



WACOAL HOLDINGS  
Integrated Report 2014

The Wacoal Group is based on a holding company system that is centered on Wacoal Corp. and which encompasses 56 consolidated subsidiaries and 10 affiliates in Japan and overseas. In Japan, the Group is building an even more robust operational platform as a leading corporate group. Overseas, the Group rolls out products in 66 countries and regions through bases in 22 countries and regions, including North America, Europe, and Asia (as of March 31, 2014).

This report incorporates an integrated narrative linking the features of the Wacoal Group's unique value creation and an overview and analysis of the medium-term management plan that began from April 2013. We hope this integrated report garners support for the Wacoal Group as it leverages unique intellectual assets and develops businesses to sustain growth.

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## Editorial policy for this report

In accordance with international norms for integrated reporting, the Wacoal Group began issuing integrated reports from fiscal 2011 as part of its communication with shareholders and other investors. This integrated report explains the Wacoal Group's value creation not only through financial information but also through nonfinancial information about unique intellectual assets and other facets of the Group's business.

Further, the web site of Wacoal Holdings Corp. includes a wide range of information about the Group. We hope that referring to this integrated report in conjunction with the web site will further understanding of the Group. Going forward, we will continue pursuing an editorial policy that responds to reader expectations.

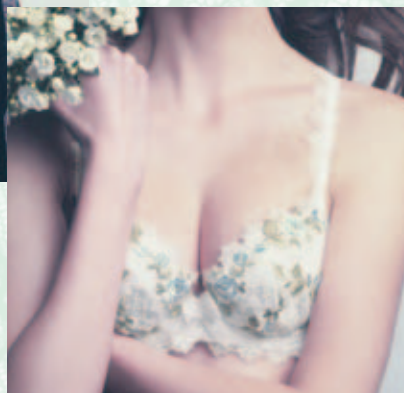
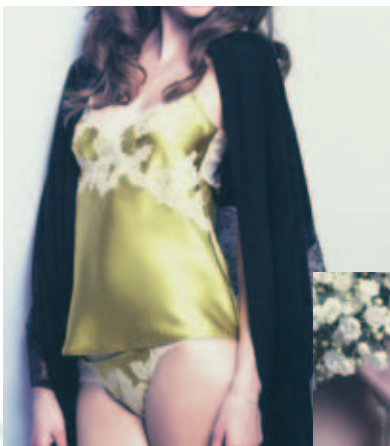
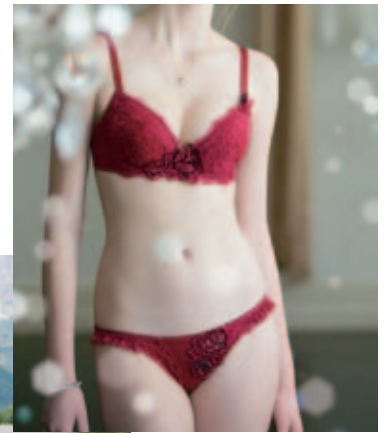


The Wacoal Holdings web site:  
[www.wacoalholdings.jp/en](http://www.wacoalholdings.jp/en)



Previous integrated reports (in IR Library):  
[www.wacoalholdings.jp/en/ir/library/](http://www.wacoalholdings.jp/en/ir/library/)





INTRODUCTION

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CREATING VALUE  
THROUGH  
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## WACOAL MINDSET

### THE WACOAL GROUP MANAGEMENT PHILOSOPHY

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 it 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



相互信頼

塚本幸一

## MUTUAL TRUST

“From now on, we will rigorously trust Wacoal Group employees who are union members.” With these words, the Wacoal Group’s founder Koichi Tsukamoto resolved at a stroke a 1962 labor-management confrontation.

At an emergency meeting of the Board of Directors, Tsukamoto declared that the Group should accept without reservation the union’s demands in labor-management negotiations. However, none of the other directors agreed. Nevertheless, this was Tsukamoto’s decision. By raising the basic salary to fully satisfy union demands in spring 1964, Tsukamoto decisively chose business management based on mutual trust. As a result, personnel realized that they supported the Group, and they all began working with renewed intensity. Working as one, employees became highly motivated, and plants’ productivity increased conspicuously.

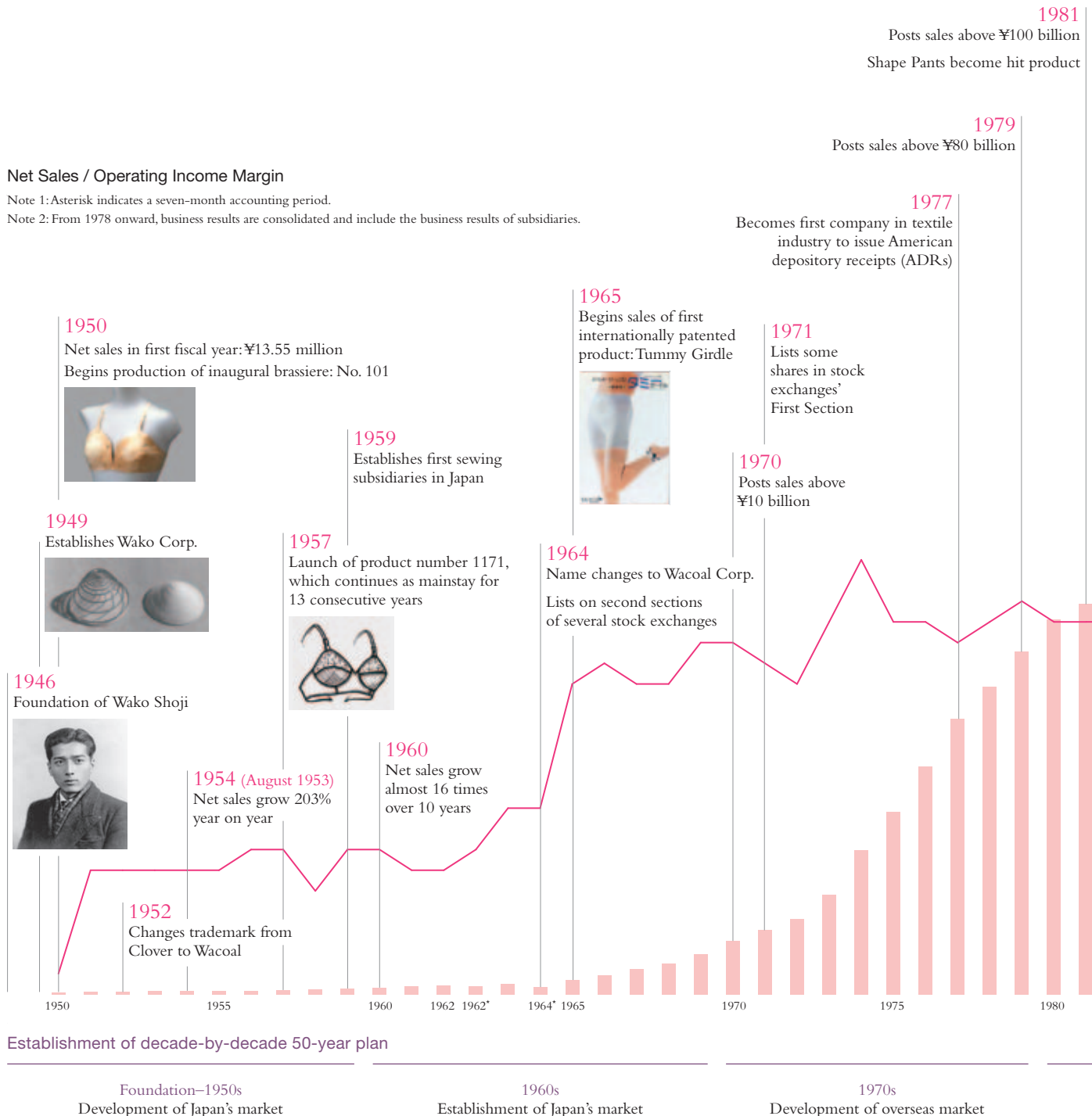
Subsequently, we included the words “mutual trust” in our vision, which we announced internally and externally. Business management based on mutual trust is realized through the collective efforts of employees with self-aware, independent mindsets. It is an approach to business management that respects personnel by entirely entrusting to them decisions about late arrival at work, leaving work early, and leaving work to attend to private matters. Therefore, salaries and performance appraisals are not linked to such factors. Responding to this approach, many personnel have exhibited a great deal of initiative in ensuring they fulfil assigned duties thoroughly, thereby advancing the Wacoal Group dramatically.

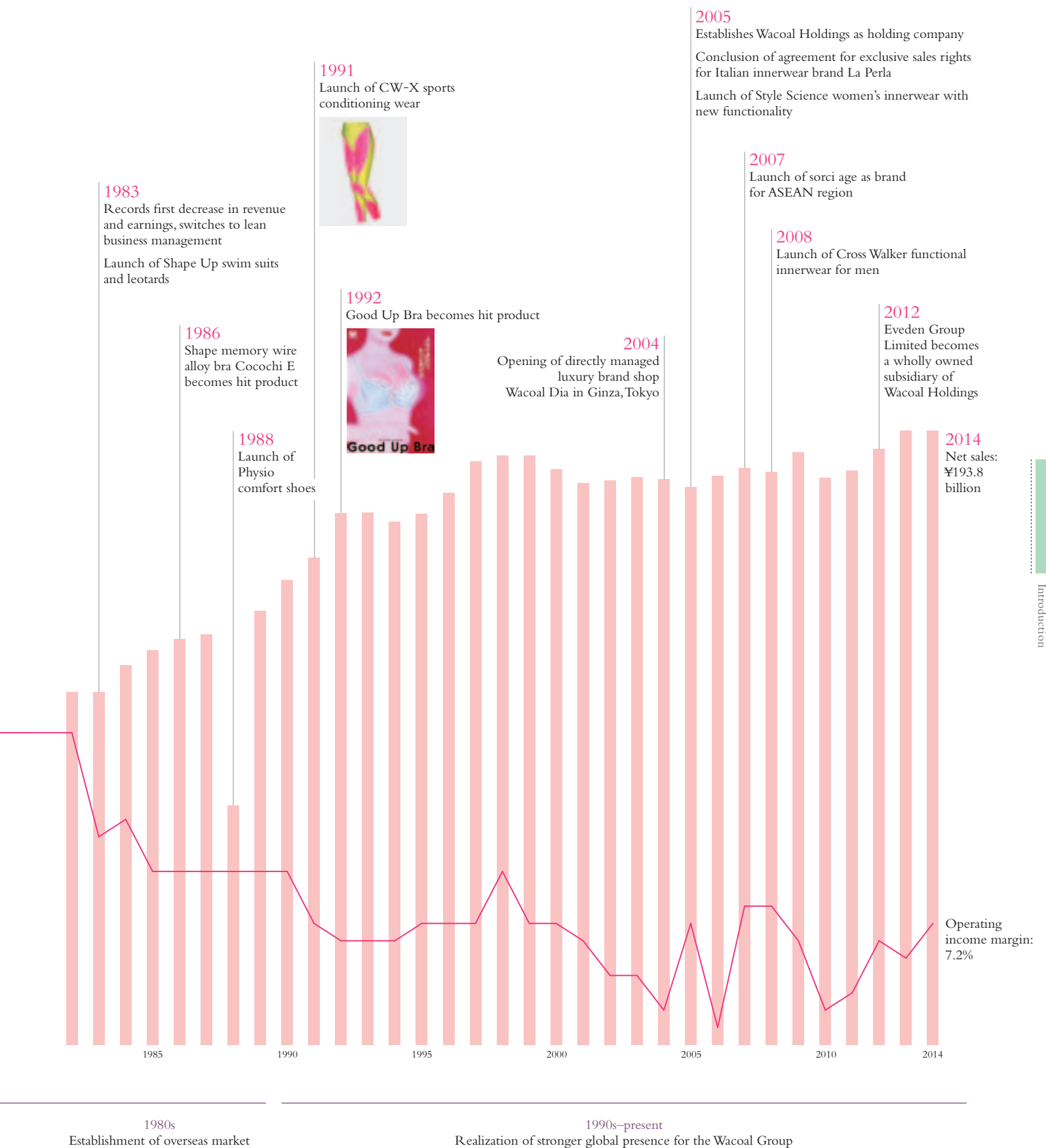
Today, having become incorporated into numerous different aspects of our business activities, this spirit of mutual trust continues to evolve. The quality of the Wacoal Group’s organization, personnel, relationships with customers, and products are all founded on this spirit, which supports the Group’s sustained growth. Our wish is to realize a stronger global presence for the Wacoal Group through mutual trust.

# HISTORY OF VALUE CREATION

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 creating unique value. Throughout our history we have pursued the goal of "helping women to express their beauty."

Based on mutual trust with customers, employees, and society, we will continue progressing as we seek a stronger global presence for the Wacoal Group.





# OVERVIEW OF THE WACOAL GROUP

For the Year Ended March 31, 2014

## KEY FIGURES

Net Sales

¥ 193,781 million

Operating Income

¥ 13,860 million

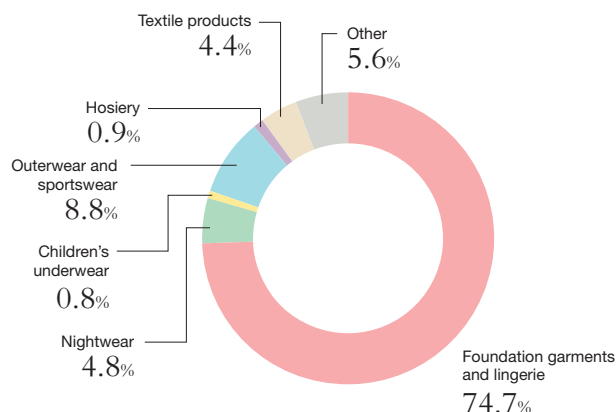
ROE

5.2 %

Cash Dividends Per Share of Common Stock

¥ 33.00

Net Sales by Product Category



Annual Brassiere Unit Sales

45.4 million

Share of Women's Innerwear Market in Japan

38.2 %<sup>\*1</sup>

(largest market share in Japan)

Number of Countries Where The Wacoal Group Has Operating Bases

22



Percentage of Female Employees

88 %

Outside Directors / Total Directors

2 / 7

Female Managers as a Percentage of Total Managers

13 %



Power Consumption

11.3 million kWh

(Down 32.6%<sup>\*2</sup>)

CO<sub>2</sub> Emissions

6,057 tons

(Down 31.2%<sup>\*2</sup>)

Waste Emissions

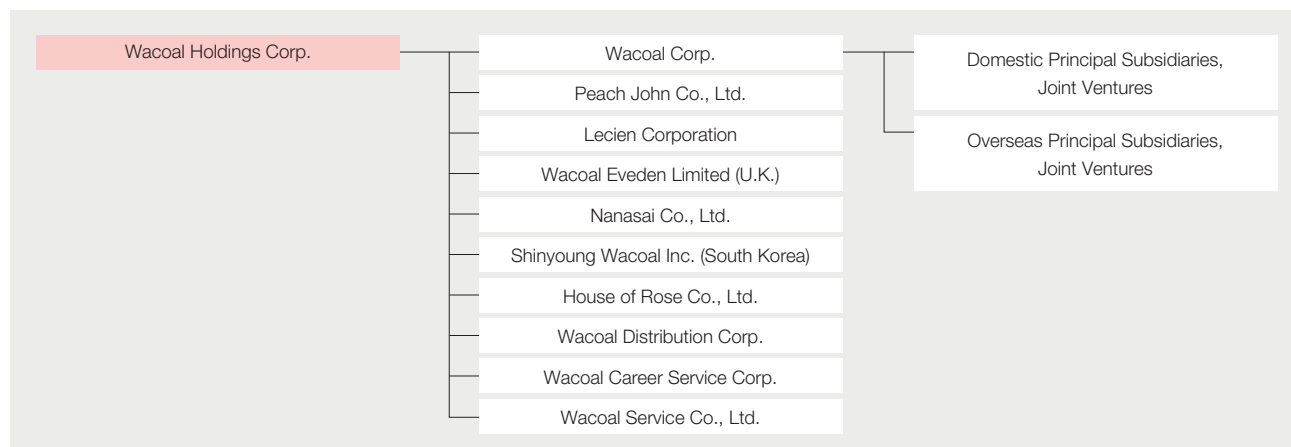
1,174 tons

(Down 26.0%<sup>\*2</sup>)

<sup>\*1</sup> Source: Nikkei Sangyo Shimbum

<sup>\*2</sup> Versus fiscal 2007, after the Kyoto Protocol came into effect.

## Wacoal Group Organization

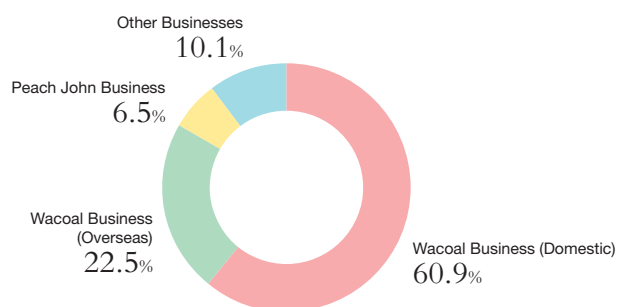




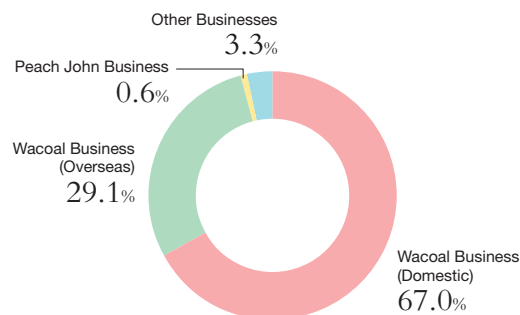
## SEGMENT INFORMATION

<b>Wacoal Business (Domestic)</b>	Mainly wholesale operations of Wacoal Corp. for department stores, general merchandising stores, and specialty stores
<b>Wacoal Business (Overseas)</b>	Mainly operations of Wacoal International (U.S.), Wacoal China, Wacoal Eveden Limited (U.K., became subsidiary in 2012)
<b>Peach John Business</b>	Operations of Peach John (became subsidiary in 2008)
<b>Other Businesses</b>	Mainly operations of Nanasai Co., Ltd. (became subsidiary in 1987), Lecien Corporation (became subsidiary in 2009)

Share of Sales by Business Segment\*



Share of Operating Income by Business Segment



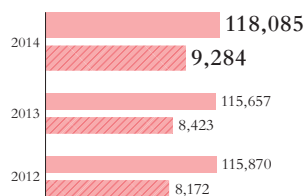
\* Percentage figures are calculated based on external customers sales

Net Sales to External Customers / Operating Profit

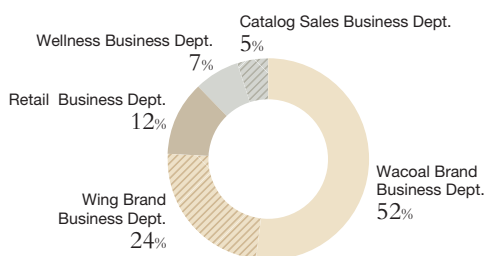
■ Net Sales ■ Operating Income

**Wacoal Business (Domestic)**

¥ million

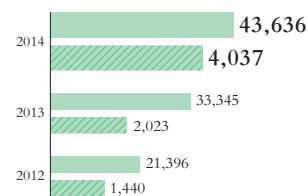


Share of Sales by Business (Wacoal Corp.)



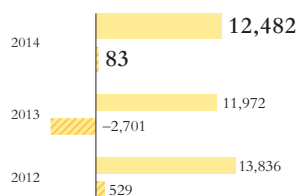
**Wacoal Business (Overseas)**

¥ million



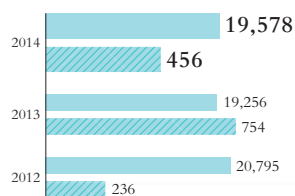
**Peach John Business**

¥ million



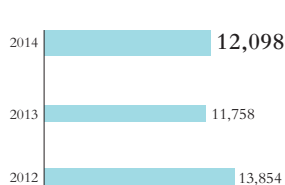
**Other Businesses**

¥ million



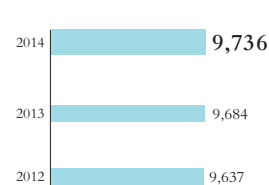
Sales of Lecien Corporation

¥ million



Sales of Nanasai Co., Ltd.

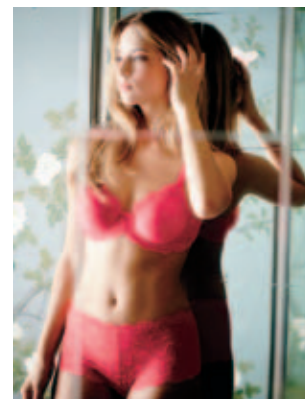
¥ million



## OUR OVERSEAS OPERATIONS

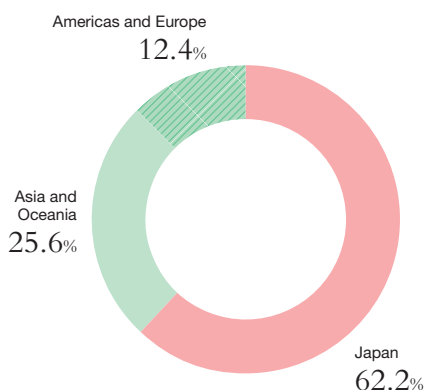
For the Year Ended March 31, 2014

The Wacoal Group markets products in 66 countries based on an approach that emphasizes understanding local conditions fully and having local employees lead business development. In 1970, we established joint ventures in South Korea, Thailand, and Taiwan. Today, the Group has 66 operating companies including overseas affiliates. In the United States, we boast a particularly strong presence in department stores. In Europe, we are developing new areas mainly through Wacoal Eveden Limited. As for Asia, we have established unshakable positions as a leading brand in markets in South Korea, Thailand, and Taiwan.



