



Integrated Report **2015**  
**WACOAL HOLDINGS**

世の女性に美と誇りて世より事によりて  
広く社会に寄与する事こそ  
わが社の理想であり目標である

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

The Calligraphy of  
Wacoal Group Founder  
Koichi Tsukamoto





# Management Philosophy

## 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

### Editorial Policy for This Report

In accordance with international norms for integrated reporting, the Wacoal Group has been issuing integrated reports since fiscal 2011 as part of its communication with shareholders and other investors. This integrated report explains the Wacoal Group's value creation activities not only through financial information but also through nonfinancial information about unique, significant 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 changes in reader expectations.



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/)

### The Wacoal Group's Four Assets

This report defines the four assets that comprise the Wacoal Group's unique enterprise value (For details, please see "Value Creation System" on page 4). The icons below show which of these four assets each of the report's sections is focused on. Our goal is to further readers' understanding of how we grow assets and sustain growth.



Financial assets



Physical assets



Trust-related  
assets



Organizational  
assets

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# Value Creation System

## —Unseen Value that Intangible Assets Create—

The real value of the Wacoal Group's mainstay products is not visible from the outside. Four assets are the main components of our enterprise value—financial assets, physical assets, trust-related assets\*, and organizational assets. These assets enable us to create innerwear products that are loved by customers because they fit their physiques, appeal to them emotionally, and enhance their beauty, comfort, and health. Among these assets, particularly important roles are played by the two intangible assets—trust-related assets and organizational assets, which are not the type of assets typically included in the financial statements. Trust-related assets are based on relationships of mutual trust with customers, employees, business partners, and society. Meanwhile, organizational assets systematize strengths and reflect our unchanging management philosophy. In particular trust-related assets, which the Wacoal Group has accumulated over the many years since its foundation, are an invaluable strength.

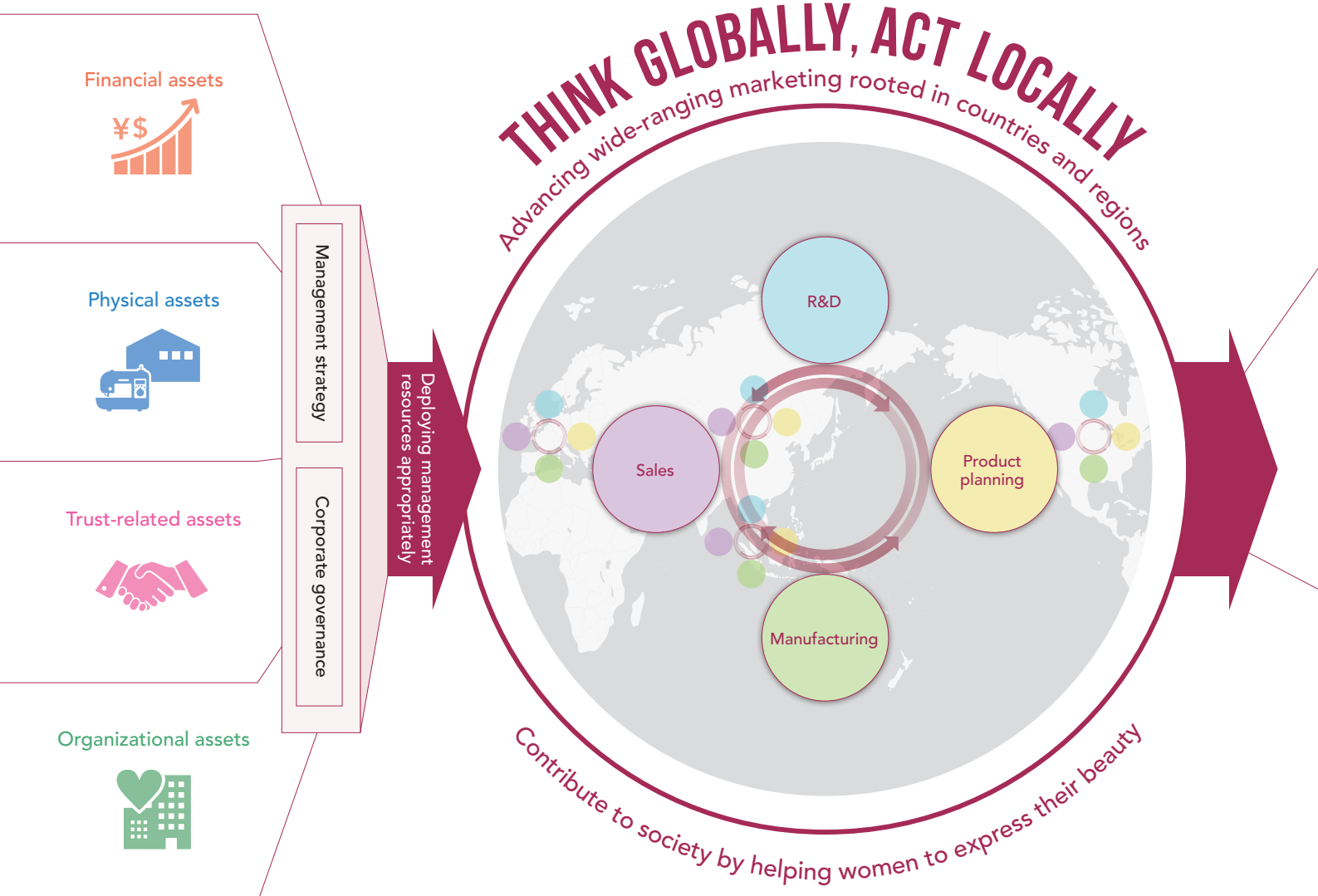
Based on disciplined business management and appropriate strategies, we draw on these four classes of assets as we

advance business models and create added value. By cultivating intangible assets, our value creation process increases physical assets and financial assets in a balanced manner.

A feature of our business model is marketing that caters to different aesthetic tastes among women in diverse countries and regions. Further, individual business processes provide feedback to each other as part of an integrated process that creates products loved by customers.

Remaining mindful of a corporate mission that calls on us to “contribute to society by helping women to express their beauty” and our goal of realizing a stronger global presence for the Wacoal Group, we conduct business in a fair manner to create value continuously.

\* For us, organizational assets are assets that have become established within the organization and which are not reliant upon employment or transactional relationships. Trust-related assets are assets such as human assets and customer-relationship assets, which increase or decrease depending on relationships of trust with various stakeholders.





## Financial assets

- Abundant capital
- Strong financial foundations
- Overwhelming market share in Japan and Asia



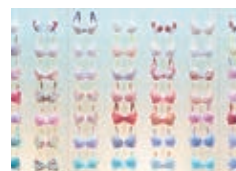
Developing sales areas in Asia (Taiwan)

## Physical assets

- Group plants in Japan and overseas
- Appealing sales areas
- Rich product lineup



Kyushu Wacoal Manufacturing Corp. (Nagasaki)



Providing brands that cater to customer needs

## Trust-related assets

- Autonomous, innovative personnel
- Extensive and diverse groups of specialists
- Operation of wide range of stores
- Establishment of relationships of trust through customer service
- Social contribution through businesses
- Favorable business partnerships



Development of new products by designers and based on merchandising



A directly managed store, AMPHI

## Organizational assets

- Unique designing for comfort, manufacturing technology, and quality control system
- Abundant physique data and knowledge of Human Science Research Center
- Beauty advisor training system
- Integrated manufacturing system responsive to market feedback
- Business management based on mutual trust
- Commitment to stronger global presence for the Wacoal Group



50 years of physique research



Training through role playing

# The Wacoal Group's Progress

The Wacoal Group traces its origins to the company Wako Shoji, which Koichi Tsukamoto founded in 1946. The subsequent marketing of brassiere pads set Wako Shoji on the road to becoming a manufacturer of Western innerwear for women.

As we have done throughout our history, we will continue to contribute to society widely by pursuing the goal of "helping women to express their beauty" while providing products and services that cater to the changing needs in each era.

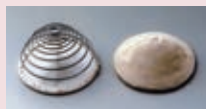
## 1950s

### Birth of Wacoal

In Japan, women's dress sense was transforming from Japanese to Western apparel. At its factory, Wako Shoji designed and mass produced Western innerwear for women, which had been until then unfamiliar to Japanese women. The company undertook unique promotional activities, such as innerwear fashion shows, which established innerwear as a fashion item. From 1956 to 1957, the first innerwear boom grew sales beyond ¥500 million and expanded the workforce to 500, laying the foundations of today's businesses.



Koichi Tsukamoto around the time of Wako Shoji's founding



Brassiere pads, which inspired us to become a full-fledged manufacturer of Western innerwear for women



Japan's first innerwear fashion show



#### Net Sales

(September 1950–August 1951)

¥35 million

## 1960s

### Domination of the Domestic Market

In the 1960s, Japan's period of rapid economic growth was changing women's lifestyles and heightening their interest in fashion. In 1961, we completed a three-dimensional drawing method for brassieres. And, in 1965 we obtained an international patent for Tummy Girdle, which we developed by applying an innovative flexible fabric. The Wacoal Group established the Product Research Department and began investigative research on the physique of Japanese women in 1964. In the same year, the Group listed on the stock market, and we have continued to adhere to a passage of the address Koichi Tsukamoto delivered at this time. In fact, his words have become our mission (Please see page 2.).



The Martin physique measurement method, which involves 158 measurements



The Bell Flower Bra



The Tummy Girdle, which introduced revolutionary stomach-flattening functionality



#### Net Sales

(September 1968–August 1969)

¥9.7 billion

## 1970s

### Overseas Strategy and Diversification

This era saw consumer tastes shift from volume to quality and from the material to the spiritual. In 1970, we established joint ventures in South Korea, Thailand, and Taiwan, laying the foundations of a stronger global presence for the Wacoal Group. This was also the era in which we sought to go beyond the innerwear industry's traditional boundaries and become part of the fashion industry by diversifying into peripheral industries. In 1979, to mark the 30th anniversary of our foundation, we renewed our corporate logo to create the current "fashion flower" logo.



#### Net Sales

(September 1978–August 1979)

¥74.3 billion



Wacoal's pavilion at the Japan World Exposition



Joint ventures in South Korea, Thailand, and Taiwan





Shape Pants, which  
became a major hit  
product



An exhibition titled Romantic  
Garments hosted by Kyoto  
Costume Institute (KCI)



The establishment of a  
local subsidiary in the  
United States, Wacoal  
International Corp.

#### Net Sales

(April 1988–March 1989)

¥107.9 billion



1980s

### Expansion Strategy

To expand our presence in overseas markets, we established local subsidiaries in the United States in 1981 and in Hong Kong in 1983. In 1985, we became the first Japanese company to establish a joint venture in China. Further, we overturned conventional wisdom in the innerwear industry by launching Shape Pants with 17 choices of color in 1981. The product became a huge hit, shipping 2.8 million units. Around this period, we began such social contribution activities as corporate philanthropy in the areas of culture and sports. It was the era in which we began sowing the seeds of long-term value creation.

#### Net Sales

(April 1998–March 1999)

¥169.9 billion



Good Up Bra,  
another runaway  
success

The contactless  
three-dimensional  
measuring  
equipment of  
Wacoal Human  
Science Research  
Center



1990s

### Evolution into a Global Corporate Group

As well as expanding manufacturing and sales networks in Asia, we entered Europe's market as part of efforts to realize a stronger global presence for the Wacoal Group. In Japan, amid a growing consumer preference for authenticity, we advanced investigation and research of women's physiques under the themes of beauty, comfort, and health. One of the products resulting from these efforts was the Good Up Bra, launched in 1992. We made this product an unprecedented success through advertising that emphasized its "gather and lift" functionality. Over five years, we sold 10 million of these brassieres, which became the leading product in the innerwear industry.

#### Net Sales

(April 2008–March 2009)

¥171.0 billion



A Peach John store



A brassiere collection  
bag used in our  
Brassiere Recycling  
Campaign



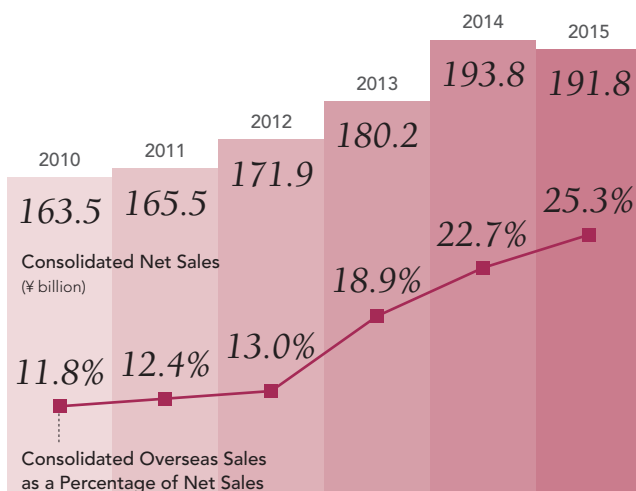
The original Pink  
Ribbon logo

2000s

### A New Century

In 2000, Wacoal China Co., Ltd. became an independent company and began rolling out products in earnest and heightening brand-name recognition. In 2005, we transferred to a holding company system to increase the accuracy and speed of operational decision making. Further, the Wacoal Group pursued further enterprise value by welcoming companies into the Group: Peach John Co., Ltd., in 2006 and Lecien Corporation in 2009. Also, we have actively developed various social contributions, which we view as part of our role in society. For example, from 2002 we began Pink Ribbon activities, which raise awareness of breast cancer, while 2008 saw the launch of our Brassiere Recycling Campaign.

2010s



### Toward a Stronger Global Presence for the Wacoal Group

The report "Aging of the Physique and the Principles of Beauty," which we published based on half a century of research, is a major achievement that has provided new value to customers and shown the importance of wearing innerwear appropriate to the individual's physique. In 2012, we made Evenden Group Limited a wholly owned subsidiary with a view to expanding our businesses in Europe. On a day-to-day basis, we are continuing efforts to establish a corporate group that is able to achieve further value creation and grow with customers by exploiting global networks and marketing rooted in countries or regions.



Wacoal's European  
brand FANTASIE



A promotional event for the fashion  
swimwear of Ai CO., LTD.

# WACOAL'S PRODUCTS



## The Wacoal Group's Products

Under a broad spectrum of brands, the Wacoal Group offers products catering to the needs and preferences of customers across a wide range of age groups. Based on a basic management strategy of creating products loved by customers, we take advantage of manufacturing strengths to deliver beauty, comfort, and health to women the world over.

### WOMEN'S INNERWEAR

Japan



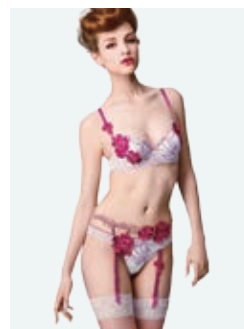
**Wacoal**



**Wing**



**LASÉE**



**Salute**

Directly  
managed



**amphi**  
quality conscious, trendy design



**PEACH JOHN**



**une nana cool**



**Dublevé**

Overseas



**b.campfire**  
(U.S.)



**LA ROSABELLE**  
恋 玫 莎  
(China)



**Freya**  
(Europe)

## PERSONAL WEAR



睡眠科学  
YUWA SLEEPING

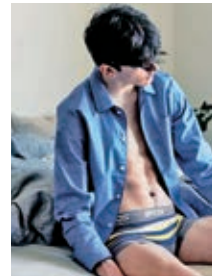


tsumori chisato.  
SLEEP

## MEN'S INNERWEAR



WACOAL MEN



BROS.

## CONDITIONING WEAR

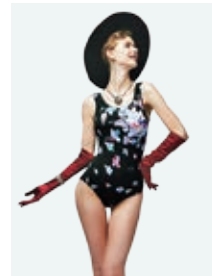


∞ CWX.

## SWIMWEAR



三愛水着樂園



WACOAL  
Swim Wear

## BABY / MATERNITY

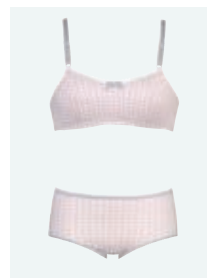


Wacoal  
MATERNITY



Wacoal  
BABY

## KIDS / JUNIOR



Pulili.



FAIRY TIARA  
フェアリー ティアラ

## OTHERS



success walk.



WACOAL BODY SUPL.



Remamma  
リママ

# Financial Highlights

For the Year Ended March 31, 2015

**Net Sales**  
Down 1.0% **¥191,765 million**

**ROE**  
Down 1.3 percentage points **3.9%**

**Operating Income**  
Down 48.9% **¥7,082 million**

**Full-Year Cash Dividends  
Per Share of Common Stock**  
**¥30.00**

## Segment Information

### Wacoal Business (Domestic)

Mainly wholesale operations of Wacoal Corp. for department stores, general merchandising stores, and specialty stores

### Wacoal Business (Overseas)

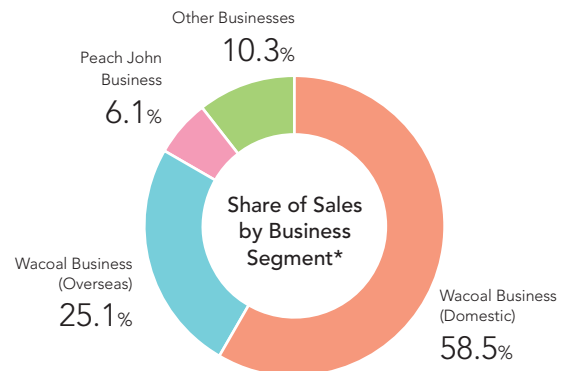
Mainly operations of Wacoal International (U.S.), Wacoal China Co., Ltd., and Wacoal Europe Ltd. (U.K.)

### Peach John Business

Operations of Peach John Co., Ltd.

