create products with new value in areas beyond those of our current product lineup.

Our trump card in such efforts is Wacoal's Human Science Research Center. This center has conducted a variety of research aimed at helping women to express their beauty, from research on brassiere patterns that give the bust a natural shape through to designs, including research on where corrections are required and what shapes are required.

As I mentioned earlier, Wacoal's Human Science Research Center used to be an organization that mainly tested materials to check such attributes as to whether innerwear caused any material-pressure problems for the physique. With this aim in mind, the center has continued to collect measurement data every year for nearly 50 years. Moreover, there are 400 women we have measured every year from the age of 20 through to 60. This data has deepened our understanding of changes in women's physiques.

Until now, our sales method has been to launch campaign products every year. If customers like them, sales are brisk. If they do not, sales are lackluster. Recently, we have been capitalizing on the research of Wacoal's Human Science Research Center to offer products emphasizing that the physique's shape changes and the consequent importance of wearing brassieres that fit properly. Today, Wacoal's Human Science Research Center has evolved into a dynamic organization that publishes its own research results and contributes significantly to the Wacoal Group. As a result, the sales methods of beauty advisors have changed to reflect this. Beauty advisors have to choose from the large number of brassieres we produce to offer appropriate products that fit each customer's physique from the viewpoint of human science. This requires today's beauty advisors to study research results so that they can draw on them when offering products.

While adapting to local values, the Wacoal Group will instill its management philosophy globally.

Sumita Given the likely further maturing and contraction of Japan's market, is developing businesses overseas indispensable for companies seeking growth?

Tsukamoto Yes, I think that is correct. The Wacoal Group began developing businesses overseas ahead of competitors in the domestic industry. In 1950, our founder Koichi Tsukamoto included establishing a stronger global presence for the Wacoal Group in the Group's vision, at a time when it only had about 10 employees. When the Group was still small, it set out a decade-by-decade 50-year plan, which provides a long-term vision. For each successive decade during its 50-year term, the plan sets the Group a task: pioneer Japan's market, establish Japan's market, pioneer overseas markets, establish overseas markets, and become a global group. In fact, we launched our first overseas foray in South Korea in 1970, more than 20 years after our establishment. In the same year, we created joint ventures in Thailand and Taiwan. So, we have had a presence in South Korea, Thailand, and Taiwan for 43 years.

Sumita My experience of living in Europe brought home to me the difference in values. Although companies in Japan and Asia focus strongly on customers as their first priority, in Europe's economy companies are entirely focused on suppliers. While I think there is a need to change sales methods in Europe's market, regarding the global development of businesses, what aspects of the Wacoal Group's values will you concentrate on?

Tsukamoto One thing the Wacoal Group insists on is consultative sales. In sales areas in the United States, we have beauty advisors just as we have in Japan. Our deployment of beauty advisors came about as the result of a method learned from the West. When our founder first visited the West on an inspection tour, sales personnel in department stores in Europe and the United States would only sell products after taking a customer's measurements. Seeing value in this Western method, we incorporated it and preserved it. However, by the time the Wacoal Group began establishing a presence in the United States, local companies no longer used this method. As a result, we reintroduced a method we had learned from the West to overseas sales areas. Ironically, it struck customers overseas as novel.

I think it is important to preserve such strengths as consultative sales and quality rigorously while adapting to local conditions as necessary. Until quality reaches a certain level, we will send personnel from Japan to provide technical support. However, once local businesses have improved quality and are advancing sales activities effectively, our basic approach is to entrust decisions to them. **Inculcating the Wacoal Group's identity while understanding local conditions and emphasizing that local employees should lead business activities is important.**

Sumita Even if you expand businesses mainly through local personnel, it will take time in Europe and require a great deal of perseverance. Furthermore, Europe is not homogeneous. Preferences and ways of thinking in the United Kingdom and in continental countries are completely different. In my view, while British people are comparatively receptive to new things, continental Europeans tend to be conservative. Amid such differences, working with Wacoal Eveden Limited, which has an in-depth understanding of local conditions, is probably an effective way to advance businesses. I think using Wacoal Eveden's methods in continental countries is a very promising strategy. Because the Wacoal Group has these useful capabilities, I would like to see it set targets and use such effective strategies as it moves forward.

The Wacoal Group benefits women worldwide through unique initiatives appropriate to the scope and nature of its business.

Sumita In the West, interest in corporate social responsibility

(CSR) is very strong, and many Japanese companies have begun preparing CSR reports. Inevitably, however, many companies' reports try to cover too many bases. As for the Wacoal Group, it contributes to society and meets its responsibilities as a good corporate citizen by selling quality products. The same is true for human science research leading to the development of products that better fit customers' physiques. **I think the best approach is to emphasize CSR initiatives that express the Wacoal Group's unique philosophy. Among its wide range of CSR initiatives, there must be areas of competence to which the Group gives priority. Therefore, I suggest the Group modulates the information it transmits by emphasizing social contributions that make the fullest use of its strengths, such as initiatives related to breast cancer.**

Tsukamoto We strive to undertake initiatives appropriate to the scope and nature of our business. Further, I do not think there is any need to refer to our social contribution activities excessively in advertising, marketing, or public relations activities. This is because our continued development of innerwear is a type of culture in itself. Since our establishment, we have progressed in step with women, which we believe gives us a natural responsibility to help eradicate breast cancer as a disease that mainly affects women. However, overstating the scope or nature of our CSR activities through advertising or public relations activities would run the risk of disappointing and inconveniencing many women.

As you know, we have declared ourselves a company empathetic to women. Interacting with customers on a day-to-day basis, our beauty advisors do their utmost to cater wholeheartedly to the needs of each customer based on "dedication to each customer." Supporting this approach to sales, which women have responded to favorably, are the research achievements of Wacoal's Human Science Research Center, product development reflecting customer needs, and manufacturing capabilities that enable high quality. Personnel, who support the entire Wacoal Group, really do their very best for customers. In this sense, I feel strongly that personnel are also an asset.

Sumita I hope this report will effectively inform more people about the strengths the Wacoal Group has developed. Furthermore, publishing this report globally is sure to enhance understanding of the Group in regions overseas where it is developing businesses. As far as is possible, I would like the report to communicate the Wacoal Group's unique value creation accurately. However, conveying this completely is extremely challenging. Nevertheless, if there is feedback from readers about areas the report has not covered completely, I think this will help the Group to identify the aspects of its business each type of reader is interested in.

Until now, the majority of corporate annual reports have generally focused on financial information or have passively included non-financial information based on various guidelines. I would be grateful if the Wacoal Group, without being overly conscious of frameworks, takes the initiative to disseminate readily understandable reports that highlight its corporate identity, even though it is in a developmental phase. Also, I would like to thank you for engaging in a wide-ranging discussion today.

At the head office of Wacoal Holdings Corp., Kyoto

Resume

1985 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
1993 Graduated from Graduate School for Foreign Service, Georgetown University
2001 Special assistant to Director-General, Ministry of Economy, Trade and Industry
2004 Director, Intellectual Property Policy Office, Economic and Industrial Policy Bureau
2006 Director, Technology Promotion Division, Industrial Science and Technology Policy and Environment Bureau
2007 Director, Information and Communication Electronics Division, Commerce and Information Policy Bureau
2009 Executive Director, Japan Machinery Center Brussels Office
(Chairman, WICI since September 2009)
June 2013 Director-General, Natural Resources and Fuel Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

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.

Corporate Governance System

The Group employs an audit & supervisory board system of governance, with operational implementation and oversight undertaken by the Board of Directors and the Audit & Supervisory Board. Under this corporate governance system, meetings of the Board of Directors reach decisions reflecting the viewpoints of directors conversant with respective businesses and objective, neutral advice from outside directors with extensive business experience and specialized knowledge. In addition, the Audit & Supervisory Board includes outside audit & supervisory board members. The Wacoal Group believes this system ensures the corporate governance of Group companies and effectively improves and maintains the quality of business management for all stakeholders, including shareholders and customers.

Comprising 7 directors, 2 of whom are outside directors and none of whom are women, 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. Further, to clarify management responsibility directors are appointed for one year. Thus, we have built a business management system that enables rapid responses to changes in business conditions.

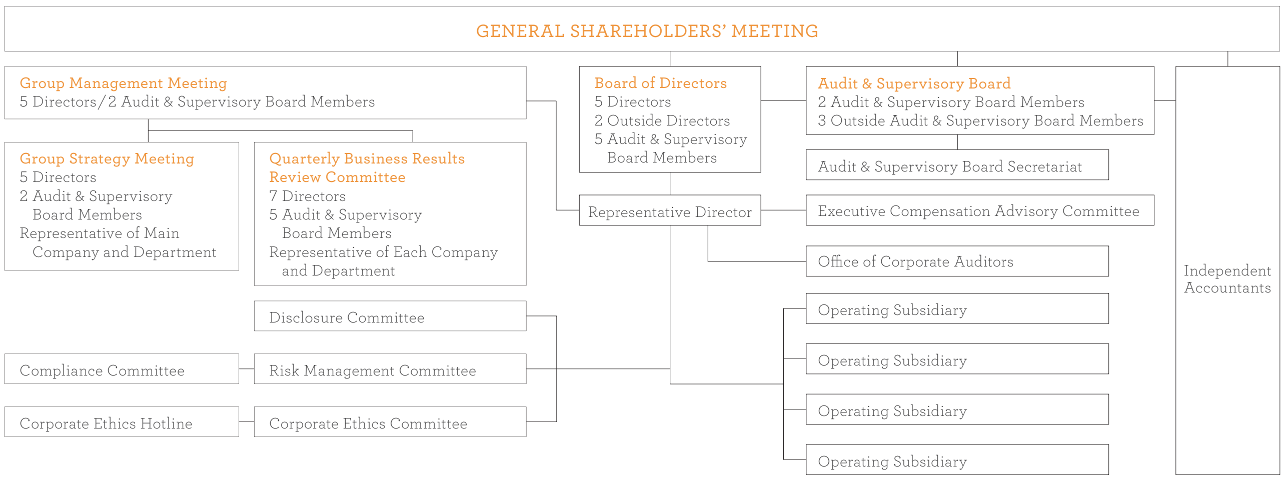
Comprising 5 audit & supervisory board members, 3 of whom are outside audit & supervisory board members and 1 of whom is a woman, the Audit & Supervisory Board supervises and audits business management. Also, the Group has established the Office of Corporate Auditors, which audits and monitors the appropriateness and efficiency of the operational processes of Group companies.

Also, the Group has established the Group Management Meeting, which consists of directors and audit & supervisory board members. The meeting considers Group management strategy and other important management issues and conducts prior deliberation of matters for consideration by the Board of Directors.

Outside Directors and Outside Audit & Supervisory Board Members

The Wacoal Group appoints outside directors with outstanding experience in corporate management garnered from duties in financial administration and overseas business development. By providing objective, neutral advice based on their extensive business experience and specialized knowledge in a range of fields, outside directors enhance the appropriateness of directors' decision making. Further, the Group appoints as outside audit & supervisory board members individuals who have experience of corporate management in the financial industry, certified public accountants who are independent from the Group and have a high level of expertise with regard to finance and accounting, and attorneys. While retaining a high degree of independence, these outside audit & supervisory board members draw on their expertise and experience to strengthen the Group's auditing system.

In addition, to support the outside directors the Corporate Planning Office distributes agendas of meetings of the Board of Directors and provides explanations to outside directors in advance. Similarly, the Group appoints dedicated assistants for audit & supervisory board members, including outside audit & supervisory board members. In-house audit & supervisory board members or their assistants explain the agenda of the Board of Directors to outside audit & supervisory board members in advance.



Corporate Governance Structure
As of June 27, 2013

Furthermore, to encourage the appointment of capable outside directors and outside audit & supervisory board members, the Group's articles of incorporation enable the conclusion of contracts between the Group and outside directors and outside audit & supervisory board members that limit liability for damages to the Group within a certain extent. Accordingly, the Group concludes such limited liability contracts with outside directors and outside audit & supervisory board members.

Also, the Group files notification with the Tokyo Stock Exchange and the Osaka Securities Exchange for all of the above-mentioned outside directors and outside audit & supervisory board members as "independent directors or auditors."

Reasons for Appointment of the Said Outside Directors

Mamoru Ozaki—This outside director is an expert who has served in such official capacities as administrative vice minister of finance and president of the National Life Finance Corporation. Appointed by the Group as a counselor in July 2003, Mamoru Ozaki principally provides advice on finance and business in China. Extensive insight into social issues makes him an appropriate outside director for the Group given its goal of fulfilling its corporate social responsibility (CSR) to an even greater extent.

Atsushi Horiba—Extensive experience and expertise in relation to business development in Japan and overseas make Atsushi Horiba an appropriate outside director for the Group given its goal of further increasing business development overseas.

Attendance of Outside Directors at Meetings of the Board of Directors
April 2012—March 2013

Mamoru Ozaki	Attended 13 from a total of 14
Morio Ikeda	Attended 11 from a total of 14
Atsushi Horiba	Attended 11 from a total of 14

Reasons for Appointment of the Said Outside Audit & Supervisory Board Members

Akira Katayanagi—Long experience in the financial industry and a wide range of experience and expertise in other industries make Akira Katayanagi an appropriate outside audit & supervisory board member for the Group.

Tomoharu Kuda—Business management oversight and counseling capabilities based on specialized knowledge of accounting and finance accumulated as a certified public accountant make Tomoharu Kuda an appropriate outside audit & supervisory board member for the Group.

Yoko Takemura—Legal knowledge as an attorney and experience accumulated through specialization in commercial matters make Yoko Takemura an appropriate outside audit & supervisory board member for the Group.

Attendance of Outside Audit & Supervisory Board at Meetings of the Board of Directors and the Audit & Supervisory Board
April 2012—March 2013

	Board of Directors	Audit & Supervisory Board
Akira Katayanagi	Attended 13 from a total of 14	Attended 13 from a total of 15
Tomoharu Kuda	Attended 14 from a total of 14	Attended 15 from a total of 15
Yoko Takemura	Attended 14 from a total of 14	Attended 14 from a total of 15

Compensation of Executives

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.

For the fiscal year under review, total compensation for directors was ¥300 million, total compensation for audit & supervisory board members was ¥30 million, and total compensation for outside directors and outside audit & supervisory board members was ¥48 million. In addition, the total compensation for directors includes acquisition rights for the subscription of new shares of ¥42 million recognized in expenses. Further, one director and one audit & supervisory board member, who retired upon conclusion of the ordinary general shareholders' meeting convened on June 28, 2012, are 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 ¥183 million.

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.

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 Audit & Supervisory Board.
- 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.

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 website: www.wacoalholdings.jp/ir_e/news.html

BOARD OF DIRECTORS

Wacoal Holdings Corp. and Subsidiaries
As of June 27, 2013

President and Representative Director

Yoshikata Tsukamoto

Representative Director and Chairman, Wacoal Corp.
Representative Director, Chairman and President, Peach John Co., Ltd.

Director and Executive Vice President

Hideo Kawanaka

Senior Managing Director

Hironobu Yasuhara

Representative Director, President and Corporate Officer, Wacoal Corp.

Senior Managing Director

Ikuo Otani

Director

Yuzo Ide

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

Outside Director

Mamoru Ozaki

Advisor, Yazaki Sogyo Corporation/
Outside Director, Fujikyuko Co., Ltd./
Outside Director, Kikkoman Corporation

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.

AUDIT & SUPERVISORY BOARD MEMBERS

Wacoal Holdings Corp. and Subsidiaries
As of June 27, 2013

Standing Audit & Supervisory Board Member

Mitsuo Yamamoto

Standing Audit & Supervisory Board Member

Tomoki Nakamura

Outside Audit & Supervisory Board Member

Akira Katayanagi

Special Advisor,
Mitsubishi UFJ NICOS Co., Ltd.
Audit & Supervisory Board Member, Outside, TOTO Ltd.

Outside Audit & Supervisory Board Member

Tomoharu Kuda

Certified Public Accountant

Outside Audit & Supervisory Board Member

Yoko Takemura

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

CSR MANAGEMENT

Advancing CSR Management as a Group

Building mutual trust with society is the goal of the Wacoal Group's corporate social responsibility (CSR) initiatives.

Under the Wacoal Group's management philosophy, building mutual trust with society is its corporate goal and raison d'être. Comprising our mission, vision, and values, this management philosophy serves as a compass for our CSR initiatives.

Reflecting this close link between the management philosophy of the Wacoal Group and its CSR initiatives, the new medium-term management plan calls on the Group to advance CSR initiatives as a key management strategy. Incorporating CSR initiatives in its business activities as a key management strategy enables the Wacoal Group to communicate its unique business management stance to more stakeholders. The Group will build further relationships of trust with society by advancing CSR initiatives in all business processes, taking CSR into consideration in business management, and ensuring each executive and employee meets society's demands and expectations.

The Wacoal Group markets products in more than 70 countries, includes more than 50 companies with operating bases in 20 countries, and has 24 manufacturing bases in 11 countries. Approximately 8,200 beauty advisors sell the resulting finished innerwear at roughly 22,300 sales areas worldwide. In Japan and overseas, we sell about 45.2 million brassieres annually. Given that numerous women support our manufacturing and purchase our products, we feel a natural obligation to be a company empathetic to women.