Wacoal America

Shares of Sales by Geographic Segment\*

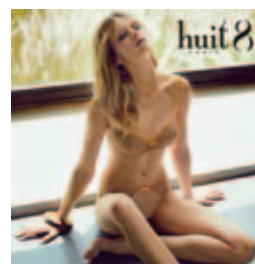


Consolidated Overseas Sales

¥ 44.1 billion

Overseas Affiliates Sales

¥ 46.8 billion

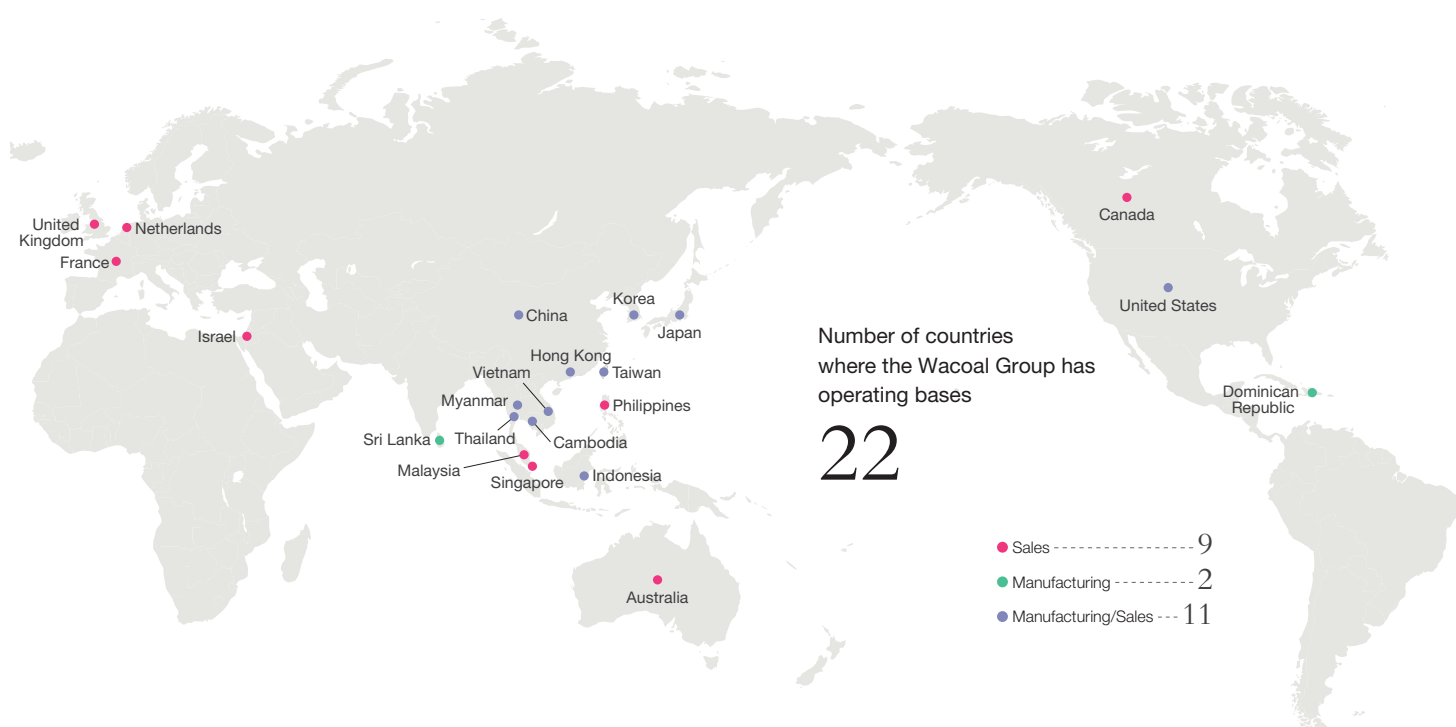


Wacoal (UK)



Wacoal China

\* Calculated based on net sales including net sales of overseas affiliates



## Net Sales by Region (consolidated)

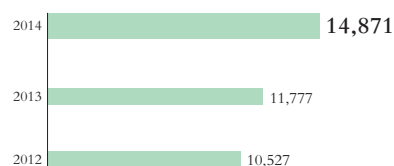
## Japan

¥ million



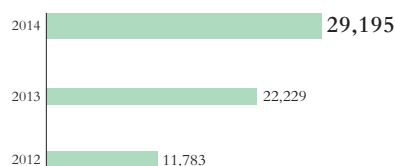
## Asia and Oceania

¥ million

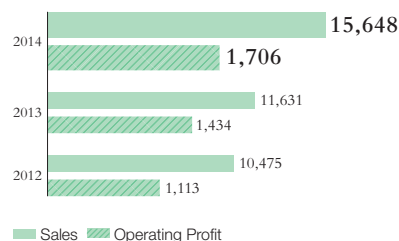


## Americas and Europe

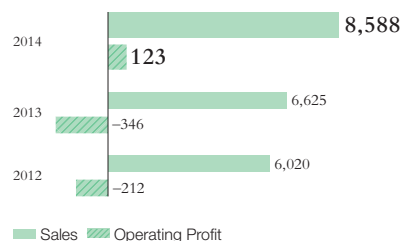
¥ million

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

¥ million

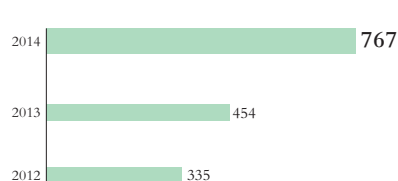
Sales / Operating Profit  
of Wacoal China

¥ million

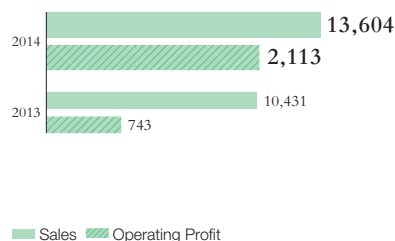


## Internet Sales in United States

¥ million

Sales / Operating Profit  
of Wacoal Eveden Limited

¥ million



## 1970

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

## 1977

Enters U.S. market

## 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.

## 2000

Establishment of Wacoal China Co., Ltd. (conversion to wholly owned subsidiary)

## 2002

Establishes Wacoal (UK) Limited

## 2003

Establishes Wacoal Malaysia Sdn. Bhd.

## 2003

Establishes Dalian Wacoal Co., Ltd.

## 2011

Establishes WACOAL CANADA INC.

## 2012

Establishes Eveden Group Limited



## SALES CHANNELS

To enable a wide range of customers to purchase products when and where they want to, we have developed an array of sales channels. These include face-to-face sales through department stores, general merchandising stores, specialty stores, directly managed stores as well as mail-order sales through catalogs and Internet stores. Having so many points of contact with customers is one of the Wacoal Group's strengths.



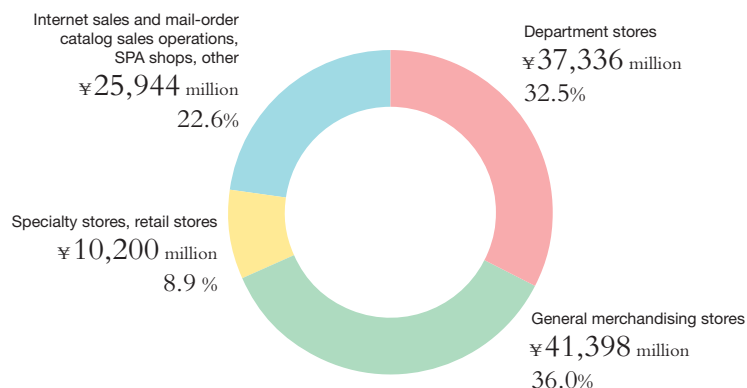
Number of sales areas worldwide

Approx. 22,300

### Net Sales Breakdown by Sales Channel

(Wacoal Corp.)

For the Year Ended March 31, 2014



### Net Sales by Sales Channel

(Wacoal Corp.)

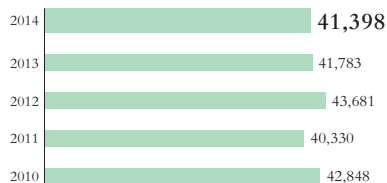
#### Department Stores

¥ million



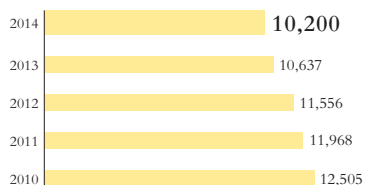
#### General Merchandising Stores

¥ million



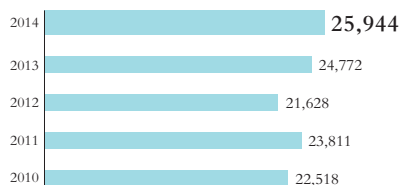
#### Specialty Stores, Retail Stores

¥ million



#### Internet Sales and Mail-Order Catalog Sales Operations, SPA Shops, Other

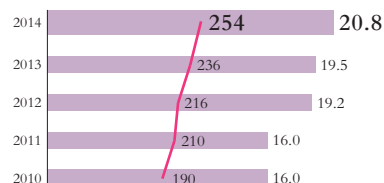
¥ million



### Number of Directly Managed Stores and Net Sales

(Wacoal Corp. and subsidiaries)

¥ billion



— Directly Managed Stores  
— Net Sales

# Creating Value through Mutual Trust

Based on the mutual trust that underpins all of its activities, the Wacoal Group exploits unique strengths to create value constantly. To give stakeholders an insight into such value creation, this section provides an explanation of our business processes and key statistics illustrating the differentiating features of each process.

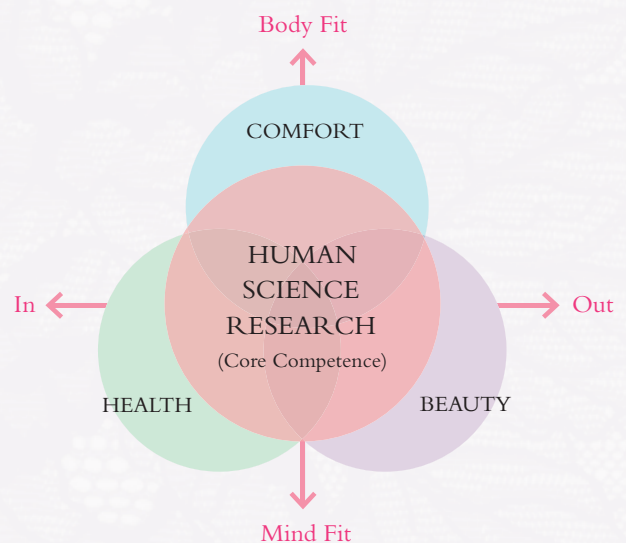


## OUR BUSINESS FIELDS

At Wacoal, we see the “body” as having both a physical and a mental/spiritual side, and our intimate apparel and wellness businesses, based on our core competences, offer three corresponding forms of value: beauty, comfort, and health. One of these core competences is the Human Science Research Center we have built up over many years. Looking at things from the Human Science perspective enables us to discover the new values our customers desire and transform them into products.

Having a clear sense of different people’s needs, turning those insights into products and services that offer new value, and delivering them to customers in the appropriate space—this is the process through which we have managed to create everything from new brands to new lifestyles.

The Different Business Fields of “Body Design”



## STRENGTHS IN BUSINESS PROCESSES

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.

### WACOAL GROUP'S BUSINESS PROCESSES

This chart shows the basic business processes through which the Wacoal Group creates unique value in Japan. In each business process, we enjoy unmatched strengths enabling us to *create products loved by customers and develop new products that meet the needs of the times*—fundamental facets of our values and business management strategy.

We combine these strengths to create products. Throughout our integrated series of business processes, we will continue giving first priority to women's values and individuality and taking on challenges to become a company loved by women worldwide.

#### Basic Value Creation Process of the Wacoal Business in Japan

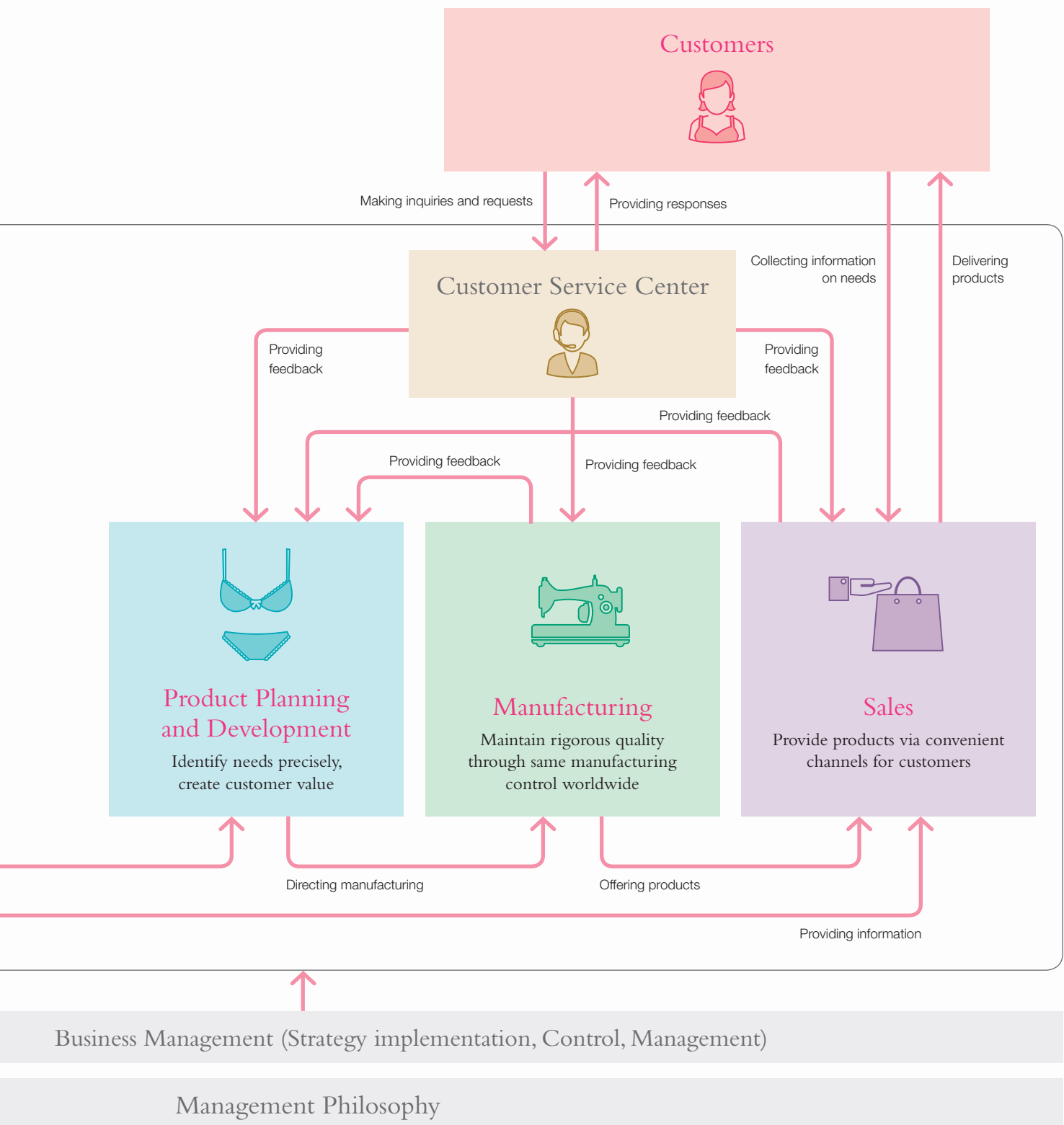


Providing research results

Providing long-term feedback

Personnel, Organization,





## R&D CAPABILITIES

### Unseen Assets Making the Difference



# Human Science Research

Since its establishment in 1964, Wacoal's Human Science Research Center has conducted a variety of basic research focused on women's physiques with a view to exploiting the results in manufacturing. Linking the human with the scientific, human science research is the wellspring of the Wacoal Group's unique value.



**Antenna meter:**  
measures the gap at the top of the bust as well as parts of the bust and bottom



**Shoulder angle meter:**  
measures the angles of the shoulders



**Depth meter:**  
an original Wacoal instrument that measures cleavage depth

# Approx. 1,000

Every year, Wacoal's Human Science Research Center measures the physiques of approximately 1,000 women and girls between the ages of 4 and 69.

# 40,000+

Over the past 50 years, we have accumulated measurement data on more than 40,000 women and girls. We not only take advantage of this data to develop an array of products but also publish it as research results shedding light on changes in women's physiques that accompany aging.

# 100+

We have been measuring over 100 women continuously for more than 30 years. The time-series data showing the changes in their physiques is a uniquely valuable asset. Further, the long period this research covers testifies to the strong relationships of mutual trust among the monitors.

# Approx. 550

This is the number of patents, utility models, and industrial designs we have developed and registered, or filed applications for, in Japan based on the work of the Human Science Research Center.

## CASE STUDY

Value Created from the Achievements of  
the Human Science Research Center

## CW-X Sports Conditioning Wear



A core brand that the Wellness Business of Wacoal Corp. markets, CW-X sports conditioning wear incorporates unique functionality based on the Human Science Research Center's ergonomics.

### Applying the Taping Principle

Our desire to incorporate into sportswear the same functionality that taping provides led to the creation of CW-X sports conditioning wear. We spent about three years developing a product that performed two functions: providing support through pressure that follows the flow of muscle movements and stabilizing the balance of muscles. Thanks to these efforts, in 1991 we launched CW-X sports conditioning wear, which was unlike anything that had gone before it.



### Combining Ergonomics and Innerwear Manufacturing

CW-X sports conditioning wear is based on expertise cultivated by Wacoal's Human Science Research Center. When developing these products, we rigorously researched the external movement and form of the physique as well as its internal muscular and skeletal dynamics. We also researched existing supporters and taping.

We successfully combined such expertise in ergonomics with long-standing design capabilities for innerwear manufacturing, including technologies that modulate the strength of product components to flatten the stomach or shape up the buttocks, sewing technologies that ensure products feel comfortable against the skin, and the development of elastic materials.

### Drawing on a Huge Amount of Research Data to Differentiate Products

Our technology that applies the taping principle to support muscles and which we use to manufacture CW-X sports conditioning wear is unique. This technology epitomizes the unmatched value we create by using the Human Science Research Center's huge amount of research data. The technology enables us to add functionality to sports tights that supports the knees and other joints as well as the muscles in a way no other sports tights can. In addition to mitigating the impact on the knee when the foot lands, this functionality lessens deviation of the physique's axis. Such differentiation explains why so many people continue to love CW-X sports conditioning wear.



1964

Establishes Product Research Department and begins investigation and analysis of women's physiques



1965

Publishes Golden Proportions as new standard of beauty for Japanese women

1979

Publishes Beautiful Proportions, establishing standards of beauty for each age group

1990

Introduces three-dimensional measuring equipment for contactless measuring of physique

1992

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



1995

Publishes Golden Canon as new standard of beauty

2000

Publishes SPIRAL Aging based on research on changes associated with aging through analysis of same group of individuals

2007

Launches Cross Walker, men's innerwear that enhances exercise value of everyday walking

2010

Publishes Aging of the Physique and the Laws of Beauty: Bust Edition, detailing research on physique changes associated with aging



## PRODUCTION TECHNOLOGY CAPABILITIES

### Realizing High-Quality Products



Approx. **45.4** Million

The Wacoal Group sells approximately 4.5 million brassieres worldwide every year. We produce most of them through high-quality manufacturing processes at our plants around the world.



More than **40** Parts

The brassieres we manufacture have more than 40 parts, which comprise approximately 25 different components and materials. Joining these parts together creates a brassiere.

Approx. **150**  
Tests and Checks

Stringent quality control is essential to deliver products customers love. We were the first company in Japan's apparel industry to acquire accreditation under ISO 9001, a group of international standards for quality management systems. Furthermore, we control cutting and sewing processes strictly based on original quality standards. Also, we conduct approximately 150 tests and checks of member parts, semi-manufactured products, and finished products based on their particular functions. Only brassieres passing a comprehensive and scrupulous final quality inspection are offered to customers as products. Our absolutely uncompromising approach to quality control plays a fundamental role in earning customer trust.



More than **80%**  
of Products Manufactured  
In-House

In the Wacoal Group, we manufacture more than 80% of the products marketed in Japan ourselves. Moreover, we manufacture almost 100% of brassieres in-house. Producing most of our offerings in-house maintains high-quality manufacturing—one of our strengths—and, like quality control, plays a fundamental role in earning customer trust.

## CASE STUDY

Realizing Wacoal Quality Worldwide

# Made by Wacoal

At plants in Japan and around the world, the Wacoal Group manufactures products that are loved for their safety and reliability.



### Ensuring High Quality through Unique Manufacturing

More than four decades have passed since the Wacoal Group made its first overseas forays in 1970. Today, we market products worldwide, manufacturing the majority of them at plants overseas. Irrespective of the country, we always focus on rigorously bringing products to market that are loved for their safety and reliability by adhering to unique manufacturing ideals. For this reason, our slogan is made by Wacoal.

### Operating 23 Wacoal Group Plants Worldwide

The Wacoal Group has 23 plants around the world. Seven are in Japan, with the remaining 16 overseas. At overseas plants, we apply exactly the same quality standards as in Japan. We rigorously use the same materials, execution, technology, and inspection in the manufacture of Wacoal products around the world. For example, our plants in China manufacture products using the same materials for the fabric, lace, and sewing thread as plants in Japan use. Uniformity efforts do not end there. As in Japan, rules stipulate procedures and handling methods when sewing products, the number of stitches, and even the position of sewing machines.



### Boasting Japan's Only Brassiere and Girdle Mother Plant

For overseas plants, we not only set rules and standards. We work particularly hard to pass on skills by sending personnel from Japan to overseas plants to give technical guidance and accepting trainees from overseas at core plants in Japan.

Japan's only brassiere and girdle mother plant, the Nagasaki Factory of Kyushu Wacoal Manufacturing Corp. has played a valuable role in supporting the Wacoal Group's overseas development by providing support to other plants. Every year, the plant welcomes trainees from overseas subsidiaries, who learn sewing skills and the principles of quality control. Another of the Nagasaki Factory's important contributions is the training of overseas plants' future managers.

For example, the plant has been accepting trainees from Dalian Wacoal Co., Ltd., in China since 2009. As well as technical instruction, trainees learn about the Japanese work ethic and our uncompromising approach to manufacturing and hone their skills during a three-year term. Increasing the speed and quality of Dalian Wacoal's operations benefits the whole Group. Ultimately, our goal is to hand down our high-quality manufacturing to the world. Personnel that have acquired outstanding skills support the Wacoal Group's production technology. Thus, initiatives to pass on such skills—cultivated since our foundation—and develop personnel are pivotal to the continued creation of products customers love and the establishment of a stronger global presence for the Wacoal Group. In other words, they are extremely important for value creation.



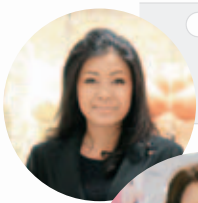
The Nagasaki Factory of Kyushu Wacoal Manufacturing Corp.

## CUSTOMER SERVICE CAPABILITIES

### Earning Trust at Points of Contact with Customers

# Beauty Advisors

Beauty advisors are Wacoal sales personnel who work in stores. They are important because they have direct contact with customers. 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.



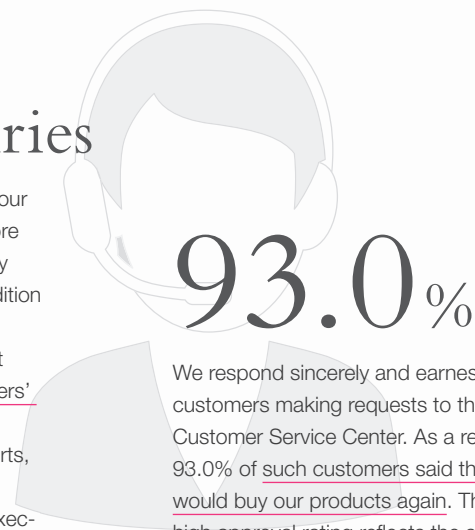
Worldwide, the Wacoal Group employees roughly more than 8,800 beauty advisors, of whom about 3,500 work at department stores and general merchandising stores in Japan. As they provide information and sell products through day-to-day consultative sales, our beauty advisors build mutual trust with customers.

# Approx. 48,000 Inquiries



Another point of contact with customers is our Customer Service Center. At the center, more than 30 personnel respond to approximately 48,000 inquiries and requests a year. In addition to providing explanations to customers, the center relays customer feedback to relevant departments so that we can reflect customers' opinions in products and services.

To advance such quality assurance efforts, we have established the Quality Assurance Inquiry Committee, which includes senior executives. As the highest authority in this area, the committee advances quality assurance efforts throughout the Group by coordinating responses to customer requests.