### Other Businesses

Mainly operations of Nanasai Co., Ltd. and Lecien Corporation



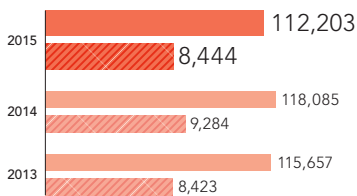
\* Percentage figures are calculated based on external customer sales

## Net Sales to External Customers / Operating Income (Loss)

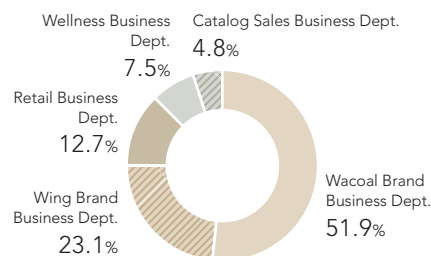
■ Net Sales ■ Operating Income (Loss)

### Wacoal Business (Domestic)

¥ million

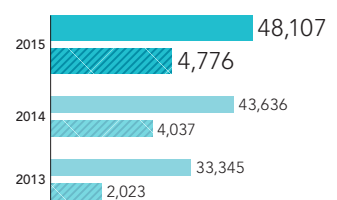


### Share of Sales by Business (Wacoal Corp.)



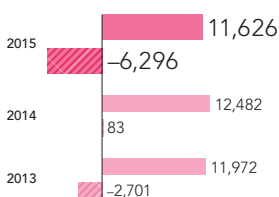
### Wacoal Business (Overseas)

¥ million



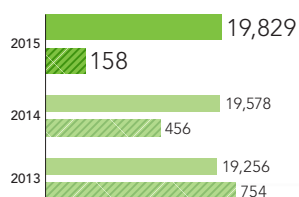
### Peach John Business

¥ million



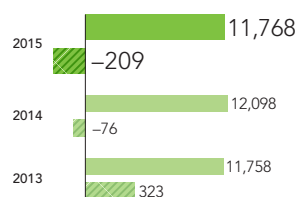
### Other Businesses

¥ million



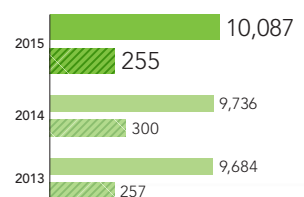
### Lecien Corporation

¥ million



### Nanasai Co., Ltd.

¥ million

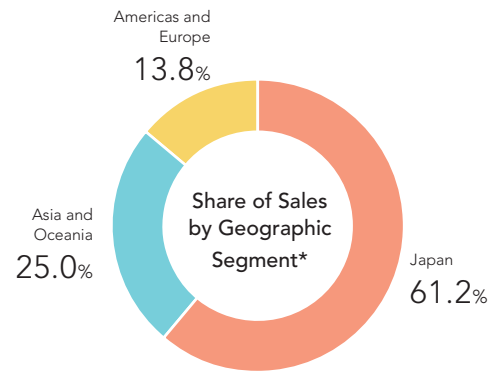




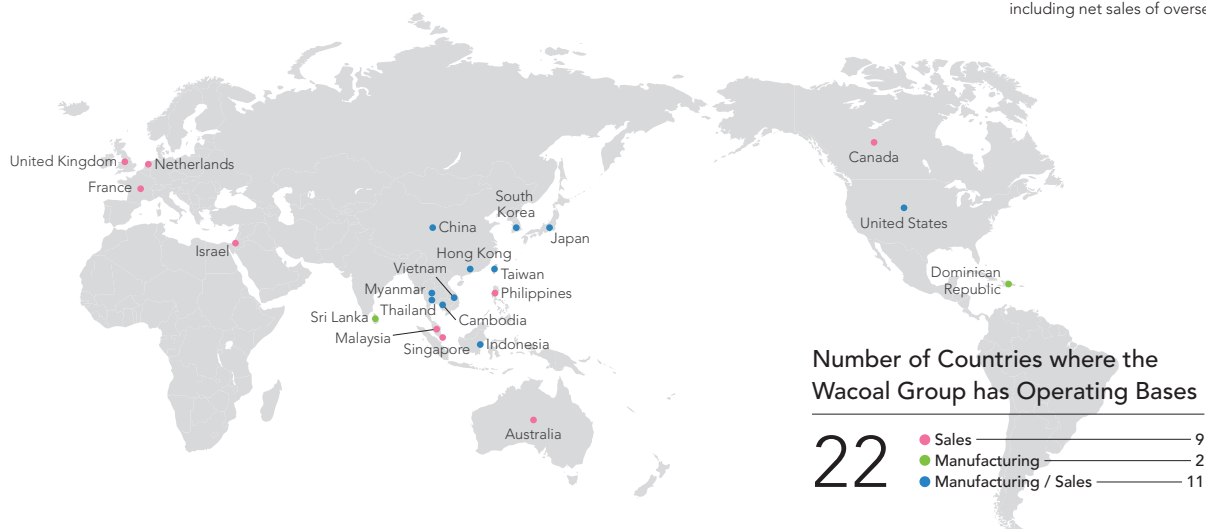
## Information by Region

Consolidated Overseas Sales **¥48.6 billion**

Overseas Affiliates Sales **¥42.2 billion**



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



### Net Sales by Region (Consolidated)

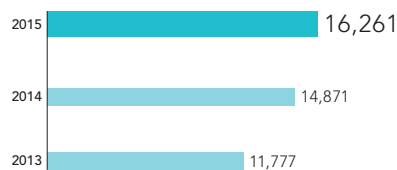
#### Japan

¥ million



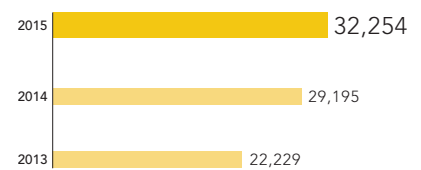
#### Asia and Oceania

¥ million



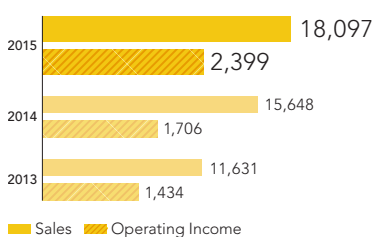
#### Americas and Europe

¥ million



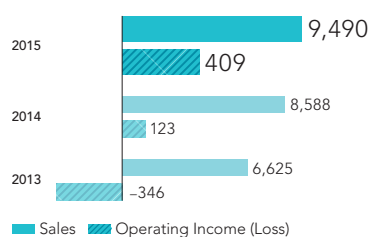
### Sales / Operating Income of Wacoal International (U.S.)

¥ million



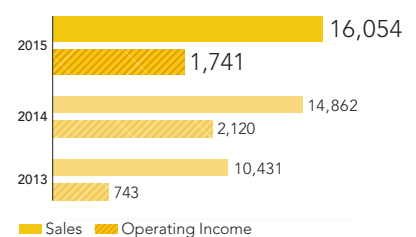
### Sales / Operating Income (Loss) of Wacoal China Co., Ltd.

¥ million



### Sales / Operating Income of Wacoal Europe Ltd.

¥ million



People aged between 4 and 69 whose physiques are measured every year\*

Approx. **1,000**



People we have measured continuously for more than 30 years\*

More than **100**



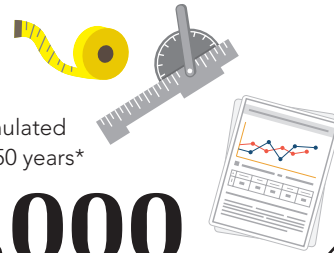
Patents, utility models, and industrial designs registered, or for which applications filed, in Japan\*

Approx. **550**



People we have accumulated data on during nearly 50 years\*

More than **40,000**



## R&D

## Product Planning and Production Technology

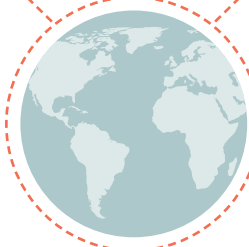
Brassieres sold annually worldwide

Approx. **44.6** million



Plants worldwide

**23**



Products manufactured in-house\*

More than **80%**

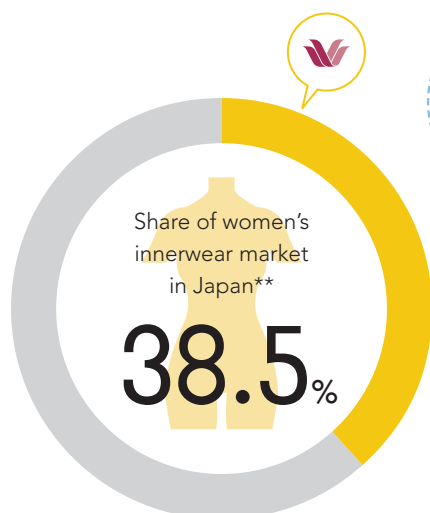


Parts included in a brassiere

More than **40**



Looking at  
by the  
**NUM**



Source: Nikkei Sangyo Shimbun (shipment value basis)



Directly managed stores in Japan\*\*

**305**

Beauty advisors in Japan\*

Approx. **3,500**



Beauty advisors worldwide (including Japan)

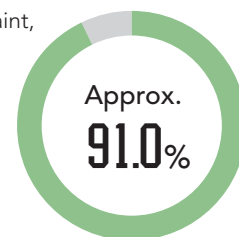
Approx. **8,000**

Customer inquiries Customer Service Center receives annually\*

Approx. **48,000**



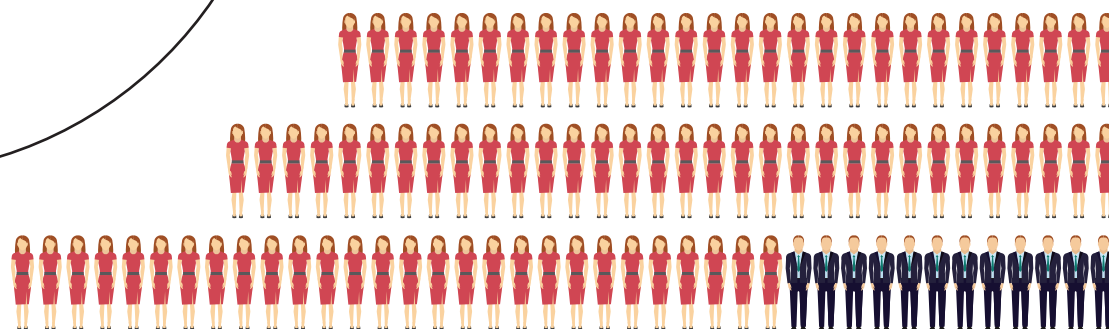
After response to complaint, percentage of customers intending to repurchase\*



Wacoal  
BERS

## Sales and Customer Service

## Personnel, Organization, and Business Management

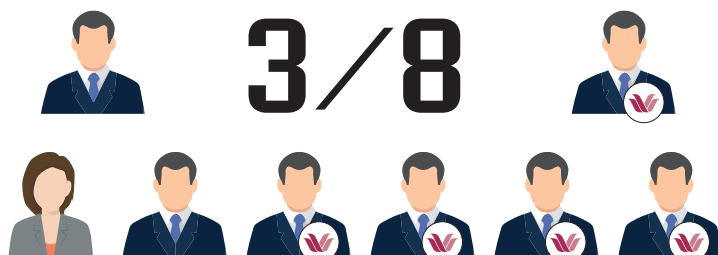


Percentage of female employees\*

Approx.

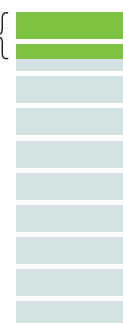
**88%**

Outside directors / Total directors



Female managers as a percentage of total managers\*

**15.6%**





# The Wacoal Group's On-Site Capabilities

"Contribute to society by helping women to express their beauty"

To realize this mission, the processes of the Wacoal Group, including R&D, product planning, manufacturing, sales, and customer service, function cohesively to achieve unique manufacturing.

This section introduces some of the personnel working at our manufacturing sites and focuses on how diverse personnel and trust-related assets support frontline operations.



## Sales

Delivering products through customers' preferred sales channels



## R&D

Researching physique,  
sensation, physiology,  
and psychology  
Discovering, creating,  
and providing value  
customers want



## Integrated manufacturing

## Product planning

Identifying customer needs  
accurately, reflecting them to  
create customer value



## Manufacturing

Realizing safe, reliable,  
high-quality products through  
strict quality control





# Underpinning Wacoal's Quality: Mutual Trust Transcending Borders

—Vietnam Wacoal Realizes High Quality with Pride—

Established in 1997, Vietnam Wacoal Corp. is the Wacoal Group's largest individual plant. It is located about one hour's drive from Ho Chi Minh, a rapidly growing commercial city in southern Vietnam. The plant has approximately 2,000 personnel with an average age of 28. They carry out most processes manually—from fabric stretching and cutting to sewing, inspecting, and packaging—and they meet the same quality standards as plants in Japan.

Having expanded during the 18 years since its establishment, the plant now produces roughly 3.8 million brassieres per year, tirelessly supplying Japan with products loved by customers. Based on a spirit of mutual trust that transcends borders, Vietnam Wacoal passes on skills, develops personnel, and coexists with local communities. Playing an indispensable role in establishing a stronger global presence for the Wacoal Group, the company is continuing to evolve.



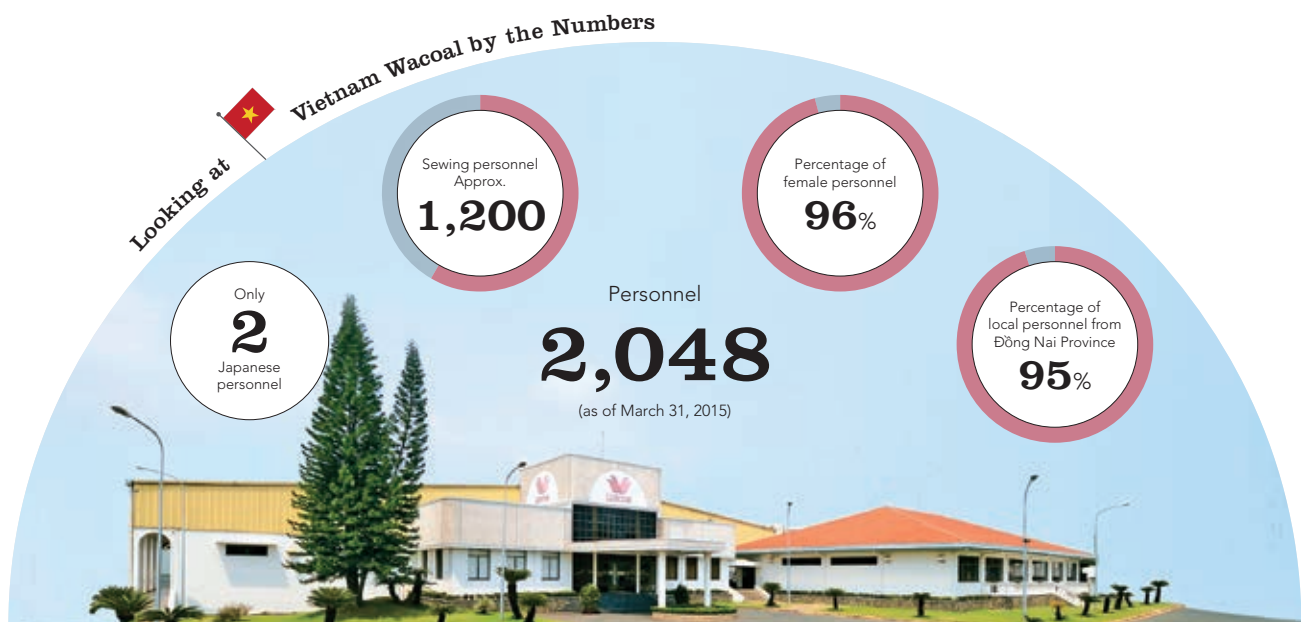
## Aiming to Establish a New Sewing Style by Combining High Quality and Cost Competitiveness

At Vietnam Wacoal, we view our main mission as employing talented local people to enhance cost competitiveness while maintaining high quality. By incorporating Japan's sewing technology and quality management methods, we have realized the "made by Wacoal" ideal of ensuring uniform quality regardless of the country in which products are manufactured. Going forward, while preserving processes that can only be done by hand, we will automate other processes to enhance efficiency even further.

Moreover, we are enhancing the skills of managers. As part of these efforts, we have introduced an outside training curriculum that is developing each manager's ability to suggest solutions. Also, we will steadily delegate responsibility while building an organization that encourages autonomous behavior. More than anything, as local personnel work we want them to take pride in the fact they are running the company. Through these efforts, we aim to be the world's No.1 plant.



**Takayoshi Sako**  
President and Director  
Vietnam Wacoal Corp.



## Motivating Employees to Achieve Further Growth

### Phùng Quốc Đại

Plant General Manager  
Vietnam Wacoal Corp.

I was the second local employee to join the company. Beginning my career as a sewing machine mechanic, I became plant general manager three years ago. Once or twice a year, I travel to Japan to visit other plants or meet members of teams specializing in skills and technology at head office. I take the skills and knowledge I acquire back to the plant and use them to enhance the skills of personnel or raise their awareness.

To heighten the competitiveness of the plant even further, increasing the motivation of employees and encouraging all of them to make a concerted effort to advance manufacturing is indispensable. Therefore, I emphasize having regular frank discussions with section heads and other subordinates and identifying and solving problems together. In future, I would like to independently plan, procure, design, and locally market products suited to Vietnamese people.

**VOICE**  
On-site  
comments



Left: Phùng Quốc Đại  
Right: Trần Thị Ngọc Hạnh  
(Both have worked for the company since its establishment.)

## Realizing High Quality by Creating Workplaces Where Employees Can Work with Peace of Mind

### Trần Thị Ngọc Hạnh

Manager, Business Management Department  
Vietnam Wacoal Corp.

After graduating from university, I was the first employee the company hired. Since then, I have worked in the personnel, general affairs, and accounting departments. Currently, I am working to create workplaces in which employees can work with peace of mind.

Women account for 96% of the company's employees. Our workplaces have a friendly atmosphere: as if you are working with your family, and your coworkers are you brothers and sisters. The company's in-depth training program and a generous benefits package gives personnel peace of mind because they allow them to acquire skills or focus on manufacturing, even when bringing up children. Creating high-quality products with their hands is a source of confidence and pride for each employee. We have a real sense of having grown personally as the company has progressed during its history.



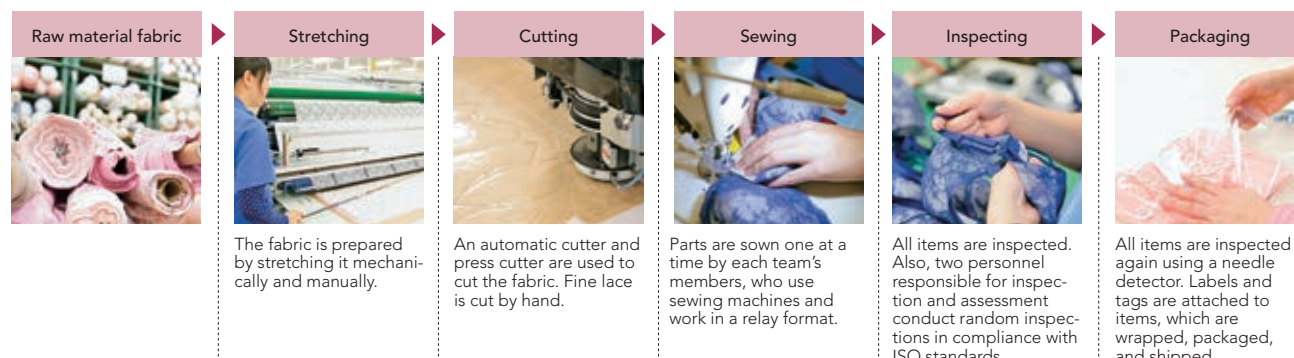
# Creating the Best: Every Stitch, Millimeter, and Second Counts

—Manufacturing Only Hokuriku Wacoal Sewing Can Realize—

In the 1970s, the Wacoal Group established plants in various regions of Japan with a view to expanding its production base as the Group developed. One of these plants was Hokuriku Wacoal Sewing Corp., which began operations in 1970. Since then, it has mainly manufactured brassieres. The company moved to its current location in Fukui Prefecture in 2010. As well

as manufacturing high-value-added products under such luxury brands as Wacoal Dia and Tréfle, Hokuriku Wacoal Sewing develops technology, supports designing, and fosters the next generation by passing on skills. In addition to advanced technical capabilities, the company has the passion and pride needed to consistently create products loved by customers.

## Brassiere Manufacturing Processes that Facilitate Production Flow



**Tsugio Tomita**  
General Manager,  
Production Dept.  
Hokuriku Wacoal Sewing Corp.

## Efficiency Is Indispensable in Frontline Operations

Approximately 150 sewing personnel operate 10 production lines for brassieres, innerwear, and other products. Normally, we form different teams for each product. Therefore, we take experience and skill into consideration when deploying personnel. A person's number of years of experience is not the only factor. Each person has different aptitudes. This means choosing the best person for each job is indispensable for operational efficiency. Furthermore, producing high-value-added products efficiently not only calls for advanced skills but also requires flexible production line adjustment. Consequently, we achieve smooth work flows by dividing operations into mass production lines and production lines that manufacture many types of products in small lots. Another part of our work is to keep accumulated skills in the organization by passing them on to the next generation. For example, we use comparative video software to analyze differences in the sewing techniques of highly experienced personnel and those of personnel with less experience.