However, 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 advances CSR initiatives based on ISO 26000 standards, which the International Organization for Standardization published in November 2010 (Japan Standards Association, 2010).

The medium-term management plan launched in April 2013 sets out establishing a stronger global presence for the Wacoal Group as a target corporate profile. By developing businesses globally, the Group will increase its international influence.

Based on an international consensus, the ISO 26000 standards define sustainable development as unceasing efforts by society at large aimed at realizing a high quality of life, health, and prosperity. To identify and clearly prioritize each Group company's tasks and advance CSR initiatives in areas where it can exploit unique strengths, the Group has prepared the Wacoal Group's Basic Policies on CSR in accordance with the seven core subjects of the ISO 26000 standards. And, we are rigorously informing employees about these policies.

Wacoal Group's CSR

Social Business Programs through Wacoal's Main Business

Business activities × CSR + Unique personality of Wacoal = Wacoal's CSR

Pink Ribbon Activities

Remamma Project

Bra Recycling Campaign

Breast Cancer Examination Support Project

Tsubomi School

Wacoal Human Science Research Center

Wacoal Group's Basic Policies on CSR

In accordance with the seven core subjects of the ISO 26000 standards, our basic policies for CSR initiatives are as follows.

*"Wacoal" refers to Wacoal Holdings Corp. and its four wholly owned subsidiaries in Japan and Wacoal Corp. and its seven wholly owned subsidiaries in Japan.

1 Organizational governance

Wacoal shall strengthen corporate governance with the aim of earning the trust of all stakeholders by being a valuable company. Wacoal shall ensure the transparency and equitability of its business management based on respect for international standards of conduct and in accordance with sound societal norms. Further, Wacoal shall implement corporate activities that earn stakeholders' trust and enhance enterprise value by strengthening compliance and corporate governance systems and remaining accountable to stakeholders.

2 Human rights

Based on its management philosophy, Wacoal has put mutual trust and respect for people at the center of business management since its establishment. Believing respect for people to be a corporate responsibility, Wacoal shall further its basic understanding of human rights with respect to the right to live freely and with dignity and reflect this understanding in its business activities. Accordingly, Wacoal shall respect individuals' diverse values, personalities, and privacy. Furthermore, Wacoal shall prevent acts that disregard human rights, including discriminatory language or behavior with respect to race, religion, gender, nationality, physical or mental disabilities, or age; violent behavior; sexual harassment or authority-based harassment; and child labor or forced labor.

3 Labor practices

Based on a management philosophy that emphasizes mutual trust, Wacoal shall deepen mutual trust with employees and create workplace conditions that enable all employees to work actively and with a sense of fulfillment. Wacoal shall enhance measures aimed at creating a dynamic corporate culture by managing employees' health and safety in the workplace, training personnel, being receptive to diverse personnel and values, balancing work and private life, and building sound relationships between labor and management.

In addition, Wacoal shall respect laws and regulations relating to labor, respect societal norms and international standards of conduct, establish employment regulations and other personnel regulations, and create workplaces that are comfortable to work in.

4 The environment

Wacoal shall promote environment-friendly business activities reflecting the view that protecting the environment is a corporate responsibility. Wacoal shall provide products that place little burden on the environment and prevent pollution by pursuing environment-friendly initiatives in a variety of processes related to products, from design and materials development through to manufacturing, distribution, and sales. Also, Wacoal shall adhere to environmental laws and regulations and its independent management standards, heighten employees' environmental awareness through education, and cooperate with and contribute to environmental preservation activities. Moreover, Wacoal shall disclose to the general public the progress of initiatives based on its environmental policies and other environmental preservation initiatives and advance initiatives that are integrated with society.

5 Fair operating practices

The cooperation of business partners and various suppliers, contractors, and plants supports Wacoal's manufacturing and sales activities and enables it to provide products customers love.

Wacoal shall respect international standards of conduct and adhere to laws and regulations and sound corporate ethics to ensure that it engages in fair business transactions and conducts business in a fair and open manner. Specifically, Wacoal shall comply with the Antimonopoly Act, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, the Act against Unjustifiable Premiums and Misleading Representations, the Pharmaceutical Affairs Act, and the Unfair Competition Prevention Act; protect and use its intellectual property rights; and rigorously respect the intellectual property rights of others. In conjunction with these activities, Wacoal shall educate employees about these issues.

6 Consumer issues (responding to customers)
Wacoal believes valuing each customer and responding to customer feedback sincerely is a duty and the key to earning trust. Accordingly, Wacoal shall learn from customer feedback and reflect it in products and services to provide products and services customers love. Wacoal shall ensure the quality of all operations involved in product lifecycles rigorously, including research and development, product planning, manufacturing, sales, distribution, and customer support. In these efforts, Wacoal shall protect customer's rights, comply with laws and regulations related to consumer protection, and provide safety and peace of mind. Furthermore, through its website and other media, Wacoal shall disclose a wide range of information to customers and promote fair activities.

7 Community involvement and development
Wacoal regards contributing to the development of local communities as an important social responsibility.

With a view to developing local communities, Wacoal shall capitalize on the unique expertise and culture it has cultivated to benefit society at large, implement social initiatives that it is uniquely capable of realizing, respect relationships with stakeholders, and deepen communication with them.

Also, in each of the regions where it has businesses Wacoal shall respond to society's requests and expectations and contribute to society in areas where Wacoal can bring strengths to bear.

Having identified the strategic significance of the unique features of its business, the Group will tackle social problems and continue social business programs through its mainstay business. As a result of these efforts, we will further enhance our brand power and competitive advantages while passing on the management philosophy we have inherited.

The Wacoal Group's System for Advancing CSR Initiatives

In 2004, the Wacoal Group established the CSR Promotion Office, which is dedicated to establishing CSR policies, coordinating with related divisions, gathering information, and conducting in-house educational initiatives. Aiming to further this office's ability to disseminate information internally and externally and communicate with society, we transferred it to the Investor Relations & Public Relations Office in 2011.
In adherence with the Group's advancement of CSR initiatives as a management strategy, from 2013 we began holding CSR liaison meetings. At these meetings, we prepare guidelines for policies, goals, and targets; discuss problems; monitor the progress of initiatives; and share information among divisions. Divisions responsible for managing CSR lead efforts to advance CSR initiatives that transcend divisional boundaries.

Environmental Conservation Activities

A company's management philosophy is the answer to why it exists and for what purpose. For the Wacoal Group, CSR is nothing other than putting the Wacoal Management Philosophy, which comprises Mission, Vision, and Values, into action.

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 CO_2 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 2013—March 2016)

1 Improve coordination of environmental management system throughout Wacoal Group
- Analyze data for whole Group, support environmental initiatives

2 Promote environmental protection activities based on idea that "business improvement equals environmental improvement"
- View environmental improvement as part of business activities, as far as possible quantify operations to check achievements

3 Manage CO_2 emissions rigorously
- Learn from Challenge 25, by 2020 reduce 25% versus 2002 (first year Group confirmed its CO_2 emissions) or maintain at this level

4 Promote green purchasing
- Create data showing green purchasing percentage to encourage green purchasing

5 Reinforce waste management
- Separate garbage rigorously, continue improvement activities to eliminate wastefulness
- Maintain recycle rate at 90% or higher

6 Reinforce environmental risk management
- Manage and dispose of PCB (polychlorinated biphenyl) waste appropriately

7 Disclose environmental information
- Disclose environmental information through Wacoal Holdings' website

8 Raise employees' environmental awareness through environmental education
- Continue conducting environmental education for employees
- Make every June Environment Month, increase environmental awareness

9 Contribute to preservation of local environment as member of local community
- Conduct cleanup and beautification initiatives in vicinity of Group's buildings
- Promote creation of networks among operating bases and local communities

FINANCIAL SECTION

CONTENTS

ELEVEN-YEAR FINANCIAL SUMMARY

Wacoal Holdings Corp. and Subsidiaries

Years ended March 31	2013	2012	2011
For the year			
Net sales	¥177,154	¥171,897	¥165,548
Cost of sales	83,334	81,891	81,659
% of net sales	47.0%	47.6%	49.3%
Selling, general and administrative expenses	82,869	79,629	77,716
% of net sales	46.8%	46.3%	46.9%
Government subsidy			
Special retirement related expenses			
Operating income	8,099	10,377	4,401
Other income and expenses, net	(150)	(189)	(523)
Net interest income (expense)	(77)	19	49
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	10,544	10,207	3,927
Income taxes	3,649	4,199	2,010
Net income attributable to Wacoal Holdings Corp.	7,623	6,913	2,785
Return on assets	3.2%	3.1%	1.3%
Return on equity	4.3%	4.1%	1.6%
Net cash provided by operating activities	12,741	10,060	10,441
Net cash (used in) provided by investing activities	(23,436)	(3,467)	(703)
Net cash (used in) provided by financing activities	5,303	(2,824)	(4,965)
Depreciation and amortization	4,737	4,660	4,685
Capital expenditures	2,391	2,708	2,652
Per share of common stock (in yen)			
Net income attributable to Wacoal Holdings Corp. (Basic)	¥54.12	¥49.08	¥19.73
Cash dividends	28.00	28.00	20.00
Shareholders' equity	1,319	1,218	1,189
At year-end			
Total current assets	¥103,218	¥ 97,295	¥ 90,410
Total current liabilities	50,610	35,607	33,880
Cash and cash equivalents	24,860	29,985	26,316
Net property, plant and equipment	49,660	49,078	49,734
Total assets	253,803	221,098	215,276
Short-term bank loans and long-term debt, including current portion	18,675	6,482	6,436
Total shareholders' equity	185,840	171,496	167,480

For the fiscal year ended March 31, 2012, to reflect earnings and losses during fiscal years in consolidated financial statements more appropriately, certain consolidated subsidiaries have changed their settlement dates to March 31 to coincide with the settlement date of the Company. Financial statements for the fiscal year ended March 31, 2011, and fiscal years prior to the fiscal year ended March 31, 2011, have been retroactively revised accordingly.

Millions of yen, except per share amounts

2010	2009	2008	2007	2006	2005	2004	2003
¥163,548	¥170,960	¥165,201	¥166,410	¥164,122	¥160,968	¥163,155	¥163,709
80,101	83,879	82,943	84,658	84,322	84,041	84,638	85,306
49.0%	49.1%	50.2%	50.9%	51.4%	52.2%	51.9%	52.1%
78,524	77,248	68,921	68,856	70,946	72,261	75,501	71,139
48.0%	45.2%	41.7%	41.4%	43.2%	44.9%	46.3%	43.5%
					(7,100)		
				7,521			
3,829	9,833	13,337	12,896	1,333	11,766	3,016	7,264
(717)	(2,699)	592	861	1,976	206	1,404	(2,800)
43	195	224	163	157	107	112	140
3,155	7,329	14,153	13,920	3,466	12,079	4,532	4,604
1,655	3,083	5,774	6,502	1,459	5,800	2,520	2,487
2,475	5,062	4,845	9,029	2,821	6,790	2,902	2,898
1.1%	2.2%	2.0%	3.7%	1.2%	3.0%	1.3%	1.3%
1.5%	2.9%	2.6%	4.8%	1.6%	3.9%	1.8%	1.8%
9,463	8,202	14,249	9,339	719	2,045	5,201	7,858
(3,573)	(4,759)	3,709	(1,185)	(2,069)	(5,528)	1,328	(9,839)
(5,363)	(7,448)	(9,400)	(8,404)	(3,428)	296	(6,138)	(6,006)
4,765	4,544	3,892	3,735	3,433	3,312	3,081	2,971
3,981	2,370	1,110	2,536	6,456	5,418	2,338	2,104
¥17.51	¥35.57	¥34.29	¥63.18	¥19.60	¥47.17	¥19.85	¥19.48
20.00	25.00	25.00	22.00	20.00	20.00	15.00	13.50
1,217	1,187	1,285	1,375	1,296	1,221	1,186	1,097
¥ 89,455	¥ 90,778	¥ 97,671	¥ 92,915	¥110,773	¥120,300	¥123,045	¥124,486
34,945	31,762	35,802	34,868	35,525	34,970	33,899	33,576
22,328	21,954	27,069	19,816	19,893	24,195	27,443	27,246
51,804	49,165	51,185	52,782	53,501	51,826	49,932	54,171
222,889	213,827	240,053	250,266	242,296	226,196	224,803	218,105
8,162	5,302	5,701	5,984	6,458	6,911	4,450	6,301
171,860	166,767	184,128	193,278	186,475	175,746	170,758	160,839

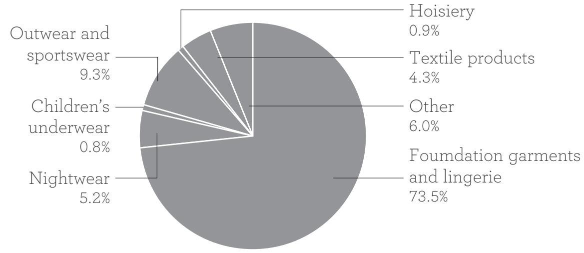
MANAGEMENT'S DISCUSSION AND ANALYSIS

Wacoal Holdings Corp. and Subsidiaries

Financial information contained in this section is based on the consolidated financial statements included in this integrated report, which have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The Wacoal Group consists of 1 holding company (the Company), 59 consolidated subsidiaries, and 9 equity-method affiliates.

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

Share of Net Sales
2013



OVERVIEW

We are a leading designer, manufacturer, and marketer in Japan of women's intimate apparel, with the largest share of the Japanese market for foundation garments and lingerie. Foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips, and women's briefs) accounted for approximately 73.5% of our consolidated net sales for fiscal year 2013. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel, and textile products, and engage in several other services.

NET SALES

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

For fiscal year 2013, approximately 82% of the net sales of Wacoal Corp. (the net sales of which account for approximately 65% of our consolidated net sales) were apparel sales made on a wholesale basis to department stores, general merchandisers, and other general retailers and approximately 16% were apparel sales made through our own specialty retail stores, catalogue sales, and the Internet. Sales from our other businesses (which include cultural products and other services) constituted the remaining 2% of Wacoal Corp.'s net sales for fiscal year 2013.

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

COST OF SALES

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Our selling, general and administrative expenses principally consist of employee compensation and benefit expenses and promotional expenses, such as advertising costs and renovation costs. Other selling, general and administrative expenses include shipment costs, payment fees (including outsourcing payments), and rental payments for our specialty retail stores.

KEY INDUSTRY TRENDS

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

(i) In Japan, although there was a sense of expectation for recovery in the economy as seen in the reconstruction of the economy

Net Sales to External Customers (and Percentage) by Product Category

Millions of yen

	2013		2012		2011	
Innerwear						
Foundation Garments and Lingerie	¥130,284	73.5%	¥124,303	72.3%	¥116,127	70.1%
Nightwear	9,232	5.2	9,390	5.5	8,713	5.3
Children's Underwear	1,467	0.8	1,530	0.9	1,476	0.9
Total Innerwear	¥140,983	79.5%	¥135,223	78.7%	¥126,316	76.3%
Outerwear and Sportswear	16,439	9.3	16,371	9.5	17,397	10.5
Hosiery	1,559	0.9	1,646	1.0	1,666	1.0
Textile Products	7,580	4.3	8,226	4.8	7,493	4.5
Other	10,593	6.0	10,431	6.0	12,676	7.7
Total	¥177,154	100.0%	¥171,897	100.0%	¥165,548	100.0%

in northern Japan from the earthquake and tsunami and breaking out of deflation as a result of implementing large-scale monetary easing measures after the change in political administration, the outlook of the Japanese economy for achieving full-scale economic growth remains uncertain. While Japan experiences a population decline, low birth rate, and aging population, it is difficult to improve consumer confidence due to an uncertain outlook. This is due to factors, such as a tax increase to finance earthquake reconstruction, energy supply-related issues, and concern about market reduction from a macroeconomic perspective. As for overseas, the global economy is in a state of chaos caused by the protracted uncertain outlook in the leading countries in Europe and the United States, which contributed to a reduction in the growth rates in China and/or emerging countries in Asia.
(ii) The number of department stores, one of our key distribution channels, and retail sales through department stores declined due to the deterioration in consumption caused by the worsening economy. General merchandising stores faced not only decreases in the numbers of new branch openings due to stagnant consumption levels, but also a decrease in the number of stores, as well as reductions in retail sales. At the same time, however, sales at direct sales outlets and on our website have steadily risen.
(iii) Due to adverse changes in consumer behavior and the retail industry coupled with factors such as a decline in the female population, the market for women's innerwear garments in Japan shrank, and the prices of innerwear declined in terms of both overall prices and average price per item. The numbers of innerwear items purchased and owned per person also decreased.
(iv) Specialty apparel and other manufacturers entered the innerwear market. These manufacturers offer their products by focusing on new elements, such as fashionability, lifestyle, and price, rather than function and quality. Because the economic downturn has led consumers to become more price conscious, these new manufacturers and others have achieved a greater market share.
(v) These manufacturers and other competitors strengthened their cost reduction efforts by, for example, sourcing fabric and producing garments in lower-cost countries in Asia. Sales in Japan of lower-priced women's innerwear garments manufactured in these countries increased, leading to an intensification of price competition in our industry. The recent development and tendency of general merchandisers producing their own low-priced "private brand" merchandise accelerated these trends.
(vi) Although catalogue marketing has made little progress, new sales strategies, such as e-commerce and television marketing, have led to more diversified sales channels and exposure to new consumer groups.