We respond sincerely and earnestly to customers making requests to the Customer Service Center. As a result, 93.0% of such customers said they would buy our products again. This high approval rating reflects the significant role the center plays in deepening bonds of mutual trust with customers.



## CASE STUDY

### Building Relationships of Trust by Creating Mutual Value

## Consultative Sales

Face-to-face sales in which customers consult with beauty advisors have become an integral part of the Wacoal way and provide unique value to customers and to the Wacoal Group.



### Combining Advanced Skills and Knowledge in Customer Service

We primarily market Wacoal products through the consultative sales of beauty advisors. Approximately more than 8,800 beauty advisors worldwide, including 3,500 beauty advisors in Japan, provide information and sell products by offering consultations at the sales areas of department stores and at our directly managed stores.

In Japan, our beauty advisors undergo rigorous training, which requires them to acquire measuring and fitting expertise, know the characteristics of product fabrics, coordinate products with apparel, and provide customer service that is sensitive to customer psychology. In addition, all beauty advisors have passed our in-house Wacoal Bodyfit Examination and the Nihon Body Fashion (NBF) Association standardized exam. As a result, beauty advisors are well qualified to provide customers with unique value.

### Remaining Committed to the Value of Face-to-Face Sales

Our distinctive face-to-face consultative sales are one of our greatest strengths. The Wacoal Group's deployment of beauty advisors in stores came about as the result of a method learned from the West. When our founder first visited the West on an inspection tour in 1956, sales personnel in department stores in Europe and the United States would only sell products after taking a customer's measurements. He saw value in this Western method. As a result, we incorporated it and continue to use it to this day.

Face-to-face sales not only give customers value through consultations, they also enable us to receive value from customers. In other words, customers provide us

with valuable direct feedback about their feelings and needs. In fact, the feedback beauty advisors receive from customers is a treasure trove for us. Accordingly, we are collecting such day-to-day customer feedback from beauty advisors even more dynamically and using it in operational decision making and product development. In this way, the consultative sales method we have remained committed to for many years generates value that is a major competitive advantage.

### Exploiting the Work of the Human Science Research Center in Consultative Sales

Recently, we have been giving customers advice that draws on the results of the Human Science Research Center's research on aging. 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. Consequently, beauty advisors continuously study the Human Science Research Center's research results so that they can refer to them when offering products. Aging-care solutions underpinned by such research results are evolving our relationships of trust with customers positively. Beauty advisors working diligently day-to-day in light of such specialized knowledge—as the experts in this area most familiar to customers—contribute to women's beauty and health.

Thus, the responsibility today's beauty advisors shoulder is greater than ever. Given that creating products customers love is one of our overriding management goals, beauty advisors are an invaluable asset because through direct dialogue they connect us customers.

## EMPATHETIC TO WOMEN

# Advancing Social Contributions That Reflect Our Unique Values

We have declared ourselves a company empathetic to women based on the philosophy that having empathy for women is part of our raison d'être. By using experience garnered from our mainstay business and the unique perspective it affords us, we want to advance social contribution activities to build mutual trust with women worldwide.

## Breastcare Activities

In 12 countries and regions worldwide, the Wacoal Group conducts breastcare activities, which include education, screening, and post-surgical support.

### Remamma Project

The name Remamma\* reflects our desire to help restore the attractive bodylines of women who have undergone breast removal surgery. "Re," means again, and "mamma" is derived from the worsened mammary. In 1974, we began the Remamma project with a view to giving back to women who have had breast cancer eat at their attractive bodylines and smiles. To ensure that women who have undergone breast surgery find Remamma products comfortable, we developed them in light of advice from medical professionals and rehabilitation specialists as well as our many years of research. The Remamma product lineup includes such innerwear as brassieres that reduce the burden placed on the body and enclose the bust gently to give a natural feeling fit, pads, and swimsuits. Recently, we have added to the product lineup items designed for women who have had breast-conserving surgery. Currently, we send our product catalogs to approximately 2,000 hospitals. Further, as well as providing consultations at six Remamma consulting rooms around Japan, we organize free consultation events nationwide that enable customers see, pick up, and try on Remamma products and speak with Remamma advisors. In fiscal 2014, more than 42,000 people visited these events.

\* Remamma is a registered trademark of the Wacoal Group.

### Pink Ribbon Activities

In September 2002, we began full-fledged participation in Pink Ribbon activities to educate as many people as possible about the importance of discovering, diagnosing, and treating breast cancer early. We conduct multifaceted activities in 12 countries and regions worldwide. In Japan, we have been holding the Pink Ribbon Fitting Campaign since 2007. For every brassiere customers try on at stores, we donate ¥10 to the Japan Cancer Society's Wipe Out Breast Cancer Smile Fund. Under this campaign, in fiscal 2014 customers tried on 497,738 brassieres, enabling us to donate ¥4,977,380 to the fund.

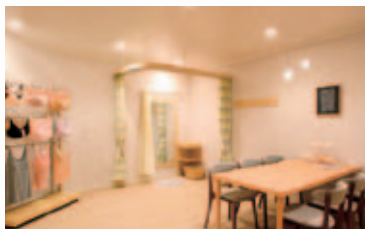
Also, Wacoal America, Inc., has been running its Fit for the Cure® campaign throughout the United States since 1999. For several days every spring and fall, we hold free fitting events in stores. At these events our fitting experts (sales personnel) provide customers with consultation about brassiere fitting and recommended styles. Every year, we hold roughly 1,200 such events and provide about 53,000 women with fittings and advice.

During Fit for the Cure® campaign periods, for every brassiere that store visitors try on, we donate US\$2 to Susan G. Komen.\* And for every brassiere or Shapewear product they purchase, we donate a further US\$2 to the foundation.

\* Susan G. Komen is a foundation established in 1982 by Nancy G. Brinker, daughter of Susan G. Komen, who died of breast cancer aged 36 in 1980. In addition to heightening awareness about the importance of early discovery, the foundation organizes large-scale initiatives to raise funds for research aimed at advancing medical treatment.



Remamma products



Remamma consulting room

#### Breastcare Activities around the World

Remamma project:	8 countries
Pink Ribbon activities:	12 countries
Mobile breast cancer screening units:	3 countries



The Wacoal Group's  
Pink Ribbon badge

### Breast Cancer Screening Support Project

In October 2009, we began the Breast Cancer Screening Support Project to encourage as many women as possible to receive breast cancer screening. In Japan, the percentage of women undergoing screening for breast cancer remains low, at only slightly more than 20%. Aiming to help address this problem in whatever small way we can, we purchased the Aio mobile breast cancer screening unit, which has digital mammography screening equipment and other leading-edge devices. We lend the unit to medical institutions that conduct breast cancer screening. Furthermore, in Taiwan and Thailand our mobile breast cancer screening units provide screening. By strengthening collaboration with medical institutions in various regions, we aim to establish systems that give women reliable access to screening.

### Cooperation with Local Pink Ribbon Activities in Kyoto

Aiming to promote early screening for and discovery and treatment for breast cancer in their local community, hospitals' doctors and nurses, non-profit organizations, local companies,

students, Kyoto's municipal and prefectural authorities, and a range of media outlets united to launch Pink Ribbon Kyoto, the city in which the Wacoal Group is headquartered. We have been supporting these activities since 2005.

Through Kyoto's media outlets, we issue educational messages to encourage more people to have screening and discover breast cancer early. As part of activities, the pink illumination of Kyoto Tower in October to publicize Pink Ribbon activities has become a fixture of the local calendar. It has come to symbolize local Pink Ribbon activities and, during this month, reminds visitors that breast cancer screening is important.

Taking advantage of Kyoto's many famous sights, Pink Ribbon Kyoto has held the Stamp Rally Walk since 2012. Participants walk around temples and stores of the city's Higashiyama area. As they tour Kyoto's famous places, they respond to a Pink Ribbon quiz aimed at making them more familiar with breast cancer. The Wacoal Group will continue working with the local community to increase the percentage of women receiving breast cancer screening.



The Wacoal Group's Aio mobile breast cancer screening unit



The Pink Ribbon Kyoto Stamp Rally and Walk



The pink illumination of Kyoto Tower

## 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 and other companies use as a heat source. To date, Taiwan and Hong Kong have been taking part in this campaign.

In fiscal 2014, we collected 68,126 brassiere collection bags (or approximately 258,500 brassieres calculating based on the weight processed and the assumption that one brassiere weighs 100g), which were processed into approximately 25.85 tons of RPF, up 15% from the previous fiscal year.



Brassiere recycling



## 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. The classes aim to enable participants to learn about innerwear and 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 2014, more than 66,664 people have participated in the classes since they began in October 2001.

In addition, we provide textbooks and lend innerwear samples to schools that our instructors are unable to visit. In April 2014, we produced an educational DVD "Talking about Our Bodies and Innerwear" and an accompanying textbook, both of which we have been distributing free to the school nurses of elementary schools and junior high schools and other professionals responsible for health guidance. We created the educational DVD in response to requests for simpler teaching materials that children would be able to understand more readily. Therefore, we prepared a

DVD designed to inform children about innerwear and the physical changes accompanying adolescence.

Tsubomi School helps girls to be healthy during adolescence, which is an important period of their lives, and to develop into beautiful, healthy women.

Also, in response to recent years' growing demand for seminars for adults, we have been holding Aging Seminars that explain how the physique ages, Seminars for Those in the Third Year of Junior High School through to University Students, and Maternity Seminars. In fiscal 2014, we hosted 54 seminars, in which 2,099 people participated.

Going forward, the Wacoal Group is committed to continuing to provide women in all generations and girls with education about the physique and innerwear.



Tsubomi School.

The Tsubomi School logo



Educational DVD

## Good Age Business

While some require nursing care, most senior citizens are active individuals leading independent lives, although they may feel their bodies weakening as they age. Such individuals have more opportunities to go out, but some complain about the lack of apparel suited to their body shape and the difficulty of buying apparel in the styles they prefer nearby.

Aiming to mitigate the wardrobe-related frustration of such senior women and cater to their desire to always be beautiful, Wacoal started up the Good Age business in 2002. Emphasizing ergonomic design, this business has developed products with differentiated functionality and comfort. For example, under the Rakuraku Partner brand, the business has designed products that are easy to put on and take off. Also, based on the Human Science Research Center's body shape data, we have analyzed the body shapes of women aged 60 or older and established propriety "comfort size" standards that differ from the normal Japanese Industrial Standard (JIS) sizes. These initiatives have enabled us to roll out a lineup of

products that provide overall support for everyday life.

Designed to fit the body shapes of senior women and ensure their comfort, this product range includes everything from innerwear and nightwear through to outerwear.

In preparation for an increasingly aged society, the Good Age business will advance product planning and development. To increase awareness of these products among active senior women, we will further define and heighten the profile of the seniors market, which currently tends to lack differentiation from markets for nursing care and rehabilitation products. The Wacoal Group intends to strengthen this business and develop a brand that improves the quality of life of senior citizens.



The Rakuraku Partner logo



Magic Tape,\* which makes innerwear easy to put on and take off

Rakuraku Partner products

\* Magic Tape is a registered trademark of Kuraray Co., Ltd.





# BUSINESS STRATEGY

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# ELEVEN-YEAR FINANCIAL SUMMARY

Wacoal Holdings Corp. and Subsidiaries

Years ended March 31	2014	2013	2012
For the year			
Net sales	¥193,781	¥180,230	¥171,897
Cost of sales	91,008	84,548	81,891
% of net sales	47.0%	46.9%	47.6%
Selling, general and administrative expenses	88,913	84,331	79,629
% of net sales	45.9%	46.8%	46.3%
Government subsidy			
Special retirement related expenses			
Operating income	13,860	8,499	10,377
Other income and expenses, net	313	(152)	(189)
Net interest income (expense)	(8)	(79)	19
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	15,033	10,940	10,207
Income taxes	5,641	3,772	4,199
Net income attributable to Wacoal Holdings Corp.	10,106	7,880	6,913
Return on assets (ROA)	5.6%	3.9%	3.1%
Return on equity (ROE)	5.2%	4.4%	4.1%
Net cash provided by operating activities	8,949	12,309	10,060
Net cash (used in) provided by investing activities	1,658	(23,520)	(3,467)
Net cash (used in) provided by financing activities	(5,554)	5,379	(2,824)
Depreciation and amortization	5,036	4,888	4,660
Capital expenditures	2,265	2,475	2,708
Per share of common stock (in yen)			
Net income attributable to Wacoal Holdings Corp. (Basic)	¥71.75	¥55.95	¥49.08
Cash dividends	33.00	28.00	28.00
Shareholders' equity	1,456	1,325	1,218
At year-end			
Total current assets	¥109,488	¥103,587	¥ 97,295
Total current liabilities	46,608	50,504	35,607
Cash and cash equivalents	30,658	24,514	29,985
Net property, plant and equipment	48,978	49,665	49,078
Total assets	271,988	254,536	221,098
Short-term bank loans and long-term debt, including current portion	18,147	18,765	6,482
Total shareholders' equity	205,106	186,646	171,496

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

2011	2010	2009	2008	2007	2006	2005	2004
¥165,548	¥163,548	¥170,960	¥165,201	¥166,410	¥164,122	¥160,968	¥163,155
81,659	80,101	83,879	82,943	84,658	84,322	84,041	84,638
49.3%	49.0%	49.1%	50.2%	50.9%	51.4%	52.2%	51.9%
77,716	78,524	77,248	68,921	68,856	70,946	72,261	75,501
46.9%	48.0%	45.2%	41.7%	41.4%	43.2%	44.9%	46.3%
						(7,100)	
					7,521		
4,401	3,829	9,833	13,337	12,896	1,333	11,766	3,016
(523)	(717)	(2,699)	592	861	1,976	206	1,404
49	43	195	224	163	157	107	112
3,927	3,155	7,329	14,153	13,920	3,466	12,079	4,532
2,010	1,655	3,083	5,774	6,502	1,459	5,800	2,520
2,785	2,475	5,062	4,845	9,029	2,821	6,790	2,902
1.3%	1.1%	2.2%	2.0%	3.7%	1.2%	3.0%	1.3%
1.6%	1.5%	2.9%	2.6%	4.8%	1.6%	3.9%	1.8%
10,441	9,463	8,202	14,249	9,339	719	2,045	5,201
(703)	(3,573)	(4,759)	3,709	(1,185)	(2,069)	(5,528)	1,328
(4,965)	(5,363)	(7,448)	(9,400)	(8,404)	(3,428)	296	(6,138)
4,685	4,765	4,544	3,892	3,735	3,433	3,312	3,081
2,652	3,981	2,370	1,110	2,536	6,456	5,418	2,338
¥19.73	¥17.51	¥35.57	¥34.29	¥63.18	¥19.60	¥47.17	¥19.85
20.00	20.00	25.00	25.00	22.00	20.00	20.00	15.00
1,189	1,217	1,187	1,285	1,375	1,296	1,221	1,186
¥ 90,410	¥ 89,455	¥ 90,778	¥ 97,671	¥ 92,915	¥110,773	¥120,300	¥123,045
33,880	34,945	31,762	35,802	34,868	35,525	34,970	33,899
26,316	22,328	21,954	27,069	19,816	19,893	24,195	27,443
49,734	51,804	49,165	51,185	52,782	53,501	51,826	49,932
215,276	222,889	213,827	240,053	250,266	242,296	226,196	224,803
6,436	8,162	5,302	5,701	5,984	6,458	6,911	4,450
167,480	171,860	166,767	184,128	193,278	186,475	175,746	170,758

# THE FISCAL 2014–2016 MEDIUM-TERM MANAGEMENT PLAN

Launched in April 2013, our current three-year medium-term management plan calls on us to 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.

## 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	<ul style="list-style-type: none"> <li>• Secure and develop points of contact with customers</li> <li>• Hone products' strengths</li> <li>• Have Wacoal, Peach John, and Lecien grow sales in their target markets</li> </ul>
Increase sales and earnings overseas	<ul style="list-style-type: none"> <li>• Strengthen organization in Europe centered on Wacoal Eveden, build robust earnings foundations</li> <li>• Recover market share in Americas' high-end segment, maintain high earnings by development of new sales channels</li> <li>• Shift emphasis in China from increasing sales to earnings, penetrate middle-class customer group</li> </ul>
Rebuild Group's manufacturing system	<ul style="list-style-type: none"> <li>• Redeploy Group's manufacturing resources in Japan and overseas</li> <li>• Shift manufacturing capabilities from China to ASEAN</li> <li>• Develop raw material supply sources and localize purchasing centered on ASEAN</li> </ul>
Develop presence in growth areas outside Japan's women's innerwear business	<ul style="list-style-type: none"> <li>• Develop positions for Wellness Business and men's innerwear business with view to medium-to-long-term growth</li> </ul>
Develop the Wacoal Group's overall business management foundations and infrastructure	Enhance each person's productivity

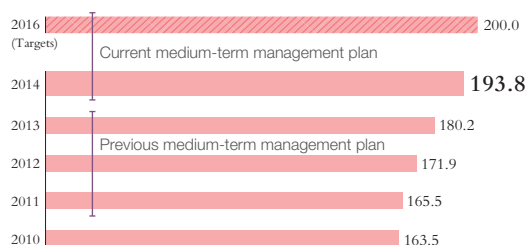


## NUMERICAL TARGETS AND PROGRESS

Fiscal 2016 targets	Net Sales: At least ¥ <b>200.0</b> billion	Operating Income: At least ¥ <b>14.0</b> billion	Operating Income Margin: At least <b>7%</b>
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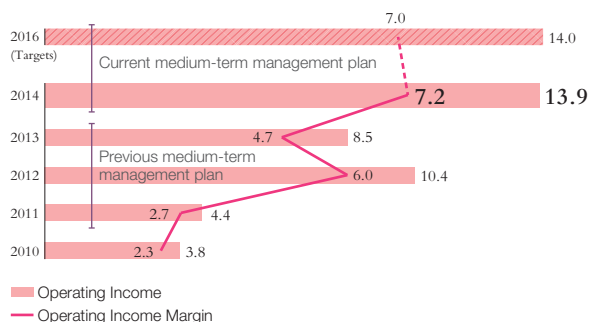
### Net Sales

¥ billion



### Operating Income / Operating Income Margin

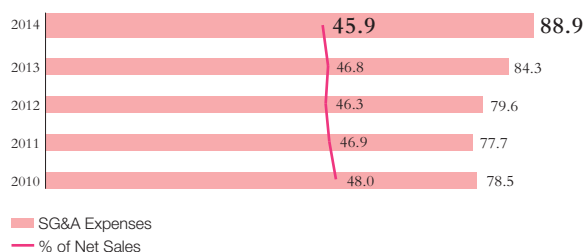
¥ billion / %



## OTHER IMPORTANT BENCHMARKS

### SG&A Expenses / % of Net Sales

¥ billion / %



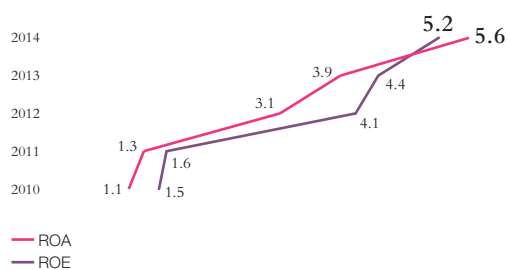
### Net Income Attributable to Wacoal Holdings Corp / Per Share of Net Income Attributable to Wacoal Holdings Corp.

¥ billion / %



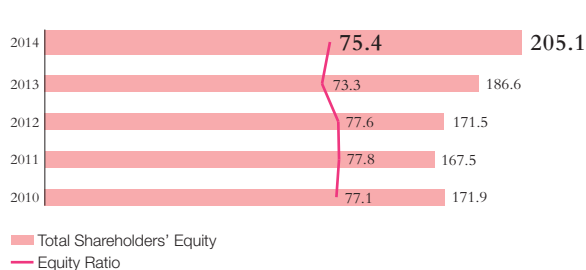
### ROA / ROE

%



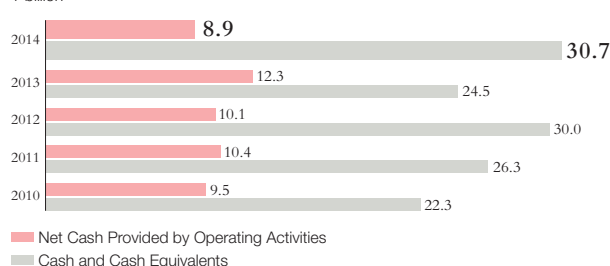
### Total Shareholders' Equity / Equity Ratio

¥ billion / %



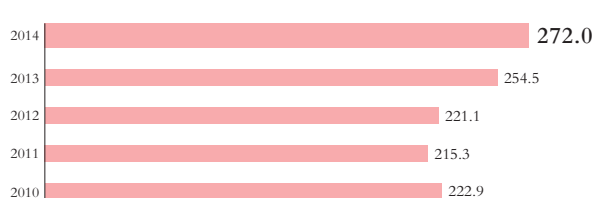
### Net Cash Provided by Operating Activities / Cash and Cash Equivalents

¥ billion



### Total Assets

¥ billion



## STRATEGIES AND INITIATIVES IN THE SECOND YEAR OF THE MEDIUM-TERM MANAGEMENT PLAN

In the medium-term management plan's second year, ending March 2015, our basic strategy is to increase the operating margin. To this end, we intend to rationalize and increase the efficiency of business management to reflect changing business conditions and strengthen profitability. Furthermore, we will continue expanding businesses in markets in Japan and overseas. Our initiatives in fiscal 2015 are as shown below.