# Dedication to WACOAL DIA

—Craftsmanship and Commitment—

## One Stitch, One Millimeter, One Second

This slogan encapsulates the dedication of the sewing personnel at Hokuriku Wacoal Sewing.

### One Stitch

= The commitment sewing personnel put into every stitch

### One Millimeter

= Sewing with a degree of precision that does not permit the slightest deviation

### One Second

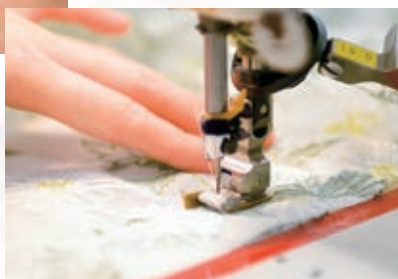
= Advancing items to the next process even one second faster, always racing against time

When these three attributes unite, the plant realizes ideal manufacturing operations.



## We Want to Realize Designers' Concepts Perfectly

Wacoal Dia products require a high degree of expression. Consequently, overcoming technical challenges has been a constant feature of the brand's history. Sometimes, even experienced sewing personnel find it extremely difficult to meet product specifications, which can require fine thread or fine lace fabric not used before. To meet such specifications, sewing personnel have to understand the designer's concept. By very precisely sewing together each part to give the designer's concept concrete form, we create products of a quality and beauty that almost makes them works of art. A further benefit is that the sewing techniques that enable us to overcome the challenges of each product's specifications accumulate as valuable assets within the organization.



VOICE



Kazumi Sakaguchi

We do not want to make defective products. Even if it means remaking a product many times, we want to focus on quality uncompromisingly and create something that conforms exactly to the designer's request without one millimeter of difference. This dedication creates products said to be among the best of their kind in the world. Similarly, our skills are said to be unrivalled worldwide. We take pride in this reputation.

VOICE



Sayuri Saito

Accurately completing a product with an advanced design requires various skills, such as handling and tiny stitches. However, I get a great feeling of accomplishment when a product is finished. I enjoy sewing the Wacoal Dia brand's wonderful products by myself from start to finish.

## Indispensable Manual Work of Highly Dedicated Personnel

Naturally, the role expected of a plant in the Group is to minimize losses and manufacture the required volume of products in a timely, efficient manner. However, in the Wacoal Group's manufacturing operations we cannot create products with machines alone, personnel are critical. The manual work of highly dedicated personnel is fundamental to the realization of each product. Without this dedication, we could not make products loved by customers.

Wacoal Dia products have world-class finishing and quality. I am proud to play a part in creating such products. I want us to aim to be the world's No.1 plant by continuing manufacturing that only Hokuriku Wacoal Sewing can realize.



Kazuhiro Inoue

President and Representative Director  
Hokuriku Wacoal Sewing Corp.

**Junko Kasai**

Corporate Officer  
Chief of Diversity and Career Support Section  
Human Resources and General Affairs Dept.  
Wacoal Corp.

**Hiroko Kojima**

General Manager, First Sales Section, Eastern Japan  
Office, Regional Sales Headquarters  
Wacoal Brand Business Dept.  
Wacoal Corp.

**Yuriko Sakaguchi**

Eastern Japan Office,  
Regional Sales Headquarters  
Wacoal Brand Business Dept.  
Wacoal Corp.

# Diversity Strategies that Boost Enterprise Value

—Toward a Wacoal Group in Which Everyone Works with Vitality—

The Wacoal Group's workforce encompasses female and male personnel with many different attributes, including personnel in a range of different age groups and those with disabilities. A particular feature of the Group is that roughly 85% of its personnel are women. We believe employees with diverse personalities recognizing each other's values and working together to achieve the organization's goals is the source of our competitiveness.

In April 2014, Junko Kasai became the first female corporate officer of Wacoal Corp. At the same time, we established the Diversity and Career Support Section with Ms. Kasai as its inaugural chief. This section is tackling a range of measures based on two pillars of diversity advancement: support for meeting life and work commitments and promotion of personnel. Providing support for meeting life and work commitments entails designing and managing systems that help employees

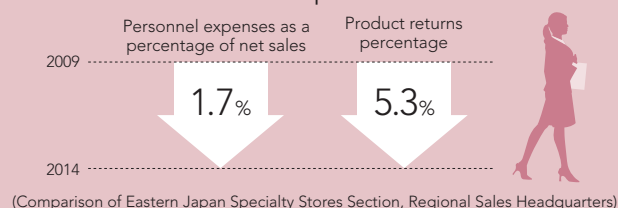
return to work readily after absence due to childrearing or nursing-care commitments. Promotion of personnel involves advancing the careers of female employees and fostering next-generation leaders. In May 2015, the Diversity and Career Support Section launched the We! Labo Project, through which young female and male personnel are preparing plans for new businesses. Further, the section is steadily advancing preparations for the establishment of Wacoal College, which will provide instruction on advanced business skills.

We invited the leader of the Diversity and Career Support Section, Ms. Kasai; Hiroko Kojima, general manager of the First Sales Section of the Eastern Japan Office of the Regional Sales Headquarters; and Yuriko Sakaguchi to discuss the current roles of the Wacoal Group's female personnel and how these should evolve going forward.

## First Sales Section, Eastern Japan Office, Regional Sales Headquarters

Traditionally, male personnel have mainly been responsible for sales. However, we have established an all-women sales section. Despite challenging conditions following an increase in the consumption tax rate, the section grew sales and became a focus of attention within the Group. After working for 17 years as a beauty advisor, Ms. Kojima became part of the sales team. In 2014, she was promoted and became the general manager of the First Sales Section of the Eastern Japan Office of the Regional Sales Headquarters. Ms. Sakaguchi joined the sales team three years ago, after working for 20 years as a beauty advisor.

### Women's Contribution to Sales Operations





## Fostering the Next Generation of Leaders

What led to the establishment of the Diversity Career Support Group?

**Kasai:** It began from the “women’s empowerment project,” which the Group initiated to address issues that the management team and employees had identified. I was nominated as the project’s chairperson. However, I only accepted the position after meeting directly with president Tsukamoto and the senior managing director, Hironobu Yasuhara, to make completely sure of their intentions in relation to the project.

Their message was very clear. Women account for 85% of the Wacoal Group’s employees, and they work in good conditions. However, how many women are there who are true leaders? Although it is important that each person works hard in their position, in the end, a company’s strength is determined by how many outstanding leaders it has. In this respect, the Wacoal Group still has issues.

Leaders do not necessarily have to be managers or officers. Under the project, however, we set as a target raising the percentage of women in managerial positions from April 2015’s level of 15.6% to 20% by 2018. Not pursuing numbers recklessly, we began a leadership program with the aim of training around 80 employees a year. The program is tasked with steadily fostering a new generation of female leaders. And, employees put themselves forward for training. If you want to be a leader, I think you need to be ready and willing to raise your hand. That said, I hope seeing women assume senior positions will encourage employees who have not been inclined to become leaders to follow their example.

**Kojima:** I agree that our focus should not be on numbers but on people. Given that this is a merit-based company and being a leader is tough, individual effort is always a precondition.



**Kasai:** Promoting women does not mean being lenient with them. It means removing the stereotype of sales or management being men’s jobs and deploying personnel strictly based on individual aptitude rather than gender. Put another way, the program makes stringent demands on women. Ms. Kojima you are right in the middle of this, so I think you will appreciate what I mean.

**Kojima:** On the other hand, many business clients have said that if companies selling women’s innerwear advance this type of initiative, it will create organizations that more closely reflect the needs of customers and personnel working in sales areas. I find this encouraging, and I really feel that people have great hopes for us.

**Sakaguchi:** In frontline operations, the number of female managers has risen. In this respect, I have a real sense of change in many areas. I think these changes will heighten our motivation.

**Kojima:** Attitudes have changed quite considerably. At the monthly sales area meetings, managers always mention the importance of empowering female personnel to contribute more.

## Focusing on Aptitude Rather than Gender in Sales Teams

Do you feel that female personnel have certain advantages?

**Sakaguchi:** We sell women’s innerwear, so the perspective of female personnel is important. But I think the ideal situation is one in which the different strengths of women and men complement each other.

**Kasai:** Previously, some business clients asked us to stop using female personnel in sales because men were considered better suited to physically demanding work behind the scenes and negotiations. Now, we do not receive such requests. In fact, female sales personnel are involving business clients in this initiative and moving business discussions forward energetically and effectively.

**Kojima:** When we notice something in sales areas, we do not hesitate to make suggestions. And, if clients have a request, we address it quickly when we return to the office. I feel this approach is heightening trust and expectations.

**Kasai:** Having a feel for frontline operations is important. Rather than conceiving of major changes abstractly, we respond rapidly to small changes one at a time. If this produces favorable results, we immediately apply the improvement more broadly. This speed is one of the strengths of female sales personnel I think.

**Kojima:** I do not think the difference in aptitude for sales is between men and women but between individuals. However, someone who has actually worked in a sales area is very familiar with customers and business clients and has experience and knowledge that are extremely significant assets.

For example, due to budgetary constraints there was a store where we only had a small DVD monitor installed, and customers would pass by without stopping. Until now, the situation would have been left as it was. However, we borrowed a large monitor from the office, which we shared with other stores. In all of the stores, customers’ response changed completely. This type of small change can make a big difference. Rather than thinking “we cannot afford to buy an expensive monitor,” focusing on what could be done led to the idea of borrowing monitors.

This is a good example of using various viewpoints to achieve improvement.

**Kasai:** Not just noticing the problem but refusing to give up and trying something different to rectify it produced a favorable outcome I think.

## Moving from Beauty Advisor to Sales Team Member and onto Manager

**Kasai:** As general manager of the First Sales Section, Ms. Kojima scouted Ms. Sakaguchi as a candidate for the sales team, I believe.

**Sakaguchi:** I had worked for 20 years as a beauty advisor and accumulated broad experience. I enjoyed working in sales areas. But I wanted to take on a new challenge at a higher level, so I accepted the offer. Because I have long experience of working in

frontline operations, I can understand beauty advisors without having everything explained to me. Also, having spent such a long time with business clients gives us mutual peace of mind I think.

**Kasai:** It must have been very tough for you at first.

**Sakaguchi:** I had some difficulties because I was not familiar with such organizational rules as inputting budgets and progress management. In particular, I have not received sales-specific training. Therefore, for those aspiring to become members of the sales team, I think it would be good if we had common materials that include work flows, manuals, and frequently asked questions, for example.

**Kasai:** In fact, in response to this type of feedback, we have begun training in frontline operations.

Ms. Kojima, how did you find the transition from beauty advisor to sales team member?

**Kojima:** For 17 years, I worked as a beauty advisor. Ultimately, I became a beauty advisor leader and engaged in work that was no different to that of sales personnel: holding business discussions with business clients and so on. However, in the end this work involved waiting for replies from sales personnel, and various interlinked factors were preventing things from progressing quickly. So I decided to join the sales team. At the time, I relied on the goodwill of those around me because I did not know the things that sales personnel should know as a matter of course. Nevertheless, because I had chosen to do this job, I was determined to persevere no matter how tough things were. Normally beauty advisor leaders report to sales personnel. However, I held both positions concurrently. As a result, I had to deal with many different types of problem by myself, and at times I struggled.

**Kasai:** According to beauty advisors, beauty advisor leaders play a role similar to that of a “mother” and sales personnel act as the “father.” With this in mind, it must be hard for one person to perform both roles.



Subsequently, you became a general manager. How has this changed your perspective?

**Kojima:** Initially, I thought being a general manager was sure to be tough. My strength is in frontline operations. I was very anxious about whether I would be able to conduct effective presentations for senior management. However, when I talked about frontline operations at meetings, I found they were a receptive audience. There were aspects of frontline operations that the senior management team wanted to know more about. Sometimes



things are challenging, but I am more confident now that I can make a major contribution. Further, growing myself and moving up to the next step will enable us to foster more personnel like me I think.

### Becoming an Even Greater Corporate Group

**Kasai:** I think a feature of the Wacoal Group is that it does not flatly reject the aspirations of motivated personnel. It allows them to take on challenges. Whether or not an individual has the desire is important. For those with desire, the Group responds appropriately.

An in-house questionnaire revealed that about 10% of female personnel would like to become managers. However, this is a large denominator. If 10% of female employees really aimed to become managers, this would be a huge number of personnel. Rather than one special method for women to apply themselves and advance their careers, I think many methods of career advancement will become accepted.

In fact, there are many talented personnel in the Wacoal Group. If they are given opportunities, significant changes are sure to follow. I think if women exercise more leadership, the Wacoal Group can become an even greater corporate group.

Establishing related systems and appropriate conditions must be a challenge.

**Kasai:** It probably appears daunting, but really it is not. It is just something that we have not done before. If we try, it will soon become a matter of course. Thinking “it will be really difficult” is only an unfounded assumption. Changing the way we look at things and systems just a little will enable us to do many things. Not doing so would be a wasted opportunity, I think. The Wacoal Group’s culture has a type of optimism that means it is willing to try anything, and if it does not go well, try again in a different way. Rather than having personnel work under pressure, we have an attitude that permits failure to some extent.

You are referring to an environment that is conducive to taking on challenges, I think.

**Kasai:** It may be an issue that this permissiveness spoils us. However, it is precisely this attitude that gives us the room to grow. Personally, I feel that there are still many things we can achieve going forward.



# Realizing Highly Productive Processes by Advancing Diversity

## —Initiatives of Niigata Wacoal Sewing—

A subsidiary of Wacoal Corp., Niigata Wacoal Sewing Corp., received a commendation from the Minister of Economy, Trade and Industry as a company qualifying for inclusion in the Fiscal 2014 "Diversity Management Selection 100," which chooses about 100 companies with outstanding records of promoting diversity in their businesses.

A certificate of commendation from the  
Minister of Economy, Trade and Industry



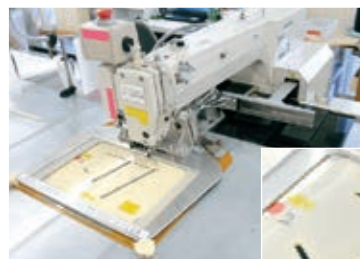
At Niigata Wacoal Sewing, we began employing disabled people in 1981 because we wanted to grow with the local community and help disabled people achieve personal fulfillment. Since then, we have developed suitable workplaces by introducing or modifying technology and equipment.

In 2011, we responded to requests from disabled employees who wanted to participate in sewing, the company's main activity, by introducing large electronically controlled automatic sewing machines. Our goal was to encourage disabled employees to work for us long term. By pre-programming these sewing machines, operators can use them to sew automatically. There was no precedent for introducing such machines into operations for apparel products, which have short lifecycles and involve numerous patterns. Consequently, creating the machines was a process of trial and error that required help from a sewing machine manufacturer. Ultimately, we decided to incorporate clamp sewing guides. These devices allow disabled employees to operate sewing machines safely and simply and create apparel with precision. Moreover, the devices stabilize quality, and they are low-cost because we can manufacture them cheaply in-house. Currently, nine employees maximize their capabilities by using these sewing machines.

Not only disabled employees but also less-skilled employees can use these sewing machines. This advantage is enabling us to shorten lead times for developing personnel and increase productivity. As a result of this initiative, the utilization rate of sewing machines is nearing 100%, and productivity has doubled. Furthermore, we can apply this know-how to existing small sewing machines. This means that capabilities once reliant upon expert operators' feel and skill have become capabilities that anyone can master and which belong to the plant.

Niigata Wacoal Sewing is continuing to promote diversity with a view to creating further innovations and enhancing productivity and business results.

For details, please see the "Winners of the Diversity Management Selection 100" page of the Ministry of Economy, Trade and Industry's web site.  
[www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/](http://www.meti.go.jp/policy/economy/jinzai/diversity/kigyo100sen/)



A large electronically controlled automatic sewing machine and clamp

Sewing operations using a large electronically controlled automatic sewing machine



A small sewing machine and clamp



A clamp for a small sewing machine



Sewing operations using a small sewing machine

Benefits of using a clamp: —  
Using a clamp, rather than the operator's hand, to hold items makes sewing items in a given direction easier, stabilizes quality, and reduces worker-hours.



# Eleven-Year Financial Summary

Wacoal Holdings Corp. and Subsidiaries

Years ended March 31

	2015	2014	2013
<b>For the year</b>			
Net sales	¥191,765	¥193,781	¥180,230
Cost of sales	90,722	91,008	84,548
% of net sales	47.3%	47.0%	46.9%
Selling, general and administrative expenses	87,940	88,913	84,331
% of net sales	45.8%	45.8%	46.8%
Government subsidy			
Special retirement related expenses			
Operating income	7,082	13,860	8,499
Other income and expenses, net	229	313	(152)
Net interest income (expense)	44	(8)	(79)
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	11,342	15,033	10,940
Income taxes	3,303	5,641	3,772
Net income attributable to Wacoal Holdings Corp.	8,444	10,106	7,880
Return on assets (ROA)	4.0%	5.7%	4.6%
Return on equity (ROE)	3.9%	5.2%	4.4%
Net cash provided by operating activities	14,337	8,949	12,309
Net cash (used in) provided by investing activities	164	1,658	(23,520)
Net cash (used in) provided by financing activities	(8,391)	(5,554)	5,379
Depreciation and amortization	5,074	5,036	4,888
Capital expenditures	3,093	2,265	2,475
<b>Per share of common stock (in yen)</b>			
Net income attributable to Wacoal Holdings Corp. (Basic)	¥59.95	¥71.75	¥55.95
Cash dividends	30.00	33.00	28.00
Shareholders' equity	1,625	1,456	1,325
<b>At year-end</b>			
Total current assets	¥120,264	¥109,488	¥103,587
Total current liabilities	42,302	46,608	50,504
Cash and cash equivalents	38,410	30,658	24,514
Net property, plant and equipment	49,188	48,978	49,665
Total assets	300,272	271,988	254,536
Short-term bank loans and long-term debt, including current portion	14,817	18,147	18,765
Total shareholders' equity	228,857	205,106	186,646

For the fiscal year ended March 31, 2012, to reflect earnings and losses during the fiscal year in the 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. Consolidated financial statements for the fiscal year ended March 31, 2011, and prior fiscal years have been retroactively revised accordingly.