We have taken steps for two fiscal years to address these key industry trends to build on the core strengths of our market position and brand awareness among Japanese consumers. We continue to seek to sell higher-end products to consumers seeking high-quality innerwear garments and to mitigate the adverse impact on sales and margins from lower-priced garments. We have taken steps to reduce our cost structure, such as producing more products in lower-cost countries in Asia, consolidating and streamlining our product distribution centers and reviewing indirect expenses. We are also seeking to expand sales in overseas markets—in particular China, the United States, and Europe, as well as in the ASEAN region, where we have been trying to increase sales through our directly managed stores and website. Additionally, we intend to extend our innerwear product offerings into the midprice range in our product mix to help us reach a broader consumer base. We will continue to implement these steps and evaluate other strategies to address challenges and opportunities in the industry going forward.

SUMMARY OF BUSINESS RESULTS

SUMMARY OF OPERATIONS

Our group (primarily Wacoal Corp., our core operating entity) entered the final year of our three-year midterm plan (from fiscal year 2011 to fiscal year 2013) and sought to improve profitability through market share expansion and structural reform of our domestic innerwear business and made efforts to strengthen growth by actively developing our overseas business.

As a result of the above, according to our consolidated business results for the fiscal year that ended in March 2013, overall sales increased from the previous fiscal year mainly due to the expansion of sales attributable to our businesses in the United States, and also due to the inclusion of the business results of Eveden, which has been consolidated from April 1, 2012. Operating income decreased from the previous fiscal year due to the impact of the impairment loss of 2,852 million yen as a result of the reassessment of the fair value of the assets of Peach John, despite our efforts to promote efficiency through cost reduction and cutting expenses. Net income attributable to Wacoal Holdings Corp. exceeded the results for the previous fiscal year as a result of favorable factors, including the sale of marketable securities and a decrease in tax expenses.

Sales:	177,154 million yen (an increase of 3.1% as compared to the previous fiscal year)
Operating income:	8,099 million yen (a decrease of 22.0% as compared to the previous fiscal year)
Pretax net income:	10,544 million yen (an increase of 3.3% as compared to the previous fiscal year)
Net income attributable to Wacoal Holdings Corp.:	7,623 million yen (an increase of 10.3% as compared to the previous fiscal year)

Cost of Sales

Our cost of sales increased 1.8% from 81,891 million yen for fiscal year 2012 to 83,334 million yen for fiscal year 2013. Cost of sales as a percentage of net sales decreased 0.6 of a percentage point from 47.6% for fiscal year 2012 to 47.0% for fiscal year 2013. This decrease was mainly due to an increase in the overseas production ratio of the products sold in Japan, streamlining of the production division, close control of inventory, and effective research and development.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased 4.1% from 79,629 million yen for fiscal year 2012 to 82,869 million yen for fiscal year 2013. The selling, general and administrative expenses as a percentage of net sales increased 0.5% from 46.3% for fiscal year 2012 to 46.8% for fiscal year 2013. This was due to a high increase rate of expenses as compared to the previous fiscal year during which the aftermath of the earthquake and tsunami forced us to take temporary cost-cutting measures.

Impairment Loss for Goodwill and Other Intangible Assets

At the end of fiscal year 2013, we examined potential impairment losses on trademarks, customer relationships, and goodwill, all of which are recorded as other intangible fixed assets of Peach John, pursuant to its business plan, and accordingly, we recorded an impairment loss of 2,852 million yen in total. There were no impairment losses for fiscal year 2012.

Operating Margin

Our operating margin decreased 1.4% from 6.0% for fiscal year 2012 to 4.6% for fiscal year 2013. This decrease was mainly due to the impairment loss recorded in connection with Peach John, despite our success in maintaining cost and expense reductions.

Other Income/Expenses

We recorded 2,445 million yen as other income, an increase of 2,615 million yen, as compared to 170 million yen of other expenses recorded for fiscal year 2012. This increase was mainly due to the sale and exchange of marketable and/or investment securities increase 2,183 million yen from fiscal year 2012.

Net Income Attributable to Wacoal Holdings Corp.

Net income attributable to Wacoal Holdings Corp. for fiscal year 2013 was 7,623 million yen, an increase of 710 million yen as compared to fiscal year 2012 as a result of factors including the sale of investment securities and a decrease in tax expenses.

SUMMARY OF OPERATIONS BY OPERATING SEGMENT

Wacoal Business (Domestic)

In our Wacoal brand business, sales of core brassieres showed strong performance, due to the increased sales of certain campaign products and high-price products that are sold through channels, despite poor performance of bottom products. Sales of undergarments were below the results for the previous year due to competition and unsteady weather conditions. On the other hand, sales of underpants that were featured in TV commercials showed strong performance as a result of enhanced in-store promotions. As a result of the above, overall sales of our Wacoal brand business remained unchanged from the results for the previous fiscal year.

In our Wing brand business, sales of our core brassieres showed steady performance due to the favorable performance of our products based on “body aging” and an increase in the number of shops promoting our collaboration products with our major clients. Our bottom products, however, performed poorly due to weak sales of Style Science series products with functionality. Sales of men’s innerwear fell below the results for the previous fiscal year due to the poor performance of our seasonal products. As a result of the above, overall sales of our Wing brand business remained unchanged from the results for the previous fiscal year.

In our retail business, sales at our direct retail store AMPHI and our Wacoal Factory Stores, which are located in outlet shopping malls, showed growth as a result of an increase in the opening of new stores and due to favorable performance at existing stores. As a result, overall sales of our retail business exceeded the results for the previous fiscal year.

In our wellness business, sales of our sports conditioning wear “CW-X” brand were impacted by the products sold by our competitors, but our new products with increased functionality and products jointly developed with a major pharmaceutical company showed favorable performance. As a result, overall sales of our wellness business remained unchanged from the results for the previous fiscal year.

In our catalogue sales business, overall sales exceeded the results for the previous fiscal year due to the favorable performance of catalogue and Internet sales.

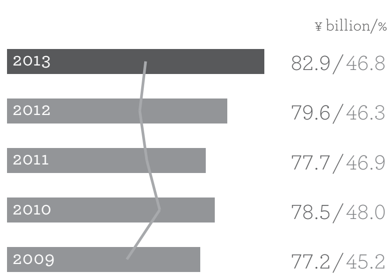
In summary, overall sales attributable to Wacoal business (Domestic) remained unchanged from the results for the previous fiscal year, due to steady performance of our core operating business within Wacoal Corp. With respect to profitability, our operating income exceeded the results for the previous fiscal year due to improved profit margins from Wacoal Corp.

Sales:	115,657 million yen (a decrease of 0.2% as compared to the previous fiscal year)
Operating income:	8,423 million yen (an increase of 3.1% as compared to the previous fiscal year)

Wacoal Business (Overseas)

We made aggressive efforts in expanding our U.S. market share and enhancing our product lineup, mainly at department stores, which are our major clients, as well as in expanding our sales areas and channels. Sales exceeded the results for the previous fiscal year as a result of favorable performance shown by our core brassiere products and the growth achieved in our Internet sales and business in Canada. With respect to profitability, operating income exceeded the results for the previous fiscal year following

SG&A Expenses/% of Net Sales



an increase in sales. The average exchange rate during the current fiscal year was 82 yen per dollar (compared to 78 yen per dollar for the previous fiscal year).

With respect to our business in China, we made efforts in strengthening our product lineup and improving the retention rates of in-store sales representatives. Although sales showed slower growth due to the economic slowdown and the anti-Japan rallies that took place in China, overall sales from our business in China exceeded the results for the previous fiscal year due to the improved sales force and opening of additional stores. In addition, sales of our new fashionable and price-competitive brand "La Rosabelle," targeting the middle-class market, showed strong performance after the opening of two stores in Beijing. With respect to profitability, we recorded an operating loss as a result of an increase in labor costs and the impact of the anti-Japan rallies, despite our efforts in reducing costs. The average exchange rate during the current fiscal year was 12 yen per Chinese yuan (compared to 12 yen per Chinese yuan for the previous fiscal year).

Sales:	23,081 million yen (an increase of 7.9% as compared to the previous fiscal year)
Operating income:	1,430 million yen (a decrease of 0.7% as compared to the previous fiscal year)

Peach John Business

Sales from our core mail-order catalogues fell below the results for the previous fiscal year due to the expansion of sales of innerwear achieved through TV commercials in the previous year and the poor performance of outerwear and general merchandise, despite our efforts in increasing occasions to receive orders by realigning the business based on consumer age-group and by sending supplementary volumes of catalogues. Net sales attributable to our directly managed stores in Japan showed weak performance due to insufficient inventory of our popular items. With respect to our directly managed overseas stores, sales from Hong Kong exceeded the results for the previous fiscal year due to the opening of new stores, while our directly managed stores in China showed weak performance. As a result of the above, overall sales from our Peach John Business fell below the results for the previous fiscal year. With respect to profitability, despite our efforts to promote efficiency through cost reduction and cutting expenses, we recorded an operating loss due to reduced sales and recognition of impairment loss of 2,852 million yen.

Sales:	11,972 million yen (a decrease of 13.5% as compared to the previous fiscal year)
Operating loss:	2,701 million yen (as compared to 529 million yen of operating income incurred for the previous fiscal year)

Other

With respect to the business of Lecien, overall sales fell below the results for the previous fiscal year, due to the decreased number of products offered to our major clients in our innerwear business, which mainly offers innerwear products, and as a result of the termination of the unprofitable products at our apparel business, which offers outerwear products. In terms of profit, operating income exceeded the result for the previous fiscal year due to our successful efforts in cost reduction, in addition to the improvement of profitability from our apparel business and not incurring of expenses incurred in connection with the withdrawal from our employees' pension fund during the previous fiscal year.

As for Nanasai, which engages in the manufacturing, sales, and rental business of mannequins, interior design, and construction of stores at commercial facilities, net sales exceeded the results for the previous fiscal year due to the favorable performance of our interior construction business. On the other hand, our sales and rental businesses were impacted by restrained investments by our business partners and the closing of department stores. With respect to profitability, operating income exceeded the results for the previous fiscal year as a result of our successful efforts in cutting expenses.

While operating income from Eveden was less than initially expected due to the impact of the economic slowdown seen in European countries and currency fluctuations, sales exceeded our initial plan on a local currency basis as a result of favorable expansion generally in the United Kingdom and North America.

Sales:	26,444 million yen (an increase of 27.2% as compared to the previous fiscal year)
Operating income:	947 million yen (an increase of 301.3% as compared to the previous fiscal year)

SUMMARY OF OPERATIONS BY REGION

Japan

With respect to Wacoal Corp., sales of our core Wacoal and Wing brand products showed strong performance. Overall sales of Wacoal Corp. remained unchanged from the results for the previous fiscal year. Operating income exceeded the results for the previous fiscal year as a result of improved profitability.

With respect to Peach John, sales from our core mail-order catalogues fell below the results for the previous fiscal year due to the expansion of sales of innerwear achieved through TV commercials in the previous year and the poor performance of outerwear and general merchandise, despite our efforts in increasing occasions to receive orders by realigning the business by consumer age-group and by sending supplementary volumes of catalogues. Net sales attributable to our direct retail stores showed weak performance due to insufficient inventory of our popular items. As a result of the above, overall sales from our Peach John Business fell below the results for the previous fiscal year. With respect to profitability, operating income exceeded the results for the previous fiscal year due to our efforts to promote efficiency through cost reduction and cutting expenses.

With respect to the business of Lecien, overall sales from Lecien fell below the results for the previous fiscal year due to the decreased number of products offered to our major clients in our innerwear business, and the termination of the unprofitable products at our apparel business, which offers outerwear products. In terms of profit, operating income exceeded the results for the previous fiscal year due to our successful efforts in cost reduction, in addition to the improvement of profitability in our apparel business and not incurring of expenses in connection with the withdrawal from our employees' pension fund during the previous fiscal year.

As for Nanasai, which engages in the manufacturing, sales, and rental business of mannequins and interior design and construction of stores at commercial facilities, net sales exceeded the results for the previous fiscal year due to the favorable performance of our interior construction business, despite the poor performance of our sales and rental businesses, which were impacted by restrained investments by our business partners and the closing of department stores. With respect to profitability, operating income exceeded the results for the previous fiscal year as a result of our successful efforts in cutting expenses.

As a result of the above, sales from our business in Japan amounted to 146,224 million yen, a decrease of 2.2% compared to the previous fiscal year.

Asia/Oceania

With respect to our business of Wacoal Corp. in China, we made efforts in strengthening our product lineup and improving the retention rates of in-store sales representatives. Although sales showed slower growth due to the economic slowdown and the anti-Japan rallies that took place in China, overall sales from our business in China exceeded the results for the previous fiscal year due to the improved sales force and the opening of additional stores. In addition, sales of our new fashionable and price-competitive brand La Rosabelle, targeting the middle-class market, showed strong performance after opening two stores in Beijing. With respect to profitability, we recorded an operating loss as a result of an increase in labor costs and the impact of the anti-Japan rallies, despite our efforts in reducing costs.

With respect to our directly managed overseas stores of Peach John, sales from Hong Kong exceeded the results for the previous fiscal year due to the opening of new stores, while our directly managed stores in China showed weak performance.

As a result of the above, sales from our business in Asia/Oceania amounted to 12,685 million yen, an increase of 20.5% as compared to the previous fiscal year.

Europe/North America

With respect to our business in the United States, we made aggressive efforts in expanding our U.S. market share and enhancing our product lineup mainly at department stores, which are our major clients, as well as in expanding our sales areas and channels. Sales exceeded the results for the previous fiscal year as a result of favorable performance shown by our core brassiere products and the growth achieved in our Internet sales and business in Canada. With respect to profitability, operating income exceeded the results for the previous fiscal year following an increase in sales.

With respect to Eveden, while operating income was less than initially expected due to the impact of the economic slowdown seen in European countries and currency fluctuations, sales exceeded our initial plan on a local currency basis as a result of favorable expansion generally in the United Kingdom and North America.

As a result of the above, sales from our business in Europe/North America amounted to 18,245 million yen, an increase of 54.8% as compared to the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Our current policy is to fund our cash needs from cash flows from operations, which allows us to secure working capital, make capital investments, and pay dividends without relying on substantial borrowings or other financing from outside of our group companies. As of March 31, 2013, we had credit facilities at financial institutions totaling 37,746 million yen, and the unused lines of credit for short-term financing amounted to 13,047 million yen. Of this credit, 7,198 million yen is available to Wacoal Holdings Corp., 3,329 million yen is available to Wacoal Service Co., Ltd., and 1,838 million yen is available to Nanasai.

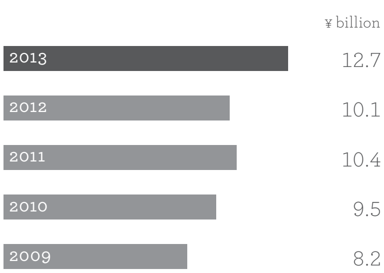
In general, most of our credit facilities have automatically renewed terms, and we are not aware of any issues with respect to any of our lenders that could cause these facilities to become unavailable. Even if any of our subsidiaries loses access to funds from our credit facilities, we believe that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

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

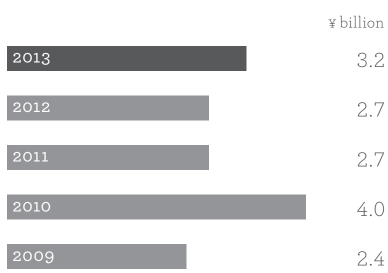
CASH FLOW STATUS

The balance of cash and cash equivalents at the end of fiscal year 2013 was 24,860 million yen, a decrease of 5,125 million yen compared to the end of the previous fiscal year.

Net Cash Provided by Operating Activities



Capital Investment



CASH FLOW PROVIDED BY OPERATING ACTIVITIES
Cash flow provided by operating activities during the fiscal year 2013 was 12,741 million yen, an increase of 2,681 million yen compared to the previous fiscal year, which reflects the result after adjusting the net income of 7,834 million yen for depreciation expenses and deferred taxes, as well as changes in assets and liabilities.

CASH FLOW USED IN INVESTING ACTIVITIES
Cash flow used in investing activities during the fiscal year 2013 was 23,436 million yen, an increase of 19,969 million yen compared to the previous fiscal year, due to the acquisition of a new subsidiary (net of cash acquired) and other factors, despite proceeds from the sale and redemption of marketable securities.

CASH FLOW PROVIDED BY FINANCING ACTIVITIES
Cash flow provided by financing activities during the fiscal year 2013 was 5,303 million yen, an increase of 8,127 million yen compared to the previous fiscal year, due to an increase in short-term bank loans and other factors, despite the cash dividend payments.

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2013, was 3,246 million yen. Majority of our capital investment was used in the information system investment for our domestic subsidiaries and maintenance and repair work implemented for the real estate properties held by the Company.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were 2,283 million yen, 471 million yen, 202 million yen, and 290 million yen, respectively.