### WACOAL BUSINESS (DOMESTIC)

Priority measures	Measures
Claim market share in Japan's regions	<ul style="list-style-type: none"> <li>• Switch to new sales system in innerwear wholesale division to cater to regions</li> <li>• Opened low-cost-management stores as strategy for regions and unexploited regions</li> </ul> <p>We reorganized so that the same division manages all sales channels within certain regions. Also, focusing on regions that have become unexploited due to the withdrawal of existing retail stores, we will steadily open directly managed stores with low-cost operations that are able to simultaneously realize profitability and extensive product lineups at shopping centers with wide catchment areas, which is a strategy we have been exploring since the previous fiscal year.</p>
Strengthen entry-level and senior customer groups	<ul style="list-style-type: none"> <li>• Implemented initiatives to heighten awareness of products among entry-level groups</li> <li>• Took sales channel measures focused on purchasing behavior of working women</li> </ul> <p>Through an initiative with major department stores, we rolled out Tuyaka, a product targeting senior customers. For the entry-level customer group, we heightened awareness through parent-child seminars. Meanwhile, we implemented sales channel measures reflecting the purchasing behavior of working mothers, who comprise the majority of actual purchasers. By increasing purchasing convenience, we will encourage sales.</p>
Expand lineups for high-volume market	<ul style="list-style-type: none"> <li>• Continued expanding lineups for high-volume market in sales channels</li> <li>• Reinforced lineups for higher-end market at same time</li> </ul> <p>While increasing sales of fufu, which we developed jointly with a major general merchandising store, we will continue strengthening the product lineups of directly managed stores. Further, in conjunction with these efforts we will reinforce product lineups for the higher-end market. As part of this initiative, in 2013 we launched IN CARAT, which is our first new brand exclusively for department stores in ten years.</p>
Restructure manufacturing area	<ul style="list-style-type: none"> <li>• Continued improvements</li> <li>• Reformed purchasing foundations in ASEAN</li> </ul> <p>In particular, we are continuing to reduce costs by increasing production in the ASEAN region and advancing local purchasing of raw materials. Primarily in this region, we plan to concentrate efforts on fostering material suppliers and securing manufacturing infrastructure to establish purchasing foundations with superior quality, costs, and delivery lead times.</p>

## WACOAL BUSINESS (OVERSEAS)

### U.S. Business

- Heighten product developmental capabilities, increase market share in high-end segments
- Make b.tempt'd business profitable through cost reduction
- Reduce total inventory, including through use of outlet stores

### Europe Business

- Rebuild product strategies and sales channels centered on Wacoal Eveden
- Heighten awareness of Wacoal brand in Europe and increase sales
- Establish business organization in Europe

### China Business

- Use Chinese Human Science Research Center to develop locally designed products
- Reduce costs by purchasing materials locally
- Foster LA ROSABELLE and grow Internet sales

## PEACH JOHN BUSINESS

- Increase new customers, encourage repeat store visits
- Develop infrastructure for receiving orders via Internet, including smartphones, rebuild customer base
- Secure gross profit by revising sales prices and reducing purchasing and inspection costs

## OTHER BUSINESSES

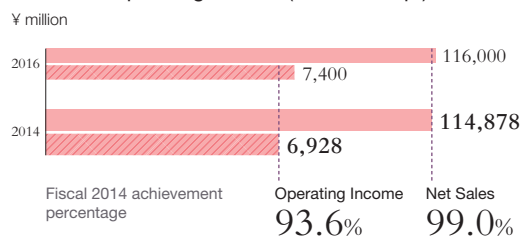
### Lecien

- Merchandising that can lead pricing measures and challenge brands
- Secure personnel and increase their professional capabilities with a view to realizing full-fledged operations at plant in Cambodia rapidly as part of efforts to develop manufacturing infrastructure in response to changing external conditions

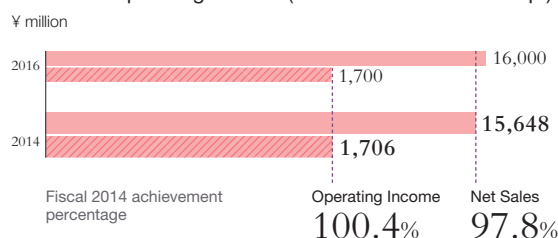
### Nanasai

- Maintain and expand rental business by offering new sales areas and fixtures
- Improve profit margins of sales and interior construction businesses

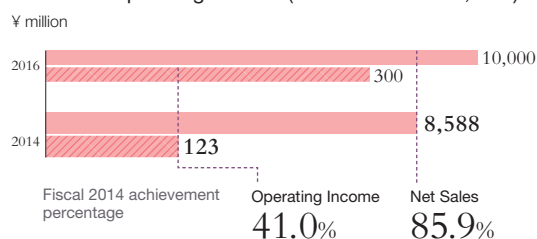
### Net Sales/Operating Income (Wacoal Corp.)



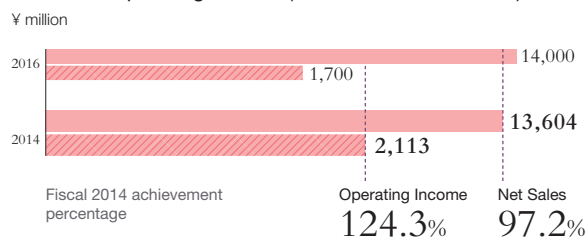
### Net Sales/Operating Income (Wacoal International Corp.)



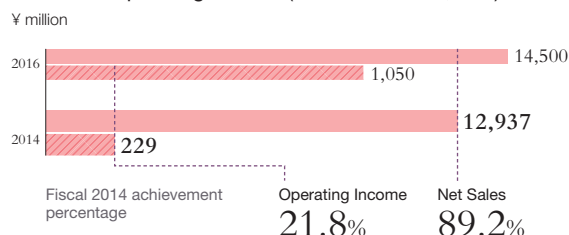
### Net Sales/Operating Income (Wacoal China Co., Ltd.)



### Net Sales/Operating Income (Wacoal Eveden Limited)



### Net Sales/Operating Income (Peach John Co., Ltd.)



## MESSAGE FROM TOP MANAGEMENT



The Wacoal Group aims to establish a stronger global presence for the Wacoal Group by continuing to create unique value that is based on mutual trust and in accordance with its mission to “contribute to society by helping women to express their beauty.”

Yoshikata Tsukamoto

President and Representative Director  
Wacoal Holdings Corp.

### A Stronger Global Presence for the Wacoal Group

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

### Business Results Evaluation: Favorable Start in the First Year of the Medium-Term Management Plan

In fiscal 2014, ended March 31, 2014, the first fiscal year of our current medium-term management plan, we grew net sales 7.5% year on year, to ¥193.781 billion. In other words, we achieved 96.9% of the plan's ¥200 billion or higher target for fiscal 2016. In Japan, special contributory factors included rush demand before a consumption tax increase, while exchange rates had a positive effect overseas. Even allowing for such factors, on a local currency basis our businesses performed well, particularly in the United States. Another factor increasing revenues was the full-year contribution to business results of Wacoal Eveden Limited, which joined the Group in 2012.



As for earnings, operating income was up 63.1% year on year, to ¥13.860 billion, achieving 99.0% of our ¥14 billion or higher target for the plan's final fiscal year. As well as overseas businesses' higher earnings, the absence of the impairment loss recognized for Peach John Co., Ltd., in the previous fiscal year led to a significant year-on-year rise in earnings. Net income grew 28.2% year on year, to ¥10.106 billion.

Although these business results partly reflected one-time factors, our businesses generally performed strongly and enabled us to get off to favorable start in the plan's first fiscal year.

### Returns to Shareholders: Aiming for Stable Dividends to Earn Shareholders' Trust

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Our basic policy is to return profit to shareholders stably, in light of consolidated business results. I think increasing dividends steadily—without being significantly affected by short-term business results—will benefit new and long-standing shareholders alike. Looking back over the past decade, while there have been fluctuations, dividends have risen steadily, and the average payout ratio has been high.

For the fiscal year under review, we had planned to pay cash dividends of ¥28.00 per share. However, in light of business results in the fiscal year under review, we decided to pay cash dividends of ¥30.00 per share. Moreover, to mark the 50th anniversary of listing in September 2014 and thank shareholders for their continuing support, we paid a commemorative cash dividend of ¥3.00 per share, bringing total cash dividends for the fiscal year under review to ¥33.00 per share. As a result, the payout ratio was 46.0%.

Further, we will continue increasing enterprise value by using internal reserves to heighten product

appeal, develop manufacturing and sales systems, and invest in growth areas. For the time being, we are not contemplating any major M&A investments. Our priority at this juncture is to lay the foundations of growth for Wacoal Eveden, a recent acquisition.

### Management Philosophy: Founding Spirit Supports Wacoal's Raison D'être

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We are working to remind all Wacoal Group personnel of our founding spirit and management philosophy. Recently, we have been establishing and acquiring operating bases around the world. For these bases to collaborate and realize synergies, the sharing of common values by all personnel is important. In this sense, promoting understanding of the Wacoal Group's core management philosophy will establish foundations for strengthening the Group's solidarity and competitiveness. While we will make changes to adapt to current needs, we must continue adhering to and pass on our management philosophy no matter how business conditions change. Therefore, I view reaffirming our founding spirit and inculcating it throughout the Group as my duty.

For many years, the Wacoal Group's mission has been to "contribute to society by helping women to express their beauty." An unwavering commitment to this mission is at the core of all our business activities. Aiming to realize our mission, we have steadily built relationships of mutual trust with customers, business partners, society at large, and our employees. We feel proud to have helped women live confidently and successfully. Put another way, our business would not exist if women themselves did not want to become beautiful and play a part in society. Empathy with women has become the Wacoal Group's raison d'être.

### Quality First:

## The Value of the Wacoal Brand Underpins Quality

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As a manufacturer, the Wacoal Group has pursued quality unrelentingly. As with the management philosophy, quality is a fundamental component of the Group's identity. The trust customers place in us relies on the high quality of our products. We have been sincerely developing innerwear for more than 60 years. During this time, we have fostered many employees who have extensive experience and outstanding skills. Such personnel pass on these skills to the next generation, thereby continuing the Group's tradition of uncompromising quality. Furthermore, to accumulate expertise we are currently creating a database that stores in a tangible format skills that are part of our valuable legacy.

On the other hand, it is important that manufacturers do not impose quality on customers. No matter how good the quality, if an over emphasis on quality is passed on to product prices, we are not benefiting customers. Demand and preferences in relation to product quality and functionality vary among countries and regions. Therefore, our basic strategy is to provide products with quality optimized to reflect the circumstances of each country and region while keeping in mind the need to achieve a balance between quality and price or cost. We intend to concentrate on manufacturing that gives first priority to quality so that we continue earning the endorsement of women the world over.

### Market Position:

## The Wacoal Group's Unshakable Competitive Superiority

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Going forward, the Wacoal Group is likely to face increasingly tough competition. For example, in Japan companies may challenge us in the product categories or pricing zones in which we have

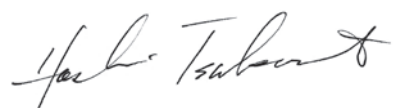
established a strong presence. However, I am very confident we would prevail in such an eventuality because of the product appeal and brand power we have garnered over many years. In other words, products that customers truly love and trust cannot be made overnight.

A good example of this is the Human Science Research Center, which another section of this integrated report explains in more detail. Over a period of almost 50 years, the center has collected and analyzed data on the physiques of more than 40,000 women. We use the results of this research in all business processes: product development, marketing, production, and sales. For this reason, Wacoal products are packed with value only we can create. The Wacoal Group's competitive superiority lies in quality that is felt and which is beyond words, such as wearing comfort and fit.

The strength of the Wacoal Group is the unflagging, honest effort it devotes to all business processes. I am convinced that by avoiding complacency and continuing to provide customers with even better products and even more comfort, we will grow steadily and establish a stronger global presence for the Wacoal Group. Therefore, I can say with certainty that regardless of how business conditions change the surviving innerwear manufacturer will be the Wacoal Group.

Based on the spirit of mutual trust, the Wacoal Group will sustain growth by continuing to create value while maintaining and developing its unique strengths. In this endeavor, I would like to ask our shareholders and other investors for their continued support and understanding.

August 2014



Yoshikata Tsukamoto  
President and Representative Director

# BUSINESS FOUNDATION

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## INTERVIEW WITH AN OUTSIDE DIRECTOR

The Wacoal Group always devotes considerable effort to analyzing trends and remaining in the vanguard of the latest developments.

### Mamoru Ozaki

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



To earn the endorsement of all its stakeholders, the Wacoal Group should continue ensuring corporate governance functions appropriately. In this respect, outside directors play an important role by providing impartial advice based on expertise that helps the Board of Directors' decision making.

For this integrated report, we interviewed Mamoru Ozaki, who has served as an outside director of Wacoal Holdings since 2005.

Q

As an outside director of Wacoal Holdings, what is your role?

A

Corporate governance has various facets. Among these, appointing an outside director in itself contributes to corporate governance. Outside directors act as a mechanism of corporate governance. I view myself as a “mechanism” that provides an important checking function for business management. To fulfil this role, ensuring that one reflects external viewpoints, particularly those of shareholders, rather than only the Group's viewpoint is critical. Therefore, I perform my duties with an awareness that my *raison d'être* as an outside director is to contribute to the Wacoal Group's development while keeping in mind the viewpoints of shareholders and other external stakeholders.

Furthermore, when giving advice about business management I emphasize how external stakeholders view issues.

However, I think focusing on external viewpoints without a sufficient grasp of the concrete details of the Wacoal Group's businesses is meaningless. Accordingly, I try to further my understanding as far as possible before providing impartial advice. To this end, I ask the persons concerned numerous questions and, if necessary, attend related briefings.

From an overall perspective, the Wacoal Group has well-developed corporate governance systems. All that remains is to inculcate an awareness in each employee of why the Group has established these systems and to realize concrete benefits by operating them.

**Q** More than 60 years have passed since the Wacoal Group's foundation, do you feel employees understand the management philosophy and vision sufficiently?

**A** I think one area that calls for some caution is the phrase "mutual trust" in the Wacoal Group's vision. A relationship of mutual trust with employees is essential to unite the Group. For the Wacoal Group, however, customers are paramount. This importance is reflected in the Group's mission to "contribute to society by helping women to express their beauty." The trust garnered when customers use Wacoal products with satisfaction is of greater importance I think. Even if it is one-sided, trust from customers is valuable to the Wacoal Group. Similarly, as the Group steps up the global expansion of its business, winning the trust of local customers should be its first priority. Underpinning such efforts are relationships of mutual trust with employees, suppliers, and local business partners. In my view, the Wacoal Group should continue communicating to employees the significance of mutual trust in a broad sense.

The experiences of the previous president as he laid the foundations of the Wacoal Group after the Second World War led to the phrase mutual trust becoming significant to the Group. Communicating to employees the intent of those days, more than half a century ago, is very necessary. However, I feel there are aspects of the concept that are difficult for people who have been brought up with modern values and sensibilities to relate to. Therefore, it is important to deepen employees' understanding of the phrase mutual trust by giving them concrete examples of the ways in which the Wacoal Group has actually developed its businesses.

**Q** What do you think is needed with respect to overseas development aimed at establishing a stronger global presence for the Wacoal Group?

**A** Monitoring and increasing sensitivity to international trends and fashions is critical. I think the senior management team is well aware of this. As Japan's population shrinks, domestic consumption will of course decrease, and

inevitably the number of customers purchasing the Wacoal Group's products will decline. Faced with an aging society and a falling population, deciding which type of products to develop and market is a key problem. To compensate for these domestic conditions, expanding overseas businesses is essential. Ultimately, overseas businesses must become the Group's earnings mainstay.

Recently, Wacoal Eveden Limited joined the Group through an M&A. I think that this type of quality M&A is the correct option with regard to expanding overseas businesses. Further, the Group's business in the United States is performing well. And, the business in China—in the red for many years—moved into the black in the fiscal year under review. This is an impressive achievement. The Group's patience and steady efforts are finally bearing fruit. Furthermore, the Wacoal Group's business in China promises to continue generating earnings. Although China's economy is growing less vigorously and is unlikely to see dramatic growth, it will continue to play a central role in the global economy. Thus, the Group should develop overseas businesses steadily while maintaining a long-term perspective.



**Q** How do you think the Wacoal Group should utilize personnel in respective regions?

**A** From the perspective of establishing a stronger global presence for the Wacoal Group, the most important thing is to continue providing user-friendly products loved by customers the world over. In each region, the type of clothes people wear differ. Therefore, the Wacoal Group has to quickly create designs that appeal to local preferences and tastes. This type of sensitivity is crucial if the Wacoal Group is to develop globally. One conclusion we can draw from this is that the Group needs to employ local personnel. Moreover, the Wacoal Group should promote local personnel to management positions and adopt a stance of developing business



management that suits each region's climate, customs, and society. There are always issues only local people understand. Based on a commitment to building mutual trust with regions, the Wacoal Group should take such requirements into account as it advances initiatives overseas. For many years, the Group struggled in North America and China. However, steady efforts bore fruit, and businesses in both areas are now profitable. I believe these were praiseworthy achievements.

From an external viewpoint, faster business development may be desirable, but earning trust and bedding down brands in each region takes time. In my view, the Wacoal Group has been able to grow steadily because it has laid foundations of mutual trust with the employees, communities, and customers of each region.

**Q** As the overseas development of the Group gathers speed, what matters should it exercise care over from an international perspective?

**A** Not only the Wacoal Group but any entity developing globally needs to comply with each country's laws and regulations. As well as responding to differences in relation to Japan, which is an obvious requirement, the Group has to consider differences among countries as well as deal with conflicts among international values. The Wacoal Group has its own Code of Ethics and Code of Conduct and manages its overseas businesses appropriately in light of local

circumstances. Nevertheless, reflecting the different circumstances of each region is extremely challenging. Speaking in my capacity as a shareholders' representative, ensuring international compliance is the first priority because the prospect of disruptions to business activities that affect earnings adversely is alarming. Meanwhile, respecting international codes of conduct is also very important. Although there can be contradictions between such codes and compliance, the Group must carefully examine merits and demerits from both perspectives. It has to avoid the pitfall of unconditional acceptance by establishing as a major premise compliance with international rules even if local rules permit the matter in question. Furthermore, until reaching an acceptable conclusion, the Group should discuss thoroughly all facets of a matter, including the intention of laws and codes, expected businesses earnings over the medium-to-long term, and the effect on international society or local communities. In such discussions, listening to the opinions of local personnel who are familiar with local practices and social circumstances is a must. In fact, this is the point on which I placed most emphasis at meetings of the Board of Directors in the current fiscal year under review. (For details, please see Wacoal Code of Ethics on page 37.)

**Q** In conclusion, what message would you like to give shareholders and investors?

**A** The Wacoal Group has retained brand power over a long period not only because of business management but because of outstanding manufacturing capabilities. I think this commitment to excellence has attracted talented personnel to the Group, who enable it to create products loved by customers. Further, the Wacoal Group always devotes considerable effort to analyzing trends and remaining in the vanguard of the latest developments. With these attributes in mind, I would like to ask shareholders and investors to take a long-term perspective as they look forward to the Wacoal Group's future.

# WACOAL CODE OF ETHICS

This document constitutes the Code of Ethics (the “Code”) for the directors, officers and employees of Wacoal Holdings Corp. (“Wacoal Holdings”) and its consolidated subsidiaries (collectively with Wacoal Holdings, “Wacoal”).

This Code sets forth the code of conduct that shall apply globally to all directors, officers and employees of Wacoal. All directors, officers and employees of Wacoal are required to comply with this Code with the understanding that honest and ethical conduct and compliance with the law, both in business and in daily life, solidifies the trust of the markets and strengthens the competitiveness of our business.

## I. General Rules

### 1. Objective

This Code is designed to deter wrongdoing and to promote:

- (1) Honest and ethical business conduct, including in the handling of conflicts of interest;
- (2) Respect for human rights;
- (3) Consideration for the environment;
- (4) Consideration for society, including in public disclosures and communications; and
- (5) Compliance with legal requirements and respect for the international code of conduct.

### 2. Scope of Application

This Code applies to all directors, officers and employees of Wacoal.

### 3. Compliance

Directors, officers and employees must comply with this Code.

## II. Operational Rules

### 1. 1) Honest and Ethical Business Conduct

You must act honestly and ethically in the conduct of all business on behalf of Wacoal.

### 2) Handling of Conflicts of Interest

A conflict of interest arises when your personal interests or those of a third party interfere with your ability to act in Wacoal’s interests. You must discharge your responsibilities with a view to the best interest of Wacoal, independent of personal considerations or relationships.

### 2. Respect for Human Rights

You must respect fundamental human rights that foster mutual trust and must not engage in any conduct that violates such rights.

### 3. Consideration for the Environment

You must understand the impact of the conduct of our business on the environment and make continuous efforts to improve efficient use of resources and to prevent contamination.

### 4. 1) Consideration for Society

You must respect the culture and the customs of the countries and regions in which we conduct our business and contribute to the development of local communities.

### 2) Public Disclosures and Communications

You are responsible for providing fair and accurate information about the company in a timely, appropriate and understandable manner.

The directors, officers and employees of Wacoal Holdings are responsible for ensuring that all public communications made by Wacoal are fair, complete, accurate, understandable and timely. In addition, you must be responsive to society’s assessments and expectations regarding Wacoal and strive to take such assessments and expectations into account in the conduct of our business.

### 5. 1) Compliance with Legal Requirements

You must comply with all applicable laws, rules and regulations in each of the countries and regions in which Wacoal operates.

### 2) Respect for International Code of Conduct

In case of a conflict between the international code of conduct and the laws of the countries and regions in which we conduct our business or the enforcement of such laws, you must respect the international code of conduct.

## III. Operation of the Code

### 1. Inquiries, Explanations and Other Reporting regarding the Code

Questions from Wacoal’s directors, officers or employees regarding this Code should be directed to the Corporate Ethics Committee of Wacoal Holdings (the “Corporate Ethics Committee”) or other responsible departments or persons appointed by the Corporate Ethics Committee. In addition, ethics or compliance related questions may be directed to your supervisor in case that immediate advice or guidance is required. Any person who has received an inquiry regarding this Code must promptly and appropriately respond to the person who made the inquiry.

### 2. Reporting regarding the Code

Any person who has knowledge of, or questions or concerns about, any actual or possible violation of the provisions of this Code must report the matter promptly to his or her supervisor or to the management office of the Corporate Ethics Committee.

## IV. Supplemental Provisions

### 1. Amendment

- (1) Only the Board of Wacoal Holdings (the “Board”) may amend this Code.
- (2) The Corporate Ethics Committee is responsible for regularly evaluating the appropriateness of this Code and making appropriate recommendations to the Board.
- (3) This Code is intended to clarify existing obligations for ensuring proper conduct. This Code and the policies and procedures thereunder may be amended from time to time at the discretion of the Board. It is your responsibility to know and comply with the current laws, regulations, standards, policies and procedures that apply to Wacoal’s business.



# 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

Employment format	Company with board of company auditors
Reason for employment	Under this corporate governance system, meetings of the Board of Directors reach decisions reflecting the view points 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.
Number of directors:	7
Number of outside directors:	2
Directors' term of office:	1 year
Number of corporate auditors:	5 (including 1 woman)
Number of outside corporate auditors:	3
Independent auditor:	Deloitte Touche Tohmatsu LLC

## Corporate Auditors and the Internal Audit Division

Corporate auditors and the internal audit division (Office of Corporate Auditors) hold report verification meetings monthly. These meetings primarily verify reports on the main points of meetings that corporate auditors attend and report on the activities of the Office of Corporate Auditors. The Group has a system for sharing documents and other information required for audits. To facilitate efficient, effective

audits both parties coordinate through such measures as mutual exchanges and verification of audit working papers.

As of June 27, 2014, the internal audit division (Office of Corporate Auditors) had 13 personnel.

Further, corporate auditors and the independent auditor meet six times a year. At these meetings they report and verify audit plans and audit progress and exchange opinions about business management. Also, they meet as required.