Millions of yen, except per share amounts

2012	2011	2010	2009	2008	2007	2006	2005
¥171,897	¥165,548	¥163,548	¥170,960	¥165,201	¥166,410	¥164,122	¥160,968
81,891	81,659	80,101	83,879	82,943	84,658	84,322	84,041
47.6%	49.3%	49.0%	49.1%	50.2%	50.9%	51.4%	52.2%
79,629	77,716	78,524	77,248	68,921	68,856	70,946	72,261
46.3%	46.9%	48.0%	45.2%	41.7%	41.4%	43.2%	44.9%
							(7,100)
						7,521	
10,377	4,401	3,829	9,833	13,337	12,896	1,333	11,766
(189)	(523)	(717)	(2,699)	592	861	1,976	206
19	49	43	195	224	163	157	107
10,207	3,927	3,155	7,329	14,153	13,920	3,466	12,079
4,199	2,010	1,655	3,083	5,774	6,502	1,459	5,800
6,913	2,785	2,475	5,062	4,845	9,029	2,821	6,790
4.7%	1.8%	1.4%	3.4%	5.8%	5.7%	1.5%	5.4%
4.1%	1.6%	1.5%	2.9%	2.6%	4.8%	1.6%	3.9%
10,060	10,441	9,463	8,202	14,249	9,339	719	2,045
(3,467)	(703)	(3,573)	(4,759)	3,709	(1,185)	(2,069)	(5,528)
(2,824)	(4,965)	(5,363)	(7,448)	(9,400)	(8,404)	(3,428)	296
4,660	4,685	4,765	4,544	3,892	3,735	3,433	3,312
2,708	2,652	3,981	2,370	1,110	2,536	6,456	5,418
¥49.08	¥19.73	¥17.51	¥35.57	¥34.29	¥63.18	¥19.60	¥47.17
28.00	20.00	20.00	25.00	25.00	22.00	20.00	20.00
1,218	1,189	1,217	1,187	1,285	1,375	1,296	1,221
¥ 97,295	¥ 90,410	¥ 89,455	¥ 90,778	¥ 97,671	¥ 92,915	¥110,773	¥120,300
35,607	33,880	34,945	31,762	35,802	34,868	35,525	34,970
29,985	26,316	22,328	21,954	27,069	19,816	19,893	24,195
49,078	49,734	51,804	49,165	51,185	52,782	53,501	51,826
221,098	215,276	222,889	213,827	240,053	250,266	242,296	226,196
6,482	6,436	8,162	5,302	5,701	5,984	6,458	6,911
171,496	167,480	171,860	166,767	184,128	193,278	186,475	175,746

# The Fiscal 2014–2016 Medium-Term Management Plan

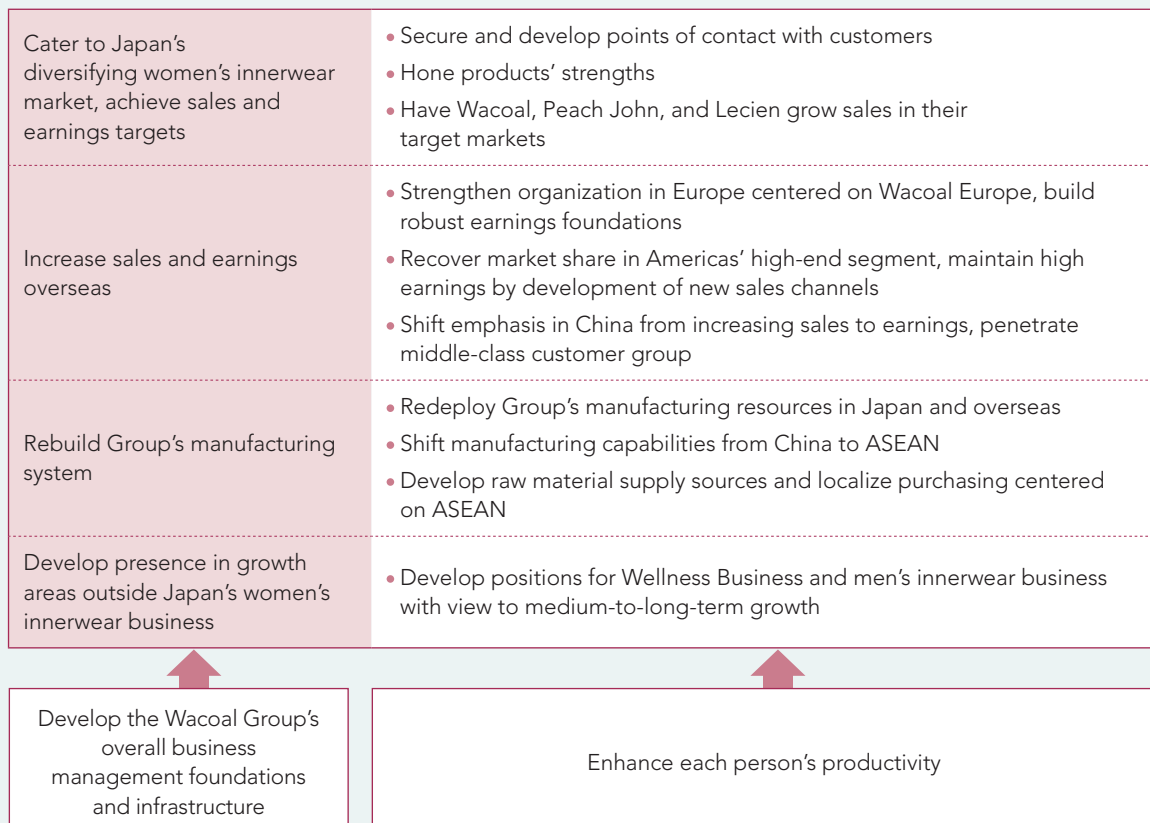
Launched in April 2013, our current three-year medium-term management plan calls on us to continue advancing a range of measures to establish a stronger global presence for the Wacoal Group. For the three-year period, the plan sets out a basic strategy by which the Wacoal Group will strengthen its comprehensive capabilities while ensuring its management philosophy and conduct and ethics code are shared throughout the Group. Furthermore, to enable responses to unexpected volatility, we are bolstering profitability and building even stronger relationships of trust with society.

Adhering to the basic strategy, 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





## Numerical Targets and Progress

Fiscal 2016 targets

Net Sales:

At least ¥200.0 billion

Operating Income:

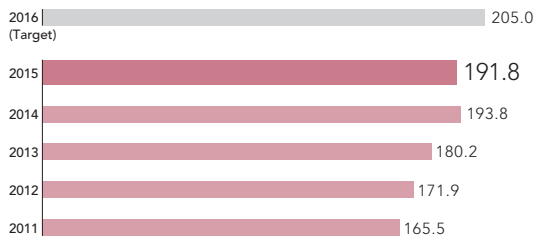
At least ¥14.0 billion

Operating Income Margin:

At least 7%

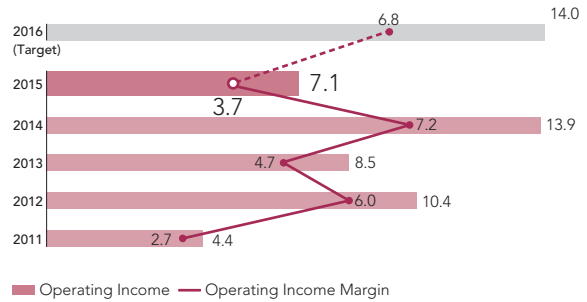
### Net Sales

¥ billion



### Operating Income / Operating Income Margin

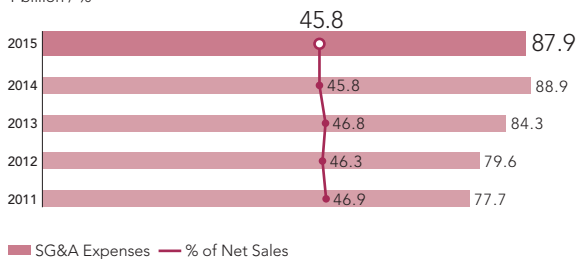
¥ billion / %



## Other Important Benchmarks

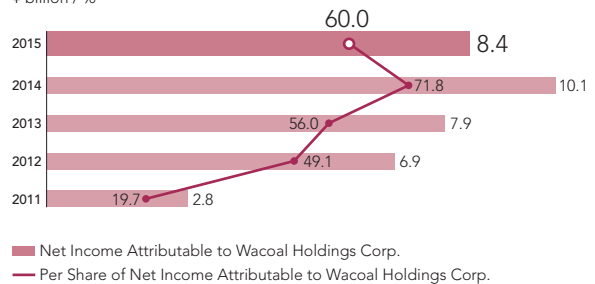
### SG&A Expenses / % of Net Sales

¥ billion / %



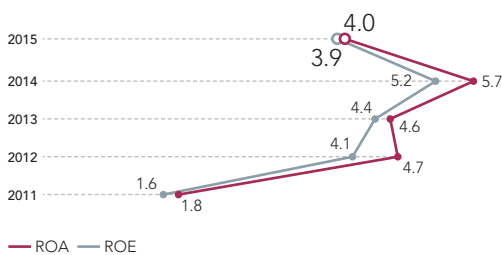
### Net Income Attributable to Wacoal Holdings Corp. / Per Share of Net Income Attributable to Wacoal Holdings Corp.

¥ billion / %



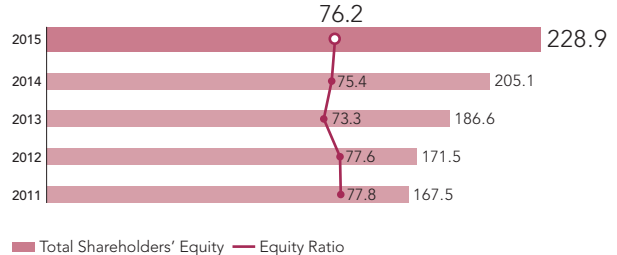
### ROA / ROE

%



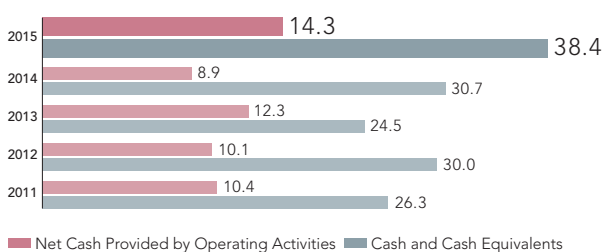
### Total Shareholders' Equity / Equity Ratio

¥ billion / %



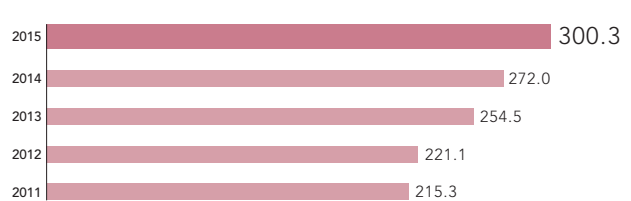
### Net Cash Provided by Operating Activities / Cash and Cash Equivalents

¥ billion



### Total Assets

¥ billion



# Strategies and Initiatives in the Final Year of the Medium-Term Management Plan

In the medium-term management plan's final year, ending March 2016, 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 year 2016 are as shown below.

## Wacoal Business (Domestic)

Priority measures	Progress and measures
Claim market share in Japan's regions	<b>Second-year progress</b> Giving priority to areas in which competitors are comparatively strong, we conducted lateral sales initiatives that transcended sales channels and brands. Also, in regions that have become unexploited due to the withdrawal of retail stores we opened our first directly managed store with low-cost operations, Brara, in AEON MALL Kyoto Katsuragawa. We have opened five of these stores as of the end of March 2015.
	<b>Final-year measures</b> <ul style="list-style-type: none"> <li>• Expand new sales system for regions in innerwear wholesale division</li> <li>• Accelerate openings of directly managed store Brara at shopping centers with wide catchment areas through formats that curb store-opening costs</li> <li>• Implement measures to support specialty stores with focus on unexploited regions</li> </ul>
Strengthen entry-level and senior customer groups	<b>Second-year progress</b> As measures targeting entry-level customer group, we launched a new brand for general merchandising stores, Pulili, and began the full-fledged rollout of a brand for department stores, Fairy Tiara.
	<b>Final-year measures</b> <ul style="list-style-type: none"> <li>• Expand entry-level customer group further</li> <li>• Increase sales channels among general merchandising stores for product lineups under Rakuraku Partner brand for seniors</li> </ul>
Expand lineups for high-volume market and maintain high-value-added market	<b>Second-year progress</b> We continued rolling out fufu and Tuyaka, brands jointly developed with a major general merchandising store, and expanded and implemented the product lineup in the higher-end market for directly managed stores.
	<b>Final-year measures</b> <ul style="list-style-type: none"> <li>• Establish presence and increase sales of prestigious brands for department stores</li> <li>• Increase appeal to customers visiting Japan and strengthen services by deploying non-Japanese beauty advisors and providing duty-free services</li> </ul>
Restructure manufacturing area	<b>Second-year progress</b> We are continuing to reduce costs by increasing production overseas, particularly in the ASEAN region, and advancing local purchasing of raw materials. In fiscal year 2015, the percentage of products manufactured overseas increased 1 percentage point, to 55%. Moreover, the ASEAN region accounted for 61% of the overseas production of the main innerwear operating divisions.
	<b>Final-year measures</b> <ul style="list-style-type: none"> <li>• Accelerate transfer of manufacturing of mass-produced items to ASEAN region</li> <li>• Focus efforts on developing new manufacturing and procurement infrastructure in ASEAN region</li> </ul>

## Wacoal Business (Overseas)

### U.S. Business

#### Final-year measures

- Heighten brand profile through sales promotions and events marking 30th anniversary of Wacoal brand's entry into U.S. market
- Increase market share in high-end segments through use of Europe collection and other measures
- Strengthen sales and improve profitability of b.tempt'd by Wacoal business

### Europe Business

#### Final-year measures

- Heighten awareness and sales of Wacoal brand in Europe and Australia
- Review and reorganize positioning of each brand, deploy management resources effectively

### China Business

#### Final-year measures

- Focus on department stores and increase number of stores carrying brand for middle-class customer group, LA ROSABELLE
- Raise profit margin further by increasing products available at Internet stores and outlet stores

## Peach John Business

#### Final-year measures

- Revise target age group and, based on three-brand system, keep existing customers and encourage new customers to visit Internet store by increasing points of contact with them through further store openings
- Secure appropriate gross profit by revising sales prices and reducing purchasing and inspection costs

## Other Businesses

### Lecien

#### Final-year measures

- Acquire sales areas by offering existing clients new-concept products and develop new sales channels based on products created through collaboration with companies in other industries
- Increase production lines at plant in Cambodia to lower future manufacturing costs

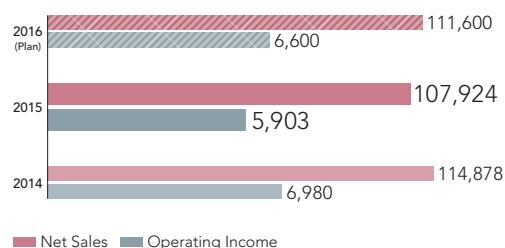
### Nanasai

#### Final-year measures

- Maintain and expand rental business by offering new sales areas and fixtures
- Acquire new projects to grow revenues of sales and interior construction businesses

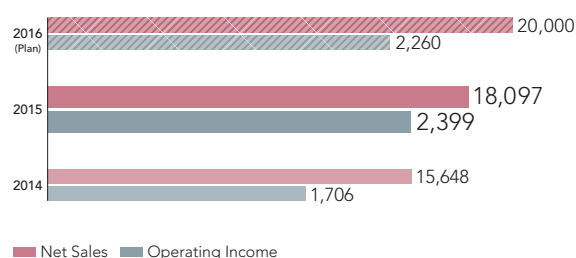
### Net Sales / Operating Income (Wacoal Corp. and Wacoal Holdings Corp.)

¥ million



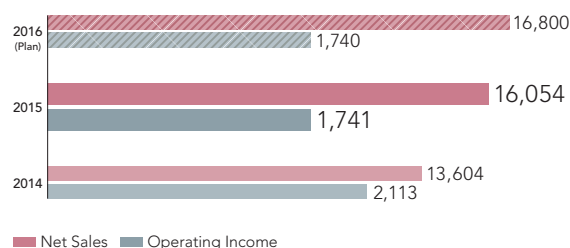
### Net Sales / Operating Income (Wacoal International Corp.)

¥ million



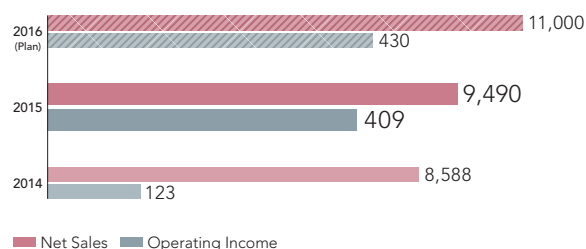
### Net Sales / Operating Income (Wacoal Europe Ltd.)

¥ million



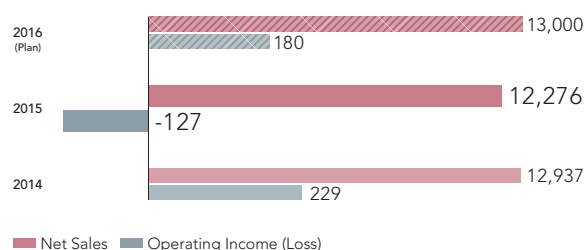
### Net Sales / Operating Income (Wacoal China Co., Ltd.)

¥ million



### Net Sales / Operating Income (Loss) (Peach John\*)

¥ million



Net Sales Operating Income (Loss)

\* Consolidated

# 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.

### Wacoal Group's CSR



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 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 50 countries, includes 66 companies with operating bases in 22 countries, and has 23 manufacturing bases in 11 countries. Approximately 8,000 beauty advisors sell the resulting finished innerwear at sales areas worldwide. In Japan and overseas, we sell about 44.6 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).

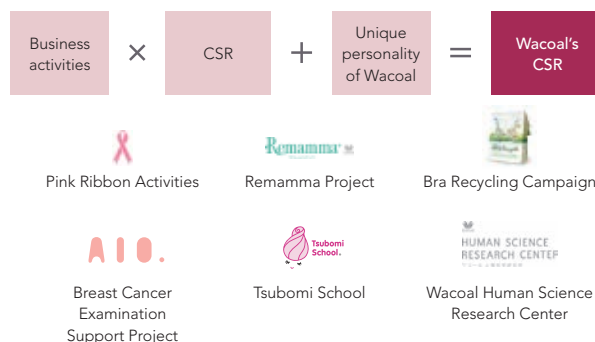
The medium-term management plan launched in April 2013 sets out establishing a stronger global presence for the Wacoal Group as a target corporate profile. By developing businesses globally, the Group will increase its international influence.

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.

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



## 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.



## 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, Ten Principles of the United Nations Global Compact, and the International Labor Organization's Core Labor 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; and 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 customers' 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 three wholly owned subsidiaries in Japan and Wacoal Corp. and its seven wholly owned subsidiaries in Japan.

# Pink Ribbon Activities Worldwide

We conduct breastcare activities in 12 countries around the world. Our goal is to ensure as many people as possible understand breast cancer correctly and as many women as possible undergo screening. Furthermore, we want to support those who have suffered from breast cancer.

The Wacoal Group will continue these activities worldwide until people no longer suffer from breast cancer.

For details, please see our web site (Japanese only).

[www.wacoalbreastcare.com/](http://www.wacoalbreastcare.com/)

## CLOSE UP

### Initiatives of Wacoal America



Ahead of bases in Japan, Wacoal America, Inc. inaugurated Pink Ribbon activities in July 1999.

In April 2001, the company launched its Fi(gh)t for the Cure® campaign, the title of which expresses a commitment to eliminating breast cancer. At department stores and specialty stores throughout the United States, the company raises funds used to help eliminate breast cancer. All year round, it publicizes brassiere fitting events.



### Fit for the Cure® Campaign Firmly Established in the United States

Every year, during Fit for the Cure® campaign periods, for every brassiere that store visitors try on, the company donates US\$2 to Susan G. Komen, a breast cancer foundation. Furthermore, for every brassiere or Shapewear product they purchase, the company donates a further US\$2 to the foundation.

At department stores around the United States and in Canada, the company holds more than 1,200 Fit for the Cure® events annually, at which more than 55,000 women try on brassieres. To date, the company has raised in excess of US\$4 million for Susan G. Komen, which uses the funds for educational initiatives to increase awareness of breast cancer and for breast cancer treatment and research.



**VOICE** On-site comments



**Susan Malinowski**  
Vice President and  
Marketing Manager  
Wacoal America, Inc.

Fit for the Cure® is a very important campaign for Wacoal America. For many customers, the campaign introduces them to Wacoal products for the first time by encouraging them to experience in changing rooms how well-fitting and comfortable our products are. About three-quarters of a million women have received brassiere fittings as a result of the campaign.