DIVIDEND POLICY

Our basic policy on profit distribution to shareholders is to make stable distributions based on consideration of our consolidated performance, while seeking to increase our enterprise value through active investment aimed at higher profitability and to increase net income per share. Based on our basic policy, we provide a fiscal yearend dividend once a year.

We also prescribe that the Company may distribute earnings subject to the resolution of the Board of Directors' meeting pursuant to the provisions of Article 459 of the Corporate Law.

Based on such policy, we paid cash dividends of 28.00 yen per share as distribution of earnings for the current fiscal year.

As for retained earnings, with the aim of improving our corporate value, we have actively invested in expanding new points of contact with consumers for our domestic business and investing in our overseas businesses. We also plan to use our retained earnings in our strategic investments for maintaining competitiveness and reinforcing growth. With these efforts, we seek to benefit our shareholders by improving future profitability. We also intend to flexibly acquire treasury stock, and we will try to improve capital efficiency and return profits to our shareholders.

RESEARCH AND DEVELOPMENT

Our research and development activities are mainly conducted by our Human Science Research Center to achieve harmony between the human body and clothing and to support better product making.

Since 1964, we have been conducting research into the female body in order to accurately understand the Japanese woman's physique. In particular, we have developed a silhouette analysis system and introduced a three-dimensional measuring system. We are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological, and mental aspects of garment design. One of our most important research results was the enrichment of our research on sensory comfort through our participation in a project led by the Ministry of Trade and Industry (presently the Ministry of Economy, Trade and Industry) from 1995 to 1998. Based on this research, we have been focusing on developing new products that are not only comfortable for the wearer, but also have a positive physiological effect based on the basic study from three factors, which are pressure, heat, and touch. In 2005, we developed and created a new market for our breakthrough Style Science series products, which support a healthy and beautiful body-making by changing the concept from daily walking to exercise walking. In 2010, we conducted an analysis and announced principles on the physiological changes associated with aging period from 20s to 50s. We also strengthened development of new products coping with aging, and we have been working on developing new functional products based on the lifestyle habits of people with small physical changes associated with aging.

The promotion of our research and development is supported by Development Group I, Development Group II, Research Group, and Development Assistance Group of our Human Science Research Center, with a theme of "research and development with full use of aging research."

During the fiscal year that ended in March 2013, in February 2012, we made public our findings related to breast development among juniors during such periods of physiological change. We have presented our findings to the public not only on our website or through interviews, but also through seminars called "Tsubomi School" to such juniors and their mothers in a private and secure environment. In terms of product development, we proposed our new aging products, lifestyle modification support products, as well as exercise habit support products. In addition, in order to compile our physiological database that is required for our future development of aging products, we took measurements from about 1,500 individual subjects, and made efforts in enriching our software and hardware, such as the creation of a three-dimensional mannequin.

As a result of the above, we recorded 788 million yen for our research and development during the fiscal year ended March 2013.

In order to promote "the realization of supporting industry for women with unbounded living beauty," we will make efforts to enrich our research and development activities that can contribute to the improvements of customer satisfaction and corporate value based on the key concept of beauty, comfort, and health. We will also work toward strengthening product appeal and developing new products or services that can gain support from and satisfy our customers.

CONSOLIDATED BALANCE SHEETS

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
March 31, 2013 and 2012	2013	2012	2013
ASSETS			
Current Assets:			
Cash and cash equivalents	¥ 24,860	¥ 29,985	$ 264,019
Time deposits	1,914	733	20,327
Marketable securities (Notes 3, 19 and 20)	4,601	5,179	48,864
Notes and accounts receivable (Note 17)	23,443	22,725	248,969
Allowance for returns and doubtful receivables (Note 4)	(1,872)	(1,460)	(19,881)
Inventories (Note 5)	37,807	32,847	401,519
Deferred income taxes (Note 16)	4,821	4,234	51,200
Other current assets (Notes 17, 19 and 20)	7,644	3,052	81,181
Total current assets	103,218	97,295	1,096,198
Property, Plant And Equipment:			
Land (Note 9)	21,945	21,783	233,061
Buildings and building improvements (Notes 9, 11 and 20)	61,455	60,077	652,666
Machinery and equipment (Note 9)	15,076	14,039	160,110
Construction in progress	136	22	1,444
Total	98,612	95,921	1,047,281
Accumulated depreciation	(48,952)	(46,843)	(519,881)
Net property, plant and equipment	49,660	49,078	527,400
Other Assets:			
Investments in affiliated companies (Note 6)	17,599	14,599	186,905
Investments (Notes 3, 19 and 20)	42,368	34,064	449,959
Goodwill (Notes 7, 8 and 20)	20,148	10,367	213,976
Other intangible assets (Notes 7, 8 and 20)	12,817	9,541	136,119
Prepaid pension expense (Note 12)	1,400		14,868
Deferred income taxes (Note 16)	1,085	597	11,523
Other	5,508	5,557	58,496
Total other assets	100,925	74,725	1,071,846
Total	¥253,803	¥221,098	$2,695,444

See notes to consolidated financial statements.

March 31, 2013 and 2012	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 2) 2013
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term bank loans (Note 9)	¥ 16,259	¥ 5,780	$ 172,674
Notes and accounts payable:			
Trade notes	1,442	1,429	15,314
Trade accounts (Note 17)	10,859	10,737	115,325
Other payables	6,069	6,948	64,454
Accrued payroll and bonuses	6,897	6,411	73,248
Income taxes payable (Note 16)	4,479	1,747	47,568
Current portion of long-term debt (Notes 9 and 19)	898	64	9,537
Other current liabilities (Notes 12, 19 and 20)	3,707	2,491	39,369
Total current liabilities	50,610	35,607	537,489
Long-Term Liabilities:			
Long-term debt (Notes 9 and 19)	1,518	638	16,121
Liability for termination and retirement benefits (Note 12)	1,802	2,817	19,138
Deferred income taxes (Note 16)	10,181	7,085	108,125
Other long-term liabilities (Notes 11, 12 and 16)	1,688	1,523	17,927
Total long-term liabilities	15,189	12,063	161,311
Commitments and Contingencies (Notes 9 and 10)			
Equity:			
Wacoal Holdings Corp. Shareholders' Equity (Notes 13 and 22):			
Common stock, no par value—			
Authorized, 500,000,000 shares in 2013 and 2012; issued 143,378,085 shares in 2013 and 2012	13,260	13,260	140,824
Additional paid-in capital (Note 14)	29,514	29,447	313,445
Retained earnings	145,049	141,370	1,540,452
Accumulated other comprehensive income (loss) (Note 15):			
Foreign currency translation adjustments	(6,473)	(10,916)	(68,744)
Unrealized gain on securities	9,310	4,197	98,874
Pension liability adjustments (Note 12)	(1,928)	(2,976)	(20,476)
Total accumulated other comprehensive income (loss)	909	(9,695)	9,654
Less treasury stock at cost—2,533,728 shares and 2,527,015 shares in 2013 and 2012, respectively	(2,892)	(2,886)	(30,713)
Total Wacoal Holdings Corp. shareholders' equity	185,840	171,496	1,973,662
Noncontrolling Interests	2,164	1,932	22,982
Total equity	188,004	173,428	1,996,644
Total	¥253,803	¥221,098	$2,695,444

CONSOLIDATED STATEMENTS OF INCOME

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2013, 2012 and 2011	2013	2012	Millions of yen 2011	Thousands of U.S. dollars (Note 2) 2013
Net Sales (Note 17)	¥177,154	¥171,897	¥165,548	$1,881,414
Operating Costs and Expenses:				
Cost of sales (Notes 5, 12 and 17)	83,334	81,891	81,659	885,026
Selling, general and administrative (Notes 1, 7, 10, 12 and 14)	82,869	79,629	77,716	880,087
Impairment charges on goodwill (Notes 8 and 20)	1,197		836	12,712
Impairment charges on other intangible assets (Notes 8 and 20)	1,655		936	17,576
Total operating costs and expenses	169,055	161,520	161,147	1,795,401
Operating Income	8,099	10,377	4,401	86,013
Other Income (Expenses):				
Interest income	82	112	137	871
Interest expense	(159)	(93)	(88)	(1,689)
Dividend income	789	724	643	8,379
Gain on sale or exchange of marketable securities and investments—net (Note 3)	2,208	25	372	23,450
Valuation gain or loss on marketable securities and investments—net (Notes 3 and 20)	(325)	(831)	(1,585)	(3,452)
Other—net (Notes 1, 3 and 20)	(150)	(107)	47	(1,593)
Total other expenses—net	2,445	(170)	(474)	25,966
Income Before Income Taxes, Equity in Net Income of Affiliated Companies (Note 16)	10,544	10,207	3,927	111,979
Income Taxes (Note 16):				
Current	6,521	3,523	3,480	69,254
Deferred	(2,872)	676	(1,470)	(30,501)
Total income taxes	3,649	4,199	2,010	38,753
Income Before Equity in Net Income of Affiliated Companies	6,895	6,008	1,917	73,226
Equity in Net Income of Affiliated Companies (Note 6)	939	1,008	990	9,973
Net Income	7,834	7,016	2,907	83,199
Net (Income) Loss Attributable to Noncontrolling Interests	(211)	(103)	(122)	(2,241)
Net Income Attributable to Wacoal Holdings Corp.	¥ 7,623	¥ 6,913	¥ 2,785	$ 80,958

Years Ended March 31, 2013, 2012 and 2011	2013	2012	Yen 2011	U.S. dollars (Note 2) 2013
Net Income Attributable to Wacoal Holdings Corp. Per Share (Note 18):				
Basic	¥54.12	¥49.08	¥19.73	$0.58
Diluted	¥54.04	¥49.02	¥19.72	$0.57
Net Income Attributable to Wacoal Holdings Corp. Per American Depositary Receipt (5 shares of common stock)(Note 18):				
Basic	¥270.61	¥245.41	¥98.66	$2.87
Diluted	¥270.18	¥245.12	¥98.58	$2.87

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2013, 2012 and 2011	2013	2012	Millions of yen 2011	Thousands of U.S. dollars (Note 2) 2013
Net Income	¥ 7,834	¥7,016	¥ 2,907	$ 83,199
Other Comprehensive Income (Loss), Net of Tax (Note 15):				
Foreign Currency Translation Adjustments	4,523	(782)	(2,802)	48,035
Unrealized Gains (Losses) on Securities	5,122	1,602	(1,072)	54,397
Pension Liability Adjustments	1,048	(974)	(219)	11,130
Other Comprehensive Income (Loss)	10,693	(154)	(4,093)	113,562
Comprehensive Income (Loss)	18,527	6,862	(1,186)	196,761
Comprehensive Income Attributable to Noncontrolling Interests	(300)	(79)	(47)	(3,186)
Comprehensive Income (Loss) Attributable to Wacoal Holdings Corp.	¥18,227	¥6,783	¥(1,233)	$193,575

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

Wacoal Holdings Corp. and Subsidiaries

Millions of yen

Years Ended March 31, 2013, 2012 and 2011	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2010	141,198	¥13,260	¥29,366	¥137,313	¥(5,547)	¥(2,532)	¥171,860	¥1,923	¥173,783
Net income				2,785			2,785	122	2,907
Foreign currency translation adjustments					(2,726)		(2,726)	(76)	(2,802)
Unrealized losses on securities					(1,073)		(1,073)	1	(1,072)
Pension liability adjustment					(219)		(219)		(219)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥100 per 5 shares of common stock				(2,824)			(2,824)		(2,824)
Cash dividends paid to noncontrolling interests								(70)	(70)
Repurchase of treasury stock	(586)					(655)	(655)		(655)
Sale of treasury stock	236		(15)			297	282		282
Share-based compensation granted (Note 14)			50				50		50
BALANCE, MARCH 31, 2011	140,848	13,260	29,401	137,274	(9,565)	(2,890)	167,480	1,900	169,380
Net income				6,913			6,913	103	7,016
Foreign currency translation adjustments					(757)		(757)	(25)	(782)
Unrealized gains on securities					1,601		1,601	1	1,602
Pension liability adjustment					(974)		(974)		(974)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥100 per 5 shares of common stock				(2,817)			(2,817)		(2,817)
Cash dividends paid to noncontrolling interests								(47)	(47)
Repurchase of treasury stock	(15)					(15)	(15)		(15)
Sale of treasury stock	6					5	5		5
Share-based compensation granted and exercised (Note 14)	12		46			14	60		60
BALANCE, MARCH 31, 2012	140,851	13,260	29,447	141,370	(9,695)	(2,886)	171,496	1,932	173,428
Net income				7,623			7,623	211	7,834
Foreign currency translation adjustments					4,443		4,443	80	4,523
Unrealized gains on securities					5,113		5,113	9	5,122
Pension liability adjustment					1,048		1,048		1,048
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥140 per 5 shares of common stock				(3,944)			(3,944)		(3,944)
Cash dividends paid to noncontrolling interests								(95)	(95)
Repurchase of treasury stock	(11)					(10)	(10)		(10)
Sale of treasury stock	1					1	1		1
Acquisition of subsidiaries								208	208
Equity transactions with noncontrolling interests (Note 13)			17				17	(181)	(164)
Share-based compensation granted and exercised (Note 14)	3		50			3	53		53
BALANCE, MARCH 31, 2013	**140,844**	**¥13,260**	**¥29,514**	**¥145,049**	**¥ 909**	**¥(2,892)**	**¥185,840**	**¥2,164**	**¥188,004**

Thousands of U.S. dollars (Note 2)

Years Ended March 31, 2013	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2012	$140,824	$312,734	$1,501,381	$(102,963)	$(30,650)	$1,821,326	$20,518	$1,841,844
Net income			80,958			80,958	2,241	83,199
Foreign currency translation adjustments				47,186		47,186	849	48,035
Unrealized gains on securities				54,301		54,301	96	54,397
Pension liability adjustment				11,130		11,130		11,130
Cash dividends paid to Wacoal Holdings Corp. shareholders, $1 per 5 shares of common stock			(41,887)			(41,887)		(41,887)
Cash dividends paid to noncontrolling interests							(1,009)	(1,009)
Repurchase of treasury stock					(107)	(107)		(107)
Sale of treasury stock					11	11		11
Acquisition of subsidiaries							2,209	2,209
Equity transactions with noncontrolling interests (Note 13)		181				181	(1,922)	(1,741)
Share-based compensation granted and exercised (Note 14)		530			32	562		562
BALANCE, MARCH 31, 2013	**$140,824**	**$313,445**	**$1,540,452**	**$ 9,654**	**$(30,714)**	**$1,973,661**	**$22,982**	**$1,996,643**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Wacoal Holdings Corp. and Subsidiaries

			Millions of yen	Thousands of U.S. dollars (Note 2)
Years Ended March 31, 2013, 2012 and 2011	2013	2012	2011	2013
Operating Activities:				
Net income	¥ 7,834	¥ 7,016	¥ 2,907	$ 83,199
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,737	4,660	4,685	50,308
Share-based compensation (Note 14)	53	60	50	563
Provision for returns and doubtful receivables—net	262	(155)	(364)	2,782
Deferred income taxes	(2,872)	676	(1,470)	(30,501)
Gain (loss) on sale or disposal of property, plant and equipment—net	103	(35)	122	1,094
Impairment charges on property, plant and equipment (Note 20)		37	107	
Impairment charges on goodwill (Notes 8 and 20)	1,197		836	12,712
Impairment charges on other intangible assets (Notes 8 and 20)	1,655		936	17,576
Gain on sale or exchange of marketable securities and investments—net (Note 3)	(2,208)	(25)	(372)	(23,449)
Valuation gain or loss on marketable securities and investments—net (Notes 3 and 20)	325	831	1,585	3,452
Equity in net income of affiliated companies, less dividends	(359)	(451)	(566)	(3,813)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	1,818	(1,589)	493	19,308
(Increase) decrease in inventories	(673)	(1,801)	400	(7,147)
(Increase) decrease in other current assets	(100)	(377)	194	(1,062)
(Decrease) increase in notes and accounts payable	(1,922)	1,973	1,251	(20,412)
Decrease in liability for termination and retirement benefits	(851)	(685)	(331)	(9,038)
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	3,452	(513)	(267)	36,661
Other	290	438	245	3,079
Net cash provided by operating activities	12,741	10,060	10,441	135,312
Investing Activities:				
Increase in time deposits	(1,846)	(515)	(1,809)	(19,605)
Decrease in time deposits	836	488	1,991	8,879
Proceeds from sales and redemption of available-for-sale securities	1,578	8,477	3,817	16,759
Payments to acquire available-for-sale securities	(3,828)	(8,707)	(1,036)	(40,654)
Proceeds from redemption of held-to-maturity debt securities	334	79		3,547
Payments to acquire held-to-maturity debt securities	(340)	(79)	(347)	(3,611)
Proceeds from sales of property, plant and equipment	64	451	538	680
Capital expenditures	(2,391)	(2,708)	(2,652)	(25,393)
Payments to acquire intangible assets (Note 8)	(855)	(846)	(687)	(9,080)
Proceeds from sales of other investments	767	90	413	8,146
Payments to acquire other investments	(461)	(221)	(921)	(4,896)
Acquisitions of subsidiaries, net of cash acquired and payments to acquire additional shares of a subsidiary (Note 7)	(17,070)			(181,287)
Payments to acquire additional shares of an affiliated company	(253)			(2,687)
Other	29	24	(10)	307
Net cash used in investing activities	(23,436)	(3,467)	(703)	(248,895)
Financing Activities:				
Increase (decrease) in short-term bank loans with three months or less maturity—net	10,446	(690)	(1,794)	110,939
Proceeds from issuance of short-term bank loans with more than three months maturity	353	393		3,749
Repayments of short-term bank loans with more than three months maturity	(578)	(71)		(6,138)
Proceeds from issuance of long-term debt	2,037	500	200	21,633
Repayments of long-term debt	(2,907)	(82)	(104)	(30,873)
Repurchase of treasury stock	(10)	(15)	(655)	(106)
Sale of treasury stock	1	5	282	11
Dividends paid on common stock	(3,944)	(2,817)	(2,824)	(41,887)
Dividends paid on common stock to noncontrolling interest	(95)	(47)	(70)	(1,009)
Net cash provided by (used in) financing activities	5,303	(2,824)	(4,965)	56,319
Effect of Exchange Rate Changes on Cash and Cash Equivalents	267	(100)	(785)	2,836
Net (Decrease) Increase in Cash and Cash Equivalents	(5,125)	3,669	3,988	(54,428)
Cash and Cash Equivalents, Beginning of Year	29,985	26,316	22,328	318,447
Cash and Cash Equivalents, End of Year	¥24,860	¥29,985	¥26,316	$264,019
Additional Cash Flow Information:				
Cash Paid for:				
Interest	¥ 156	¥ 90	¥ 91	$ 1,657
Income taxes	4,238	3,702	3,645	45,008
Noncash Investing Activities:				
Fair value of certain marketable securities received in exchange for other marketable securities (Note 3)	¥1,450	¥ 126		$15,399
Acquisition of marketable securities by assuming payment obligation			¥ 200	
Acquisition of fixed assets by assuming payment obligation	¥ 429	¥ 352		$ 4,566
Sales of investments (Note 3)	¥3,775			$40,091

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wacoal Holdings Corp. and Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Some foreign subsidiaries of the Company have a fiscal year ending December 31. The accounts of those subsidiaries are included in the Company's consolidated financial statements based on the subsidiaries' fiscal year. There were no material intervening events that occurred with respect to these subsidiaries.