## Outside Directors and Outside Audit & Supervisory Board Members

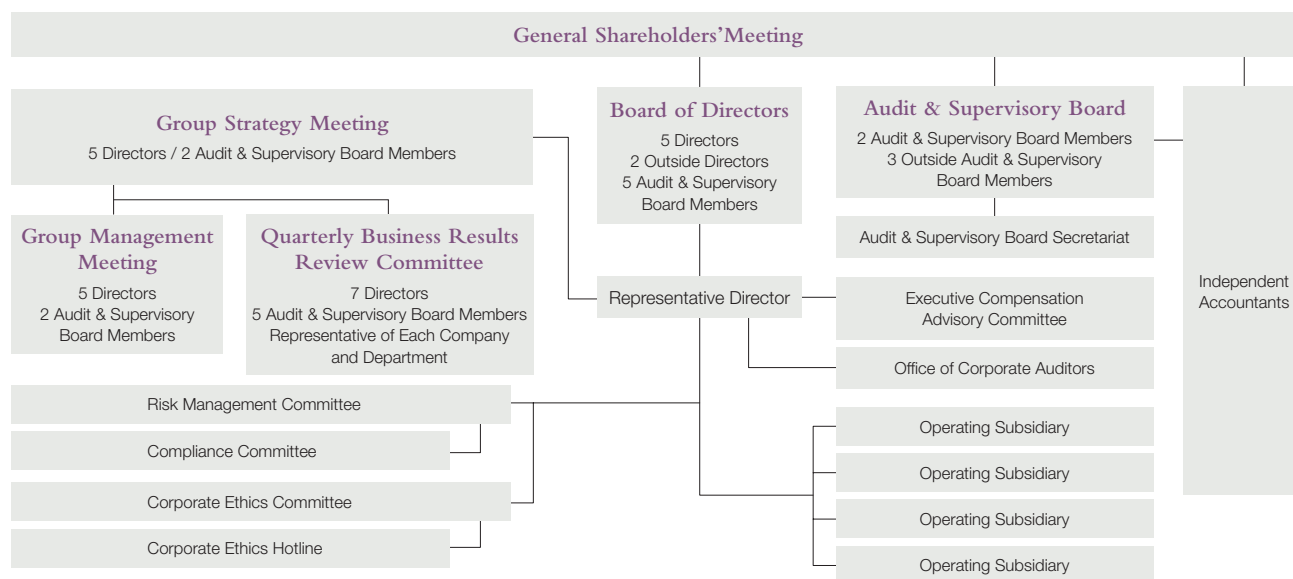
The Wacoal Group appoints outside directors with outstanding experience in corporate management garnered from duties in financial administration and overseas business development. By providing objective, neutral advice based on their extensive business experience and specialized knowledge in a range 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.

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.

## Corporate Governance Structure

As of June 27, 2014



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 for all of the below-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 2013—March 2014

Mamoru Ozaki	Attended 13 from a total of 14
Atsushi Horiba	Attended 10 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 2013—March 2014

	Board of Directors	Audit & Supervisory Board
Akira Katayanagi	Attended 12 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 13 from a total of 14	Attended 13 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.

## 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 Wacoal Group has established its own Code of Ethics, and Code of Corporate Ethics and Conduct.
- 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 whistleblower system (corporate ethics hotline). 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.

## Details of Remunerations Paid to Officers

Category of Officers	Aggregate Amount of Remunerations, etc. (Millions of yen)	Aggregate Amount of Remunerations, etc., by Type Thereof (Millions of yen)				Number of Relevant Officers
		Basic Remuneration	Stock Option	Bonus	Retirement Allowance	
Directors (Excluding Outside Directors)	340	212	46	82	—	5
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	30	30	—	—	—	2
Outside officers	41	41	—	—	—	6

Note: These numbers do not match the numbers described above because the numbers described above include one Outside Audit & Supervisory Board Member who had passed away as of May 20, 2013.

## Aggregate amount, etc., of the consolidated remunerations, etc., of the person who receives 100 million yen or more as remunerations, etc., on a consolidated basis

Name	Category of Officers	Relevant Company	Amount of Consolidated Remunerations, etc., by Type Thereof (Millions of yen)				Aggregate Amount of Consolidated Remunerations, etc. (Millions of yen)
			Basic Remuneration	Stock Option	Bonus	Retirement Allowance	
Yoshikata	Director	Wacoal Holdings Corp.	108	22	40	—	195
Tsukamoto	Director	Wacoal Corp.	24	—	—	—	

## 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 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 peace-time takeover defensive measures, include providing advance warning that there are procedures prospective purchasers of the Group's shares must follow and that a gratis allocation of acquisition rights for the subscription of new shares with discriminatory treatment for the exercise of such rights may be implemented. In addition, the Group has established the Independent Committee to ensure that initiations of defensive measures against takeovers are based on substantive, objective decisions and not based on arbitrary decisions by the Board of Directors. For further details, please refer to the Group's web site:

[www.wacoalholdings.jp/en/ir/news/index.html](http://www.wacoalholdings.jp/en/ir/news/index.html)

## Topic

### Wacoal Corp. Appoints First Female Corporate Officer



#### Junko Kasai

Corporate Officer  
Chief of Diversity Career Support Group

Junko Kasai joined the company in 1976. After serving as a manager responsible for product planning and design, she became the general manager of the Customer Service Center in 2010. In April 2014, she became a corporate officer and the chief of the Diversity Career Support Group of the Personnel and Administration Department.

To enable it to anticipate volatile market conditions and win out against competitors, the Wacoal Group launched a new organization in the current fiscal year. Women purchase about 80% of the Wacoal Group's products. However, original ideas are more important than whether or not our employees are men or women. Having original ideas—which come from teams with diverse viewpoints—and the initiative to act upon them as well as convincing people and motivating them to take concerted action will be indispensable for our business going forward. With this in mind, Wacoal is becoming diversity oriented.

Aiming to realize such dynamism, the Diversity Career Support Group's task is to support the creation of conditions conducive to each employee realizing their full potential and contributing even more to the Group. Accordingly, we intend to step up the pace of various restructuring measures.



# DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Wacoal Holdings Corp. and Subsidiaries

As of June 27, 2014

## BOARD OF DIRECTORS



President and Representative Director

**Yoshikata Tsukamoto**

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

Number of Shares Owned: 1,356,136 shares  
Business Experience and Position(s) and Office(s):  
Apr. 1972 Joined Wacoal Corp.  
Nov. 1977 Director  
Nov. 1981 Managing Director  
Sep. 1984 Executive Vice President  
Sep. 1984 Representative Director (acting)  
Jun. 1987 President and Director (acting)  
Jun. 2002 Corporate Officer  
Oct. 2005 Representative Director and President,  
and Corporate Officer of Wacoal Corp.  
Apr. 2011 Representative Director and Chairman of  
Wacoal Corp. (acting)  
Dec. 2012 Representative Director, Chairman,  
and President of Peach John Co., Ltd.  
Jan. 2014 Representative Director and Chairman of  
Peach John Co., Ltd. (acting)



Managing Director

**Yuzo Ide**

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

Number of Shares Owned: 5,000 shares  
Area of responsibility: Overseas  
Business Experience and Position(s) and Office(s):  
Apr. 1977 Joined Wacoal Corp.  
Apr. 2001 Director and Vice Chairman of Wacoal America Inc.  
Apr. 2006 Corporate Officer of Wacoal Corp.  
Apr. 2008 Director and Senior Corporate Officer of Wacoal Corp./  
General Manager of Wacoal Brand Business Department  
Apr. 2010 Director and Senior Corporate Officer of Wacoal Corp./  
General Manager of Wing Brand Business Department  
Apr. 2012 Director and Senior Managing Corporate Officer/General  
Manager of International Operations of Wacoal Corp.  
Jun. 2012 Director and Supervisor of International Operations  
Apr. 2014 Director, Vice President and Corporate Officer, Supervisor  
of International Operations/General Manager of Interna-  
tional Operations of Wacoal Corp. (acting)  
Jun. 2014 Managing Director (acting)



Director and Executive Vice President

**Hideo Kawanaka**

Number of Shares Owned: 15,000 shares  
Area of responsibility: Business management reform  
Business Experience and Position(s) and Office(s):  
Apr. 1965 Joined Isetan Co., Ltd.  
Jun. 1992 Director of Isetan Co., Ltd.  
Matsudo Branch Manager  
Jul. 1993 Representative Director and President of West Japan  
Railway Isetan Ltd.  
Jun. 2001 Corporate Officer and Managing Director,  
General Manager of Management  
and General Affairs of OMRON Corporation  
Jun. 2004 Representative Director and Senior Manager,  
and Sales Manager of Matsuzakaya Co., Ltd.  
Jun. 2007 Adviser  
Jun. 2007 Senior Managing Director  
Nov. 2007 Director and Senior Corporate Officer of Wacoal Corp.  
Apr. 2008 Director and Vice President, and Corporate Officer of  
Wacoal Corp.  
Jun. 2009 Director and Vice President and Supervisor of  
Business Restructuring (acting)  
Mar. 2011 Representative Director and Chairman of  
Peach John Co., Ltd.  
Apr. 2011 Director and Vice Chairman of Wacoal Corp.  
Jun. 2011 Representative Director, Chairman and President of  
Peach John Co., Ltd.



Managing Director

**Masaya Wakabayashi**

Number of Shares Owned: 16,000 shares  
Area of responsibility: Overall Group management  
Business Experience and Position(s) and Office(s):  
Apr. 1979 Joined Wacoal Corp.  
Apr. 2004 Group Chief of Business Administration of Direct Retail  
Operation Division of Wacoal Corp.  
Apr. 2005 Group Chief of Business Administration of  
Directly Managed Retail Store Operation Division of  
Wacoal Corp.  
Apr. 2006 Group Chief of Business Administration of Direct  
Marketing Operation Department of Wacoal Corp.  
Apr. 2008 General Manager of Corporate Planning  
Apr. 2010 Corporate Officer, Chief of Corporate Planning of  
Wacoal Corp.  
Apr. 2011 Director, Corporate Officer,  
Chief of Corporate Planning of Wacoal Corp.  
Apr. 2013 Director, Managing Corporate Officer,  
Chief of Corporate Planning of Wacoal Corp.  
Apr. 2014 Director, Managing Corporate Officer, Supervisor of  
Administration of Wacoal Corp. (acting)  
Jun. 2014 Managing Director (acting)



Senior Managing Director

**Hironobu Yasuhara**

Representative Director, President and  
Corporate Officer, Wacoal Corp.

Number of Shares Owned: 9,000 shares  
Business Experience and Position(s) and Office(s):  
Mar. 1975 Joined Wacoal Corp.  
Sep. 1996 Deputy General Manager of Guangdong Wacoal Inc.  
Apr. 1997 General Manager of Wacoal China Co., Ltd.  
Apr. 2004 Chief of Planning & Product Group of Wing Brand Busi-  
ness Department  
Apr. 2005 Corporate Officer/General Manager of Wing Brand Busi-  
ness Department  
Apr. 2006 Executive Corporate Officer/General Manager of Wing  
Brand Business Department of Wacoal Corp.  
Jun. 2006 Director and Executive Corporate Officer of Wacoal Corp./  
General Manager of Wing Brand Business Department  
Apr. 2008 Director and Senior Corporate Officer of Wacoal Corp./  
General Manager of Wing Brand Business Department  
Aug. 2009 Director and Senior Corporate Officer of Wacoal Corp./  
General Manager of Wing Brand Business Department/  
Representative Director and Chairman of Lecien  
Corporation (part-time)  
Apr. 2010 Director and Senior Corporate Officer of Wacoal Corp./  
General Manager of Wacoal Brand Business Department  
Apr. 2011 Representative Director and President,  
and Corporate Officer of Wacoal Corp. (acting)  
Jun. 2011 Director  
Jun. 2013 Senior Managing Director (acting)



Outside Director

## Mamoru Ozaki

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

Number of Shares Owned: 0 shares

Business Experience and Position(s) and Office(s):

Jun. 1991 Commissioner of the National Tax Agency  
Jun. 1992 Administrative Vice Minister of Finance  
May 1994 President of People's Finance Corporation  
Oct. 1999 President of National Life Finance Corporation  
Feb. 2003 Advisor to Yazaki Corporation (acting)  
Jul. 2003 Advisor  
Jun. 2005 Director (acting)



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.

Number of Shares Owned: 3,000 shares

Business Experience and Position(s) and Office(s):

Sep. 1972 Joined HORIBA, Ltd.  
Jun. 1982 Director and General Manager of Overseas Business of  
HORIBA, Ltd.  
Jun. 1988 Senior Managing Director and General Manager of Sales  
Division of HORIBA, Ltd.  
Jan. 1992 Representative Director and President of HORIBA, Ltd.  
Jun. 2005 Representative Director, Chairman and President of  
HORIBA, Ltd. (acting)  
Jun. 2008 Director (acting)

## AUDIT & SUPERVISORY BOARD MEMBERS



Standing Audit & Supervisory Board Member

## Mitsuo Yamamoto



Outside Audit & Supervisory Board Member

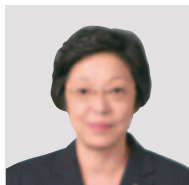
## Tomoharu Kuda

Certified Public Accountant



Standing Audit & Supervisory Board Member

## Tomoki Nakamura



Outside Audit & Supervisory Board Member

## Yoko Takemura

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



Outside Audit & Supervisory Board Member

## Akira Katayanagi

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

# 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 current 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 66 countries, includes 66 companies with operating bases in 22 countries, and has 23 manufacturing bases in 11 countries. Approximately more than 8,000 beauty advisors sell the resulting finished innerwear at roughly 22,300 sales areas worldwide. In Japan and overseas, we sell about 45.4 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.

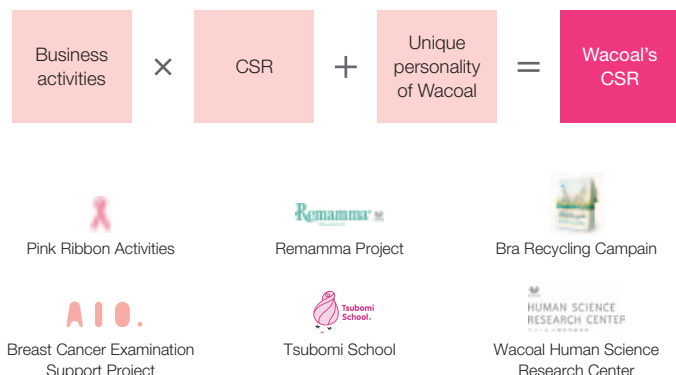
Based on an international consensus, the ISO 26000 standards define sustainable development as unceasing efforts by society at large aimed at realizing a high quality of life, health, and prosperity. To identify and clearly prioritize each Group company's tasks and advance CSR initiatives in areas where 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.

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.

### Wacoal Group's CSR



### Social Business Programs through Wacoal's Main Business



## Wacoal\* Group's Basic Policies on CSR

The Wacoal Group's basic policies for CSR initiatives accord with the seven core topics of the ISO 26000 standards.

We established these policies in June 2013 to clarify the direction of our CSR initiatives.

The Wacoal Group's basic policies for CSR initiatives summarize the direction in which the Group should advance CSR initiatives.

In addition to complying with laws and regulations, the policies reflect respect for international codes of conduct, including the Organization for Economic Cooperation and Development's Guidelines for Multinational Enterprises, the United Nations Global Compact, and the International Labour Organization's Core Labour Standards.

- 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 web site 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.

\* "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.



## 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, since 2013 we have been preparing guidelines for policies, goals, and targets; discussing problems; monitoring the progress of initiatives; and sharing 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<sub>2</sub> 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<sub>2</sub> emissions rigorously
  - Learn from Challenge 25, by 2020 reduce 25% versus 2002 (first year Group confirmed its CO<sub>2</sub> 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' web site
- 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

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# 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), 56 consolidated subsidiaries, and 10 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.

## 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, bras, and women's briefs) accounted for approximately 74.7% of our consolidated net sales for fiscal year 2014. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile products, and several other services.

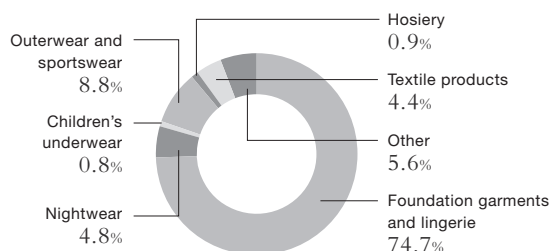
### • NET SALES

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 2014, approximately 81% of the net sales of Wacoal Corp. (the net sales of which account for approximately 61% of our consolidated net sales) were apparel sales made on a wholesale basis to department stores, general merchandisers, and other general retailers and approximately 17% 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 2014.

## Share of Net Sales

2014



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

### • COST OF SALES

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

### • SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Our selling, general and administrative expenses principally consist of employee compensation and benefit expenses and promotional expenses, such as advertising costs and renovation costs. Other selling, general and administrative expenses include shipping and handling 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 the domestic innerwear market, sales shifted from a shrinking trend to flat sales due to changes in the consumption environment and distribution industry, and other factors including a decline in the female population. The purchase price range and the average purchase unit price per innerwear product continue to decline. In addition, the number of purchased items and the number of items in possession per customer are declining.

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

	Millions of yen					
	2014		2013		2012	
Innerwear						
Foundation Garments and Lingerie	¥144,783	74.7%	¥132,525	73.5%	¥124,303	72.3%
Nightwear	9,301	4.8%	9,221	5.1%	9,390	5.5%
Children's Underwear	1,475	0.8%	1,465	0.8%	1,530	0.9%
Total Innerwear	155,559	80.3%	143,211	79.4%	135,223	78.7%
Outerwear and Sportswear	16,954	8.8%	17,287	9.6%	16,371	9.5%
Hosiery	1,791	0.9%	1,559	0.9%	1,646	0.9%
Textile Products	8,577	4.4%	7,580	4.2%	8,226	4.8%
Other	10,900	5.6%	10,593	5.9%	10,431	6.1%
Total	¥193,781	100%	¥180,230	100%	¥171,897	100%

(ii) 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.

(iii) 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.

(iv) 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 entered the first year of our three-year mid-term plan (from fiscal 2014 to fiscal 2016), and we (primarily Wacoal Corp., our core operating entity) made efforts to expand our share of sales while responding to the diversifying domestic women's innerwear market, establish an organizational structure for our business other than the women's innerwear business and strengthen growth by actively developing our overseas business.

As a result of the above, with respect to our consolidated business results for the fiscal year ended March 31, 2014, overall sales exceeded the results for the previous fiscal year as a result of increased sales from Wacoal Corp., our core operating entity, due to the last-minute demand before the sales tax hike, the expansion of sales attributable to our overseas business, as well as the influence of the exchange rate. Operating income exceeded the results for the previous fiscal year mainly due to the increased profits from our overseas subsidiaries and the elimination of the impact of the impairment loss on intangible fixed assets which we recorded in the previous fiscal year.

As of the end of the fiscal year ended March 31, 2014, we have changed the fiscal year end of Wacoal Eveden Limited and its subsid-

aries (collectively, "Wacoal Eveden"), which became our subsidiary in April 2012, from its former fiscal year end to March 31 in order to more closely conform the fiscal year end of Wacoal Eveden with that of its parent company. Accordingly, the results for the previous fiscal year of Wacoal Eveden which had previously been stated for a period of 9 months have been restated for a period of 12 months, and our group's consolidated results for the previous fiscal year have been restated accordingly.

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Sales:	193,781 million yen (an increase of 7.5% as compared to the previous fiscal year)
Operating income:	13,860 million yen (an increase of 63.1% as compared to the previous fiscal year)
Pre-tax net income:	15,033 million yen (an increase of 37.4% as compared to the previous fiscal year)
Net income attributable to Wacoal Holdings Corp.:	10,106 million yen (an increase of 28.2% as compared to the previous fiscal year)

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### Cost of Sales

Our cost of sales increased 7.6% from 84,548 million yen for fiscal year 2013 to 91,008 million yen for fiscal year 2014. Cost of sales as a percentage of net sales increased 0.1% from 46.9% for fiscal year 2013 to 47.0% for fiscal year 2014 due to an increase in the ratio of sales achieved by our domestic subsidiaries with a high cost rate, in addition to an increase of returned products at Wacoal Corp.

### Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased 5.4% from 84,331 million yen for fiscal year 2013 to 88,913 million yen for fiscal year 2014. On the other hand, the selling, general and administrative expenses as a percentage of net sales decreased 1.0% from 46.8% for fiscal year 2013 to 45.9% for fiscal year 2014. This decrease was due to the suppression of marginal cost, while growth in sales was mainly from our existing business.

### Goodwill and Other Intangible Assets

At the end of fiscal year 2013, we examined potential impairment charges on the 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 charge of 2,852 million yen in total. There were no impairment charges for fiscal year 2014.

### Operating Margin

Our operating margin increased 2.5% from 4.7% for fiscal year 2013 to 7.2% for fiscal year 2014. This increase was mainly due to an increase in sales, as well as our successful efforts in improving the percentage of the selling, general and administrative expenses and the elimination of the impairment charges recorded in connection with Peach John.

### Other Income/Expenses

We recorded 1,173 million yen as other income, a decrease of 1,268 million yen, as compared to 2,441 million yen of other income



recorded for fiscal year 2013. This decrease was mainly due to the gain on sale and exchange of marketable securities and investments decrease of 2,124 million yen from fiscal year 2013.

#### Net Income Attributable to Wacoal Holdings Corp.

Net income attributable to Wacoal Holdings Corp. for fiscal year 2014 was 10,106 million yen, an increase of 2,226 million yen as compared to fiscal year 2013 as a result of improved operating margin, despite a decrease in other income.

#### • SUMMARY OF OPERATIONS BY OPERATING SEGMENT

##### Wacoal Business (Domestic)

In our Wacoal brand business, sales of core brassieres showed favorable performance, due to the sales of certain campaign products and brands in certain sales channels which gained support from consumers. Despite poor sales performance of our bottom products and undergarments which were impacted by climate instability, overall sales of our Wacoal brand business exceeded the results for the previous fiscal year as a result of our successful efforts in strengthening our product lineup mainly for our regular items in response to last-minute demand.

In our Wing brand business, although sales of our products based on “body aging” and high-end products performed poorly, sales of our core brassieres exceeded the results for the previous fiscal year due to an increase in the number of shops promoting collaboration products with our major clients, as well as the impact of last-minute demand. Overall sales of our Wing brand business remained unchanged from the results for the previous fiscal year due to the poor performance of our seasonal men’s innerwear products, despite the favorable sales performance of men’s innerwear products for seniors.

In our retail business, although sales from existing stores of our directly managed retail store, AMPHI, performed poorly, overall sales exceeded the results for the previous fiscal year due to an expansion in sales as a result of opening new stores, such as our newly-launched innerwear coordinating shop, AMPHI FUL FRU, and the steady sales performance of our Wacoal Factory Stores at outlet malls.

In our wellness business, although sales of running tights were impacted by the products sold by our competitors, sales of our sports conditioning wear “CW-X” brand expanded as a result of an increase in the opening of new sports specialty stores. Overall sales exceeded the results for the previous fiscal year due to the steady performance of women’s business shoes with high functionality.

In our catalog sales business, overall sales remained unchanged from the results for the previous fiscal year due to the favorable

performance of our internet sales, despite the poor performance of our summer and winter catalog products.

In summary, overall sales attributable to Wacoal Business (Domestic) exceeded the results for the previous fiscal year. With respect to profitability, our operating income exceeded the results for the previous fiscal year due to an increase in sales and our successful efforts in cost reduction.

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Sales:	118,085 million yen (an increase of 2.1% as compared to the previous fiscal year)
Operating income:	9,284 million yen (an increase of 10.2% as compared to the previous fiscal year)

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##### Wacoal Business (Overseas)

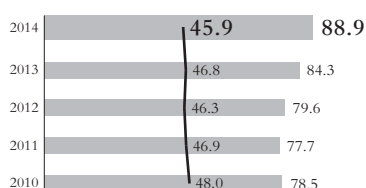
In the United States, we made aggressive efforts in expanding our U.S. market share, sales areas and channels mainly at department stores, which are our major clients. Sales exceeded the results for the previous fiscal year as a result of strong performance of our core brassiere products in general, and as a result of our expanded internet sales and Canadian business. In terms of profit, operating income exceeded the results for the previous fiscal year due to the increased sales as well as the impact of the exchange rate.