Although the quality of our products contribute significantly to the loyalty of customers who try on brassieres, the campaign's connection with Susan G. Komen also plays a major role.

In 2015, to coincide with the 30th anniversary of Wacoal America's commencement of sales operations, we will step up campaign activities nationwide to raise the awareness of breast cancer in as many women as possible.



## Spreading Pink Ribbon Activities

### Wacoal Hong Kong Co., Ltd.



Began in October 2004

Since 2011, we have been a "silver" sponsor of the Pink Walk Against Breast Cancer, which a Hong Kong based breast cancer foundation organizes every October in the city. The foundation holds this event to raise the public's awareness of breast cancer, and Wacoal personnel participate.



### Wacoal China Co., Ltd.



Began in October 2003

We jointly conduct a variety of activities with governmental organization the All-China Women's Federation. These mainly comprise events to increase awareness of breast cancer and the distribution of 30,000 pamphlets to the general public to raise awareness of the need for breast cancer screening. Every May and October, we also distribute free Pink Ribbon badges at stores.



### Shinyoung Wacoal Inc.



Began in October 2003

Every October, we raise awareness by distributing free Pink Ribbon badges to all employees and the managers of specialty stores that carry our products. Also, we distribute a pamphlet including information on how to check yourself for signs of breast cancer to 100 department stores and 150 specialty stores. At the same time, we post information about the campaign on our web site. In addition, we hold meetings for cancer patients and prevention seminars at major hospitals in South Korea.



### PT. Indonesia Wacoal



Began in April 2008

As well as contributing to a breast cancer eradication fund, Yayasan Kesehatan Payudara Jakarta, we cooperate with the fund's awareness-raising activities. In fiscal 2014, we donated 50 million rupiah (approx. ¥500,000).



### Wacoal Malaysia Sdn. Bhd.



Began in October 2003

Every October, we hold events to raise awareness of breast cancer. At major shopping malls, we hold events in which we hand out leaflets, small packs of tissues, T-shirts, and balloons to communicate the Pink Ribbon message to the media and customers. Further, we hold seminars on breast cancer and brassiere fitting campaigns.



### Philippine Wacoal Corp.



Began in January 2005

In the Philippines, we conduct the Keep a Breast campaign all year round. In cooperation with Gift 2 Life, led by obstetrician-gynecologist Dr. Cristina L. Santos. We hold 30 seminars a year at girls' schools and at the offices of local governments, airlines, banks, and other organizations.



### Taiwan Wacoal Co., Ltd.



Began in September 2004

For 14 days, from September 7 to 14, 2014, Taiwan Wacoal provided a mobile breast cancer screening unit to various regional health and welfare agencies. At the same time, we provided screening services for bowel cancer and cervical cancer. At seven locations in front of city halls, hospitals, and specialty stores, 234 people received screening.



### Vietnam Wacoal Corp.



Began in October 2009

At stores, we raise awareness of breast cancer screening, explain Wacoal's Pink Ribbon activities and related funds, and sell Pink Ribbon badges. Also, we distribute leaflets about these activities.



### Thai Wacoal Public Company Limited



Began in 2000

In fiscal 2010, we raised awareness by holding events and talk shows about breast cancer titled Power of Women and Giving and Sharing. From August to December, we conducted a Pink Ribbon campaign calling on women to undergo screening.



### Wacoal Singapore Pte. Ltd.



Began in 2002

Wacoal Singapore donates S\$10,000 (approx. ¥800,000) to the Breast Cancer Foundation each year. In addition, we place donation boxes in our stores every October and organize charity events in which we raise money for breast cancer related causes by distributing Pink Ribbon badges.



### Wacoal Corp. (Japan)



Began in September 2002

Each year, more women try on brassieres during the Pink Ribbon Fitting Campaign, which we began in 2007. In fiscal 2014, 190,000 customers tried on approximately a total of half a million brassieres, for each of which we donated ¥10 to a breast cancer charity.

We jointly hold the Stamp Rally Walk with Pink Ribbon Kyoto, which we have supported since its establishment in 2005.



## Tsubomi School and Other Educational Activities

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 the physical and emotional changes accompanying adolescence and give them basic knowledge about innerwear. 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 2015, more than 82,839 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 and an accompanying textbook, both of which were distributed at no cost to the school nurses of elementary schools and junior high schools and other professionals responsible for health guidance. Following on from this initiative, we began free distribution of PowerPoint educational

materials titled "Let's Innovate Ways of Wearing—How Innerwear Works" from January 2015. These materials are used in elementary schools' domestic science classes about comfortable clothing and homes and offer instruction on being comfortable by wearing innerwear appropriately.

Tsubomi School helps girls to be healthy during adolescence, which is an important time 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 2015, we hosted 115 seminars in which 3,336 people participated.

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



Educational DVD



Seminar web site

## 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.

We have been developing the campaign for seven years, and the number of brassieres collected has increased every year. In fiscal 2015, the number of brassiere collection bags collected rose 18% year on year, to 80,305. These were processed into approximately 31 tons of RPF, up 19% from the previous fiscal year.

In fiscal 2016, to date we have been stepping up efforts to distribute information to age groups we have as yet not had a great deal of contact with. For example, to publicize



A bag used in brassiere recycling

the campaign more widely, we have begun distributing videos through three YouTube broadcasters, including Japanese YouTube celebrity Asahi Sasaki, and holding events. As a result, awareness of the campaign has risen sharply. The videos have so far received more than 240,000 views, and visitors to the Wacoal Bra Recycle web site have increased by more than 200%.

Further, the scope of this environmental initiative is extending steadily overseas. Participating stores outside Japan include 430 stores in Taiwan and 41 stores in Hong Kong.



# Kyoto Costume Institute



**Akiko Fukai**

Trustee  
Honorary Curator  
Kyoto Costume Institute

## Creating Beauty and Culture through Fashion

In 1978, the Wacoal Group's founder Koichi Tsukamoto established the Kyoto Costume Institute (KCI) because he felt that for fashion created in Japan to become truly world-leading, a thorough understanding of fashion's history was important. I became involved in KCI after chancing upon a newspaper article about its establishment. In the milieu of that time, fashion was not viewed as art, much less displayed in art galleries. However, I was confident that fashion and art would intersect in the near future. Therefore, I was really interested in KCI. I met with Mr. Tsukamoto and was able to participate in KCI. In addition, I was strongly attracted by the Wacoal Group's mission of "helping women to express their beauty," which Mr. Tsukamoto had stated. A further appeal of the institute for me was the use of Kyoto in its name and as its base. I loved the idea of Kyoto being the ideal place from which to take on the world through fashion in the future because Kyoto is a name recognized worldwide as the center of Japan's traditional culture, and it is an ancient city that has a wonderful tradition of wearing kimonos and other extravagant garments as a cultural backdrop.

Rather than being an art gallery with limited financial resources, KCI has given priority to and focused its efforts on

gathering collections with value. Identifying fashion trends and future value is extremely difficult. However, our historical innerwear and numerous other valuable collections and the inclusion of more Japanese fashion collections since the 1980s have earned us a favorable reputation. Furthermore, we have worked hard to prepare collection exhibition plans with unique appeal and hold exhibitions that have in-depth content worthy of researching. As a result, the institute has attracted attention in Japan and overseas. The Future Beauty Exhibition, which began in October 2010 in London and toured seven cities around the world, expressed Japanese fashion's powerful influence on the world stage. I am sure this exhibition heightened the status of Japanese culture worldwide.

In this way, KCI's activities are contributing significantly to the mission of "helping women to express their beauty." Having many people see beautiful fashion that transcends eras fosters the belief that people, not just women, can be beautiful. In a sense, KCI provides spiritual support for women worldwide by displaying beautiful fashion.



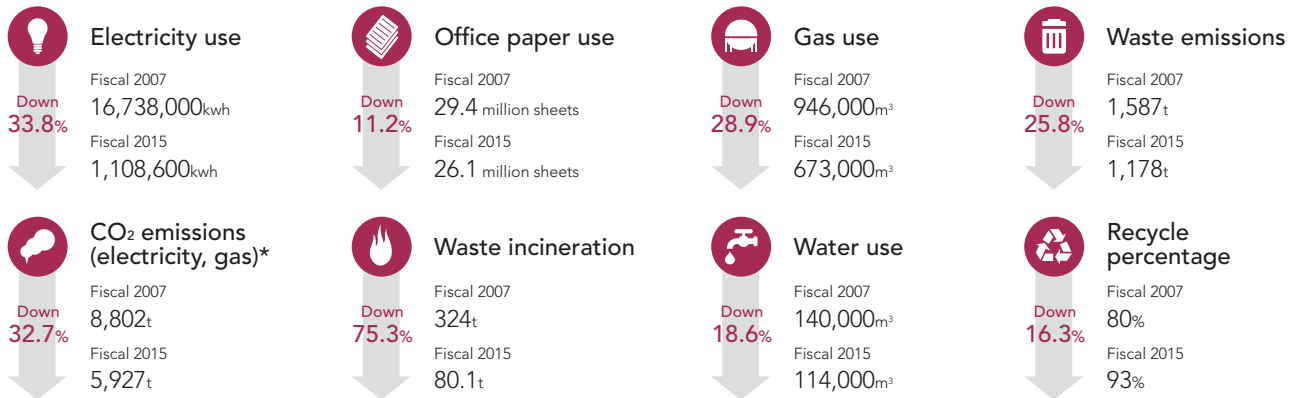
### Kyoto Costume Institute

Since its establishment in 1978, Kyoto Costume Institute (KCI) has not had a large-scale exhibition facility. Instead, it is a research center that focus on gathering, storing, researching, and displaying items related to fashion. The institute's extremely valuable collection of 12,000 garments and 16,000 documents of cultural interest has been carefully selected and assembled to provide a view of the future that links with the past. KCI draws on its expertise and farsightedness to hold high-quality exhibitions. From Kyoto, it displays to the world the power of Japanese fashion.

# Environmental Conservation Activities

In its global business activities, the Wacoal Group views the conservation of the environment as a corporate responsibility. In accordance with a spirit of mutual trust that aims to coexist with society, we will conserve the global environment with “making a commitment to the future, spreading smiles, and creating a beautiful Earth” as our motto. Seven domestic Group companies and two overseas Group companies have obtained certification under the ISO 14001 standard. Furthermore, four of our plants in Japan are certified under the Kyoto Environmental Management System Standard (KES).

## Results of Activities



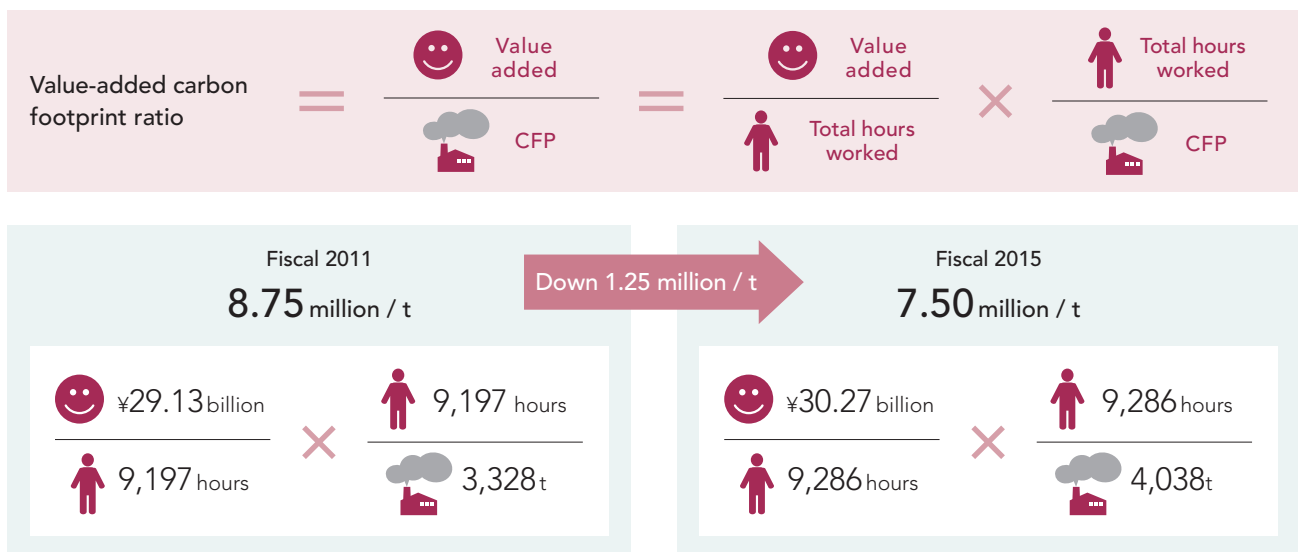
\* Only CO<sub>2</sub> emissions resulting from electricity and gas equivalent values based on fiscal 2011

## The Wacoal Group's Original Self-Evaluation Indicators (for Wacoal Holdings Corp. and Wacoal Corp.)

### Value-added carbon footprint\* ratio

We measure effect by calculating how much value we have added per unit of CO<sub>2</sub> emissions. This indicator is shown as the product of value-added labor productivity (value added ÷ total hours worked) and CO<sub>2</sub> emissions per work hour. We aim to affect the actions of each individual by adopting a different approach that focuses on two areas: heightening the capabilities of each employee so that they work efficiently and reducing environmental burden during operational hours.

\* Carbon footprint (CFP) includes CO<sub>2</sub> emissions resulting from electricity, gas, water, and waste. For CO<sub>2</sub> emissions resulting from energy, equivalent values for each region are used.



Labor productivity has increased slightly. However, the value of the indicator has declined due to an increase in the carbon footprint resulting from higher dependence on thermal power generation. Further, compared with the equivalent value for fiscal 2011, the indicator for fiscal 2015 has improved significantly to ¥10.7 million / t.

For details, please see the corporate social responsibility section of our web site.

[www.wacoalholdings.jp/en/csr/pr\\_environment.html](http://www.wacoalholdings.jp/en/csr/pr_environment.html)

# Overcoming the Earthquake Disaster

## The Tunic Store, Miyako Town, Iwate Prefecture “Commitment to Local Residents”

### —Partnership based on trust paving the way to the future—

The Great East Japan Earthquake, which occurred on March 11, 2011, damaged many business clients who have worked in the women's innerwear business for many years as our partners. Although some businesses have been forced to close stores, many business owners are making a fresh start and are determined to reopen stores that are indispensable for local communities. In response, we have been helping such businesses in whatever small way we can to bring smiles back to the faces of customers and pave the way to the future.

Four years after the earthquake, Miyako in Iwate Prefecture is still far from being fully restored. Nevertheless, Mr. Murakami, the owner of Tunic, a women's innerwear store in the town, rebuilt the store only three-and-a-half months after the disaster. We asked him about the challenges of that time and his commitment to local residents.

“The store I built seven years ago—the culmination of many years of effort—was swept away in an instant. At the time, the shock was so great that I didn't have the strength to restart the business. However, I received many e-mails from customers saying they wanted me to reopen the store. I was really happy. I thought to myself, ‘I can't continue in this frame of mind,’ and became more positive from then on. I quickly

found another store and was able to reopen at the end of June. For one week after the “resurrection festival”, many customers visited, to the point where it felt as if I was constantly operating the cash register. In three days, I sold out 200 non-wire brassieres that I priced at ¥500. Some customers had been using the same innerwear for two weeks. It brought home to me the real shortage of products. Seeing the mutual happiness of customers meeting friends and finding out they were unharmed made me really glad that I hadn't given up and had reopened the store. I am grateful to Wacoal, which really helped me by providing fixtures, mannequins, and hangers when the store opened. This is by no means an easy business, but I will do my best to create a store rooted in the local community that brings a smile to customers' faces.”

Since its foundation, innerwear specialty stores have progressed with and supported the growth of the Wacoal Group. Suburban shopping centers and Internet sales have led to a decrease in the number of stores. However, in some regions there are still many indispensable stores that link people. We hope that these stores continue to pave the way to the future with us as our long-standing partners.



Tunic in Miyako



The store owner's wife, Fumiko Murakami (left), and daughter

## Message from Top Management



**Yoshikata Tsukamoto**

President and Representative Director  
Wacoal Holdings Corp.

Based on a spirit of mutual trust with all stakeholders, the Wacoal Group continues efforts to “contribute to society by helping women to express their beauty,” which is its corporate mission.

Also, as a company empathetic to women, we will create unique value that earns the endorsement of women worldwide to establish a stronger global presence for the Wacoal Group.

### Leveraging the Group's Collective Strength in the Medium-Term Management Plan's Final Year

In fiscal 2015, ended March 31, 2015, net sales decreased 1.0% year on year, to ¥191.765 billion. In other words, we achieved 95.9% of the plan's ¥200 billion or higher target for fiscal 2016. Although significant yen depreciation inflated the sales of overseas businesses, domestic businesses faced lackluster demand, which resulted from conservative consumer spending after a consumption tax rate increase, and higher prices due to yen depreciation. Meanwhile, operating income decreased 48.9% year on year, to ¥7.082 billion, considerably below the plan's target of ¥14.0 billion or above. As well as the decline in net sales, this was attributable to the significant effect of

recognizing impairment losses of ¥6.021 billion for Peach John Co., Ltd.

In the current fiscal year, I am confident that we can reach the medium-term management plan's targets because impairment losses will not affect results, domestic businesses are on track to recovery, and overseas businesses are performing robustly.

Our basic policy is to return profit to shareholders stably, in light of consolidated business results. We intend to benefit shareholders by continuing to increase dividends steadily. For the fiscal year under review, in accordance with plans at the beginning of the fiscal year, we paid cash dividends of ¥30.00 per share. As a result, the payout ratio was 50.0%, up from 46.0% in the previous fiscal year.



## Capitalizing on the Wacoal Group's Accumulated Trust-Related Assets

One of the Wacoal Group's basic business management strategies is to create products loved by customers. However, products truly loved by customers cannot be realized overnight. Our products are packed with value resulting from a range of assets that we have built. As this report explains, trust-related assets are an invaluable strength. We have cultivated these assets over many years, although they are difficult for an outsider to see. Underpinning trust-related assets is the mutual trust between individuals in our relationships with customers, business partners, employees, and society.

The phrase "mutual trust" is included in our vision. The phrase's importance for the Wacoal Group originates from labor-management negotiations held about 15 years after its foundation. The Group's founder, Koichi Tsukamoto, sought to change the relationship with the labor union from one of confrontation to one of cooperation. Accordingly, he declared that the Group would accept the union's demands without reservation. Over time, this spirit of mutual trust has become ingrained into all of our business activities and helped us build trust-related assets with diverse stakeholders.

Since our foundation, we have spent a great deal of time heightening the quality and functionality of products to create innerwear that contributes to women's beauty. Thanks to the efforts of our predecessors, we have established a reputation as a trusted brand among customers and business partners around the world. We aim to grow trust-related assets by continuing to create products loved by customers and developing new products catering to current needs in a manner that does not betray the trust in and expectations of the Wacoal brand.

## Fostering Autonomous, Innovative Personnel and Inculcating Common Values

Within our trust-related assets, autonomous, innovative personnel play an important role. Therefore, fostering such personnel is indispensable if we are to heighten our enterprise value. We have operating bases in regions worldwide, and our workforce is diversifying as it includes employees who work in countries and regions with different customs and cultures. This makes sharing the Wacoal Group's values important when fostering personnel. Therefore, we are spreading the mutual trust approach in-house by ensuring each employee properly understands such facets of it as our management philosophy and founding spirit.

While we will make changes to adapt to current needs, we must adhere to and pass on our management philosophy no

matter how business conditions change. Moreover, the sharing of this philosophy is most meaningful if all Group employees, regardless of age, share it. Some mid-career employees, who will support us over the coming generation, have volunteered to be the standard-bearers of efforts to spread the Group's values. In this way, awareness is spreading through the Group gradually but steadily.