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

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

Use of Estimates—The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include all time deposits (all of which are interest bearing) with original maturities of three months or less.

Foreign Currency Translation—Assets and liabilities of foreign subsidiaries have been translated to Japanese yen at period-end exchange rates and income and expenses have been translated using average exchange rates for the period. Translation adjustments resulting from the process of translating consolidated financial statements, net of tax, are included in accumulated other comprehensive income (loss), a separate component of equity. Exchange gains and losses resulting from foreign currency transactions and the conversion of monetary assets and liabilities denominated in foreign currencies are included in other income (expenses) in the consolidated statements of income. Foreign currency translation losses for the years ended March 31, 2013, 2012 and 2011 were ¥162 million, ¥94 million, and ¥137 million, respectively. They have been included in other—net of other income (expenses).

Marketable Securities and Investments—The Companies classify their marketable securities and investments into one of three categories: trading, held to maturity or available for sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at fair value and unrealized holding gains and losses on trading securities are included in earnings. Held-to-maturity securities are measured at amortized cost. The Companies classify debt securities as held to maturity only if the Companies have the positive intent and ability to hold those securities to maturity. Available-for-sale securities are carried at fair value with a corresponding recognition of unrealized holding gains or losses (net of tax) in accumulated other comprehensive income or loss, a separate component of equity, until realized. Equity securities that do not have readily determinable fair values are recorded at cost. Gains and losses on sales of investments are computed based on cost determined using the average cost method.

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

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

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

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

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

Buildings and building improvements: 2—50 years (mainly 38 years)

Machinery and equipment: 2—20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2013, 2012 and 2011 are ¥2,959 million, ¥2,913 million and ¥2,827 million, respectively.

Impairment of Long-Lived Assets—The carrying values of long-lived assets, held and used by the Companies, are evaluated for impairment whenever there is an event or change in circumstances that indicates that such assets have been impaired or that the carrying amounts of such assets might not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. The impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The Companies recorded no impairment charges on long-lived assets for the year ended March 31, 2013. The Companies recorded ¥37 million and ¥107 million in impairment charges on long-lived assets for the years ended March 31, 2012 and 2011, respectively, and have been included in selling, general and administrative expenses.

Goodwill and Other Intangible Assets—Goodwill represents the excess of the purchase price of an acquired entity over the net amounts assigned to assets acquired and liabilities assumed.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if conditions indicate an earlier review is necessary. The goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed by comparing the carrying amount of reporting unit goodwill with its implied fair value. If the carrying amount of reporting unit goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess.

To test for impairment of other intangible assets with indefinite useful lives, the carrying value of an intangible asset is compared with its fair value. If the carrying amount of an intangible asset with indefinite useful life exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

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

Brands: 20—25 years (mainly 25 years)
Customer relationships: 7 years
Software: 5 years

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

Termination and Retirement Plans—Termination and retirement benefits are accounted for in accordance with the guidance for retirement benefits. The Companies amortize net actuarial gains and losses and prior service cost over the average employees' remaining service period by a declining-balance method and by a straight-line method, respectively. Provisions for termination and retirement benefits include those for directors and corporate auditors of the Companies.

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

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

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

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

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

Shipping and Handling Costs—Shipping and handling fees billed to customers are classified in net sales. Shipping and handling costs are expensed as incurred. Shipping and handling costs for the years ended March 31, 2013, 2012 and 2011 were ¥5,425 million, ¥5,773 million and ¥5,691 million, respectively, and have been included in selling, general and administrative expenses.

Advertising Expenses—Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2013, 2012 and 2011 were ¥12,937 million, ¥12,665 million and ¥11,946 million, respectively, and have been included in selling, general and administrative expenses.

Research and Development Costs—Research and development costs are expensed as incurred. Research and development costs for the years ended March 31, 2013, 2012 and 2011 were ¥788 million, ¥801 million and ¥815 million, respectively, and have been included in selling, general and administrative expenses.

Consumption Taxes—Consumption taxes have been excluded from sales.

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

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

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

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

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

Recent Accounting Pronouncements:

Testing Goodwill for Impairment—In September 2011, the Financial Accounting Standards Board (FASB) issued new guidance that amends goodwill impairment testing. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. The guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. This guidance is effective for annual and interim goodwill impairment test performed for fiscal years beginning after December 15, 2011. Since this guidance does not change how goodwill is calculated, it is not expected to have an impact on the Companies' consolidated financial position, results of operations, or cash flows.

Testing Unamortized Intangible Assets for Impairment—In July 2012, the FASB issued new guidance that amends unamortized intangible assets impairment testing. Under the revised guidance, entities testing unamortized intangible assets for impairment have the option of performing a qualitative assessment before calculating the fair value of the assets. The guidance does not revise the requirement to test unamortized intangible assets for impairment at least annually or more frequently if conditions indicate an impairment has occurred. This guidance is effective for annual and interim unamortized intangible assets impairment tests performed for fiscal years beginning after September 15, 2012. Since this guidance does not change how unamortized intangible assets' impairment is calculated, it is not expected to have an impact on the Companies' consolidated financial position, results of operations, or cash flows.

Presentation of Comprehensive Income—In February 2013, the FASB issued new guidance requiring additional disclosure for the amounts reclassified out of accumulated other comprehensive income. The guidance required disclosure of changes in accumulated other comprehensive income by component. It also requires an entity to present information about significant items reclassified out of accumulated other comprehensive income by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. The guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2012. The adoption of this guidance is not expected to have an effect on the Companies' consolidated financial position, result of operations, or cash flows since it relates only to disclosure requirements of accumulated other comprehensive income.

2 TRANSLATION INTO U.S. DOLLAR STATEMENTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥94.16 to $1, the noon buying rate for yen in New York City as of March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3 MARKETABLE SECURITIES AND INVESTMENTS

Held-to-Maturity and Available-for-Sale Securities—The fair value of debt and marketable equity securities classified as held to maturity and available for sale is based on quoted market prices as of March 31, 2013 and 2012. The cost, gross unrealized gain and loss and the fair value of held-to-maturity and available-for-sale securities by major security type were as follows:

				Millions of yen
2013	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
National debt securities	¥ 10	¥ 0		¥ 10
Corporate debt securities	1,200	0	¥ 9	1,191
Mutual fund	2,532	373	2	2,903
Total	¥3,742	¥373	¥11	¥4,104
Noncurrent:				
Equity securities	¥23,927	¥16,603	¥ 4	¥40,526
Held-to-maturity debt securities:				
Noncurrent:				
Corporate debt securities	¥291	¥3		¥294

				Millions of yen
2012	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
National debt securities	¥ 10	¥ 0		¥ 10
Corporate debt securities	1,500	1	¥61	1,440
Mutual fund	2,581	156	4	2,733
Total	¥ 4,091	¥ 157	¥65	¥ 4,183
Noncurrent:				
Equity securities	¥21,803	¥9,341	¥14	¥31,130
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	¥332	¥1	¥3	¥330

There were no available-for-sale and held-to-maturity securities, which have been in a continuous unrealized loss position for more than 12 months as of March 31, 2013 and 2012. Gross unrealized holding losses and fair values of available-for-sale and held-to-maturity securities, all of which have been in a continuous unrealized loss position for less than 12 months as of March 31, 2013 and 2012, were as follows:

				Millions of yen
		2013		2012
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale securities:				
Current:				
Corporate debt securities	¥ 991	¥ 9	¥1,139	¥61
Mutual fund	296	2	315	4
Total	¥1,287	¥11	¥1,454	¥65
Noncurrent:				
Equity securities	¥157	¥4	¥120	¥14
Held-to-maturity debt securities:				
Current:				
Corporate debt securities			¥247	¥3

As of March 31, 2013, the available-for-sale securities in a continuous unrealized loss position are composed of three equity securities and three other securities. The severity of decline was less than 3.9%. The Companies periodically determine whether a decline in the fair value of available-for-sale and held-to-maturity securities is deemed to be other than temporary based on criteria that includes the duration of market decline, the extent to which cost exceeds fair value, the financial position and business outlook of the issuer and the intent and ability of the Companies to retain the impaired available-for-sale and held-to-maturity securities for sufficient period of time for anticipated recovery in fair value as described in Note 1. No available-for-sale and held-to-maturity securities were identified that meet the Companies' criteria for recognition of an impairment loss on available-for-sale and held-to-maturity securities in unrealized loss position presented above. Therefore, the Companies do not believe the unrealized losses represent an other-than-temporary impairment as of March 31, 2013 and 2012.

Future maturities of debt securities and mutual funds classified as available for sale excluding mutual funds without fixed maturities as of March 31, 2013, were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥ 463	¥ 466
Due after one year through five years	2,152	2,216
Total	¥2,615	¥2,682

Future maturities of debt securities classified as held to maturity as of March 31, 2013 were as follows:

	Millions of yen	
	Cost	Fair Value
Due after one year through five years	¥291	¥294

Proceeds from sales of available-for-sale securities and the gross realized gains or losses on the sales of available-for-sale securities during the years ended March 31, 2013, 2012 and 2011, were as follows:

Proceeds from sales of available-for-sale securities during the year ended March 31, 2013, include accounts receivable of ¥3,775 million, which is included in other current assets on the consolidated balance sheets.

	Millions of yen		
	2013	2012	2011
Proceeds from sales of available-for-sale securities	¥5,049	¥180	¥1,602
Gross realized gains on the sales of available-for-sale securities	2,164	2	354
Gross realized losses on the sales of available-for-sale securities	9		37

During the years ended March 31, 2013 and 2012, the Companies exchanged certain equity securities for other marketable securities. The Companies recorded the newly received securities at fair value and recognized a gain of ¥40 million in the year ended March 31, 2012. There was no gain or loss recognized for the exchange transaction during the year ended March 31, 2013 as there was no difference between the carrying amount of the security transferred and the fair value of the security received. There was no such exchange of marketable securities for the year ended March 31, 2011.

The amount of impairment charges the Companies recognized on available-for-sale securities in which declines in fair value were other than temporary were ¥55 million, ¥823 million and ¥1,366 million in the years ended March 31, 2013, 2012 and 2011, respectively.

Trading Securities—A subsidiary in the United States of America has trading securities consisting of mutual funds, which are recorded as marketable securities and investments at the fair value of ¥683 million and ¥518 million as of March 31, 2013 and 2012, respectively. The Companies recorded a loss of ¥9 million, a gain of ¥19 million and ¥68 million for the years ended March 31, 2013, 2012 and 2011, respectively, that relate to trading securities still held as of March 31, 2013, 2012 and 2011, respectively.

Cost-Method Securities—Investments in nonmarketable equity securities for which there are no readily determinable fair values were accounted for using the cost method and aggregated ¥1,365 million and ¥3,080 million as of March 31, 2013 and 2012, respectively. Investments in nonmarketable equity securities are reviewed annually or upon the occurrence of an event for other-than-temporary impairment. The Companies recognized impairment charges on investments in nonmarketable equity securities of ¥261 million, ¥8 million and ¥219 million in the years ended March 31, 2013, 2012 and 2011, respectively.

4 VALUATION AND QUALIFYING ACCOUNTS

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

	Millions of yen		
	2013	2012	2011
Balance at the beginning of the year	¥ 70	¥100	¥114
Increase due to change in scope of consolidation	84		
Charged to costs and expenses	41	9	13
Balances written-off/reversed	(25)	(39)	(27)
Balance at the end of the year	¥170	¥ 70	¥100

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

	Millions of yen		
	2013	2012	2011
Balance at the beginning of the year	¥ 1,390	¥ 1,517	¥ 1,915
Charged to costs and expenses	1,702	1,390	1,517
Balances utilized	(1,390)	(1,517)	(1,915)
Balance at the end of the year	¥ 1,702	¥ 1,390	¥ 1,517

5 INVENTORIES

The components of inventories as of March 31, 2013 and 2012, were as follows:

	Millions of yen	
	2013	2012
Finished products	¥32,285	¥28,555
Work in process	3,598	3,209
Raw materials	1,924	1,083
Total	¥37,807	¥32,847

During the year ended March 31, 2013, a subsidiary in the United States of America settled an insurance claim and received cash proceeds of ¥383 million related primarily to merchandise damaged by the impact of Hurricane Sandy, which made landfall in the Northeast of the United States of America on October 29, 2012. The subsidiary recorded the proceeds from the insurance settlement in cost of sales in the consolidated statements of income for the year ended March 31, 2013.

6 INVESTMENTS IN AFFILIATED COMPANIES

Investments are accounted for using the equity method of accounting if the investment provides the Companies the ability to exercise significant influence over an investee. Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee between 20% and 50%, although other factors are considered in determining whether the equity method of accounting is appropriate. The Companies record investments in equity method investees meeting these characteristics as "Investments in affiliated companies." Under the equity method, the Companies record their proportionate share of an affiliated companies' income or loss based on the most recently available financial statements.

The Companies' investments in affiliated companies and percentage of ownership as of March 31, 2013 and 2012 include, among others, the following companies:

	Percentage of ownership (%)	
Name of Investee	2013	2012
Thai Wacoal Public Company Limited	34	34
Shinyoung Wacoal Inc.	25	25
PT. Indonesia Wacoal	42	42
Taiwan Wacoal Co., Ltd.	50	50
House of Rose Co., Ltd.	24	20

Aggregate carrying amounts and fair values of investments in affiliated companies which have a quoted market price as of March 31, 2013 and 2012, were as follows:

	Millions of yen	
	2013	2012
Carrying amount	¥10,787	¥8,552
Aggregate value of quoted market price	8,650	8,497

The following tables represent the affiliated companies' summarized information from the balance sheets as of March 31, 2013 and 2012, and statements of operations for the years ended March 31, 2013, 2012 and 2011.

	Millions of yen	
	2013	2012
Current assets	¥37,653	¥32,041
Noncurrent assets	32,341	26,372
Total	¥69,994	¥58,413
Current liabilities	¥ 7,763	¥ 7,609
Long-term liabilities	7,098	6,116
Equity	55,133	44,688
Total	¥69,994	¥58,413

	2013	2012	2011
			Millions of yen
Net sales	**¥53,229**	¥51,690	¥50,833
Gross profit	**27,819**	27,765	27,196
Income before income taxes	**3,921**	4,753	3,947
Net income	**2,955**	3,302	3,039

Dividends received from the affiliated companies were ¥580 million, ¥557 million and ¥424 million during the years ended March 31, 2013, 2012 and 2011, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥15,193 million and ¥14,735 million as of March 31, 2013 and 2012, respectively.