With respect to our business in China (from January 1 to December 31), we made efforts in improving profitability and enhancing our presence in the middle-class market. Sales exceeded the results for the previous fiscal year as a result of renovations conducted at core shops, the effect of the promotional initiatives we took with respect to our clients and the expanded internet sales. Sales of LA ROSABELLE, our brand targeting the middle-class market, at department stores also showed strong performance. In terms of profit, we recorded an operating profit (as compared to an operating loss for the previous fiscal year) as a result of increased sales, closing of less-profitable stores, discontinuation of underperforming brands, and the effect of reducing costs.

With respect to Wacoal Eveden (from April 1, 2013 to March 31, 2014), we continued with success to expand our market share and improve profitability by exploiting our strengths in fuller bust bras in the United Kingdom, certain European markets, North America and Australia whilst strengthening our group synergies. Although sales were affected by slow consumer spending in the United Kingdom and Europe as well as unstable weather in major markets such as the United States, Fantasie brand sales, especially swimwear, saw strong growth in all markets. In addition, lingerie and swimwear sales of our brand products for the fuller figure, Elomi and Goddess, showed

#### SG&A Expenses / % of Net Sales

¥ billion/%



favorable performance as a result of our successful efforts in strengthening product development. Sales of our Wacoal branded products, which we launched in Australia and New Zealand, and of our Huit products in Asia, showed strong performance and, as a result, overall sales of Wacoal Eveden exceeded the results for the previous fiscal year. In terms of profit, operating income exceeded the results for the previous fiscal year both as a result of our efforts to reduce our cost of sales by reassessing our system of production in order to improve margins by improving business efficiency, and also by reducing other types of costs. The increased proportion of our sales owing to North America, which is a highly-profitable region, also contributed to the strong results.

Significant increases in net sales and operating income under the “Wacoal Business (Overseas)” segment are due to the influence of exchange rates. In addition, Wacoal Eveden has been added to this segment from our “Other” segment starting with the current fiscal year and accordingly, the results for the previous fiscal year have been restated.

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Sales:	43,636 million yen (an increase of 30.9% as compared to the previous fiscal year)
Operating income:	4,037 million yen (an increase of 99.6% as compared to the previous fiscal year)

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#### Peach John Business

With respect to Peach John Co., Ltd. (“Peach John”), sales from our print catalogs showed weak performance, while our internet sales showed strong performance as a result of the favorable performance of our new brassiere products, which gained support from consumers, as well as our successful promotional initiatives using TV commercials and the internet. Sales from our core mail-order catalogs, however, exceeded the results for the previous fiscal year due to year-end and new year sales and the impact of last-minute demand.

Similarly to our mail-order catalogs, net sales attributable to our domestic direct retail stores exceeded the results for the previous fiscal year as a result of the strong performance of our flagship shops and as a result of our opening of new stores, such as our new business-style shop, YUMMY MART, in addition to the favorable performance of our new products and the effect of our promotional initiatives. With respect to our directly-managed overseas stores, sales from Hong Kong showed steady performance as a result of the enhanced merchandise policy and our establishing a solid base of customers, while sales from China showed poor performance.

As a result of the above, overall sales from our Peach John business exceeded the results for the previous fiscal year. In terms of profit, we recorded operating income due to the elimination of the impact of the impairment loss on intangible fixed assets which we recorded in the previous fiscal year, despite the increased cost rate which was impacted by the exchange rate.

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Sales:	12,482 million yen (an increase of 4.3% as compared to the previous fiscal year)
Operating Income:	83 million yen (as compared to 2,701 million yen of operating loss incurred for the previous fiscal year)

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#### Other

With respect to the business of Lecien Corporation (“Lecien”), overall sales exceeded the results for the previous fiscal year, due to the expanded business volume of our core women’s innerwear and outerwear products with our major clients. In terms of profit, we recorded an operating loss due to an increased cost rate which was impacted by the exchange rate.

As for Nanasai Co., Ltd. (“Nanasai”), which engages in the manufacturing, sales and rental business of mannequins and interior design and construction of stores at commercial facilities, although the sales and rental businesses performed poorly due to the impact of reduced investment in reconstruction projects by our clients, overall sales exceeded the results for the previous fiscal year as a result of the steady results achieved by our construction business due to the increased number of orders received. Operating income exceeded the results for the previous fiscal year due to our efforts in cost reduction.

As a result of the above, with respect to the overall sales and operating income attributable to our “Other” segment, overall sales exceeded the results for the previous fiscal year, while operating income fell below the results for the previous fiscal year.

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Sales:	19,578 million yen (an increase of 1.7% as compared to the previous fiscal year)
Operating income:	456 million yen (a decrease of 39.5% as compared to the previous fiscal year)

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#### • SUMMARY OF OPERATIONS BY REGION

##### Japan

With respect to Wacoal Corp., overall sales exceeded the results for the previous fiscal year due to the impact of last-minute demand in our core Wacoal and Wing brand products. With respect to profitability, our operating income exceeded the results for the previous fiscal year due to an increase in sales and our successful efforts in cost reduction.

With respect to Peach John, sales from our print catalogs showed weak performance, while our internet sales showed strong performance as a result of the favorable performance of our new brassiere products, which gained support from consumers, as well as our successful promotional initiatives using TV commercials and the internet. Similarly to our mail-order catalogs, net sales attributable to our domestic direct retail stores exceeded the results for the previous fiscal year as a result of the strong performance of our flagship shops and as a result of our opening of new stores, such as our new business-style shop in addition to the favorable performance of our new products and the effect of our promotional initiatives. With respect to profitability, operating income fell below the results for the previous fiscal year due to the increased cost rate which was impacted by the exchange rate.

With respect to the business of Lecien Corporation (“Lecien”), overall sales exceeded the results for the previous fiscal year, due to the expanded business volume of our core women’s innerwear and outerwear products with our major clients. With respect to profitability, operating income fell far below the results for the previous fiscal year due to the increased cost rate which was impacted by the exchange rate.

As for Nanasai Co., Ltd. (“Nanasai”), which engages in the manufacturing, sales and rental business of mannequins and interior design and construction of stores at commercial facilities, although the sales and rental businesses performed poorly due to the impact of reduced investment in reconstruction projects by our clients, overall sales exceeded the results for the previous fiscal year as a result of the steady results achieved by our construction business due to the increased number of orders received. Operating income exceeded the results for the previous fiscal year due to our efforts in cost reduction.

As a result of the above, sales from our business in Japan amounted to 149,715 million yen, an increase of 2.4% compared to the previous fiscal year.

#### Asia/Oceania

With respect to our business in China, we made efforts in improving profitability and enhancing our presence in the middle-class market. Sales exceeded the results for the previous fiscal year as a result of renovations conducted at core shops, the effect of the promotional initiatives we took with respect to our clients and the expanded internet sales. Sales of LA ROSABELLE, our brand targeting the middle-class market, at department stores also showed strong performance. In terms of profit, we recorded an operating profit (as compared to an operating loss for the previous fiscal year) as a result of increased sales, closing of less-profitable stores, discontinuation of underperforming brands, and the effect of reducing costs.

With respect to our directly-managed overseas stores of Peach John, sales from Hong Kong showed steady performance as a result of the enhanced merchandise policy and our establishing a solid base of customers, while sales from China showed poor performance.

As a result of the above, sales from our business in Asia/Oceania amounted to 14,871 million yen, an increase of 26.3% 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, sales areas and channels mainly at department stores, which are our major clients. Sales exceeded the results for the previous fiscal year as a result of strong performance of our core brassiere products in general, and as a result of our expanded internet sales and Canadian business. In terms of profit, operating income exceeded the results for the previous fiscal year due to the increased sales as well as the impact of the exchange rate.

With respect to Wacoal Eveden in the United Kingdom, we made efforts to expand our market share and improve profitability by

exploiting our strengths in fuller bust bras in the United Kingdom, certain European markets, North America and Australia whilst strengthening our group synergies. Our core brand products as well as our brand products for the fuller figure showed favorable performance and, as a result, overall sales of Wacoal Eveden exceeded the results for the previous fiscal year. In terms of profit, operating income exceeded the results for the previous fiscal year both as a result of our efforts to reduce our cost of sales by reassessing our system of production in order to improve margins by improving business efficiency, and also by reducing other types of costs. The increased proportion of our sales owing to North America, which is a highly-profitable region, also contributed to the strong results.

As a result of the above, sales from our business in Europe/North America amounted to 29,195 million yen, an increase of 31.3% 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, 2014, we had credit facilities at financial institutions totaling 37,938 million yen, and the unused lines of credit for short-term financing amounted to 12,449 million yen. Of this credit, 7,316 million yen is available to Wacoal Holdings Corp., 3,545 million yen is available to Wacoal Service Co., Ltd., and 1,588 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.

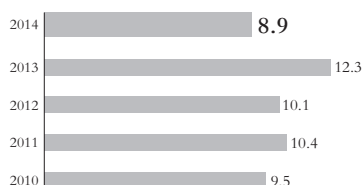
We are not aware of any restrictions on the transfers of funds from a subsidiary to a parent company in the form of a cash dividend, loan, or cash advance. We believe our working capital is adequate for our present requirements and for our business operations in the short to long term.

#### CASH FLOW STATUS

The balance of cash and cash equivalents at the end of fiscal year 2014 was 30,658 million yen, an increase of 6,144 million yen as compared to the end of the previous fiscal year.

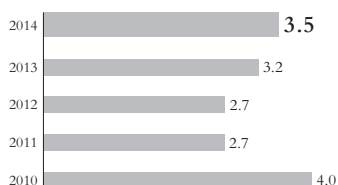
#### Net Cash Provided by Operating Activities

¥ billion



#### Capital Investment

¥ billion



#### • CASH FLOW PROVIDED BY OPERATING ACTIVITIES

Cash flow provided by operating activities during the fiscal year 2014 was 8,949 million yen, a decrease of 3,360 million yen as compared to the previous fiscal year, which reflects the result after adjusting the net income of 10,377 million yen for depreciation expenses and deferred taxes, as well as changes in assets and liabilities.

#### • CASH FLOW PROVIDED BY INVESTING ACTIVITIES

Cash flow provided by investing activities during the fiscal year 2014 was 1,658 million yen, an increase of 25,178 million yen as compared to the previous fiscal year, due to proceeds from the sale and redemption of marketable securities and proceeds from the sale and redemption of other investments.

#### • CASH FLOW USED IN FINANCING ACTIVITIES

Cash flow used in financing activities during the fiscal year 2014 was 5,554 million yen, an increase of 10,933 million yen as compared to the previous fiscal year, due to the cash dividend payments.

#### SUMMARY OF CAPITAL INVESTMENT, ETC. -----

The amount of capital investment for the fiscal year ended March 31, 2014, was 3,464 million yen. A 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 properties held by the Company.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were 2,210 million yen, 621 million yen, 296 million yen, and 337 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 year-end 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 Companies Act.

Based on such policy, we plan to distribute the year-end dividend of 33.00 yen per share (an ordinary dividend of 30.00 yen and a commemorative dividend of 3.00 yen) as a distribution of earnings for the current fiscal year. We have decided to pay a commemorative dividend in commemoration of the 50th anniversary of our listing in September 2014, in order to return profits to our shareholders for their support.

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 habit of people with small physical changes associated with aging.

Our Human Science Research Center is promoting research and development, which is based on a survey analysis of body shapes and needs of customers of the generation for which the products are introduced and senior generation.

In terms of product development, during the fiscal year that ended in March 2014, we proposed our new aging products and lifestyle modification support products. In addition, we have worked on information development to raise awareness of the "night bust care" and engaged in marketing support for the sales of sleep brassieres.

As a result of the above, we recorded 808 million yen for our research and development during the fiscal year ended March 2014.

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

March 31, 2014 and 2013	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 30,658	¥ 24,514	\$ 297,708
Time deposits	2,168	1,914	21,053
Marketable securities (Notes 3, 19 and 20)	3,523	4,601	34,211
Notes and accounts receivable (Note 17)	26,269	23,935	255,088
Allowance for returns and doubtful receivables (Note 4)	(2,321)	(1,882)	(22,538)
Inventories (Note 5)	40,211	37,903	390,474
Deferred income taxes (Note 16)	4,848	4,817	47,077
Other current assets (Notes 17, 19 and 20)	4,132	7,785	40,124
Total current assets	109,488	103,587	1,063,197
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Note 9)	21,994	21,948	213,576
Buildings and building improvements (Notes 9 and 11)	63,024	61,498	612,002
Machinery and equipment (Note 9)	15,446	15,104	149,990
Construction in progress	147	151	1,428
Total	100,611	98,701	976,996
Accumulated depreciation	(51,633)	(49,036)	(501,389)
Net property, plant and equipment	48,978	49,665	475,607
<b>OTHER ASSETS:</b>			
Investments in affiliated companies (Note 6)	18,894	17,599	183,473
Investments (Notes 3, 19 and 20)	45,951	42,368	446,213
Goodwill (Notes 7, 8 and 20)	22,723	20,442	220,654
Other intangible assets (Notes 7, 8 and 20)	13,688	12,899	132,919
Prepaid pension expense (Note 12)	5,666	1,400	55,020
Deferred income taxes (Note 16)	1,008	1,064	9,788
Other	5,592	5,512	54,302
Total other assets	113,522	101,284	1,102,369
<b>TOTAL</b>	<b>¥271,988</b>	<b>¥254,536</b>	<b>\$2,641,173</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 9)	¥ 16,630	¥ 16,351	\$ 161,488
Notes and accounts payable:			
Trade notes	1,064	1,442	10,332
Trade accounts (Note 17)	10,657	10,961	103,486
Other payables	5,764	6,008	55,972
Accrued payroll and bonuses	7,085	6,927	68,800
Income taxes payable (Note 16)	1,224	4,559	11,886
Current portion of long-term debt (Notes 9 and 19)	695	898	6,749
Other current liabilities (Notes 19 and 20)	3,489	3,358	33,880
Total current liabilities	46,608	50,504	452,593
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 9 and 19)	822	1,516	7,982
Liability for termination and retirement benefits (Note 12)	1,795	1,802	17,431
Deferred income taxes (Note 16)	13,611	10,201	132,171
Other long-term liabilities (Notes 11, 12 and 16)	1,616	1,688	15,692
Total long-term liabilities	17,844	15,207	173,276
<b>COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)</b>			
<b>EQUITY:</b>			
<b>WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY (Notes 13 and 22):</b>			
Common stock, no par value -			
authorized, 500,000,000 shares in 2014 and 2013; issued 143,378,085 shares in 2014 and 2013	13,260	13,260	128,763
Additional paid-in capital (Note 14)	29,587	29,514	287,308
Retained earnings	151,468	145,306	1,470,849
Accumulated other comprehensive income (Note 15):			
Foreign currency translation adjustments	2,310	(5,924)	22,432
Unrealized gain on securities	11,606	9,310	112,701
Pension liability adjustments (Note 12)	(227)	(1,928)	(2,204)
Total accumulated other comprehensive income	13,689	1,458	132,929
Less treasury stock at cost - 2,539,371 shares and 2,533,728 shares in 2014 and 2013, respectively	(2,898)	(2,892)	(28,142)
Total Wacoal Holdings Corp. shareholders' equity	205,106	186,646	1,991,707
<b>NONCONTROLLING INTERESTS</b>	2,430	2,179	23,597
Total equity	207,536	188,825	2,015,304
<b>TOTAL</b>	<b>¥271,988</b>	<b>¥254,536</b>	<b>\$2,641,173</b>

# CONSOLIDATED STATEMENTS OF INCOME

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2014, 2013 and 2012	Millions of yen			Thousands of U.S. dollars (Note 2)
	2014	2013	2012	2014
<b>NET SALES (Note 17)</b>	<b>¥193,781</b>	<b>¥180,230</b>	<b>¥171,897</b>	<b>\$1,881,734</b>
<b>OPERATING COSTS AND EXPENSES:</b>				
Cost of sales (Notes 5, 12 and 17)	91,008	84,548	81,891	883,744
Selling, general and administrative expenses (Notes 1, 7, 10, 12 and 14)	88,913	84,331	79,629	863,401
Impairment charges on goodwill (Notes 8 and 20)		1,197		
Impairment charges on other intangible assets (Notes 8 and 20)		1,655		
Total operating costs and expenses	179,921	171,731	161,520	1,747,145
<b>OPERATING INCOME</b>	<b>13,860</b>	<b>8,499</b>	<b>10,377</b>	<b>134,589</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest income	97	85	112	942
Interest expense	(105)	(164)	(93)	(1,020)
Dividend income	831	789	724	8,070
Gain or loss on sale or exchange of marketable securities and investments - net (Note 3)	84	2,208	25	816
Valuation gain or loss on marketable securities and investments - net (Notes 3 and 20)	(47)	(325)	(831)	(456)
Other - net (Notes 1, 3 and 20)	313	(152)	(107)	3,039
Total other income (expenses) - net	1,173	2,441	(170)	11,391
<b>INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 16)</b>	<b>15,033</b>	<b>10,940</b>	<b>10,207</b>	<b>145,980</b>
<b>INCOME TAXES (Note 16):</b>				
Current	5,256	6,638	3,523	51,039
Deferred	385	(2,866)	676	3,739
Total income taxes	5,641	3,772	4,199	54,778
<b>INCOME BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES</b>	<b>9,392</b>	<b>7,168</b>	<b>6,008</b>	<b>91,202</b>
<b>EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)</b>	<b>985</b>	<b>939</b>	<b>1,008</b>	<b>9,565</b>
<b>NET INCOME</b>	<b>10,377</b>	<b>8,107</b>	<b>7,016</b>	<b>100,767</b>
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(271)</b>	<b>(227)</b>	<b>(103)</b>	<b>(2,631)</b>
<b>NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.</b>	<b>¥ 10,106</b>	<b>¥ 7,880</b>	<b>¥ 6,913</b>	<b>\$ 98,136</b>

Years Ended March 31, 2014, 2013 and 2012	Yen			U.S. dollars (Note 2)
	2014	2013	2012	2014
<b>NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 18):</b>				
Basic	¥71.75	¥55.95	¥49.08	\$0.70
Diluted	¥71.61	¥55.86	¥49.02	\$0.70
<b>NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 18):</b>				
Basic	¥358.77	¥279.74	¥245.41	\$3.48
Diluted	¥358.03	¥279.29	¥245.12	\$3.48

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2014, 2013 and 2012	Millions of yen			Thousands of U.S. dollars (Note 2)
	2014	2013	2012	2014
<b>NET INCOME</b>	<b>¥10,377</b>	<b>¥ 8,107</b>	<b>¥7,016</b>	<b>\$100,767</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 15):</b>				
Foreign currency translation adjustments	8,369	5,072	(782)	81,268
Unrealized gains on securities	2,302	5,122	1,602	22,354
Pension liability adjustments	1,701	1,048	(974)	16,518
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>12,372</b>	<b>11,242</b>	<b>(154)</b>	<b>120,140</b>
<b>COMPREHENSIVE INCOME</b>	<b>22,749</b>	<b>19,349</b>	<b>6,862</b>	<b>220,907</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(412)</b>	<b>(316)</b>	<b>(79)</b>	<b>(4,001)</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.</b>	<b>¥22,337</b>	<b>¥19,033</b>	<b>¥6,783</b>	<b>\$216,906</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF EQUITY

Wacoal Holdings Corp. and Subsidiaries

Millions of yen

Years Ended March 31, 2014, 2013 and 2012	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, 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 adjustments					(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				7,880			7,880	227	8,107
Foreign currency translation adjustments					4,992		4,992	80	5,072
Unrealized gains on securities					5,113		5,113	9	5,122
Pension liability adjustments					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								(96)	(96)
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	145,306	1,458	(2,892)	186,646	2,179	188,825
Net income				10,106			10,106	271	10,377
Foreign currency translation adjustments					8,234		8,234	135	8,369
Unrealized gains on securities					2,296		2,296	6	2,302
Pension liability adjustments					1,701		1,701		1,701
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								(148)	(148)
Repurchase of treasury stock	(6)					(6)	(6)		(6)
Sale of treasury stock	1					0	0		0
Equity transactions with noncontrolling interests (Note 13)			4				4	(13)	(9)
Share-based compensation granted (Note 14)			69				69		69
BALANCE, MARCH 31, 2014	140,839	¥13,260	¥29,587	¥151,468	¥13,689	¥(2,898)	¥205,106	¥2,430	¥207,536

Thousands of U.S. dollars (Note 2)

Years Ended March 31, 2014	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, 2013	\$128,763	\$286,599	\$1,411,012	\$ 14,158	\$(28,083)	\$1,812,449	\$21,159	\$1,833,608
Net income			98,136			98,136	2,631	100,767
Foreign currency translation adjustments				79,957		79,957	1,311	81,268
Unrealized gains on securities				22,296		22,296	58	22,354
Pension liability adjustments				16,518		16,518		16,518
Cash dividends paid to Wacoal Holdings Corp. shareholders, \$1 per 5 shares of common stock			(38,299)			(38,299)		(38,299)
Cash dividends paid to noncontrolling interests							(1,437)	(1,437)
Repurchase of treasury stock					(59)	(59)		(59)
Sale of treasury stock					0	0		0
Equity transactions with noncontrolling interests (Note 13)		39				39	(125)	(86)
Share-based compensation granted (Note 14)		670				670		670
BALANCE, MARCH 31, 2014	\$128,763	\$287,308	\$1,470,849	\$132,929	\$(28,142)	\$1,991,707	\$23,597	\$2,015,304

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, 2014, 2013 and 2012	2014	2013	2012	2014
<b>OPERATING ACTIVITIES:</b>				
Net income	¥10,377	¥ 8,107	¥ 7,016	\$100,767
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,036	4,888	4,660	48,903
Share-based compensation (Note 14)	69	53	60	670
Provision for returns and doubtful receivables - net	365	269	(155)	3,544
Deferred income taxes	385	(2,866)	676	3,739
Gain (loss) on sale or disposal of property, plant and equipment - net	94	103	(35)	913
Impairment charges on property, plant and equipment (Note 20)			37	
Impairment charges on goodwill (Notes 8 and 20)		1,197		
Impairment charges on other intangible assets (Notes 8 and 20)		1,655		
Gain on sale or exchange of marketable securities and investments - net (Note 3)	(84)	(2,208)	(25)	(816)
Valuation gain or loss on marketable securities and investments - net (Notes 3 and 20)	47	325	831	456
Equity in net income of affiliated companies, less dividends	(272)	(359)	(451)	(2,641)
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	(1,368)	1,438	(1,589)	(13,284)
Increase in inventories	(339)	(680)	(1,801)	(3,292)
Decrease (increase) in other current assets	636	(215)	(377)	6,176
(Decrease) increase in notes and accounts payable	(1,541)	(1,905)	1,973	(14,964)
Decrease in liability for termination and retirement benefits	(827)	(853)	(685)	(8,031)
(Decrease) increase in accrued expenses, income taxes payable and other current liabilities	(3,649)	3,215	(513)	(35,434)
Other	20	145	438	195
Net cash provided by operating activities	8,949	12,309	10,060	86,901
<b>INVESTING ACTIVITIES:</b>				
Increase in time deposits	(2,347)	(1,846)	(515)	(22,791)
Decrease in time deposits	2,291	836	488	22,247
Proceeds from sales and redemption of available-for-sale securities	4,685	1,578	8,477	45,494
Payments to acquire available-for-sale securities	(57)	(3,828)	(8,707)	(553)
Proceeds from redemption of held-to-maturity debt securities	113	334	79	1,097
Payments to acquire held-to-maturity debt securities	(322)	(340)	(79)	(3,127)
Proceeds from sales of property, plant and equipment	24	64	451	233
Capital expenditures	(2,265)	(2,475)	(2,708)	(21,995)
Payments to acquire intangible assets (Note 8)	(1,199)	(855)	(846)	(11,643)
Proceeds from sales of other investments	762	767	90	7,400
Payments to acquire other investments		(461)	(221)	
Acquisitions of subsidiaries, net of cash acquired and payments to acquire additional shares of a subsidiary (Note 7)	(8)	(17,070)		(78)
Payments to acquire additional shares of an affiliated company	(16)	(253)		(155)
Other	(3)	29	24	(29)
Net cash provided by (used in) investing activities	1,658	(23,520)	(3,467)	16,100
<b>FINANCING ACTIVITIES:</b>				
(Decrease) increase in short-term bank loans with three months or less maturity - net	(455)	10,524	(690)	(4,418)
Proceeds from issuance of short-term bank loans with more than three months maturity		353	393	
Repayments of short-term bank loans with more than three months maturity	(100)	(578)	(71)	(971)
Proceeds from issuance of long-term debt		2,039	500	
Repayments of long-term debt	(901)	(2,910)	(82)	(8,749)
Repurchase of treasury stock	(6)	(10)	(15)	(59)
Sale of treasury stock	0	1	5	0
Dividends paid on common stock	(3,944)	(3,944)	(2,817)	(38,299)
Dividends paid to noncontrolling interests	(148)	(96)	(47)	(1,437)
Net cash (used in) provided by financing activities	(5,554)	5,379	(2,824)	(53,933)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	1,091	361	(100)	10,594
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,144	(5,471)	3,669	59,662
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	24,514	29,985	26,316	238,046
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥30,658	¥ 24,514	¥29,985	\$297,708
<b>ADDITIONAL CASH FLOW INFORMATION:</b>				
Cash paid for:				
Interest	¥ 98	¥ 161	¥ 90	\$ 952
Income taxes	8,305	4,275	3,702	80,647
<b>NONCASH INVESTING ACTIVITIES:</b>				
Fair value of certain marketable securities received in exchange for other marketable securities (Note 3)		¥ 1,450	¥ 126	
Acquisition of fixed assets by assuming payment obligation	¥ 582	¥ 429	¥ 352	\$ 5,652
Sales of investments (Note 3)		¥ 3,775		

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, a separate component of equity. Exchange gains and losses resulting from foreign currency transactions and the conversion of monetary assets and liabilities denominated in foreign currencies are included in other income (expenses) in the consolidated statements of income.