That said, we must always be careful that mutual trust does not become mutual dependence. Mutual trust does not mean asking for a partner's trust, it means earning the partner's trust. I intend to continue emphasizing this point.

## Achieving a Stronger Global Presence for the Wacoal Group

I think that my role going forward should be to discover and foster autonomous, innovative personnel with the talent to lead us in the coming generation and give them the opportunity to exercise their abilities. In addition, I think we need to establish systems that enable women to advance within our organization and contribute even more. Although the Wacoal Group has many female personnel due to the nature of its business, female managers are scarce. To address this issue, we have established the Diversity Career Support Group, which is creating systems to help female employees who have ambition and ability but are hesitant about advancing their careers and becoming leaders. Of course, irrespective of gender, we will give priority to promoting highly motivated personnel with real ability. I think women's particular viewpoint and approach will benefit our women's innerwear business enormously.

The Wacoal Group is expected to continue facing increasingly challenging business conditions. However, I am very confident that the product appeal and brand power we have built are second to none. We will sustain growth going forward by continuing to pass on the spirit of mutual trust to the next generation while providing customers with value only we are able to create. Through these initiatives, we will consolidate the foundations of an even stronger global presence for the Wacoal Group.

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

August 2015



# Directors and Audit & Supervisory Board Members

Wacoal Holdings Corp. and Subsidiaries  
As of June 26, 2015



**Kiyotaka Hiroshima**  
Standing Audit &  
Supervisory Board  
Member

**Tomoki Nakamura**  
Standing Audit &  
Supervisory  
Board Member

**Yoko Takemura**  
Outside Audit &  
Supervisory Board Member  
Lawyer  
Outside Statutory Auditor,  
ADEKA Corporation

**Masaya Wakabayashi**  
Managing Director

**Madoka Mayuzumi**  
Outside Director  
Visiting Professor, Department of  
Japanese Language and Literature,  
Department of Literature, Kyoto  
Tachibana University  
Councilor, Governing Council of East  
Japan Railway Culture Foundation  
Councilor, The National  
Art Center, Tokyo

**Hironobu Yasuhara**  
Senior Managing  
Director





**Yoshikata Tsukamoto**  
President and  
Representative Director

**Atsushi Horiba**  
Outside Director  
Representative Director and  
Chairman and President, HORIBA, Ltd.  
Representative Director and President,  
HORIBA STEC, Co., Ltd.  
Outside Director, Rock Field Co., Ltd.

**Yuzo Ide**  
Managing Director

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

**Masashi Yamaguchi**  
Director

**Hiroshi Shirai**  
Outside Audit &  
Supervisory Board Member  
President, Shirai Certified Public  
Accountant Office  
Member, Appropriate  
Performance of Duties Committee  
Outside Auditor,  
ALTECO Co., Ltd.



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

# 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:	8 (including 1 woman)
Number of outside directors:	3
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 26, 2015, the internal audit division (Office of Corporate Auditors) had 12 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 and an outside director who has made wide-ranging contributions to the fields of art and culture in Japan and overseas. 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 and certified public accountants who are independent from the Group and have a high level of expertise with regard to finance and accounting. While retaining a high degree of independence, these outside audit & supervisory board members draw on their expertise to undertake strict auditing of the legality of directors' decision making and operational execution.

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.



## Criteria for the Election of Officers

To elect directors and corporate auditors, the Executive Compensation Advisory Committee of Wacoal Holdings Corp. (the Company) nominates candidates meeting the election criteria below and submits nominations as agenda items for approval by the general shareholders' meeting.

- 1 Outstanding integrity and expertise and sound physical and mental health
- 2 Strong commitment to legal compliance
- 3 Extensive experience in fields of business operations, corporate management, law, government, accounting, education, or culture and arts
- 4 Regarding outside directors and outside corporate auditors (outside officers), non-infringement of "Criteria for Independence of Outside Officers," which is stipulated separately
- 5 Regarding outside officers, not currently serving as officer of more than four listed companies
- 6 Through election of said candidate, achievement of balance of knowledge, experience, and specialist capabilities and securing of diversity in the Board of Directors and the Audit & Supervisory Board

## Criteria for Independence of Outside Officers

Outside officers of the Company should have sufficient independence to ensure that no conflict of interest arises with general shareholders. Accordingly, the Company shall select as candidates for the position of outside officer persons to whom none of the items below apply.

1. A person who has belonged to the Company or its subsidiaries (the Group) as an executing person, even if only on one occasion
2. A major shareholder who owns personally, or owns in the name of another person, 5% or more of the Company's shares on a voting-rights basis; if the said major shareholder is a corporation, organization, or other body (corporation, etc.), an executing person who belongs to the said corporation, etc.
3. (1) A person who is a major business client of the Group or a major supplier of the Group; if the said person is a corporation, etc., an executing person who belongs to the said corporation, etc.  
(2) A major lender to the Group; if the said lender is a corporation, etc., an executing person who belongs to the said corporation, etc.  
(3) An executing person who belongs to a lead managing securities company associated with the Company  
(4) An executing person who belongs to a corporation, etc., in which the Group owns 5% or more of the shares on a voting-rights basis
4. A certified public accountant who belongs to an audit corporation that is the independent auditor of the Group
5. A specialist, such as a lawyer, accountant, tax accountant, patent attorney, or consultant, who receives a significant amount of monetary or other financial assets from the Group; if the said person is a corporation, etc., a specialist who belongs to the said corporation, etc.
6. A person who receives significant donations from the Group; if the said person is a corporation, etc., an executing person who belongs to the said corporation, etc.
7. An executing person whose appointment would result in a relationship of reciprocal positions between an outside officer of the Group and an outside officer of the company to which the said executing person belongs

8. A spouse or person within the second degree of kinship of any of the persons (restricted to important persons) mentioned above in 1. through 7.
9. A person to whom any of the classifications in 1. through 8. above has been applicable in the past three years
10. A person in relation to whom special reasons have been recognized as a result of which a conflict of interest with the general shareholders of the Company could arise

Further, even though one of the classifications in 2. through 9. above is applicable to a person, in exceptional circumstances and after stating the reasons for its decision, the Company can select the said person as a candidate for the position of outside officer if the said person meets the requirements of an outside officer pursuant to the Companies Act and if the Company judges the person suitable for the position of outside officer.

## Reasons for Appointment of the Said Outside Directors

### Mamoru Ozaki

It is anticipated that he will help enhance the transparency and objectivity of the Company's business management given his specialist knowledge and wide-ranging professional experience in such fields as financial administration.

### Atsushi Horiba

It is anticipated that he will help strengthen the overseas development of the Company's businesses given his abundant experience and insight as a corporate manager in relation to business development in Japan and overseas as well as his strong leadership and extensive knowledge.

### Madoka Mayuzumi

As a haiku poet, Madoka Mayuzumi has made wide-ranging contributions to the fields of art and culture in Japan and overseas. Madoka Mayuzumi's expertise and experience is expected to contribute to our efforts to realize business management that emphasizes diversity, making her an appropriate outside director for the Group.

## 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.

### 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.

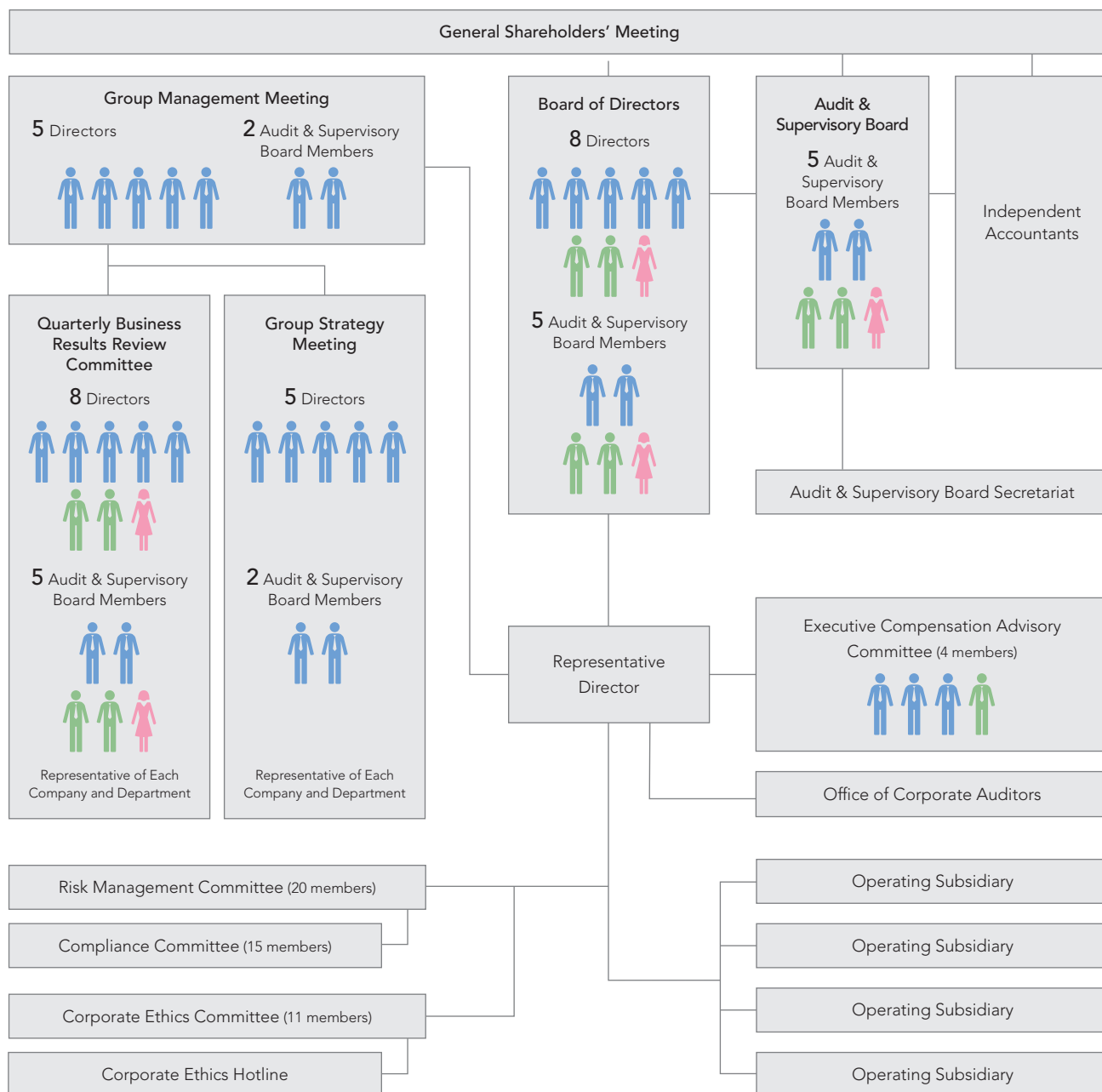
### Hiroshi Shirai

Specialized knowledge of accounting and finance as a certified public accountant, including U.S. GAAP, make Hiroshi Shirai an appropriate outside audit & supervisory board member for the Group.

## Corporate Governance Structure

As of June 26, 2015

 In-house  Outside (male)  Outside (female)



### Attendance of Outside Directors at Meetings of the Board of Directors

April 2014–March 2015

Mamoru Ozaki	Attended 14 from a total of 14
Atsushi Horiba	Attended 10 from a total of 14

### Attendance of Outside Audit & Supervisory Board Members at Meetings of the Board of Directors and the Audit & Supervisory Board

April 2014–March 2015

	Board of Directors	Audit & Supervisory Board
Akira Katayanagi	Attended 10 from a total of 14	Attended 11 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 14 from a total of 15

## System for Compensation of Executives

The Executive Compensation Advisory Committee, which includes outside directors, has designed a highly objective and transparent system for compensation of executives.

## 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.

## Group Management Systems

- The Group has established regulations and a basic policy for the management of Group companies. The Group also stipulates items that the Board of Directors of the Company must decide upon and items that must be reported to the Company.
- 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 of compliance systems and risk management systems. 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 such systems.
- Based on a corporate officer system, we will delegate authority and clarify responsibility and build an appropriate and efficient system.

## 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 2015 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 details, please see the corporate governance section of our web site.

[www.wacoalholdings.jp/en/csr/pr\\_cg.html](http://www.wacoalholdings.jp/en/csr/pr_cg.html)

## 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)	290	210	44	35	—	6
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	33	33	—	—	—	2
Outside officers	39	39	—	—	—	5

## Aggregate Amount, etc., of the Consolidated Remunerations, etc., of any Person Who Receives ¥100 Million or More as Remunerations, etc., on a Consolidated Basis

Name	Category of Officer	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.	109	21	16	—	170
Tsukamoto	Director	Wacoal Corp.	24	—	—	—	

# 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, bra-slips, and women's briefs) accounted for 74.4% of our consolidated net sales for fiscal year 2015. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile products, and several other services.

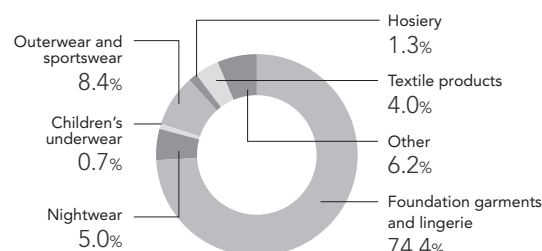
### • NET SALES

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 2015, approximately 80% of the net sales of Wacoal Corp. (the net sales of which account for approximately 59% of our consolidated net sales) were apparel sales made on a wholesale basis to department stores, general merchandisers, and other general retailers and approximately 18% 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, approximately 2%, of Wacoal Corp.'s net sales for fiscal year 2015.

## Share of Net Sales

2015



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 began to decrease due to a decline in customer confidence as a result of growing consumer awareness of the need to hold off from spending after the consumption tax increase, in addition to the influence of rising prices associated with the weakening yen and other increasing burden, while the female population is declining. Although the overall purchase price range has

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

	Millions of yen					
	2015		2014		2013	
Innerwear						
Foundation Garments and Lingerie	¥142,681	74.4%	¥144,783	74.7%	¥132,525	73.5%
Nightwear	9,514	5.0%	9,301	4.8%	9,221	5.1%
Children's Underwear	1,373	0.7%	1,475	0.8%	1,465	0.8%
Total Innerwear	153,568	80.1%	155,559	80.3%	143,211	79.4%
Outerwear and Sportswear	16,227	8.4%	16,954	8.8%	17,287	9.6%
Hosiery	2,437	1.3%	1,791	0.9%	1,559	0.9%
Textile Products	7,616	4.0%	8,577	4.4%	7,580	4.2%
Other	11,917	6.2%	10,900	5.6%	10,593	5.9%
Total	¥191,765	100%	¥193,781	100%	¥180,230	100%



decreased, the high-price market was revitalized by wealthy segments of the population encouraged by high stock prices.

- (iii) Purchases are increasing in sales channel at locations other than traditional selling spaces such as department stores, general merchandisers and specialty stores for underwear. Consumer purchasing behavior has changed and diversified as seen in growing sales from Internet sales, and directly-managed stores and casual apparel shops resulting from shop openings at retail shopping malls.
- (iii) The apparel market is becoming competitive due to major outerwear manufacturers entering the market, in addition to specialty apparel companies and non-store retailing. Retailers and specialty store retailers of private label apparel are making efforts to improve the frequency of use by increasing customer contacts through direct retail sales, website sales, and other Internet sales. Companies are also strengthening the development of "private brand" merchandise at general merchandisers. Manufacturing companies are making efforts to strengthen direct sales and OEM and to develop new sales channels.
- (iv) These manufacturers and other competitors are producing lower priced women's innerwear garments by sourcing fabric and producing garments in lower cost countries in Asia, but due to the weakening yen and a rise in labor costs, tend to develop products at a higher price with value-added features.
- (vi) Companies are conducting new marketing strategies to achieve 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 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 second year of our three-year mid-term plan (from fiscal year 2014 to fiscal year 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 a system 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 fiscal year ended March 31, 2015, overall sales fell

below the results for the previous fiscal year due to a weak demand affected by pullbacks in consumer spending after the consumption tax increase and the influence of rising prices associated with the weakening yen, mainly with regard to our core operating entity, Wacoal Corp., despite the fact that sales from our overseas business were inflated by the sharp depreciation of the yen. In terms of profit, operating income fell largely below the results for the corresponding period of the previous fiscal year due to a decrease in sales and due to the impact of impairment charges of 6,021 million yen as a result of the reassessment of the fair value of our Peach John business.

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Net sales:	191,765 million yen (a decrease of 1.0% as compared to the previous fiscal year)
Operating income:	7,082 million yen (a decrease of 48.9% as compared to the previous fiscal year)
Pre-tax net income:	11,342 million yen (a decrease of 24.6% as compared to the previous fiscal year)
Net income attributable to Wacoal Holdings Corp.:	8,444 million yen (a decrease of 16.4% as compared to the previous fiscal year)

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### Cost of Sales

Our cost of sales decreased 0.3% from 91,008 million yen for fiscal year 2014 to 90,722 million yen for fiscal year 2015. Cost of sales as a percentage of net sales increased 0.3% from 47.0% for fiscal year 2014 to 47.3% for fiscal year 2015 due to an increase in the ratio of sales achieved by our domestic subsidiaries with a high cost rate.

### Selling, General and Administrative Expenses

Our selling, general and administrative expenses decreased 1.1% from 88,913 million yen for fiscal year 2014 to 87,940 million yen for fiscal year 2015. This decrease was mainly due to a decrease in pension costs at Wacoal Corp., in addition to our efforts in cost reduction, such as advertising costs.

### Goodwill and Other Intangible Assets

At the end of fiscal year 2015, we examined potential impairment charges on the trademarks and goodwill, all of which are recorded as other intangible fixed assets of Peach John, pursuant to its business plan, and accordingly, recorded 1,176 million yen and 4,845 million yen of impairment charges, respectively. There were no impairment charges for fiscal year 2014.

### Operating Margin

Our operating margin decreased 3.5% from 7.2% for fiscal year 2014 to 3.7% for fiscal year 2015. This decrease was mainly due to the impairment charges recorded for the Peach John business in addition to decreased sales from existing businesses, despite our cost reduction efforts by the entire Group.

### Other Income/Expenses

We recorded 4,260 million yen as other income, an increase of 3,087 million yen, as compared to 1,173 million yen of other income recorded for fiscal year 2014. This increase was mainly due to the gain on sale and exchange of marketable securities and investments increase of 1,501 million yen from fiscal year 2014 and the gain of 1,405 million yen from the sale of paintings.

### Net Income Attributable to Wacoal Holdings Corp.

Net income attributable to Wacoal Holdings Corp. for fiscal year 2015 was 8,444 million yen, a decrease of 1,662 million yen as compared to fiscal year 2014 as a result of a deterioration in our operating margin, despite an increase in other income and a decrease in tax expense associated with subsidiary restructuring.

### • SUMMARY OF OPERATIONS BY OPERATING SEGMENT

#### Wacoal Business (Domestic)

In our domestic business, we sought to focus on five categories (region, age-group, pricing, restructuring of manufacturing domain and inventory control) and established a system to enhance customer contact and respond to changes in the external environment.

However, our overall business faced difficult operating conditions due to the influence of a delay in recovery of personal consumption after the consumption tax increase after the beginning of the fiscal year ended March 31, 2015, despite a recovery in demand for certain high-priced products.

Overall sales from our Wacoal brand business fell below the results for the previous fiscal year due to the poor performance of our core brassiere products and bottom products, despite steady performance of newly-launched exclusive brand products intended for a single channel exclusively, pre-stage brand products and brand products for seniors.