7 ACQUISITIONS

Eveden—On April 10, 2012, the Company acquired all of the shares of Eveden Group Limited ("Eveden"), which manufactures and sells innerwear and swimsuits for women in Europe and the United States of America in the amount of ¥19,961 million, inclusive of ¥2,581 million of funds to repay Eveden's preexisting debts and of ¥3,597 million to acquire the preferred shares and made it the Company's wholly owned subsidiary. The acquisition aims to expand the Company's overseas operations. This will enable the group to accelerate the Company's globalization strategy and to expand the target customer segment by effectively utilizing sales channels, technology, management know how and brand strength of both companies.

The Company consolidated Eveden since April 1, 2012, because the impact of the result of operations and the changes in the financial position of Eveden from April 1, 2012 to April 10, 2012, was insignificant. Since the fiscal year end of Eveden is December 31, the results of operations of Eveden from April 1, 2012 to December 31, 2012 have been included in the Company's consolidated statements of income for the year ended March 31, 2013.

Acquisition-related costs were ¥456 million, of which ¥411 million had already been included in the result of operations for the year ended March 31, 2012, and ¥45 million were included in selling, general and administrative expenses for the year ended March 31, 2013.

As a result of the purchase price allocation, the Company has recognized ¥10,662 million of goodwill and ¥5,499 million of brand and these are classified as goodwill and other intangible assets, respectively, on the consolidated balance sheet. Goodwill is not deductible for tax purpose. The amount of brand will be amortized based on the estimated useful lives of 20 to 25 years.

The Company adjusted the fair values of assets acquired and liabilities assumed as of the acquisition date based on the information the Company obtained subsequent to the acquisition date. These adjustments are reflected retroactively to the fair values of assets acquired and liabilities assumed as of the acquisition date.

Fair value of assets acquired, liabilities assumed and noncontrolling interests on the acquisition date were as follows:

		Millions of yen
April 1, 2012	Before Adjustments	After Adjustments
Notes and accounts receivable	¥2,106	¥2,106
Inventories	3,244	3,244
Other current assets	936	1,037
Property, plant and equipment	710	710
Intangible assets	5,524	5,524
Goodwill	10,748	10,662
Other fixed assets	184	184
Total	23,452	23,467
Current liabilities	1,758	1,773
Long-term debt	2,581	2,581
Other long-term liabilities	1,525	1,525
Total	5,864	5,879
Noncontrolling interests	208	208
Net assets acquired	¥17,380	¥17,380

The above long-term debt was repaid during the year ended March 31, 2013.

Unaudited Pro Forma Results

Unaudited pro forma financial information is presented below as if the acquisition of Eveden occurred at the beginning of 2012 fiscal year.

	Millions of yen	
	2013	2012
Pro forma sales	¥180,120	¥182,240
Pro forma operating income	8,446	11,607
Pro forma net income attributable to Wacoal Holdings Corp.	7,753	7,376

	Yen	
	2013	2012
Pro forma net income attributable to Wacoal Holdings Corp. per share:		
Basic	¥55.05	¥52.37
Diluted	54.96	52.31

8 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill—The changes in the carrying amount of goodwill for the year ended March 31, 2013 were as follows:

	Millions of yen		
	2013		
	Peach John Segment	Other	Total
Balance at the beginning of the year:			
Goodwill	¥11,203		¥11,203
Accumulated impairment losses	(836)		(836)
Total	10,367		10,367
Goodwill acquired during year		¥10,662	10,662
Foreign currency translation adjustments		316	316
Impairment losses	(1,197)		(1,197)
Balance at the end of the year:			
Goodwill	11,203	10,978	22,181
Accumulated impairment losses	(2,033)		(2,033)
Total	¥9,170	¥10,978	¥20,148

There was no change in the carrying amount of goodwill for the year ended March 31, 2012.

The changes in the carrying amount of goodwill for the year ended March 31, 2011, were as follows:

	Millions of yen
	2011
	Peach John Segment
Balance at the beginning of the year:	
Goodwill	¥11,203
Accumulated impairment losses	
Total	11,203
Impairment losses	(836)
Balance at the end of the year:	
Goodwill	11,203
Accumulated impairment losses	(836)
Total	¥10,367

During the years ended March 31, 2013 and 2011, the Companies recorded impairment charges on goodwill of ¥1,197 million and ¥836 million, respectively, in the Peach John Segment. See Note 20 for further information.

Other Intangible Assets—The components of acquired intangible assets excluding goodwill as of March 31, 2013 and 2012 were as follows:

	Millions of yen			
	2013		2012	
Year Ended March 31	Gross Carrying Amount	Accumulated Amortization and Impairment Loss	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:				
Brands	¥ 5,662	¥ 190		
Customer relationship	3,361	3,068	¥ 3,361	¥2,818
Software	8,270	5,329	8,228	4,866
Other	1,317	479	1,202	426
Total	¥18,610	¥9,066	¥12,791	¥8,110
Unamortized intangible assets:				
Trademark	¥5,316	¥2,146	¥5,316	¥559
Other	103		103	
Total	¥5,419	¥2,146	¥5,419	¥559

During the year ended March 31, 2013, the Companies recorded an increase of brands of ¥5,499 million with an estimated useful life of 20 to 25 years, as a result of the acquisition of Eveden. The Companies recorded foreign currency translation adjustments of ¥163 million for brands.

Other intangible assets acquired during the year ended March 31, 2013 totaled ¥855 million which primarily consist of software of ¥824 million with an estimated useful life of five years.

During the year ended March 31, 2013, the Companies recorded an impairment charge on other intangible assets for the customer relationships and trademarks of ¥68 million and ¥1,587 million, respectively, in the Peach John Segment.

During the year ended March 31, 2012, the Companies recorded no impairment charge on other intangible assets. During the year ended March 31, 2011, the Companies recorded an impairment charge on other intangible assets of ¥377 million and ¥559 million, for the customer relationships and trademarks, respectively, in the Peach John Segment. See Note 20 for further information.

Aggregate amortization expenses for the years ended March 31, 2013, 2012 and 2011 related to other intangible assets were ¥1,778 million, ¥1,747 million and ¥1,858 million, respectively. Future estimated amortization expenses as of March 31, 2013, were as follows:

Year Ending March 31	Millions of yen
Estimated amortization expense	
2014	¥1,474
2015	1,120
2016	707
2017	636
2018	536
Total	¥4,473

9 SHORT-TERM BANK LOANS AND LONG TERM DEBT

Short-term bank loans as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen	
	2013	2012
Unsecured bank loans	¥16,259	¥5,780

The weighted-average annual interest rates on short-term bank loans as of March 31, 2013 and 2012 were 0.7% and 1.3%, respectively.

Unused lines of credit for short-term financing as of March 31, 2013 and 2012, aggregated ¥24,637 million and ¥40,184 million, respectively. The Companies compensate banks for these facilities in the form of commitment fees, which were not material during the years ended March 31, 2013 and 2012.

Long-term debt as of March 31, 2013 and 2012, are summarized below. The interest rates and maturities are for loans as of March 31, 2013.

	Millions of yen	
	2013	2012
Collateralized bank loans, with floating interest at 4.3%, maturing through 2015	¥ 28	¥307
Collateralized bank loans, with fixed interest at 1.0%—1.7%, maturing through 2022	351	98
Unsecured bank loans, with fixed interest at 0.4%—1.8%, maturing through 2022	2,037	297
Capital lease obligation		0
Total	2,416	702
Less current portion	(898)	(64)
Long-term debt, less current portion	¥1,518	¥638

The annual maturities of long-term debt as of March 31, 2013, were as follows:

Year Ending March 31	Millions of yen
2014	¥ 898
2015	696
2016	534
2017	193
2018	20
Thereafter	75
Total	¥2,416

A subsidiary has pledged assets as security for loans. As of March 31, 2013 and 2012, assets pledged as collateral for bank loans were as follows:

	Millions of yen	
	2013	2012
Land	¥ 888	¥ 952
Buildings	638	758
Machinery and equipment	30	
Total	¥1,556	¥1,710

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

10 LEASES

The Companies lease most of their store premises, some of their distribution centers, and certain equipment. Most leases have automatic renewal provisions and allow the Companies to extend the lease term beyond the initial base period, subject to the terms agreed at lease inception. Future minimum rental commitments on operating leases having a remaining noncancelable lease term in excess of one year as of March 31, 2013 are presented below:

Year Ending March 31	Millions of yen
2014	¥ 491
2015	378
2016	262
2017	230
2018	232
Thereafter	237
Total	¥1,830

Rental expenses were ¥5,675 million, ¥5,317 million and ¥5,130 million for the years ended March 31, 2013, 2012 and 2011, respectively, and have been included in selling, general and administrative expenses.

11 ASSET RETIREMENT OBLIGATIONS

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

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

	Millions of yen	
	2013	2012
Balance at the beginning of the year	¥ 661	¥663
Accretion expense	5	6
Liabilities incurred	92	78
Liabilities settled	(113)	(86)
Changes due to translation of foreign currencies	3	
Balance at the end of the year	¥ 648	¥661

12 TERMINATION AND RETIREMENT PLANS

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

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

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

	Millions of yen	
	2013	2012
Change in benefit obligations:		
Benefit obligations at the beginning of the year	¥34,135	¥32,708
Service cost	849	833
Interest cost	602	725
Participants' contributions	68	71
Actuarial loss	1,005	1,793
Benefits paid from plan assets	(825)	(752)
Settlement paid from plan assets	(1,201)	(1,090)
Settlement paid by the Companies	(184)	(153)
Benefit obligations at the end of the year	34,449	¥34,135
Change in plan assets:		
Fair value of plan assets at the beginning of the year	¥31,607	¥30,978
Actual return on plan assets	2,748	550
Employer contributions	1,781	1,850
Participants' contributions	68	71
Benefit payments	(825)	(752)
Settlement payments	(1,201)	(1,090)
Fair value of plan assets at the end of the year	34,178	31,607
Funded status at the end of the year	¥ (271)	¥ (2,528)

Amounts recognized in the consolidated balance sheets as of March 31, 2013 and 2012, consist of:

	Millions of yen	
	2013	2012
Prepaid pension expense	¥ 1,400	
Accrued expenses	(87)	¥ (93)
Liability for termination and retirement benefits	(1,584)	(2,435)
	¥ (271)	¥(2,528)

Amounts recognized in accumulated other comprehensive loss, pre-tax, as of March 31, 2013 and 2012, were as follows:

	Millions of yen	
	2013	2012
Actuarial loss	¥(5,396)	¥(7,665)
Prior service benefit	2,164	2,805
	¥(3,232)	¥(4,860)

The accumulated benefit obligation for all defined benefit plans as of March 31, 2013 and 2012, were as follows:

	Millions of yen	
	2013	2012
Accumulated benefit obligation	¥34,449	¥33,723

The projected benefit obligations and the fair value of the plan assets for the Companies' pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of the plan assets for the Companies' pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of yen	
	2013	2012
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,333	¥34,135
Fair value of plan assets	662	31,607
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,333	33,723
Fair value of plan assets	662	31,607

Net periodic benefit costs for the Companies' plans consisted of the following for the years ended March 31, 2013, 2012 and 2011:

	Millions of yen		
	2013	2012	2011
Service cost	¥ 849	¥ 833	¥ 835
Interest cost	602	725	712
Expected return on plan assets	(772)	(756)	(758)
Amortization of actuarial loss	1,298	1,208	1,255
Amortization of prior service benefit	(641)	(692)	(691)
	¥1,336	¥1,318	¥1,353

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

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen		
	2013	2012	2011
Current year actuarial gain (loss)	¥ 971	¥(1,999)	¥ (933)
Amortization of actuarial loss	1,298	1,208	1,255
Amortization of prior service benefit	(641)	(692)	(691)
	¥1,628	¥(1,483)	¥ (369)

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

	Millions of yen
Actuarial loss	¥ 944
Prior service benefit	(574)

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

	2013	2012
Discount rate	1.2%	1.9%
Rate of increase in future compensation	0.0%	0.0%

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

	2013	2012	2011
Discount rate	1.9%	2.4%	2.3%
Rate of increase in future compensation	0.0%	0.0%	0.0%
Expected long-term rate of return on plan assets	2.5%	2.5%	2.5%

The Company's approach to establishing the discount rate is based upon long-term Japanese government bond rates and corporate bond indices. The discount rate assumption is based upon the effective yields as of March 31, 2013 on the Japanese government bonds whose maturity dates approximate the timing of the expected future benefit payments.

The expected long-term rate of return on plan assets is derived proportionally from return assumptions determined for each of the major asset classes. The return expectations for each of the asset classes are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data. The estimated long-term rate of return is based on an asset allocation of equity securities of 26.0%, debt securities of 54.0%, life insurance company general accounts of 18.0% and short-term financing of 2.0%.

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

The asset allocation as of March 31, 2013 and 2012, was as follows:

	2013	2012
Equity securities	35.8%	40.4%
Debt securities	37.8%	40.8%
Life insurance company general accounts	14.9%	16.1%
Short-term financing	11.5%	2.7%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2013 and 2012 are different from the target allocation percentages primarily because Wacoal Corp. maintained additional equity securities within a separate plan asset which is assigned to the plan based on an agreement between Wacoal Corp. and its employees and is not governed by the Pension Committee. As such, the actual allocation percentage of equity securities to the total plan assets is higher than the target allocation, and similarly, the actual allocation for some other types of assets is lower than the target allocation.

The following tables presents the Companies' plan assets using the fair value hierarchy as of March 31, 2013 and 2012, respectively. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant unobservable inputs.

				Millions of yen
2013	Level 1	Level 2	Level 3	Total
Equity securities:				
Japanese companies	¥5,159			¥ 5,159
Pooled funds (a)		¥ 7,066		7,066
Debt securities:				
Japanese government bonds	2,476			2,476
Pooled funds (b)		8,883		8,883
Life insurance company general accounts		5,094		5,094
Other types of investments:				
Hedge funds (c)		1,577		1,577
Short-term financing		3,923		3,923
Total	¥7,635	¥26,543		¥34,178

				Millions of yen
2012	Level 1	Level 2	Level 3	Total
Equity securities:				
Japanese companies	¥6,105			¥ 6,105
Foreign companies	866			866
Pooled funds (a)		¥ 4,357		4,357
Debt securities:				
Japanese government bonds	1,927			1,927
Japanese municipal bonds		5		5
Japanese corporate bonds		70		70
Foreign government bonds	668			668
Pooled funds (b)		9,654		9,654
Life insurance company general accounts		5,093		5,093
Other types of investments:				
Hedge funds (c)		2,017		2,017
Short-term financing		845		845
Total	¥9,566	¥22,041		¥31,607

(a) This class includes common stock of approximately 27% Japanese companies and 73% foreign companies as of March 31, 2013, and those percentages were 63% and 37%, respectively, as of March 31, 2012.
(b) This class includes approximately 37% of Japanese government bonds, 4% of Japanese municipal bonds, 33% of foreign government bonds, and 26% of corporate bonds as of March 31, 2013, and those percentages were 49%, 3%, 42%, and 6%, respectively, as of March 31, 2012.
(c) This class includes hedge funds that invest both long and short in approximately 84% of debt securities, 8% of currencies and 8% of other investments as of March 31, 2013. This class included hedge funds that invested both long and short in approximately 36% of Japanese common stocks, 35% of foreign common stocks and 29% of debt securities as of March 31, 2012.

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

The Companies' funding policy for the funded plans is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. The Companies expect to contribute ¥1,725 million to their plans in the year ending March 31, 2014.

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

Year Ending March 31	Millions of yen
2014	¥ 2,148
2015	2,266
2016	2,357
2017	2,442
2018	2,395
Thereafter	11,299

Multiemployer Plan—A subsidiary participated in a multiemployer plan, Kyoto Orimono Oroshisho Employee Pension Plan, but withdrew from the plan by paying a special contribution as a condition of withdrawal in the amount of ¥1,580 million during the year ended March 31, 2012. The subsidiary recorded the estimated withdrawal liability of ¥774 million as of March 31, 2011 as it was probable that the subsidiary would withdraw from the fund. Accordingly, the subsidiary recorded an additional expense in the amount of ¥806 million for the year ended March 31, 2012, and it has been included in selling, general and administrative expenses.

The aggregate amount of contributions to the plan were ¥56 million and ¥42 million for the years ended March 31, 2012 and 2011, respectively. The subsidiary's contribution to the plan for the year ended March 31, 2011 exceeded 5% of total contributions.

Defined Contribution Plan—Certain subsidiaries have a defined contribution plan. The amounts of cost recognized for their contributions to the plan were ¥186 million, ¥27 million and ¥28 million for the years ended March 31, 2013, 2012 and 2011, respectively.

Employee Early Retirement Program—The Companies provide additional benefits to employees that elect to participate in the Companies' early retirement program. Retirement benefits of ¥280 million, ¥260 million and ¥348 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2013, 2012 and 2011, respectively.

Termination Plan for Directors and Corporate Auditors—The Company had and certain subsidiaries have termination plans for directors and corporate auditors. Payment of termination benefits to directors and corporate auditors is made in a lump sum upon termination and requires the approval of the shareholders before payment. In June 2005, the Company rescinded its termination plan for directors and corporate auditors upon the approval of its shareholders. The amount of benefit for each individual was fixed as of June 29, 2005 and will remain frozen until the retirement of each respective director and corporate auditor. The outstanding liabilities were ¥391 million and ¥317 million as of March 31, 2013 and 2012, respectively, and were recorded in other long-term liabilities. Subsidiaries still maintain plans for their directors and corporate auditors. In accordance with the guidance for determination of vested benefit obligation for a defined benefit pension plan, the subsidiaries recorded a liability for termination benefits for directors and corporate auditors at the amount that would be needed if all directors and corporate auditors were to resign at each balance sheet date. The liabilities for termination benefits for directors and corporate auditors as of March 31, 2013 and 2012 were ¥218 million and ¥382 million, respectively, and were included in liability for termination and retirement benefits.