Foreign currency translation gains (losses) for the years ended March 31, 2014, 2013 and 2012 were ¥161 million, ¥(146) million, and ¥(94) 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 by 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, 2014, 2013 and 2012 are ¥3,212 million, ¥3,037 million and ¥2,913 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 years ended March 31, 2014

and 2013. The Companies recorded ¥37 million impairment charges on long-lived assets for the year ended March 31, 2012 which has 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 fair value of 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 the declining-balance method and by the straight-line method, respectively. Provisions for termination and retirement benefits include those for directors 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 equip-

ment. 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, 2014, 2013 and 2012 were ¥5,708 million, ¥5,479 million and ¥5,773 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, 2014, 2013 and 2012 were ¥14,295 million, ¥13,146 million and ¥12,665 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, 2014, 2013 and 2012 were ¥808 million, ¥788 million and ¥801 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 compensa-

tion. 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 hedges, changes in the fair value are recorded in earnings.

**SUBSEQUENT EVENTS**—In accordance with the guidance for subsequent events, the Company has evaluated subsequent events through June 27, 2014.

**CHANGE OF SUBSIDIARIES' FISCAL YEAR ENDS**—For the year ended March 31, 2014, certain subsidiaries changed their fiscal year ends from December 31 to March 31 to more closely conform with the Parent's fiscal year end. Accordingly, the Companies have retrospectively adjusted the prior periods' consolidated financial statements to reflect the change. The effect of the retrospective application for the year ended March 31, 2013 was as follows. There was no cumulative effect of the change on retained earnings as of April 1, 2012.

	Millions of yen	
	As Originally Reported	As Adjusted
Consolidated balance sheet:		
Total assets	¥253,803	¥254,536
Total liabilities	65,799	65,711
Total equity	188,004	188,825
Consolidated statement of income:		
Net income	7,834	8,107
Net income attributable to Wacoal Holdings Corp.	7,623	7,880
Consolidated statement of cash flows:		
Operating activities	12,741	12,309
Investing activities	(23,436)	(23,520)
Financing activities	5,303	5,379
Cash and cash equivalents, end of the year	24,860	24,514
	Yen	
Earnings per share:		
Net income attributable to Wacoal Holdings Corp.:		
Basic	¥54.12	¥55.95
Diluted	54.04	55.86

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

#### RECENT ACCOUNTING PRONOUNCEMENTS:

**PRESENTATION OF COMPREHENSIVE INCOME**—In February 2013, the Financial Accounting Standards Board "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 Company adopted this guidance from the first quarter beginning from April 1, 2013. The adoption of this guid-

ance does not 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.

**REVENUE RECOGNITION**—In May 2014, the FASB issued a new accounting guidance related to revenue recognition. This guidance is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard provides comprehensive guidance, and requires the disclosure of information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within annual periods. The company is currently evaluating the impact of adoption on the Company's consolidated financial position, result of operations, or cash flows.

## 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 ¥102.98 to \$1, the noon

buying rate for yen in New York City as of March 31, 2014. 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, 2014 and 2013. 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				
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
2014				
Available-for-sale securities:				
Current:				
National debt securities and municipal bonds	¥ 10		¥0	¥ 10
Corporate debt securities	500	¥ 2		502
Mutual fund	2,483	428	5	2,906
Total	¥ 2,993	¥ 430	¥5	¥ 3,418
Noncurrent:				
Equity securities	¥23,844	¥20,333	¥7	¥44,170
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	¥ 105		¥3	¥ 102
Noncurrent:				
Corporate debt securities	¥ 419	¥ 3		¥ 422
2013				
Available-for-sale securities:				
Current:				
National debt securities and municipal bonds	¥ 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

There were no available-for-sale and held-to-maturity securities that have been in a continuous unrealized loss position for more than 12 months as of March 31, 2014 and 2013. 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, 2014 and 2013, were as follows:

Millions of yen				
	2014		2013	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale securities:				
Current:				
National debt securities and municipal bonds	¥ 10	¥0		
Corporate debt securities			¥ 991	¥ 9
Mutual fund	467	5	296	2
Total	¥477	¥5	¥1,287	¥11
Noncurrent:				
Equity securities	¥144	¥7	¥ 157	¥ 4
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	¥102	¥3		

As of March 31, 2014, the available-for-sale securities in a continuous unrealized loss position are composed of three equity securities and two other securities. The severity of decline was less than 8.1%. 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, 2014 and 2013.

Future maturities of debt securities and mutual funds classified as available for sale excluding mutual funds without fixed maturities as of March 31, 2014, were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥ 210	¥ 215
Due after one year through five years	1,671	1,778
Total	¥1,881	¥1,993

Future maturities of debt securities classified as held to maturity as of March 31, 2014 were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥105	¥102
Due after one year through five years	419	422
Total	¥524	¥524

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, 2014, 2013 and 2012, 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		
	2014	2013	2012
Proceeds from sales of available-for-sale securities	¥190	¥5,049	¥180
Gross realized gains on sales of available-for-sale securities	64	2,164	2
Gross realized losses on sales of available-for-sale securities		9	

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 exchange of marketable securities for the year ended March 31, 2014.

The amount of impairment charges the Companies recognized on available-for-sale securities in which declines in fair value were other than temporary were ¥47 million, ¥55 million and ¥823 million in the years ended March 31, 2014, 2013 and 2012, 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. There were no trading securities consisting of mutual funds as of March 31, 2014. The Companies recorded a loss of ¥9 million, and a gain of ¥19 million for the years ended March 31, 2013 and 2012, respectively, that relate to trading securities still held as of March 31, 2013 and 2012, 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 ¥1,362 million and ¥1,365 million as of March 31, 2014 and 2013, 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 and ¥8 million in the years ended March 31, 2013 and 2012, respectively. There was no impairment charges on investments in nonmarketable equity securities for the year ended March 31, 2014.

#### 4. VALUATION AND QUALIFYING ACCOUNTS

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

	Millions of yen		
	2014	2013	2012
Balance at the beginning of the year	¥180	¥ 70	¥100
Increase due to change in scope of consolidation		84	
Charged to costs and expenses	32	49	9
Balances written-off/reversed	(11)	(23)	(39)
Balance at the end of the year	¥201	¥180	¥ 70

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

	Millions of yen		
	2014	2013	2012
Balance at the beginning of the year	¥ 1,702	¥ 1,390	¥ 1,517
Charged to costs and expenses	2,120	1,702	1,390
Balances utilized	(1,702)	(1,390)	(1,517)
Balance at the end of the year	¥ 2,120	¥ 1,702	¥ 1,390

## 5. INVENTORIES

The components of inventories as of March 31, 2014 and 2013, were as follows:

	Millions of yen	
	2014	2013
Finished products	¥34,504	¥32,398
Work in process	3,496	3,635
Raw materials	2,211	1,870
Total	¥40,211	¥37,903

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 primary affiliated companies and percentage of ownership as of March 31, 2014 and 2013, were as follows:

Name of Investee	Percentage of ownership (%)	
	2014	2013
Thai Wacoal Public Co., Ltd	34	34
Shinyoung Wacoal Inc.	25	25
PT. Indonesia Wacoal	42	42
Taiwan Wacoal Co., Ltd.	50	50
House of Rose Co., Ltd.	24	24

Aggregate carrying amounts and fair values of investments in affiliated companies which have a quoted market price as of March 31, 2014 and 2013, were as follows:

	Millions of yen	
	2014	2013
Carrying amount	¥11,969	¥10,787
Aggregate value of quoted market price	10,461	8,650

The following tables represent the affiliated companies’ summarized information from the balance sheets as of March 31, 2014 and 2013, and statements of income for the years ended March 31, 2014, 2013 and 2012.

	Millions of yen	
	2014	2013
Current assets	¥42,464	¥37,653
Noncurrent assets	38,787	32,341
Total	¥81,251	¥69,994
Current liabilities	¥ 8,578	¥ 7,763
Long-term liabilities	8,984	7,098
Equity	63,689	55,133
Total	¥81,251	¥69,994

	Millions of yen		
	2014	2013	2012
Net sales	¥60,257	¥53,229	¥51,690
Gross profit	31,011	27,819	27,765
Income before income taxes	3,664	3,921	4,753
Net income	2,503	2,955	3,302

Dividends received from the affiliated companies were ¥713 million, ¥580 million and ¥557 million during the years ended March 31, 2014, 2013 and 2012, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥15,458 million and ¥15,193 million as of March 31, 2014 and 2013, respectively.

## 7. ACQUISITIONS

**EVEDEN**—On April 10, 2012, the Company acquired all of the shares of Eveden Group Limited (currently Wacoal Eveden 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 has been consolidating 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.

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

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 sheets. Goodwill is not deductible for tax purposes. The amount of brand will be amortized based on the estimated useful lives of 20 to 25 years.

During the year ended March 31, 2013, 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	
	Before Adjustments	After Adjustments
April 1, 2012		
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.



## 8. GOODWILL AND OTHER INTANGIBLE ASSETS

**GOODWILL**—The changes in the carrying amount of goodwill for the years ended March 31, 2014 and 2013 were as follows:

During the current first quarter, the division of operating segments were changed. See Note 21 for further information.

	Millions of yen		
	2014		
	Wacoal Business (Overseas)	Peach John Segment	Total
Balance at the beginning of the year:			
Goodwill	¥11,272	¥11,203	¥22,475
Accumulated impairment losses		(2,033)	(2,033)
Total	11,272	9,170	20,442
Foreign currency translation adjustments	2,281		2,281
Balance at the end of the year:			
Goodwill	13,553	11,203	24,756
Accumulated impairment losses		(2,033)	(2,033)
Total	¥13,553	¥9,170	¥22,723

	Millions of yen		
	2013		
	Wacoal Business (Overseas)	Peach John Segment	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 the year	¥10,662		10,662
Foreign currency translation adjustments	610		610
Impairment losses		(1,197)	(1,197)
Balance at the end of the year:			
Goodwill	11,272	11,203	22,475
Accumulated impairment losses		(2,033)	(2,033)
Total	¥11,272	¥ 9,170	¥20,442

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

During the year ended March 31, 2013, the Companies recorded impairment charges on goodwill of ¥1,197 million 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, 2014 and 2013 were as follows:

Year Ended March 31	Millions of yen			
	2014		2013	
	Gross Carrying Amount	Accumulated Amortization and Impairment Loss	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:				
Brands	¥ 6,991	¥ 627	¥ 5,815	¥ 260
Customer relationships	3,361	3,214	3,361	3,068
Software	8,480	5,494	8,270	5,329
Others	1,461	543	1,316	479
Total	¥20,293	¥9,878	¥18,762	¥9,136
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥2,146	¥ 5,316	¥2,146
Other	103		103	
Total	¥ 5,419	¥2,146	¥ 5,419	¥2,146

Other intangible assets acquired during the year ended March 31, 2014 totaled ¥1,199 million which primarily consist of software of ¥1,195 million with an estimated useful life of five years.

The gross carrying amounts of brands include foreign currency translation adjustments.

During the years ended March 31, 2014 and 2012, the Companies recorded no impairment charge on other intangible assets. 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. See Note 20 for further information.

Aggregate amortization expenses for the years ended March 31, 2014, 2013 and 2012 related to other intangible assets were ¥1,824 million, ¥1,851 million and ¥1,747 million, respectively. Future estimated amortization expenses as of March 31, 2014, were as follows:

Year Ending March 31	Millions of yen
Estimated amortization expense	
2015	¥1,382
2016	1,001
2017	924
2018	819
2019	593
Total	¥4,719

## 9. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen	
	2014	2013
Unsecured bank loans	¥16,630	¥16,351

The weighted-average annual interest rates on short-term bank loans as of March 31, 2014 and 2013 were 0.6% and 0.7%, respectively.

Unused lines of credit for short-term financing as of March 31, 2014 and 2013, aggregated ¥25,377 million and ¥24,637 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, 2014 and 2013.

Long-term debt as of March 31, 2014 and 2013, are summarized below. The interest rates and maturities are for loans as of March 31, 2014.

	Millions of yen	
	2014	2013
Collateralized bank loans, with floating interest at 4.5%, maturing through 2015	¥ 12	¥ 26
Collateralized bank loans, with fixed interest at 1.0%—1.7%, maturing through 2022	311	351
Unsecured bank loans, with fixed interest at 0.4%—1.5%, maturing through 2022	1,194	2,037
Total	1,517	2,414
Less current portion	(695)	(898)
Long-term debt, less current portion	¥ 822	¥1,516

The annual maturities of long-term debt as of March 31, 2014, were as follows:

Year Ending March 31	Millions of yen
2015	¥695
2016	534
2017	50
2018	50
2019	50
Thereafter	138
Total	¥1,517

A subsidiary has pledged assets as security for loans. As of March 31, 2014 and 2013, assets pledged as collateral for bank loans were as follows:

	Millions of yen	
	2014	2013
Land	¥ 888	¥ 888
Buildings	595	638
Machinery and equipment	21	30
Total	¥1,504	¥1,556

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, 2014 are presented below:

Year Ending March 31	Millions of yen
2015	¥ 389
2016	342
2017	304
2018	238
2019	237
Thereafter	152
Total	¥1,662

Rental expenses were ¥5,975 million, ¥5,780 million and ¥5,317 million for the years ended March 31, 2014, 2013 and 2012, 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	
	2014	2013
Balance at the beginning of the year	¥648	¥ 661
Accretion expense	6	5
Liabilities incurred	112	92
Liabilities settled	(43)	(113)
Change due to translation of foreign currencies	5	3
Balance at the end of the year	¥728	¥ 648

## 12. TERMINATION AND RETIREMENT PLANS

**EMPLOYEE RETIREMENT PLANS**—The Company and certain subsidiaries 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 Company and certain subsidiaries have a contributory defined retirement benefit plan and several unfunded termination

plans administered by the Company and certain subsidiaries. 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	
	2014	2013
Change in benefit obligations:		
Benefit obligations at the beginning of the year	¥34,449	¥34,135
Service cost	1,025	849
Interest cost	398	602
Participants' contributions	66	68
Actuarial loss	(258)	1,005
Benefits paid from plan assets	(879)	(825)
Settlement paid from plan assets	(995)	(1,201)
Settlement paid by the Company and certain subsidiaries	(94)	(184)
Benefit obligations at the end of the year	33,712	34,449
Change in plan assets:		
Fair value of plan assets at the beginning of the year	¥34,178	¥31,607
Actual return on plan assets	3,659	2,748
Employer contributions	1,709	1,781
Participants' contributions	66	68
Benefit payments	(879)	(825)
Settlement payments	(995)	(1,201)
Fair value of plan assets at the end of the year	37,738	34,178
Funded status at the end of the year	¥ 4,026	¥ (271)

Amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2013, consist of:

	Millions of yen	
	2014	2013
Prepaid pension expense	¥ 5,666	¥ 1,400
Accrued expenses	(63)	(87)
Liability for termination and retirement benefits	(1,577)	(1,584)
	¥ 4,026	¥ (271)

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, as of March 31, 2014 and 2013, were as follows:

	Millions of yen	
	2014	2013
Actuarial loss	¥(1,346)	¥(5,396)
Prior service benefit	1,590	2,164
	¥ 244	¥(3,232)

The accumulated benefit obligation for all defined retirement benefit plans as of March 31, 2014 and 2013, were as follows:

	Millions of yen	
	2014	2013
Accumulated benefit obligation	¥33,712	¥34,449

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

	Millions of yen	
	2014	2013
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,369	¥2,333
Fair value of plan assets	729	662
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,369	2,333
Fair value of plan assets	729	662

Net periodic benefit costs for the Company and certain subsidiaries' plans consisted of the following for the years ended March 31, 2014, 2013 and 2012:

	Millions of yen		
	2014	2013	2012
Service cost	¥1,025	¥ 849	¥ 833
Interest cost	398	602	725
Expected return on plan assets	(803)	(772)	(756)
Amortization of actuarial loss	936	1,298	1,208
Amortization of prior service benefit	(574)	(641)	(692)
	¥ 982	¥1,336	¥1,318

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, 2014, 2013 and 2012 were as follows:

	Millions of yen		
	2014	2013	2012
Current year actuarial gain (loss)	¥3,114	¥ 971	¥(1,999)
Amortization of actuarial loss	936	1,298	1,208
Amortization of prior service benefit	(574)	(641)	(692)
	¥3,476	¥1,628	¥(1,483)

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

	Millions of yen	
	2014	2013
Actuarial loss	¥ 235	
Prior service benefit		(492)



The Company and certain subsidiaries 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:

	2014	2013
Discount rate	1.3%	1.2%
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:

	2014	2013	2012
Discount rate	1.2%	1.9%	2.4%
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 corporate bond indices. The discount rate assumption is based upon the effective yields as of March 31, 2014 on the corporate bond indices 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 Company and certain subsidiaries' investment strategy is to maintain actual asset weightings within a preset range of target allocations. The Company and certain subsidiaries' investments are broadly diversified, consisting primarily of equity and debt securities. The Company and certain subsidiaries 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, 2014 and 2013, was as follows:

	2014	2013
Equity securities	43.1%	35.8%
Debt securities	36.6%	37.8%
Life insurance company general accounts	13.6%	14.9%
Short-term financing	6.7%	11.5%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2014 and 2013 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 present the Company and certain subsidiaries' plan assets using the fair value hierarchy as of March 31, 2014 and 2013. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. For the reference to each level, see Note 20.

	Millions of yen			
2014	Level 1	Level 2	Level 3	Total
Equity securities:				
Japanese companies	¥6,976			¥ 6,976
Pooled funds (a)		¥ 9,280		9,280
Debt securities:				
Pooled funds (b)		12,443		12,443
Life insurance company general accounts		5,146		5,146
Other types of investments:				
Hedge funds (c)		634		634
Pooled funds (d)		973		973
Short-term financing		2,286		2,286
Total	¥6,976	¥30,762		¥37,738

	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

(a) This class includes common stock of approximately 24% Japanese companies and 76% foreign companies as of March 31, 2014 and those percentages were 27% and 73%, respectively, as of March 31, 2013.

(b) This class includes approximately 41% of Japanese government bonds, 5% of Japanese municipal bonds, 25% of foreign government bonds, and 29% of corporate bonds as of March 31, 2014, and those percentages were 37%, 4%, 33%, and 26%, respectively, as of March 31, 2013.

(c) This class is hedge funds that invest both long and short in debt securities as of March 31, 2014. This class includes hedge funds that invest both long and short at a ratio of in approximately 84% in debt securities, 8% in currencies and 8% in other investments as of March 31, 2013.

(d) This class includes approximately 38% of corporate bonds, 36% of insurance swaps, 26% of Short-term funds as of March 31, 2014.

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. 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 Company and certain subsidiaries' funding policy for the funded plans is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. The Company and certain subsidiaries expect to contribute ¥1,656 million to their plans in the year ending March 31, 2015.

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

Year Ending March 31	Millions of yen
2015	¥1,983
2016	2,070
2017	2,151
2018	2,108
2019	2,067
Thereafter	9,737

**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. Accord-

ingly, 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.

**DEFINED CONTRIBUTION PLAN**—Certain subsidiaries have a defined contribution plan. The amounts of cost recognized for their contributions to the plan were ¥196 million, ¥193 million and ¥27 million for the years ended March 31, 2014, 2013 and 2012, respectively.

**EMPLOYEE EARLY RETIREMENT PROGRAM**—The Company and certain subsidiaries provide additional benefits to employees that elect to participate in the Company and certain subsidiaries' early retirement program. Retirement benefits of ¥228 million, ¥280 million and ¥260 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2014, 2013 and 2012, respectively.

**TERMINATION PLAN FOR DIRECTORS**—The Company had and certain subsidiaries have termination plans for directors. Payment of termination benefits to directors 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 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. The outstanding liabilities were ¥399 million and ¥391 million as of March 31, 2014 and 2013, respectively, and were recorded in other long-term liabilities. Subsidiaries still maintain plans for their directors. 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 at the amount that would be needed if all directors were to resign at each balance sheet date. The liabilities for termination benefits for directors as of March 31, 2014 and 2013 were ¥218 million, 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 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.

During the years ended March 31, 2014 and 2013, changes in Wacoal Holdings Corp.’s additional paid-in capital due to equity transactions with noncontrolling interest shareholders were as follows:

	Millions of yen	
	2014	2013
Net income attributable to Wacoal Holdings Corp.	¥10,106	¥7,880
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	4	17
Change in net income attributable to Wacoal Holdings Corp. and transfers from noncontrolling interests	¥10,110	¥7,897

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

### 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, 2014, 2013 and 2012. 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.