In our Wing brand business, although sales were strong for our new bottom products sold in the autumn and winter and undergarments with highly seasonal functionality meeting the needs of our consumers, overall sales fell largely below the results for the previous fiscal year due to the weak performance of our core brassieres products because we were unable to achieve brand recognition as a result of discontinuing our TV commercials and because we were unable to achieve product differentiation from other competing products. In our retail business, sales from our directly managed retail store, AMPHI, which is mainly located in shopping malls, showed favorable

performance as a result of improved customer traffic which we achieved by trying new strategies, including holding various monthly events and making collaboration products with models and stylists. We were also successful in handling inbound customer service by increasing duty-free stores with respect to our Wacoal Factory Store in outlet malls, and as a result, overall sales exceeded the results for the previous fiscal year.

In our wellness business, sales of our sports conditioning wear “CW-X” brand were weak as our renovations of store displays and investments in contracts with top athletes did not have an immediate effect. In addition, although shop sales of certain products jointly developed with a major pharmaceutical company performed favorably, this favorable performance did not boost our overall sales. As a result, overall sales largely fell below the results for the previous fiscal year.

In our catalog sales business, sales from our catalog products were weak for the entire season. With respect to our Internet sales, our initiatives to strengthen web advertisement to recover momentum which had been influenced by the shutdown of our website in April, did not have much effect, and as a result, overall sales fell largely below the results for the previous fiscal year.

In summary, overall sales attributable to our “Wacoal Business (Domestic)” segment fell below the results for the previous fiscal year due to poor sales from Wacoal Corp., our core operating entity, which fell below the results from the previous fiscal year. With respect to profitability, our operating income also fell largely below the results for the previous fiscal year largely due to decreased sales, despite our efforts at Wacoal Corp. to reduce selling, general and administrative expenses and to hold down an increase in processing charges and purchasing costs, which were impacted by the weak yen.

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Net sales:	112,203 million yen (a decrease of 5.0% as compared to the previous fiscal year)
Operating income:	8,444 million yen (a decrease of 9.0% as compared to the previous fiscal year)

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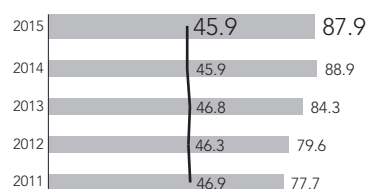
#### Wacoal Business (Overseas)

In the United States, Wacoal America Inc. made efforts to achieve strong profits by expanding its share in the high-end market and through streamlining development production structure. While sales at department stores continue to be weak, overall sales on a local currency basis exceeded the results for the previous fiscal year as a result of strong performance of our core brassieres products, the launch of our new Europe Collection in January, and expanding sales from Internet sales and sales from our business in surrounding countries. In terms of profit, operating income exceeded the results for the previous fiscal year due to an increase in net sales.

With respect to our business in China (from January 1 to December 31), we made efforts in improving profitability by enhancing gross margin rate, as well as nurturing of brands targeting the middle-class market. Although sales of our high-priced brand products at department stores performed poorly due to the effects of laws regulating expenditures, sales on a local currency basis remained unchanged from

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

¥ billion / %



the results for the previous fiscal year as a result of an increase in the number of shops which handle LA ROSABELLE, our brand targeting the middle-class market, and strong Internet sales. In terms of profit, gross margin rate significantly improved as a result of achieving a higher local procurement rate and the expansion of bargain products in Internet sales and outlet malls. In addition, operating income largely exceeded the results for the previous fiscal year as a result of the discontinuation of underperforming shops and strategic arrangement of employees.

With respect to Wacoal Europe, we made efforts in expanding our Wacoal brand business and in developing management infrastructure so that Wacoal Europe can play a central role in our business in Europe by promoting collaboration with Wacoal America, Inc. Sales in the United Kingdom showed strong performance as a result of the recovery of sales at department stores and the expansion of our Wacoal brand products, despite a decrease in the number of tourists visiting from Russia and the Middle East. On the other hand, sales in the Euro area, particularly in France, showed weak performance due to slow consumer spending affected by economic instability in Europe. In addition, sales from department stores in the United States showed poor performance partially due to changes of MD policy by certain clients. As a result, sales on a local currency basis fell below the results for the previous fiscal year, but sales on a yen converted basis exceeded the results for the previous fiscal year due to the sharp depreciation of the yen. In terms of profit, operating income largely fell below the results for the previous fiscal year as a result of both decreased sales and costs incurred in connection with changes in the structure of our business in Europe.

As a result of the above, overall sales and operating income under the "Wacoal Business (Overseas)" segment largely exceeded the results for the previous fiscal year.

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Net sales:	48,107 million yen (an increase of 10.2% as compared to the previous fiscal year)
Operating income:	4,776 million yen (an increase of 18.3% as compared to the previous fiscal year)

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#### Peach John Business

With respect to our Peach John business, we made efforts to expand sales by increasing the number of customers. Our efforts in making our website more user-friendly did not significantly contribute to the expansion of sales and sales of our outerwear products and general merchandise showed weak performance. As a result, sales from our core mail-order catalogues fell largely below the results for the previous fiscal year, despite stable sales of innerwear which remained unchanged from the previous fiscal year. Net sales attributable to our domestic direct retail stores exceeded the results for the previous fiscal year as a result of the increasing number of shop openings, including the introduction of our new business-style shops targeting young adults and career professionals. With respect to our overseas business, despite our favorable performance in Hong Kong resulting from shop openings and an increase in the number of customers,

sales fell below the results for the previous fiscal year as a result of poor performance of our directly-managed stores in China.

As a result of the above, overall sales from our Peach John business fell largely below the results for the previous fiscal year. In terms of profit, we recorded a significant operating loss due to decreased sales, higher cost rate which was impacted by the weak yen, and impairment charges on goodwill and other intangible assets.

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Net sales:	11,626 million yen (a decrease of 6.9% as compared to the previous fiscal year)
Operating deficit:	6,296 million yen (as compared to 83 million yen of operating income incurred for the previous fiscal year)

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#### Other

With respect to our business under the "Other" segment, we made efforts in establishing a stable profit structure and in strengthening management bases.

With respect to the business of Lecien Corporation ("Lecien"), although sales from our material business showed favorable performance as a result of new transactions, overall sales from Lecien fell largely below the results for the previous fiscal year due to the weak performance of our core innerwear business division, as well as our apparel business division. In terms of profit, although profitability is improving as a result of the full operation of a factory at our overseas subsidiaries, we recorded an operating loss as a result of a lower gross margin rate due to higher processing charges and purchasing costs, which were impacted by the weak yen, in addition to the influence of decreased sales.

As for Nanasai Co., Ltd. ("Nanasai"), which engages in manufacturing, sales and rentals of mannequins and interior design and construction of stores at commercial facilities, while the sales business performed poorly, sales from the rental business exceeded the results for the previous fiscal year as a result of new transactions. Sales from the construction business also showed strong performance as a result of an increase in the number of orders received from clients, and as a result, overall sales exceeded the results for the previous fiscal year. In terms of profit, operating income fell below the results for the previous fiscal year due to the influence of the higher cost rate in the construction business.

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 largely below the results for the previous fiscal year.

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Net sales:	19,829 million yen (an increase of 1.3% as compared to the previous fiscal year)
Operating income:	158 million yen (a decrease of 65.4% as compared to the previous fiscal year)

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## • SUMMARY OF OPERATIONS BY REGION

### Japan

With respect to Wacoal Corp., overall sales fell below the results for the previous fiscal year due to weak demand affected by pullbacks in consumer spending after the consumption tax increase and the influence of rising prices associated with the weakening yen. In terms of profit, operating income also fell below the results for the previous fiscal year largely due to decreased sales, despite our efforts to reduce selling, general and administrative expenses and to hold down an increase in costs.

With respect to Peach John, while sales attributable to our domestic direct retail stores increased as a result of the increasing number of shop openings, overall sales fell below the results for the previous fiscal year due to the weak performance of our core mail-order catalogues. In terms of profit, we recorded an operating loss due to decreased sales and a higher cost rate which was impacted by the weak yen.

With respect to the business of Lecien Corporation ("Lecien"), although sales from our material business showed favorable performance as a result of new transactions, overall sales fell below the results for the previous fiscal year due to the weak performance of our core women's innerwear and outerwear products. In terms of profit, we recorded an operating loss as a result of a higher cost rate which was impacted by the weak yen, in addition to the influence of decreased sales.

As for Nanasai Co., Ltd. ("Nanasai"), while the sales business performed poorly, overall sales exceeded the results for the previous fiscal year as a result of new transactions in the rental business and an increase in the number of orders received from clients in the construction business. In terms of profit, operating income fell below the results for the previous fiscal year due to the influence of the higher cost rate in the construction business.

As a result of the above, sales from our business in Japan amounted to 143,250 million yen, a decrease of 4.3% compared to the previous fiscal year.

### Asia/Oceania

With respect to Wacoal China, although sales of our high-priced brand products at department stores performed poorly, sales on a local currency basis remained unchanged from the results for the previous fiscal year as a result of an increase in the number of shops which handle LA ROSABELLE, our brand targeting the middle-class market, and strong Internet sales. In terms of profit, operating income largely exceeded the results for the previous fiscal year due to the improved profitability that resulted from achieving a higher local procurement rate, discontinuation of underperforming shops and

strategic arrangement of employees.

With respect to the directly-managed overseas stores of Peach John, while sales in Hong Kong showed favorable performance as a result of shop openings and an increase in the number of customers, sales in China showed poor performance.

As a result of the above, sales from our business in Asia/Oceania amounted to 16,261 million yen, an increase of 9.3% as compared to the previous fiscal year.

### Europe/North America

With respect to Wacoal America Inc., sales on a local currency basis exceeded the results for the previous fiscal year as a result of the strong performance of our core brassieres products, and expanding sales from Internet sales and sales from our business in surrounding countries. In terms of profit, operating income also exceeded the results for the previous fiscal year due to an increase in net sales.

With respect to Wacoal Europe, sales in the United Kingdom showed strong performance as a result of the expansion of our Wacoal brand products, while sales in the Euro area, particularly in France, showed weak performance due to the influence of economic instability in Europe. Sales from department stores in North America showed poor performance partially due to changes of MD policy by certain clients.

As a result, sales on a local currency basis fell below the results for the previous fiscal year. In terms of profit, operating income largely fell below the results for the previous fiscal year as a result of decreased sales and costs incurred in connection with changes in the structure of our business in Europe.

As a result of the above, sales from our business in Europe/North America amounted to 32,254 million yen, an increase of 10.5% as compared to the previous fiscal year.

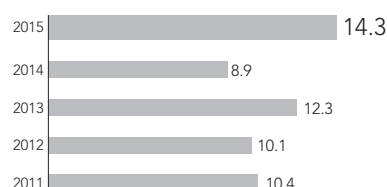
## LIQUIDITY AND CAPITAL RESOURCES .....

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, 2015, we had credit facilities at financial institutions totaling 39,569 million yen, and the used credit lines for financing amounted to 14,079 million yen. Of this credit, 6,500 million yen is used by Wacoal Holdings Corp., 3,957 million yen is used by Wacoal Europe Ltd., 3,284 million yen is used by Wacoal Service Co., Ltd., and 338 million yen is used by Nanasai.

In general, most of our credit facilities have automatically renewed terms, and we are not aware of any issues 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

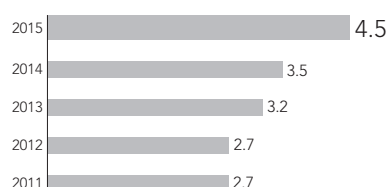
### Net Cash Provided by Operating Activities

¥ billion



### Capital Investment

¥ billion





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 2015 was 38,410 million yen, an increase of 7,752 million yen as compared to the end of the previous fiscal year.

##### • CASH FLOW PROVIDED BY OPERATING ACTIVITIES

Cash flow provided by operating activities during the fiscal year 2015 was 14,337 million yen, an increase of 5,388 million yen as compared to the previous fiscal year, which reflects the result after adjusting the net income of 8,744 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 2015 was 164 million yen, a decrease of 1,494 million yen as compared to the previous fiscal year, despite the acquisition of certain fixed assets, due to proceeds from the sale and redemption of marketable securities and proceeds from the sale of painting.

##### • CASH FLOW USED IN FINANCING ACTIVITIES

Cash flow used in financing activities during the fiscal year 2015 was 8,391 million yen, an increase of 2,837 million yen as compared to the previous fiscal year, due to the cash dividend payments and repayment of short-term bank loans (less than three months).

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

The amount of capital investment for the fiscal year ended March 31, 2015, was 4,478 million yen. A majority of our capital investment was used in our new construction project of a business-use building, 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 3,338 million yen, 742 million yen, 300 million yen, and 98 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 30.00 yen per share as a distribution of earnings for the current fiscal year.

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

#### RESEARCH AND DEVELOPMENT.....

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

Since 1964, we have been conducting research into the female body in order to accurately understand the Japanese woman's physique. In particular, we have developed a silhouette analysis system and introduced a three-dimensional measuring system. We are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological, and mental aspects of garment design. One of our most important research results was the enrichment of our research on sensory comfort through our participation in a project led by the Ministry of Trade and Industry (presently the Ministry of Economy, Trade and Industry) from 1995 to 1998. Based on this research, we have been focusing on developing new products that are not only comfortable for the wearer, but also have a positive physiological effect based on the basic study from three factors, which are pressure, heat, and touch. In 2005, we developed and created a new market for our breakthrough Style Science series products, which support a healthy and beautiful body-making by changing the concept from daily walking to exercise walking. In 2010, we conducted an analysis and announced principles on the physiological changes associated with aging period from 20s to 50s. We also strengthened development of new products coping with aging and we have been working on developing new functional products based on the lifestyle 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 2015, we enhanced the development of new products which focus on "comfort" aspect and of new products which can attract young adults, an age group that do not wear girdles.

As a result of the above, we recorded 869 million yen for our research and development during the fiscal year ended March 2015.

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

# Consolidated Balance Sheets

Wacoal Holdings Corp. and Subsidiaries

March 31, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 38,410	¥ 30,658	\$ 320,190
Time deposits	2,687	2,168	22,399
Marketable securities (Notes 3, 20 and 21)	2,387	3,523	19,898
Notes and accounts receivable (Note 18)	26,544	26,269	221,274
Allowance for returns and doubtful receivables (Note 4)	(2,409)	(2,321)	(20,082)
Inventories (Note 5)	42,893	40,211	357,561
Deferred income taxes (Note 17)	5,488	4,848	45,749
Other current assets (Notes 18, 20 and 21)	4,264	4,132	35,545
Total current assets	120,264	109,488	1,002,534
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Note 9)	22,009	21,994	183,470
Buildings and building improvements (Notes 9 and 11)	64,038	63,024	533,828
Machinery and equipment (Note 9)	16,760	15,446	139,713
Construction in progress	923	147	7,694
Total	103,730	100,611	864,705
Accumulated depreciation	(54,542)	(51,633)	(454,668)
Net property, plant and equipment	49,188	48,978	410,037
<b>OTHER ASSETS:</b>			
Investments in affiliated companies (Note 6)	22,052	18,894	183,828
Investments (Notes 3, 20 and 21)	59,963	45,951	499,858
Goodwill (Notes 7, 8 and 21)	18,750	22,723	156,302
Other intangible assets (Notes 7, 8 and 21)	12,739	13,688	106,194
Prepaid pension expense (Note 12)	10,577	5,666	88,171
Deferred income taxes (Note 17)	982	1,008	8,186
Other	5,757	5,592	47,991
Total other assets	130,820	113,522	1,090,530
<b>TOTAL</b>	<b>¥300,272</b>	<b>¥271,988</b>	<b>\$2,503,101</b>

See notes to consolidated financial statements.

	2015	2014	Thousands of U.S. dollars (Note 2)
	Millions of yen		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 9)	¥ 10,038	¥ 16,630	\$ 83,678
Notes and accounts payable:			
Trade notes	1,031	1,064	8,595
Trade accounts (Note 18)	11,346	10,657	94,582
Other payables	6,686	5,764	55,735
Accrued payroll and bonuses	6,936	7,085	57,819
Income taxes payable (Note 17)	2,064	1,224	17,206
Current portion of long-term debt (Notes 9 and 20)	534	695	4,451
Other current liabilities (Notes 20 and 21)	3,667	3,489	30,568
Total current liabilities	42,302	46,608	352,634
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 9 and 20)	4,245	822	35,387
Liability for termination and retirement benefits (Note 12)	1,680	1,795	14,005
Deferred income taxes (Note 17)	18,796	13,611	156,685
Other long-term liabilities (Notes 11, 12 and 17)	1,681	1,616	14,013
Total long-term liabilities	26,402	17,844	220,090
<b>COMMITMENTS AND CONTINGENCIES (Notes 9, 10 and 13)</b>			
<b>EQUITY:</b>			
<b>WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY (Notes 14 and 23):</b>			
Common stock, no par value -			
authorized, 500,000,000 shares in 2015 and 2014;			
issued 143,378,085 shares in 2015 and 2014	13,260	13,260	110,537
Additional paid-in capital (Note 14)	29,642	29,587	247,099
Retained earnings	155,264	151,468	1,294,298
Accumulated other comprehensive income (loss) (Note 16):			
Foreign currency translation adjustments	10,831	2,310	90,289
Unrealized gain on securities	20,821	11,606	173,566
Pension liability adjustments (Note 12)	1,934	(227)	16,122
Total accumulated other comprehensive income	33,586	13,689	279,977
Treasury stock, at cost - 2,537,276 shares and 2,539,371 shares in 2015 and 2014, respectively	(2,895)	(2,898)	(24,133)
Total Wacoal Holdings Corp. shareholders' equity	228,857	205,106	1,907,778
<b>NONCONTROLLING INTERESTS</b>	2,711	2,430	22,599
Total equity	231,568	207,536	1,930,377
<b>TOTAL</b>	<b>¥300,272</b>	<b>¥271,988</b>	<b>\$2,503,101</b>

# Consolidated Statements of Income

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 2)
Years Ended March 31, 2015, 2014 and 2013	2015	2014	2013	2015
<b>NET SALES (Note 18)</b>	<b>¥191,765</b>	<b>¥193,781</b>	<b>¥180,230</b>	<b>\$1,598,574</b>
<b>OPERATING COSTS AND EXPENSES:</b>				
Cost of sales (Notes 5, 12 and 18)	90,722	91,008	84,548	756,269
Selling, general and administrative expenses (Notes 1, 7, 10, 11, 12 and 15)	87,940	88,913	84,331	733,078
Impairment charges on goodwill (Notes 8 and 21)	4,845		1,197	40,388
Impairment charges on other intangible assets (Notes 8 and 21)	1,176		1,655	9,803
Total operating costs and expenses	184,683	179,921	171,731	1,539,538
<b>OPERATING INCOME</b>	<b>7,082</b>	<b>13,860</b>	<b>8,499</b>	<b>59,036</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest income	142	97	85	1,184
Interest expense	(98)	(105)	(164)	(817)
Dividend income	1,011	831	789	8,428
Gain or loss on sales or exchange of marketable securities and investments - net (Note 3)	1,585	84	2,208	13,213
Valuation gain or loss on marketable securities and investments - net (Notes 3 and 21)	(14)	(47)	(325)	(117)
Gain on sales of paintings	1,405			11,712
Other - net (Notes 1, 3 and 21)	229	313	(152)	1,909
Total other income (expenses) - net	4,260	1,173	2,441	35,512
<b>INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 17)</b>	<b>11,342</b>	<b>15,033</b>	<b>10,940</b>	<b>94,548</b>
<b>INCOME TAXES (Note 17):</b>				
Current	5,223	5,256	6,638	43,539
Deferred	(1,920)	385	(2,866)	(16,005)
Total income taxes	3,303	5,641	3,772	27,534
<b>INCOME BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES</b>	<b>8,039</b>	<b>9,392</b>	<b>7,168</b>	<b>67,014</b>
<b>EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)</b>	<b>705</b>	<b>985</b>	<b>939</b>	<b>5,877</b>
<b>NET INCOME</b>	<b>8,744</b>	<b>10,377</b>	<b>8,107</b>	<b>72,891</b>
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(300)</b>	<b>(271)</b>	<b>(227)</b>	<b>(2,501)</b>
<b>NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.</b>	<b>¥ 8,444</b>	<b>¥ 10,106</b>	<b>¥ 7,880</b>	<b>\$ 70,390</b>

	Yen			U.S. dollars (Note 2)
Years Ended March 31, 2015, 2014 and 2013	2015	2014	2013	2015
<b>NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 19):</b>				
Basic	¥ 59.95	¥ 71.75	¥ 55.95	\$0.50
Diluted	¥ 59.80	¥ 71.61	¥ 55.86	\$0.50
<b>NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 19):</b>				
Basic	¥299.77	¥358.77	¥279.74	\$2.50
Diluted	¥299.00	¥358.03	¥279.29	\$2.49

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 2)
Years Ended March 31, 2015, 2014 and 2013	2015	2014	2013	2015
<b>NET INCOME</b>	<b>¥ 8,744</b>	<b>¥10,377</b>	<b>¥ 8,107</b>	<b>\$ 72,891</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 16):</b>				
Foreign currency translation adjustments:				
Amounts arising during the year	8,671	8,342	5,072	72,282
Reclassification adjustments		27		
Total foreign currency translation adjustments	8,671	8,369	5,072	72,282
Unrealized gain on securities:				
Amounts arising during the year	10,216	2,313	6,474	85,161
Reclassification adjustments	(974)	(11)	(1,352)	(8,119)
Total unrealized gain on securities	9,242	2,302	5,122	77,042
Pension liability adjustments:				
Amounts arising during the year	2,332	1,468	625	19,440
Reclassification adjustments	(176)	233	423	(1,467)
Total pension liability adjustments	2,156	1,701	1,048	17,973
<b>OTHER COMPREHENSIVE INCOME</b>	<b>20,069</b>	<b>12,372</b>	<b>11,242</b>	<b>167,297</b>
<b>COMPREHENSIVE INCOME</b>	<b>28,813</b>	<b>22,749</b>	<b>19,349</b>	<b>240,188</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(472)</b>	<b>(412)</b>	<b>(316)</b>	<b>(3,934)</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.</b>	<b>¥28,341</b>	<b>¥22,337</b>	<b>¥19,033</b>	<b>\$236,254</b>

See notes to consolidated financial statements.