13 EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the companies have prescribed so in its articles of incorporation. The Company meets all the above criteria. The Board of Directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors.

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

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

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

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

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

During the year ended March 31, 2013, changes in Wacoal Holdings Corp.'s additional paid-in capital due to equity transactions with noncontrolling interest shareholders were as follows:

2013	Millions of yen
Net income attributable to Wacoal Holdings Corp.	¥7,623
Increase in Wacoal Holdings Corp.'s additional paid-in capital due to transfers of Wacoal Holdings Corp.'s ownership interests in its subsidiaries from noncontrolling interests	17
Change in net income attributable to Wacoal Holdings Corp. and transfers from noncontrolling interests	¥7,640

There were no changes in Wacoal Holdings Corp.'s additional paid-in capital due to equity transactions with noncontrolling interest shareholders for the years ended March 31 2012 and 2011.

14 SHARE-BASED COMPENSATION

The Company adopted an annual stock option plan in the year ended March 31, 2009. Under the stock option plan, the Company granted shares of its common stock to directors of the Company excluding outside directors and directors of the Company's wholly owned subsidiary, Wacoal Corp., in the years ended March 31, 2013, 2012 and 2011. The Company believes that such awards better align the interests of its directors with those of its shareholders, by sharing both risk and return from fluctuations in stock prices and giving motivation to enhance its corporate value. Each stock option is exercisable to acquire 1,000 shares of the Company's common stock at ¥1 per share. The compensation cost is measured at fair value on the grant date. Options vest over one year in proportion to the services rendered by the directors, and are exercisable from the day after the date of retirement up to (i) 20 years from the grant date or (ii) 5 years from the day after the date of retirement, whichever is earlier.

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

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

	2013	2012	2011
Expected dividends	3.2%	2.1%	1.7%
Expected volatility	22.5%	31.6%	31.5%
Risk-free interest rate	0.1%	0.3%	0.2%
Expected term	3.1 years	3.8 years	3.6 years

A summary of stock option activities under the Plan for the year ended March 31, 2013, was as follows:

		Yen	Years	Millions of yen
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of April 1, 2012	205,000	¥1		
Granted	67,000	1		
Exercised	3,000	1		
Forfeited or expired				
Outstanding as of March 31, 2013	269,000	1	17.7 years	¥272
Exercisable as of March 31, 2013				

The total intrinsic value of options exercised was ¥3 million and ¥12 million for the years ended March 31, 2013 and 2012, respectively. There were no options exercised during the year ended March 31, 2011.

Total compensation costs recognized for the years ended March 31, 2013, 2012 and 2011 were ¥53 million, ¥60 million and ¥50 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2013, 2012 and 2011 were ¥19 million, ¥21 million and ¥20 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2013, 2012 and 2011 were ¥799, ¥878 and ¥1,081, respectively.

As of March 31, 2013, there were ¥11 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over three months.

15 OTHER COMPREHENSIVE INCOME (LOSS)

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

Millions of yen

	2013			2012			2011		
	Pre-tax Amount	Tax (Expense) Credit	Net Amount	Pre-tax Amount	Tax (Expense) Credit	Net Amount	Pre-tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments	¥ 4,783	¥ (260)	¥ 4,523	¥ (836)	¥ 54	¥ (782)	¥(2,890)	¥ 88	¥(2,802)
Unrealized gain (loss) on securities:									
Amount arising during the year	9,909	(3,435)	6,474	1,608	(470)	1,138	(2,843)	1,170	(1,673)
Reclassification adjustments	(2,101)	749	(1,352)	783	(319)	464	1,014	(413)	601
Net unrealized gain (loss)	7,808	(2,686)	5,122	2,391	(789)	1,602	(1,829)	757	(1,072)
Pension liability adjustment:									
Amount arising during the year	971	(346)	625	(1,999)	712	(1,287)	(933)	380	(553)
Reclassification adjustment	657	(234)	423	516	(203)	313	564	(230)	334
Net unrealized gain (loss)	1,628	(580)	1,048	(1,483)	509	(974)	(369)	150	(219)
Other comprehensive income (loss)	¥14,219	¥(3,526)	¥10,693	¥ 72	¥(226)	¥ (154)	¥(5,088)	¥ 995	¥(4,093)

16 INCOME TAXES

Domestic and foreign components of income before income taxes, equity in net income of affiliated companies were summarized as follows:

Millions of yen

	2013	2012	2011
Japan	¥18,609	¥18,045	¥ 9,212
Foreign	(8,065)	(7,838)	(5,285)
Total	¥10,544	¥10,207	¥ 3,927

Domestic and foreign components of income taxes expense consist of:

Millions of yen

	2013	2012	2011
Current:			
Japan	¥5,578	¥2,942	¥2,882
Foreign	943	581	598
	¥6,521	¥3,523	¥3,480
Deferred:			
Japan	¥(2,754)	¥ 675	¥(1,398)
Foreign	(118)	1	(72)
	¥(2,872)	¥ 676	¥(1,470)
Total income taxes	¥ 3,649	¥4,199	¥ 2,010

Income taxes in Japan applicable to the Companies, imposed by the national, prefectural and municipal governments, in the aggregate resulted in normal effective statutory tax rates of approximately 38.0% for the year ended March 31, 2013 and 40.7% for the years ended March 31, 2012 and 2011. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The Companies are subject to a number of different taxes based on income. The effective income tax rates differed from the normal statutory rates for the following reasons for the years ended March 31, 2013, 2012 and 2011:

	2013	2012	2011
Normal Japanese statutory rates	38.0%	40.7%	40.7%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	4.3	4.6	9.9
Change in valuation allowance	0.8	3.2	17.6
Undistributed earnings of associated companies	0.0	(0.1)	2.9
Differences in foreign subsidiaries' tax rate	(0.5)	(1.5)	(4.4)
Changes in Japanese income tax rates		(6.0)	
Tax exemption	(0.3)	(0.3)	(0.7)
Unrecognized tax benefits	0.2	0.2	2.9
Impairment losses on goodwill	(4.2)		(12.3)
Other—net	(3.7)	0.3	(5.4)
Effective tax rates	34.6%	41.1%	51.2%

Amendments to the Japanese tax regulations were issued on December 2, 2011. As a result of these amendments, the statutory income tax rate was reduced from 40.7% to 38.0% effective from the year beginning April 1, 2012, and will be reduced to 35.6% effective from the year beginning April 1, 2015, and thereafter. Consequently, the statutory income tax rate utilized for deferred tax assets and liabilities expected to be settled or realized in the period from April 1, 2012 to March 31, 2015 is 38.0% and for periods subsequent to March 31, 2015 the rate is 35.6%. The adjustment of deferred tax assets and liabilities for this change in the tax rate resulted in a decrease of income taxes by ¥616 million and have been reflected in income taxes in the consolidated statements of income for the year ended March 31, 2012.

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2013 and 2012 were as follows:

				Millions of yen
	2013		2012	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	¥ 608		¥ 489	
Allowance for doubtful receivables	100		55	
Accruals not currently deductible	181		210	
Inventory valuation	1,194		990	
Accrued bonuses	1,274		1,302	
Impairment charges on marketable securities and investments	1,467		1,431	
Advanced depreciation on property, plant and equipment		¥ 1,403		¥ 1,452
Undistributed earnings of associated companies		2,112		1,819
Net unrealized gain on marketable securities and investments		6,045		3,292
Net realized gain on exchange of investments		1,059		1,696
Capitalized supplies	285		303	
Enterprise taxes	335		165	
Accrued vacation	834		731	
Asset retirement obligation	231		236	
Pension expense	575		1,356	
Tangible fixed assets	1,291		1,303	
Tax loss carryforwards	4,037		3,626	
Intangible assets		2,631		1,905
Investment in subsidiaries				912
Other temporary differences	995	223	906	193
Total	13,407	13,473	13,103	11,269
Valuation allowance	(4,209)		(4,088)	
Total	¥ 9,198	¥13,473	¥ 9,015	¥11,269

The valuation allowance increased by ¥121 million for the year ended March 31, 2013. The valuation allowance increased by ¥850 million for the year ended March 31, 2012.

The Companies reversed certain valuation allowance and utilized ¥705 million of tax loss carryforwards, and recognized tax benefits of ¥228 million for the year ended March 31, 2013.

As of March 31, 2013, certain subsidiaries had tax loss carryforwards, which are available to offset future taxable income of such subsidiaries, expiring as follows:

Year Ending March 31	Millions of yen
2014	¥ 714
2015	155
2016	408
2017	441
2018	634
2019	2,141
2020	2,349
2021	1,782
2022	913
Thereafter	2,299
Total	¥11,836

There was no portion of undistributed earnings of foreign subsidiaries and foreign corporate joint ventures which was deemed to be permanently invested as of March 31, 2013 and 2012.

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

	Millions of yen		
	2013	2012	2011
Balance at the beginning of the year	¥267	¥188	¥321
Additions based on tax positions related to the current year	46	79	58
Reductions for tax positions of prior years			(191)
Balance at the end of the year	¥313	¥267	¥188

Total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥313 million and ¥267 million as of March 31, 2013 and 2012, respectively.

As a result of revaluations of the Companies' tax positions and the expiration of the statute of limitations in several jurisdictions, it is expected that the amount of unrecognized tax benefits will change in the next 12 months. Accordingly, the Companies believe it is reasonably possible that existing unrecognized tax benefits may be reduced by an amount up to ¥133 million within the next 12 months.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. Total amounts of interest and penalties recognized in the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 were not material.

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

17 RELATED-PARTY TRANSACTIONS

The Companies purchase merchandise from numerous suppliers throughout the world, including certain affiliated companies of the Companies. The Companies purchased merchandise from affiliated companies in the amount of ¥2,353 million, ¥2,093 million and ¥1,131 million in the fiscal years ended March 31, 2013, 2012 and 2011, respectively. The accounts payable to affiliated companies were ¥166 million and ¥26 million as of March 31, 2013 and 2012, respectively.

The Companies also sell supplies, materials and products to certain affiliated companies. Aggregate sales to affiliated companies were ¥381 million, ¥477 million and ¥537 million in fiscal years ended March 31, 2013, 2012 and 2011. The accounts receivable from affiliated companies were ¥81 million as of March 31, 2013 and 2012.

The Companies earn royalties from the use of the Wacoal brand by certain affiliated companies. The amount of royalty revenue earned was ¥247 million, ¥216 million and ¥201 million in the fiscal years ended March 31, 2013, 2012 and 2011, respectively. Other accounts receivables from affiliated companies, which are included in other current assets in the consolidated balance sheets, were ¥190 million and ¥171 million as of March 31, 2013 and 2012, respectively.

18 EARNINGS PER SHARE AND AMERICAN DEPOSITARY RECEIPT

Basic net income attributable to Wacoal Holdings Corp. per share has been computed by dividing net income attributable to Wacoal Holdings Corp. by the weighted-average number of common stock outstanding during each year. Diluted net income attributable to Wacoal Holdings Corp. per share assumes the dilution that could occur if share-based options to issue common stock were exercised.

The computation of earnings per American Depositary Receipt (ADR), each ADR representing 5 shares of common stock, is based on the weighted-average number of common stock outstanding.

The weighted-average number of common stock outstanding used in the computations of basic net income attributable to Wacoal Holdings Corp. per share was 140,846,298 shares for 2013, 140,848,576 shares for 2012 and 141,145,190 shares for 2011. The weighted-average number of diluted common stock outstanding used in the computations of diluted net income attributable to Wacoal Holdings Corp. per share was 141,070,568 shares, 141,013,083 shares and 141,260,186 shares for 2013, 2012 and 2011, respectively.

19 FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments as of March 31, 2013 and 2012 were as follows:

				Millions of yen
	2013			2012
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Notes 3 and 20)	¥ 4,601	¥ 4,601	¥ 4,936	¥ 4,934
Investments (Notes 3 and 20)	41,003	41,006	31,227	31,227
Foreign exchange contracts (Note 20)	29	29	74	74
Total assets	¥45,633	¥45,636	¥36,237	¥36,235
Liabilities:				
Foreign exchange contracts (Note 20)	¥ (7)	¥ (7)	¥ (12)	¥ (12)
Long-term debt including current portion	(2,416)	(2,416)	(702)	(702)
Total liabilities	¥(2,423)	¥(2,423)	¥(714)	¥(714)

There are investments in nonmarketable equity securities and debt securities for which there are no readily determinable fair values. See Note 3 for further information. The carrying amounts of all other financial instruments approximate their estimated fair values.

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

Marketable Securities and Investment—Held-to-maturity debt securities are classified as investments and marketable securities as of March 31, 2013 and 2012, respectively. The fair value of these held-to-maturity debt securities are classified as Level 1. For all other investments included in marketable securities and investments, see Notes 3 and 20.

Long-Term Debt—The fair values for long-term debt are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. The estimated fair value is based on Level 2 input.

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

Concentration of Credit Risk—The Companies' business consists primarily of sales of women's intimate apparel to a large number of diverse customers in the Japanese retail industry, which include well-established department stores, general merchandise stores and other general retailers and specialty stores. No single customer constitutes 10.0% or more of the total sales, although the general retail customers that are consolidated companies within the Aeon Group collectively accounted for approximately 9.1%, 9.8% and 10.0% of the total sales in fiscal years ended March 31, 2013, 2012 and 2011, respectively.

20 FAIR VALUE MEASUREMENTS

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

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

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

Level 3—Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 and 2012 were as follows:

				Millions of yen
2013	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Corporate bonds		1,191		1,191
Mutual funds	¥ 497	2,903		3,400
Total marketable securities	497	4,104		4,601
Investments:				
Listed shares	40,526			40,526
Mutual funds	186			186
Total investments	40,712			40,712
Derivative instruments:				
Foreign exchange contracts		29		29
Total assets	¥41,209	¥4,133		¥45,342
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ (7)		¥ (7)

				Millions of yen
2012	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Corporate bonds		1,440		1,440
Mutual funds	¥ 421	2,733		3,154
Total marketable securities	421	4,183		4,604
Investments:				
Listed shares	31,130			31,130
Mutual funds	97			97
Total investments	31,227			31,227
Derivative instruments:				
Foreign exchange contracts		74		74
Total assets	¥31,648	¥4,257		¥35,905
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ (12)		¥ (12)

Marketable securities and investments presented in Level 1 are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Bonds presented in Level 2 are valued by the financial institution using quoted market price for identical instruments in markets that are not active and mutual funds presented in Level 2 are valued by the financial institution based on quoted prices in both active and inactive market for identical instruments which comprise funds.

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

Derivative instruments are composed of foreign currency exchange contracts. Financial instruments presented in Level 2 are valued using quotes obtained from third parties.

The changes in the fair value of the foreign currency exchange contracts are recorded in earnings, since the foreign currency exchange contracts are not designated as a hedge. The Companies recognized a gain of ¥40 million, a gain of ¥89 million and a loss of ¥8 million in other—net of other income (expenses) in the years ended March 31, 2013, 2012 and 2011, respectively.

The Companies recorded the derivative instruments as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥29 million and ¥7 million, respectively as of March 31, 2013. The derivative instruments are presented as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥74 million and ¥12 million as of March 31, 2012.

Assets Measured at Fair Value on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis as of March 31, 2013 were as follows:

					Millions of yen
2013	Level 1	Level 2	Level 3	Total	Total Losses
Goodwill (Note 8)			¥9,170	¥9,170	¥(1,197)
Trademark (Note 8)			3,170	3,170	(1,587)
Customer relationship (Note 8)			293	293	(68)
					¥(2,852)

As of the end of March 31, 2013, goodwill with a carrying amount of ¥10,367 million was written down to its implied fair value of ¥9,170 million, resulting in an impairment charge of ¥1,197 million, which is included in earnings for the year ended March 31, 2013. The impairment arose due to the decline in its fair value, which was mainly caused by a downturn in consumption due to general market conditions. To measure the fair values of the reporting units, the Companies used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

Trademarks with a carrying amount of ¥4,757 million as of March 31, 2013, were written down to their fair values of ¥3,170 million, resulting in recognition of an impairment charge of ¥1,587 million for the year ended March 31, 2013. The impairment arose due to the decline in their fair value, which was mainly caused by a downturn in consumption due to general market conditions. To measure the fair value of the trademarks, the Companies used the relief-from royalty method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the rate of royalty, and appropriately risk-adjusted discount rate, which reflected the management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on management's cash flow projections for the future five years, and after five years, future cash flows were estimated using the perpetuity growth rate of 0%. Management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The rate of royalty used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents a weighted-average cost of capital (WACC) adjusted for inherent risk spread.