#### (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.

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.

	2014	2013	2012
Expected dividends	2.8%	3.2%	2.1%
Expected volatility	20.6%	22.5%	31.6%
Risk-free interest rate	0.1%	0.1%	0.3%
Expected term	2.8 years	3.1 years	3.8 years

A summary of stock option activities under the plan for the year ended March 31, 2014, 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, 2013	269,000	¥1	
Granted	77,000	1	
Exercised			
Forfeited or expired			
Outstanding as of March 31, 2014	346,000	1	17.3 years
Exercisable as of March 31, 2014			¥364

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, 2014, and no exercisable options as of March 31, 2014.

Total compensation costs recognized for the years ended March 31, 2014, 2013 and 2012 were ¥69 million, ¥53 million and ¥60 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2014, 2013 and 2012 were ¥25 million, ¥19 million and ¥21 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2014, 2013 and 2012 were ¥918, ¥799 and ¥878, respectively.

As of March 31, 2014, there was ¥12 million in 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, including amounts attributable to noncontrolling interests were as follows:

	Millions of yen		
	2014		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥(5,924)	¥9,310	¥(1,928)
Amount arising during the year:			
Pre-tax amount	8,582	3,709	2,578
Tax credit	(240)	(1,396)	(1,110)
Net amount	8,342	2,313	1,468
Reclassification adjustments:			
Pre-tax amount	27	(17)	362
Tax credit		6	(129)
Net amount	27	(11)	233
Other comprehensive income attributable to noncontrolling interests (after-tax)	(135)	(6)	
Balance at the end of the year (after-tax)	2,310	11,606	(227)



Reclassification adjustments (pre-tax) of foreign currency translation adjustments are included in “Other – net.”

Reclassification adjustments (pre-tax) of unrealized gain on securities are included in “Gain on sale or exchange of marketable securities and Investments – net” and “valuation gain or loss on marketable securities and investments – net.”

Reclassification adjustments (pre-tax) of pension liability adjustments are included in the net periodic benefit costs.

	Millions of yen					
	2013			2012		
	Pre-tax Amount	Tax (Expense) Credit	Net Amount	Pre-tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments:						
Amount arising during the year	¥ 5,332	¥ (260)	¥ 5,072	¥ (836)	¥ 54	¥ (782)
Unrealized gain on securities:						
Amount arising during the year	9,909	(3,435)	6,474	1,608	(470)	1,138
Reclassification adjustments	(2,101)	749	(1,352)	783	(319)	464
Net unrealized gain	7,808	(2,686)	5,122	2,391	(789)	1,602
Pension liability adjustments:						
Amount arising during the year	971	(346)	625	(1,999)	712	(1,287)
Reclassification adjustment	657	(234)	423	516	(203)	313
Net unrealized gain (loss)	1,628	(580)	1,048	(1,483)	509	(974)
Other comprehensive income (loss)	¥14,768	¥(3,526)	¥11,242	¥ 72	¥(226)	¥ (154)

## 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		
	2014	2013	2012
Japan	¥22,877	¥18,609	¥18,045
Foreign	(7,844)	(7,669)	(7,838)
Total	¥15,033	¥10,940	¥10,207

Domestic and foreign components of income tax expense consist of:

	Millions of yen		
	2014	2013	2012
Current:			
Japan	¥3,710	¥ 5,578	¥2,942
Foreign	1,546	1,060	581
	¥5,256	¥ 6,638	¥3,523
Deferred:			
Japan	¥ 549	¥(2,754)	¥ 675
Foreign	(164)	(112)	1
	¥ 385	¥(2,866)	¥ 676
Total income taxes	¥5,641	¥ 3,772	¥4,199

Income taxes in Japan applicable to the Companies, imposed by the national, prefectural and municipal governments, in the aggregate resulted in a normal effective statutory tax rate of approximately 38.0% for the year ended March 31, 2014 and 2013, and approximately 40.7% for the year ended March 31, 2012. 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 tax rates for the following reasons for the years ended March 31, 2014, 2013 and 2012:

	2014	2013	2012
Normal Japanese statutory tax rates	38.0%	38.0%	40.7%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	3.3	4.2	4.6
Change in valuation allowance	(2.9)	1.0	3.2
Undistributed earnings of associated companies	0.1	0.0	(0.1)
Differences in foreign subsidiaries' tax rate	(2.6)	(1.0)	(1.5)
Changes in Japanese income tax rates			(6.0)
Tax exemption	(0.2)	(0.3)	(0.3)
Unrecognized tax benefits	0.2	0.2	0.2
Impairment losses on goodwill		(4.1)	
Other – net	1.6	(3.5)	0.3
Effective tax rates	37.5%	34.5%	41.1%

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.

Following after the amendment described above, new amendments to the Japanese tax regulations were issued on March 31, 2014. As a result of these amendments, the statutory income tax rate was reduced from 38.0% to 35.6% effective from the year beginning April 1, 2014. 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, 2014 is 35.6%. The adjustment of deferred tax assets and liabilities for this change in the tax rate resulted in an increase of income taxes by ¥255 million and has been reflected in income taxes in the consolidated statements of income for the year ended March 31, 2014.

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2014 and 2013 were as follows:

	2014		2013	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	¥ 771		¥ 608	
Allowance for doubtful receivables	51		100	
Accruals not currently deductible	187		181	
Inventory valuation	1,149		1,194	
Accrued bonuses	1,258		1,274	
Impairment charges on marketable securities and investments	1,471		1,467	
Advanced depreciation on property, plant and equipment		¥ 1,354		¥ 1,403
Undistributed earnings of associated companies		2,405		2,112
Net unrealized gain on marketable securities and investments		7,407		6,045
Net realized gain on exchange of investments		1,059		1,059
Capitalized supplies	290		285	
Enterprise taxes	114		335	
Accrued vacation	799		834	
Asset retirement obligation	259		231	
Prepaid pension cost		1,420		
Pension expense	501		575	
Tangible fixed assets	1,312		1,269	
Tax loss carryforwards	3,668		4,037	
Intangible assets		2,802		2,651
Other temporary differences	1,076	198	992	223
Total	12,906	16,645	13,382	13,493
Valuation allowance	(4,016)		(4,209)	
Total	¥ 8,890	¥16,645	¥ 9,173	¥13,493

The valuation allowance decreased by ¥193 million for the year ended March 31, 2014. The valuation allowance increased by ¥121 million for the year ended March 31, 2013.

The Companies reversed certain valuation allowance and utilized ¥847 million and ¥705 million of tax loss carryforwards, and recognized tax benefits of ¥226 million and ¥228 million for the year ended March 31, 2014 and 2013, respectively.

As of March 31, 2014, 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
2015	¥ 13
2016	229
2017	478
2018	618
2019	2,188
2020	2,349
2021	1,056
2022	733
2023	
Thereafter	3,222
Total	¥10,886

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, 2014 and 2013.

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

	Millions of yen		
	2014	2013	2012
Balance at the beginning of the year	¥ 313	¥267	¥188
Additions based on tax positions related to the current year	133	46	79
Reductions for tax positions of prior years	(150)		
Balance at the end of the year	¥ 296	¥313	¥267

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥296 million, ¥313 million and ¥267 million as of March 31, 2014, 2013 and 2012, respectively.

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, 2014, 2013 and 2012 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 2012 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 examinations of certain domestic subsidiaries' 2002 to 2007 fiscal years and certain U.S. subsidiaries' 2004 and 2003 fiscal years were 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 ¥2,375 million, ¥2,353 million and ¥2,093 million in the fiscal years ended March 31, 2014, 2013 and 2012, respectively. The accounts payable to affiliated companies were ¥220 million and ¥166 million as of March 31, 2014 and 2013, respectively.

The Companies also sell supplies, materials and products to certain affiliated companies. Aggregate sales to affiliated companies were ¥342 million, ¥381 million and ¥477 million in fiscal years

ended March 31, 2014, 2013 and 2012. The accounts receivable from affiliated companies were ¥58 million and ¥81 million as of March 31, 2014 and 2013.

The Companies earn royalties from the use of the Wacoal Brand by certain affiliated companies. The amount of royalty revenue earned was ¥248 million, ¥247 million and ¥216 million in the fiscal years ended March 31, 2014, 2013 and 2012, respectively. Other accounts receivables from affiliated companies, which are included in other current assets in the consolidated balance sheets, were ¥188 million and ¥190 million as of March 31, 2014 and 2013, 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 option to issue common stock were exercised.

The computation of earnings per American Depositary Receipt (ADR), each ADR representing 5 shares of common stock, is based on the weighted-average number of common 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 140,841,722 shares, 140,846,298 shares and 140,848,576 shares for 2014, 2013 and 2012, respectively. 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 141,135,395 shares, 141,070,568 shares and 141,013,083 shares for 2014, 2013 and 2012, 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, 2014 and 2013 were as follows:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Notes 3 and 20)	¥ 3,523	¥ 3,520	¥ 4,601	¥ 4,601
Investments (Notes 3 and 20)	44,589	44,592	41,003	41,006
Foreign exchange contracts (Note 20)	18	18	29	29
Total assets	¥48,130	¥48,130	¥45,633	¥45,636
Liabilities:				
Foreign exchange contracts (Note 20)	¥ (1)	¥ (1)	¥ (7)	¥ (7)
Long-term debt including current portion	(1,517)	(1,518)	(2,414)	(2,414)
Total liabilities	¥ (1,518)	¥ (1,519)	¥ (2,421)	¥ (2,421)

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 because of the short maturity of those instruments.

**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 marketable securities and investments as of March 31, 2014 and as investments as of March 31, 2013, 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 10.0%, 9.1% and 9.8% of the total sales in fiscal years ended March 31, 2014, 2013 and 2012, 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, 2014 and 2013 were as follows:

	Millions of yen			
2014	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Corporate bonds		502		502
Mutual funds		2,906		2,906
Total marketable securities		3,418		3,418
Investments:				
Equity securities	¥44,170			44,170
Derivative instruments:				
Foreign exchange contracts		18		18
Total assets	¥44,170	¥3,436		¥47,606
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ (1)		¥ (1)
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:				
Equity securities	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)

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 ¥5 million, ¥40 million and ¥89 million in other – net of other income (expenses) in the years ended March 31, 2014, 2013 and 2012, respectively.

The Companies recorded the derivative instruments as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥18 million and ¥1 million, respectively as of March 31, 2014. The derivative instruments are presented as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥29 million and ¥7 million as of March 31, 2013.

#### 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:

2013	Millions of yen				
	Level 1	Level 2	Level 3	Total	Total Losses
Goodwill (Note 8)			¥9,170	¥9,170	¥(1,197)
Trademarks (Note 8)			3,170	3,170	(1,587)
Customer relationships (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 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.

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 the 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%. The management's cash flow projections

were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The 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 existing 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 existing at the point of acquisition was estimated based on the historical trend of the percentage of sales to the preacquisition customers. A 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, 2014 and 2012.

#### 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 us 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 ledger.

#### 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:

March 31, 2013	Millions of yen	Valuation Technique	Principal Unobservable Input	Range
	Fair Value			
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, mannequins and construction of stores and interior design.

During the current consolidated first quarter, certain segment information has been changed in conformity with the internal reporting segment that is based on our organizational structure. Accordingly, the amount related to Wacoal Eveden is recorded in “Wacoal business (overseas),” whereas it was originally recorded in our “Other” segment. The segment information for the years ended March 31, 2013 and 2012 has been restated based on the segments.

Information about operating results and assets for each segment as of and for the years ended March 31, 2014, 2013 and 2012 is as follows:

	Millions of yen					
2014	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥118,085	¥43,636	¥12,482	¥19,578		¥193,781
Intersegment	2,149	8,049	455	5,406	¥(16,059)	
Total	120,234	51,685	12,937	24,984	(16,059)	193,781
Operating costs and expenses:						
Operating costs and expenses	108,015	46,410	12,270	24,249	(16,059)	174,885
Depreciation and amortization	2,935	1,238	584	279		5,036
Total	110,950	47,648	12,854	24,528	(16,059)	179,921
Operating profit	9,284	4,037	83	456		13,860
Total assets and capital expenditures:						
Total assets	244,502	69,352	18,026	20,070	(79,962)	271,988
Capital expenditures	2,210	621	296	337		3,464

	Millions of yen					
2013	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥115,657	¥33,345	¥11,972	¥19,256		¥180,230
Intersegment	2,193	7,575	232	5,415	¥(15,415)	
Total	117,850	40,920	12,204	24,671	(15,415)	180,230
Operating costs and expenses:						
Operating costs and expenses	106,482	37,868	11,357	23,699	(15,415)	163,991
Depreciation and amortization	2,945	1,029	696	218		4,888
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	38,897	14,905	23,917	(15,415)	171,731
Operating profit (loss)	8,423	2,023	(2,701)	754		8,499
Total assets and capital expenditures:						
Total assets	236,006	59,237	18,135	19,721	(78,563)	254,536
Capital expenditures	2,283	688	202	157		3,330

	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

The Companies account for intersegment sales and transfers at cost plus a markup. Operating profit (loss) represents net sales less operating costs and expenses.

## PRODUCTS AND SERVICE INFORMATION

Net sales information by product and service for the years ended March 31, 2014, 2013 and 2012 is as follows:

	Millions of yen		
	2014	2013	2012
Innerwear:			
Foundation and lingerie	¥144,783	¥132,525	¥124,303
Nightwear	9,301	9,221	9,390
Children's underwear	1,475	1,465	1,530
Subtotal	155,559	143,211	135,223
Outerwear/Sportswear	¥ 16,954	¥ 17,287	¥ 16,371
Hosiery	1,791	1,559	1,646
Other textile goods and related products	8,577	7,580	8,226
Others	10,900	10,593	10,431
Total	¥193,781	¥180,230	¥171,897

## GEOGRAPHIC INFORMATION

Information by major geographic area as of and for the years ended March 31, 2014, 2013 and 2012 is as follows:

	Millions of yen		
	2014	2013	2012
Net sales:			
Japan	¥149,715	¥146,224	¥149,587
Asia and Oceania	14,871	11,777	10,527
Americas and Europe	29,195	22,229	11,783
Consolidated	¥193,781	¥180,230	¥171,897
Long-lived assets:			
Japan	¥ 43,446	¥ 44,670	¥ 45,240
Asia and Oceania	2,894	2,692	2,334
Americas and Europe	2,638	2,303	1,504
Consolidated	¥ 48,978	¥ 49,665	¥ 49,078

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 8, 2014, an agreement to sell a part of our paintings held as fixed assets of the Company was executed. Accordingly, we expect to record approximately 1.2 billion yen of gain on sale of fixed assets during the fiscal year ending March 31, 2015.

On May 13, 2014, the Board of Directors resolved to pay a cash dividend of ¥165 per 5 shares of common stock to holders of record as of March 31, 2014 (aggregate amount of ¥4,648 million).



# INDEPENDENT AUDITORS' REPORT



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

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

We have audited the accompanying consolidated financial statements of Wacoal Holdings Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2014 (all expressed in Japanese yen), and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

## Convenience Translation

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

## Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditors' Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included as information for readers.

June 27, 2014

Member of  
**Deloitte Touche Tohmatsu Limited**

# MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (TRANSLATION)

## NOTE TO READERS

Following is an English translation of management's report on internal control over financial ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between the management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In the management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business units selection and/or account selection. In the management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly based on the quantitative guidance which provides an approximately measure for the scope of assessment of internal control over business processes, we designated the business units that accounted for approximately two-thirds of the aggregated sales for the previous fiscal year on a consolidated basis as "significant business units" which should be subject to the process-level controls.

### 1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Yoshikata Tsukamoto, President and Representative Director, Masaya Wakabayashi, Managing Director, are responsible for the designing and operating effective internal control over financial reporting of Wacoal Holdings Corp. (the "Company"), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### 2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of March 31, 2014. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of its internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method affiliated companies. We did not include those consolidated subsidiaries and equity-method affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we designated the business locations that accounted for approximately two-thirds of the aggregated sales for the previous fiscal year on a consolidated basis as "significant business locations" which should be subject to the process-level controls.

At the selected significant business units, we included, in the scope of assessment, those business processes leading to sales or accounts receivable and inventories, as significant accounts that may have a material impact on the business objectives of us. Further, not only at selected significant business units, but also at other business units, we added to the scope assessment, as business processes having greater materiality considering their impact on the financial reporting, (1) those business processes relating to greater likelihood of material misstatements and significant account involving estimates and the management's judgment, and (2) those business processes relating to businesses or operations dealing with high-risk transactions.

### 3. Matters Relating to the Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2014.

### 4. Supplementary Matters

Not applicable.

### 5. Special Information

We were a registrant of the Securities and Exchange Commission (“SEC”) and our American Depositary Receipts (“ADR”) was listed on NASDAQ until the previous fiscal year. Accordingly, pursuant to the provisions of Section 404 of the Sarbanes-Oxley Act of 2002, the Company conducted assessments of the internal control over financial reporting in accordance with the “Final Rule: Management’s Report on Internal Control Over Financial Reporting” and “Management Guidance” on internal control issued by SEC, and regularly filed its annual report in Form 20-F with an internal control report of management. On April 15, 2013, we filed an application with NASDAQ for delisting our ADRs and the delisting was completed on April 25, 2013. Our registration with SEC and applicable disclosures under Article 15 of the U.S. Securities Exchange Act of 1934 (submission of Form 20-F) were terminated on July 24, 2013, and from the current fiscal year, we have been performing an assessment of the internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

# INDEPENDENT AUDITORS' REPORT



## NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business units selection and/or account selection. In an audit of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business process, we used a measure of approximately 70% of total assets on a consolidated basis and income before income taxes on a consolidated basis for the selection of significant business units.

## (TRANSLATION)

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Fumihiko Kimura

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Koichiro Tsukuda

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Akiyo Shimoida

To the Board of Directors of Wacoal Holdings Corp.

## Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2014 of Wacoal Holdings Corp. and its consolidated subsidiaries (the "Company"), and the consolidated statement of income, comprehensive income, equity and cash flows for the fiscal year from April 1, 2013 to March 31, 2014, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No. 11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2014.

## Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

## Auditors' Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2014 is effectively maintained and presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

## Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

June 27, 2014

Member of  
Deloitte Touche Tohmatsu Limited



# CORPORATE DATA

As of March 31, 2014

## HEAD OFFICE

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

## WEB SITE

www.wacoalholdings.jp/en  
Date of foundation  
June 15, 1946

## DATE OF ESTABLISHMENT

November 1, 1949

## SHAREHOLDERS' EQUITY

¥205,106 million

## NUMBER OF EMPLOYEES

(CONSOLIDATED)

20,303

## 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 (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 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 W1F 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

Rothwell Road, Desborough,  
Northamptonshire NN14 2PG,  
United Kingdom  
Tel 44-1536-760-282  
  
Wacoal China Co., Ltd.  
Jia 16 Tongji North Road,  
Beijing Economic and Technological  
Development Area, Beijing 100176, P.R.C.  
Tel 86-10-6787-2185

### Guangdong Wacoal Inc.

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

### Dalian Wacoal Co., Ltd.

No.6 Fu An Street, Economic and  
Technical Development Zone, Dalian,  
116600, P.R. C.  
Tel 86-411-8733-7722

### Wacoal Hong Kong Co., Ltd.

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

### Wacoal International Hong Kong Co., Ltd.

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

### Wacoal Singapore Pte. Ltd.

215 Henderson Road,  
#01-08 Henderson Industrial Park,  
Singapore 159554  
Tel 65-6270-2887

### 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.

3rd Floor, 6788 Ayala Avenue,  
Oledan Square, Makati City 1226,  
Philippines  
Tel 63-2-893-7432

### Thai Wacoal Public Company Limited

930/1 Soi Pradoo 1,  
Sathupradith, Bangkholaem,  
Bangkok, Thailand  
Tel 66-2-289-3100

### Taiwan Wacoal Co., Ltd.

15 Jingkwo Road, Taoyuan,  
Taiwan, R.O.C.  
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,  
Citeureup-Bogor 16810, Indonesia  
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, 2014

## STOCK LISTINGS

Tokyo

## FISCAL YEAR-END

March 31

## SECURITIES CODE

3591

## COMMON STOCK

Issued: 143,378,085 shares

Outstanding: 140,838,714 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

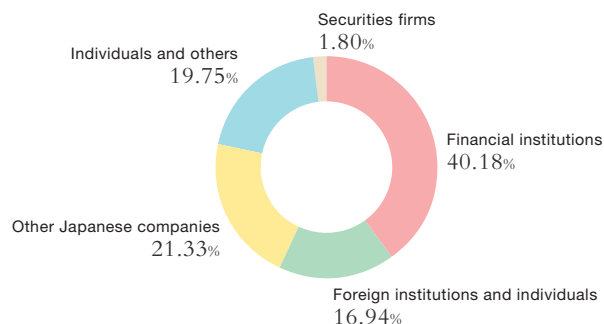
(888-BNY-ADRS)

www.adrbny.com

## NUMBER OF SHAREHOLDERS

11,786

## Ownership and Distribution of Shares



## MAJOR SHAREHOLDERS

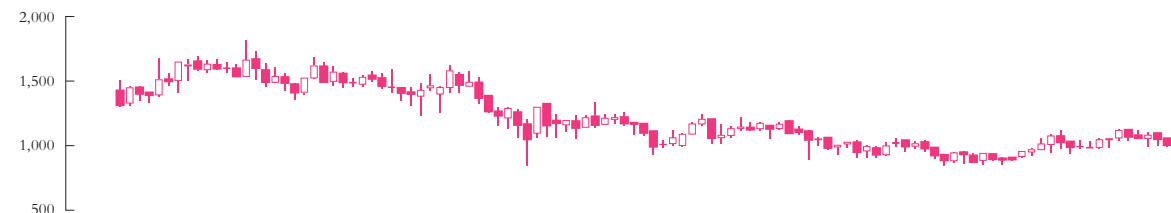
	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.87
Meiji Yasuda Life Insurance Company	4.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.59
The Bank of Kyoto, Ltd.	3.28
Nippon Life Insurance Company	3.10
Japan Trustee Services Bank, Ltd. (Trust Account)	3.09
The Shiga Bank, Ltd.	2.54
Mitsubishi UFJ Trust and Banking Corporation	2.12
The Bank of New York Mellon as depositary bank for depositary receipt holders*	2.04
The Dai-ichi Life Insurance Company, Ltd.	1.90

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

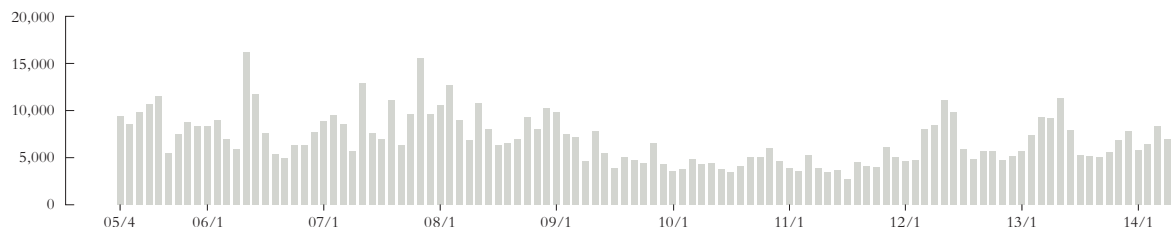
## Stock Price / Trading Volume

¥ / Thousand shares

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.