Customer relationships with a carrying amount of ¥361 million as of March 31, 2013 were written down to their fair value of ¥293 million, resulting in recognition of impairment charges of ¥68 million for the year ended March 31, 2013. The impairments recorded for this year arose due to the decline in their fair value, which were mainly caused by a downturn in consumption because of general market conditions. To measure the fair values of the customer relationships, the Companies used the excess earnings method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the percentage of orders that the Companies expect to receive from the customers existed at the point of acquisition and appropriately risk-adjusted discount rate, which reflected the management's estimate of assumptions that market participants would use in pricing the asset in a current transaction as of the measurement date. The future cash flows were projected in the same way as described in the trademarks. The percentage of orders that the Companies expect to receive from the customers existed at the point of acquisition was estimated based on the historical trend of the percentage of sales to the preacquisition customers. Risk-adjusted discount rate representing a WACC was determined using the capital asset pricing model.

There were no significant assets or liabilities that were measured at fair value on a nonrecurring basis as of March 31, 2012.

Buildings and building improvements held and used, with a carrying amount of ¥107 million, were written down to their fair value of 0, because the Companies decided to abandon an office building. An impairment charge of ¥107 million was included in earnings for the year ended March 31, 2011, in Wacoal Business (Domestic) Segment.

As of the end of March 31, 2011, goodwill with a carrying amount of ¥11,203 million is written down to its implied fair value of ¥10,367 million, resulting in an impairment charge of ¥836 million, which is included in earnings for the year ended March 31, 2011. To measure the fair values of the reporting units, the Companies used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

Trademarks with a carrying amount of ¥5,316 million as of March 31, 2011, were written down to their fair value of ¥4,757 million, resulting in recognition of an impairment charge of ¥559 million for the year ended March 31, 2011. The impairments arose due to the decline in their fair value, which were mainly caused by a downturn in consumption due to general market conditions. To measure the fair value of the trademarks, the Companies used the relief-from royalty method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the rate of royalty, and appropriately risk-adjusted discount rate, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on management's cash flow projections for the future five years, and after five years, future cash flows were estimated using the perpetuity growth rate of 0%. Management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The rate of royalty used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents a WACC adjusted for inherent risk spread.

Customer relationships with a carrying amount of ¥1,102 million as of March 31, 2011 were written down to their fair values of ¥725 million, resulting in recognition of impairment charges of ¥377 million for the year ended March 31, 2011. The impairments recorded for this year arose due to the decline in their fair values, which were mainly caused by a downturn in consumption because of general market conditions. To measure the fair value of the customer relationships, the Companies used the excess earnings method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the percentage of orders that the Companies expect to receive from the customers existed at the point of acquisition and appropriately risk-adjusted discount rate, which reflected management's estimate of assumptions that market participants would use in pricing the asset in a current transaction as of the measurement date. The future cash flows were projected in the same way as described in the trademarks. The percentage of orders that the Companies expect to receive from the customers existed at the point of acquisition was estimated based on the historical trend of the percentage of sales to the preacquisition customers. Risk-adjusted discount rate representing a WACC was determined using the capital asset pricing model.

Valuation process

The valuation process involved in Level 3 measurements for applicable asset and liability is governed by the valuation policies and procedures, including evaluation method for fair value measurements, pre-approved by the Companies. Based on the policies and procedures, either personnel from the accounting division or personnel in charge of valuation determine the valuation model to be utilized to measure each asset and liability at fair value. We engage independent external experts of valuation to assist in the valuation process for certain assets over a specific amount, and their results of valuations are reviewed by the responsible personnel. All the valuations including those performed by the external experts are reviewed and approved by the management of the Company before being recorded in the general ledgers.

Quantitative information regarding Level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value for the year ended March 31, 2013 is as follows:

2013	Fair Value (¥ Million)	Valuation Technique	Principal Unobservable Input	Range
Trademarks	¥3,170	Relief-from royalty method	Discount rate	7.5%—11.5%
			Royalty rate	3.0%—4.0%
			Short-term revenue growth rates (within five years)	3.3%—5.5%
			Perpetuity growth rate (over five years)	0%
Customer relationships	¥293	Excess earning method	Discount rate	4.5%
			Remaining useful life	2 years

21 SEGMENT INFORMATION

Operating Segment Information

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

"Wacoal business (domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. "Wacoal business (overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, and other textile-related products, which are sold under the "Peach John" brand. "Other" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, other textile-related products and mannequins as well as offers construction of store and interior design services.

Information about operating results and assets for each segment as of and for the years ended March 31, 2013, 2012 and 2011 was as follows:

Millions of yen

2013	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥115,657	¥23,081	¥11,972	¥26,444		¥177,154
Intersegment	2,193	7,582	232	5,430	¥(15,437)	
Total	117,850	30,663	12,204	31,874	(15,437)	177,154
Operating costs and expenses:						
Operating costs and expenses	106,482	28,635	11,357	30,429	(15,437)	161,466
Depreciation and amortization	2,945	598	696	498		4,737
Impairment charges on goodwill (Note 20)			1,197			1,197
Impairment charges on other intangible assets (Note 20)			1,655			1,655
Total	109,427	29,233	14,905	30,927	(15,437)	169,055
Operating profit	8,423	1,430	(2,701)	947		8,099
Total assets and capital expenditures						
Total assets	236,006	34,396	18,135	43,836	(78,570)	253,803
Capital expenditures	2,283	471	202	290		3,246

Millions of yen

2012	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥115,870	¥21,396	¥13,836	¥20,795		¥171,897
Intersegment	2,719	6,541	193	5,744	¥(15,197)	
Total	118,589	27,937	14,029	26,539	(15,197)	171,897
Operating costs and expenses:						
Operating costs and expenses	107,332	25,946	12,766	26,013	(15,197)	156,860
Depreciation and amortization	3,085	551	734	290		4,660
Total	110,417	26,497	13,500	26,303	(15,197)	161,520
Operating profit	8,172	1,440	529	236		10,377
Total assets and capital expenditures						
Total assets	208,373	29,367	21,237	20,566	(58,445)	221,098
Capital expenditures	1,991	549	348	666		3,544

Millions of yen

2011	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥110,856	¥20,010	¥11,575	¥23,107		¥165,548
Intersegment	2,134	6,118	73	4,588	¥(12,913)	
Total	112,990	26,128	11,648	27,695	(12,913)	165,548
Operating costs and expenses:						
Operating costs and expenses	104,384	24,297	11,930	26,992	(12,913)	154,690
Depreciation and amortization	2,986	509	825	365		4,685
Impairment charges on goodwill (Note 20)			836			836
Impairment charges on other intangible assets (Note 20)			936			936
Total	107,370	24,806	14,527	27,357	(12,913)	161,147
Operating profit (loss)	5,620	1,322	(2,879)	338		4,401
Total assets and capital expenditures						
Total assets	202,054	27,109	21,013	20,910	(55,810)	215,276
Capital expenditures	2,488	523	196	132		3,339

The Companies account for intersegment sales and transfers at cost plus a markup. Operating profit (loss) represents net sales less operating costs and expenses. Amortization and impairment charges on other intangible assets represent only amortization and impairment charges on customer relationships or trademarks related to the acquisition of Peach John, and do not include any other intangibles such as software.

Products and Service Information

Net sales information by product and service for the years ended March 31, 2013, 2012 and 2011 was as follows:

	Millions of yen		
	2013	2012	2011
Innerwear:			
Foundation and lingerie	¥130,284	¥124,303	¥116,127
Nightwear	9,232	9,390	8,713
Children's underwear	1,467	1,530	1,476
Subtotal	140,983	135,223	126,316
Outerwear/Sportswear	¥ 16,439	¥ 16,371	¥ 17,397
Hosiery	1,559	1,646	1,666
Other textile goods and related products	7,580	8,226	7,493
Others	10,593	10,431	12,676
Total	¥177,154	¥171,897	¥165,548

Geographic Information

Information by major geographic area as of and for the years ended March 31, 2013, 2012 and 2011 was as follows:

	Millions of yen		
	2013	2012	2011
Net sales:			
Japan	¥146,224	¥149,587	¥144,999
Asia and Oceania	12,685	10,527	9,167
Americas and Europe	18,245	11,783	11,382
Consolidated	¥177,154	¥171,897	¥165,548
Long-lived assets:			
Japan	¥44,670	¥45,240	¥45,792
Asia and Oceania	2,685	2,334	2,349
Americas and Europe	2,305	1,504	1,593
Consolidated	¥49,660	¥49,078	¥49,734

Net sales are attributed to countries or areas based on the location of sellers.

Asia and Oceania includes East Asia, Southeast Asia, West Asia and Australia.

Countries or areas are classified according to their geographical proximity. Long-lived assets represent property, plant and equipment.

22 SUBSEQUENT EVENTS

On May 14, 2013, the Board of Directors resolved to pay a cash dividend of ¥140 per 5 shares of common stock to holders of record as of March 31, 2013 (aggregate amount of ¥3,944 million).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Wacoal Holdings Corp.'s management assessed the effectiveness of internal control over financial reporting as of March 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (the COSO criteria).

Wacoal Holdings Corp.'s management excluded the assessment of internal control over financial reporting of Eveden Group Limited and its subsidiaries (collectively, the "Eveden Group"), which became our wholly owned subsidiaries on April 10, 2012 from the scope of assessment for the effectiveness of internal control over financial reporting of Wacoal Holdings Corp. as of March 31, 2013.

The percentages of the total assets and net sales of Eveden Group in the consolidated financial statements as of and for the year ended March 31, 2013, were 9.5% and 4.1%, respectively.

Based on its assessment, management concluded that, as of March 31, 2013, Wacoal Holdings Corp's internal control over financial reporting was effective based on the COSO criteria.

Wacoal Holdings Corp.'s independent registered public accounting firm, Deloitte Touche Tohmatsu LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting as of March 31, 2013.

Yoshikata Tsukamoto
President and Representative Director

Ikuo Otani
Senior Managing Director

June 27, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
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Fax: +81 (75) 231 2703
www.deloitte.com/jp

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

We have audited the accompanying consolidated balance sheets of Wacoal Holdings Corp. and subsidiaries (the "Companies") as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended March 31, 2013, which are all expressed in Japanese yen. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and subsidiaries as of March 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Companies' internal control over financial reporting as of March 31, 2013, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 27, 2013 expressed an unqualified opinion on the Companies' internal control over financial reporting.

Deloitte Touche Tohmatsu LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
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Japan

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

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

We have audited the internal control over financial reporting of Wacoal Holdings Corp. and subsidiaries (the "Companies") as of March 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Eveden Group Limited and its subsidiaries, which were acquired on April 10, 2012 and whose financial statements constitute 9.5% of total assets and 4.1% of net sales of the consolidated financial statement amounts as of and for the year ended March 31, 2013. Accordingly, our audit did not include the internal control over financial reporting at Eveden Group Limited and its subsidiaries. The Companies' management is responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Companies' internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Companies maintained, in all material respects, effective internal control over financial reporting as of March 31, 2013, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2013 of the Companies and our report dated June 27, 2013 expressed an unqualified opinion on those financial statements.

Deloitte Touche Tohmatsu LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE DATA

As of March 31, 2013

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

Website
www.wacoalholdings.jp/index_e.html

Date of foundation
June 15, 1946

Date of establishment
November 1, 1949

Shareholders' equity
¥185,840 million

Number of employees (consolidated)
18,622

Domestic principal subsidiaries

Wacoal Holdings Equity Owned	%
Wacoal Corp.	100
Peach John Co., Ltd.	100
Lecien Corporation	100
Une nana cool Corp.	100
Kyushu Wacoal Manufacturing Corp.	100
Niigata Wacoal Sewing Corp.	100
Hokuriku Wacoal Sewing Corp.	100
Torica Inc.	57
Nanasai Co., Ltd.	99
Wacoal Distribution Corp.	100

Overseas principal subsidiaries

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

Domestic principal joint ventures

Wacoal Holdings Equity Owned	%
House of Rose Co., Ltd.	24

Overseas joint ventures

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

International network

Wacoal International Corp. (U.S.A.)
One Wacoal Plaza, Lyndhurst,
N.J. 07071, U.S.A.
Tel 1-201-933-8400

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

Wacoal (UK) Limited
4th Floor, Hardy House, 16-18 Beak Street,
London WIF 9RD, United Kingdom
Tel 44-207-439-6190

WACOAL CANADA INC.
1000 de la Gauchetiere Street West, Suite
2400 Montreal, Q.C., Canada H3B 4W5
Tel 1-514-448-2173

Wacoal Dominicana Corp.
Las Americas Industrial Free Zone,
KM.22, aut. Las Americas,
Santo Domingo, Dominican Republic
Tel 1-809-549-1090

Wacoal Eveden Limited
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Northamptonshire NN14 2PG,
United Kingdom
Tel 44-1536-760-282

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Tel 33-1-5593-0310

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Jia 16 Tongji North Road,
Beijing Economic and Technological
Development Area, Beijing 100176, P.R.C.
Tel 86-10-6787-2185

Wacoal (Shanghai) Human Science R&D Co., Ltd.
5th Floor, Jiangnan Zaochuan Bldg.,
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Shanghai 200023, P.R.C.
Tel 86-21-6390-7448

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Tel 86-20-8686-1170

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Vietnam Wacoal Corp.
110 Amata Road,
Amata Modern Industrial Park,
Long Binh Ward, Bien Hoa City,
Dong Nai Province,
Socialist Republic of Vietnam
Tel 84-61-3936770

Philippine Wacoal Corp.
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Bangkok, Thailand
Tel 66-2-289-3100

Taiwan Wacoal Co., Ltd.
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Tel 886-3-326-9369

Shinyoung Wacoal Inc. (South Korea)
345-54 Gasan-Dong, Geumcheon Gu,
Seoul 153-023, Korea
Tel 82-2-818-5120

PT. Indonesia Wacoal
Jl. Tarikolot Rt.01/Rk.001 No. 59,
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Tel 62-21-560-0715

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

INVESTOR INFORMATION

As of March 31, 2013

Stock listings
Tokyo, Osaka, NASDAQ

Fiscal year-end
March 31

Securities code
3591

Common stock
Issued: 143,378,085 shares
Outstanding: 140,844,357 shares

Trading unit
1,000 shares

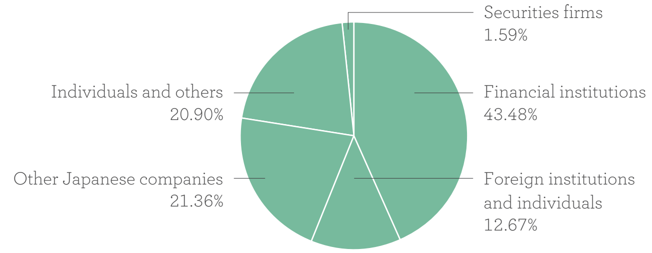
Shareholder register agent for common stock
Mitsubishi UFJ Trust and Banking Corporation,
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

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

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

Number of shareholders
12,078

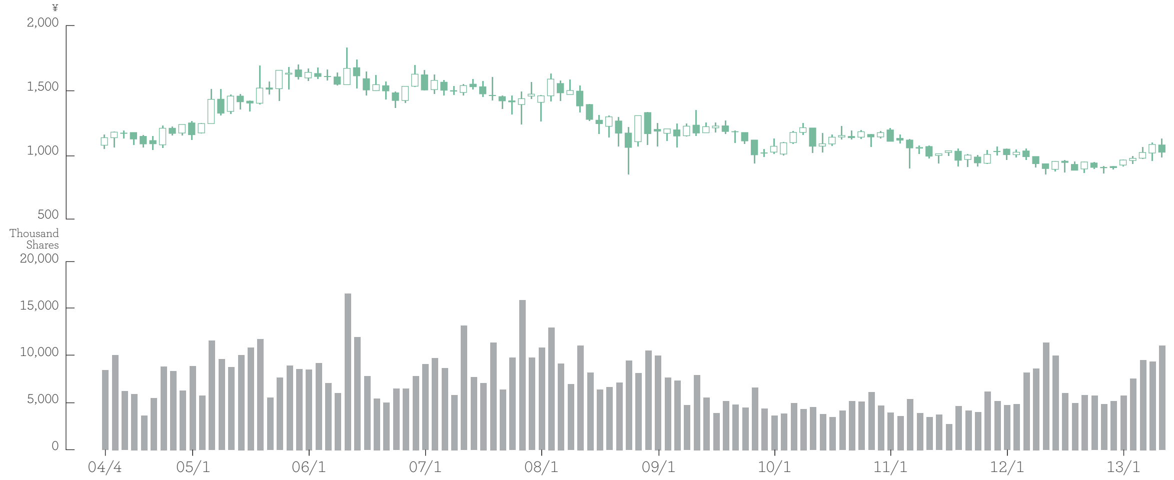
Ownership and distribution of shares



Major shareholders	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.87
Meiji Yasuda Life Insurance Company	4.73
Nippon Life Insurance Company, Limited.	3.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.62
Japan Trustee Services Bank, Ltd. (Trust Account)	3.48
The Bank of Kyoto, Ltd.	3.28
The Bank of New York Mellon as depositary bank for depositary receipt holders*	3.06
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.76
The Shiga Bank, Ltd.	2.54
Mika Okada	2.35

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

Stock price/Trading volume



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

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