# Consolidated Statements of Equity

Wacoal Holdings Corp. and Subsidiaries

Millions of yen

Years Ended March 31, 2015, 2014 and 2013	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehen- sive Income (Loss)	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 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 14)			17				17	(181)	(164)
Share-based compensation granted and exercised (Note 15)	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 14)			4				4	(13)	(9)
Share-based compensation granted (Note 15)			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
Net income				8,444			8,444	300	8,744
Foreign currency translation adjustments					8,521		8,521	150	8,671
Unrealized gains on securities					9,215		9,215	27	9,242
Pension liability adjustments					2,161		2,161	(5)	2,156
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥165 per 5 shares of common stock				(4,648)			(4,648)		(4,648)
Cash dividends paid to noncontrolling interests								(190)	(190)
Repurchase of treasury stock	(3)					(3)	(3)		(3)
Equity transactions with noncontrolling interests (Note 14)			0				0	(1)	(1)
Share-based compensation granted and exercised (Note 15)	5		55			6	61		61
BALANCE, MARCH 31, 2015	140,841	¥13,260	¥29,642	¥155,264	¥33,586	¥(2,895)	¥228,857	¥2,711	¥231,568

Thousands of U.S. dollars (Note 2)

Years Ended March 31, 2015	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehen- sive Income (Loss)	Treasury Stock	Total Wacoal Holdings Corp. Share- holders' Equity	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2014	\$110,537	\$246,641	\$1,262,654	\$114,113	\$(24,158)	\$1,709,787	\$20,257	\$1,730,044
Net income			70,390			70,390	2,501	72,891
Foreign currency translation adjustments				71,032		71,032	1,250	72,282
Unrealized gains on securities				76,817		76,817	225	77,042
Pension liability adjustments				18,015		18,015	(42)	17,973
Cash dividends paid to Wacoal Holdings Corp. shareholders, \$1 per 5 shares of common stock			(38,746)			(38,746)		(38,746)
Cash dividends paid to noncontrolling interests							(1,584)	(1,584)
Repurchase of treasury stock					(25)	(25)		(25)
Equity transactions with noncontrolling interests (Note 14)		0				0	(8)	(8)
Share-based compensation granted and exercised (Note 15)		458			50	508		508
BALANCE, MARCH 31, 2015	\$110,537	\$247,099	\$1,294,298	\$279,977	\$(24,133)	\$1,907,778	\$22,599	\$1,930,377

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2015, 2014 and 2013	Millions of yen			Thousands of U.S. dollars (Note 2)
	2015	2014	2013	2015
<b>OPERATING ACTIVITIES:</b>				
Net income	¥ 8,744	¥10,377	¥8,107	\$ 72,891
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,074	5,036	4,888	42,297
Share-based compensation (Note 15)	60	69	53	500
Provision for returns and doubtful receivables - net	(45)	365	269	(375)
Deferred income taxes	(1,920)	385	(2,866)	(16,005)
Gain or loss on sales or disposal of property, plant and equipment - net	38	94	103	317
Impairment charges on goodwill (Notes 8 and 21)	4,845		1,197	40,388
Impairment charges on other intangible assets (Notes 8 and 21)	1,176		1,655	9,803
Gain or loss on sales or exchange of marketable securities and investments - net (Note 3)	(1,585)	(84)	(2,208)	(13,213)
Valuation gain or loss on marketable securities and investments - net (Notes 3 and 21)	14	47	325	117
Gain on sales of paintings	(1,405)			(11,712)
Equity in net income of affiliated companies, less dividends	(27)	(272)	(359)	(225)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	534	(1,368)	1,438	4,451
Increase in inventories	(1,038)	(339)	(680)	(8,653)
(Increase) decrease in other current assets	(442)	636	(215)	(3,684)
Increase (decrease) in notes and accounts payable	1,302	(1,541)	(1,905)	10,854
Decrease in liability for termination and retirement benefits	(1,601)	(827)	(853)	(13,346)
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	505	(3,649)	3,215	4,210
Other	108	20	145	900
Net cash provided by operating activities	14,337	8,949	12,309	119,515
<b>INVESTING ACTIVITIES:</b>				
Increase in time deposits	(3,548)	(2,347)	(1,846)	(29,576)
Decrease in time deposits	3,383	2,291	836	28,201
Proceeds from sales and redemption of available-for-sale securities (Note 3)	4,499	4,685	1,578	37,504
Payments to acquire available-for-sale securities	(1,353)	(57)	(3,828)	(11,279)
Proceeds from redemption of held-to-maturity debt securities	114	113	334	950
Payments to acquire held-to-maturity debt securities	(568)	(322)	(340)	(4,735)
Proceeds from sales of paintings	1,785			14,880
Proceeds from sales of property, plant and equipment	174	24	64	1,450
Capital expenditures	(3,093)	(2,265)	(2,475)	(25,784)
Payments to acquire intangible assets (Note 8)	(1,385)	(1,199)	(855)	(11,545)
Proceeds from sales of other investments	124	762	767	1,034
Payments to acquire other investments			(461)	
Acquisitions of subsidiaries, net of cash acquired and payments to acquire additional shares of a subsidiaries (Note 7)	(1)	(8)	(17,070)	(8)
Payments to acquire additional shares of affiliated companies		(16)	(253)	
Proceeds from sales of shares of affiliated companies	6			50
Other	27	(3)	29	225
Net cash provided by (used in) investing activities	164	1,658	(23,520)	1,367
<b>FINANCING ACTIVITIES:</b>				
(Decrease) increase in short-term bank loans with three months or less maturity - net	(6,784)	(455)	10,524	(56,552)
Proceeds from issuance of short-term bank loans with more than three months maturity			353	
Repayments of short-term bank loans with more than three months maturity		(100)	(578)	
Proceeds from issuance of long-term debt	4,460		2,039	37,179
Repayments of long-term debt	(1,226)	(901)	(2,910)	(10,220)
Repurchase of treasury stock	(3)	(6)	(10)	(25)
Sale of treasury stock		0	1	
Dividends paid on common stock	(4,648)	(3,944)	(3,944)	(38,746)
Dividends paid to noncontrolling interests	(190)	(148)	(96)	(1,584)
Net cash (used in) provided by financing activities	(8,391)	(5,554)	5,379	(69,948)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,642	1,091	361	13,688
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,752	6,144	(5,471)	64,622
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,658	24,514	29,985	255,568
CASH AND CASH EQUIVALENTS, END OF YEAR	¥38,410	¥30,658	¥24,514	\$320,190
<b>ADDITIONAL CASH FLOW INFORMATION:</b>				
Cash paid for:				
Interest	¥ 100	¥ 98	¥ 161	\$ 834
Income taxes	4,497	8,305	4,275	37,487
<b>NONCASH INVESTING ACTIVITIES:</b>				
Fair value of certain marketable securities received in exchange for other marketable securities (Note 3)			¥ 1,450	
Acquisition of property, plant and equipment by assuming payment obligation	¥ 419	¥ 582	¥ 429	\$ 3,493
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, 2015, 2014 and 2013 were ¥300 million, ¥161 million and ¥(146) 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, 2015, 2014 and 2013 are ¥3,356 million, ¥3,212 million and ¥3,037 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, 2015, 2014 and 2013.

**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 equipment. Other leases are classified as operating leases and are not capitalized. The payments on such leases are recorded as expense. The rental expense under operating leases is recognized on a straight-line basis.

**TREASURY STOCK**—The Companies account for treasury stock under the cost method and include treasury stock as a component of equity.

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

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

**SHIPPING AND HANDLING COSTS**—Shipping and handling fees billed to customers are classified in net sales. Shipping and handling costs are expensed as incurred. Shipping and handling costs for the years ended March 31, 2015, 2014 and 2013 were ¥5,487 million, ¥5,708 million and ¥5,479 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, 2015, 2014 and 2013 were ¥13,103 million, ¥14,295 million and ¥13,146 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, 2015, 2014 and 2013 were ¥869 million, ¥808 million and ¥788 million, respectively, and have been included in selling, general and administrative expenses.

**CONSUMPTION TAXES**—Consumption taxes have been excluded from sales.

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



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

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

**DERIVATIVES**—Derivative instruments, including certain derivative instruments embedded in other contracts, are accounted for in accordance with the guidance for derivatives and hedging. Because such derivative instruments are not designated as 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 26, 2015.

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

#### RECENT ACCOUNTING PRONOUNCEMENTS:

**REVENUE RECOGNITION**—In May 2014, the Financial Accounting Standard Board (the "FASB") issued a new accounting standard 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 that annual period. The Company is currently evaluating the impact of adoption on the Company's consolidated financial position, result of operations, or cash flows.

**EXTRAORDINARY AND UNUSUAL ITEMS**—In January 2015, the FASB issued a new accounting standard related to extraordinary and unusual items. This guidance eliminates from U.S. GAAP the concept of extraordinary items and the requirements to 1) segregate an extraordinary item from the results of ordinary operations, 2) present the item separately on the income statement, net of tax, after income from continuing operations and 3) disclose income taxes and earnings-per-share data applicable to the extraordinary item. This guidance is effective for fiscal years and interim periods within that annual period, beginning after December 15, 2015. It is not expected to have an impact on the Companies' consolidated financial position, results of operations, or cash flows, since it relates only to disclosure requirements.

**FAIR VALUE MEASUREMENT**—In May 2015, the FASB issued a new standard which amends fair value measurement. This standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance is not expected to have an impact on the Companies' consolidated financial position, results of operations, or cash flows, since it relates only to disclosure requirements.

## 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 ¥119.96 to \$1, the noon

buying rate for yen in New York City as of March 31, 2015. 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, 2015 and 2014. 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				
2015	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
National debt securities and municipal bonds	¥ 10			¥ 10
Corporate debt securities	500	¥ 1		501
Mutual fund	1,104	291	¥5	1,390
Total	¥ 1,614	¥ 292	¥5	¥ 1,901
Noncurrent:				
Equity securities	¥23,587	¥34,461	¥0	¥58,048
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	¥ 486	¥ 0	¥1	¥ 485
Noncurrent:				
Corporate debt securities	¥ 620	¥ 0	¥3	¥ 617

Millions of yen				
2014	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
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

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, 2015 and 2014. 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, 2015 and 2014, were as follows:

Millions of yen				
	2015		2014	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale securities:				
Current:				
National debt securities and municipal bonds			¥ 10	¥0
Mutual fund	¥295	¥5	467	5
Total	¥295	¥5	¥477	¥5
Noncurrent:				
Equity securities	¥ 1	¥0	¥144	¥7
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	¥242	¥1	¥102	¥3
Noncurrent:				
Corporate debt securities	¥375	¥3		

As of March 31, 2015, the available-for-sale securities in a continuous unrealized loss position are composed of one equity security and one mutual fund. The severity of decline was less than 13.1%. 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, 2015 and 2014.

Future maturities of debt securities and mutual funds classified as available for sale excluding mutual funds without fixed maturities as of March 31, 2015, were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥ 972	¥ 980
Due after one year through five years	10	10
Due within ten years		
More than ten years	300	295
Total	¥1,282	¥1,285

Proceeds from sales of available-for-sale securities and the gross realized gain or loss on the sales of available-for-sale securities during the years ended March 31, 2015, 2014 and 2013, 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		
	2015	2014	2013
Proceeds from sales of available-for-sale securities	¥3,499	¥190	¥5,049
Gross realized gains on sales of available-for-sale securities	1,516	64	2,164
Gross realized losses on sales of available-for-sale securities			9

During the years ended March 31, 2015 and 2013, 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 ¥1 million in the year ended March 31, 2015. 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 was ¥4 million, ¥47 million and ¥55 million in the years ended March 31, 2015, 2014 and 2013, respectively.

**TRADING SECURITIES**—There were no trading securities consisting of mutual funds as of March 31, 2015 and 2014. A subsidiary in the United States of America had trading securities consisting of mutual

Future maturities of debt securities classified as held to maturity as of March 31, 2015 were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥ 486	¥ 485
Due after one year through five years	620	617
Total	¥1,106	¥1,102

funds, which were recorded as marketable securities and investments at the fair value of ¥683 million as of March 31, 2013. The Companies recorded a loss of ¥9 million for the year ended March 31, 2013, that related to trading securities still held as of March 31, 2013.

**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 ¥1,295 million and ¥1,362 million as of March 31, 2015 and 2014, 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 ¥10 million and ¥261 million in the years ended March 31, 2015 and 2013, respectively. There were 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		
	2015	2014	2013
Balance at the beginning of the year	¥201	¥180	¥ 70
Increase due to change in scope of consolidation			84
Charged to costs and expenses	45	32	49
Balances written-off/reversed	(48)	(11)	(23)
Balance at the end of the year	¥198	¥201	¥180

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

	Millions of yen		
	2015	2014	2013
Balance at the beginning of the year	¥ 2,120	¥ 1,702	¥ 1,390
Charged to costs and expenses	2,211	2,120	1,702
Balances utilized	(2,120)	(1,702)	(1,390)
Balance at the end of the year	¥ 2,211	¥ 2,120	¥ 1,702

## 5. INVENTORIES

The components of inventories as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Finished products	¥36,935	¥34,504
Work in process	3,625	3,496
Raw materials	2,333	2,211
Total	¥42,893	¥40,211

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, 2015 and 2014, were as follows:

Name of Investee	Percentage of ownership (%)	
	2015	2014
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, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Carrying amount	¥14,155	¥11,969
Aggregate value of quoted market price	12,107	10,461

The following tables represent the affiliated companies' summarized information from the balance sheets as of March 31, 2015 and 2014, and statements of income for the years ended March 31, 2015, 2014 and 2013.

	Millions of yen	
	2015	2014
Current assets	¥45,218	¥42,464
Noncurrent assets	45,317	38,787
Total	¥90,535	¥81,251
Current liabilities	¥10,262	¥ 8,578
Long-term liabilities	9,678	8,984
Equity	70,595	63,689
Total	¥90,535	¥81,251



Millions of yen

	2015	2014	2013
Net sales	¥62,459	¥60,257	¥53,229
Gross profit	31,519	31,011	27,819
Income before income taxes	2,848	3,664	3,921
Net income	2,196	2,503	2,955

Dividends received from the affiliated companies were ¥678 million, ¥713 million and ¥580 million during the years ended March 31, 2015, 2014 and 2013, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥14,948 million and ¥15,458 million as of March 31, 2015 and 2014, respectively.

## 7. ACQUISITIONS

**EVEDEN**—On April 10, 2012, the Company acquired all of the shares of Eveden Group Limited (currently Wacoal Europe 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, 2015, 2014 and 2013 were as follows:

	Millions of yen		
	2015		
	Wacoal Business (Overseas)	Peach John Segment	Total
Balance at the beginning of the year:			
Goodwill	¥13,553	¥11,203	¥24,756
Accumulated impairment losses		(2,033)	(2,033)
Total	13,553	9,170	22,723
Foreign currency translation adjustments	872		872
Impairment losses		(4,845)	(4,845)
Balance at the end of the year:			
Goodwill	14,425	11,203	25,628
Accumulated impairment losses		(6,878)	(6,878)
Total	¥14,425	¥ 4,325	¥18,750

	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

During the years ended March 31, 2015 and 2013, the Companies recorded impairment charges on goodwill of ¥4,845 million and ¥1,197 million, respectively, in the Peach John Segment. See Note 21 for further information.

OTHER INTANGIBLE ASSETS—The components of acquired intangible assets excluding goodwill as of March 31, 2015 and 2014 were as follows:

Years Ended March 31	Millions of yen			
	2015		2014	
	Gross Carrying Amount	Accumulated Amortization and Impairment Loss	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:				
Brands	¥ 7,440	¥ 999	¥ 6,991	¥ 627
Customer relationships			3,361	3,214
Software	8,271	5,035	8,480	5,494
Others	1,570	605	1,461	543
Total	¥17,281	¥6,639	¥20,293	¥9,878
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥3,322	¥ 5,316	¥2,146
Other	103		103	
Total	¥ 5,419	¥3,322	¥ 5,419	¥2,146

Other intangible assets acquired during the year ended March 31, 2015 totaled ¥1,385 million which primarily consist of software with an estimated useful life of five years.

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

Customer relationships were fully amortized during the year ended March 31, 2015.

During the year ended March 31, 2015, the Companies recorded an impairment charge on other intangible assets for the trademarks of ¥1,176 million in the Peach John Segment. During the year ended March 31, 2014, 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 21 for further information.

Aggregate amortization expenses for the years ended March 31, 2015, 2014 and 2013 related to other intangible assets were ¥1,536 million, ¥1,824 million and ¥1,851 million, respectively. Future estimated amortization expenses as of March 31, 2015, were as follows:

Year Ending March 31	Millions of yen
Estimated amortization expense	
2016	¥1,244
2017	1,181
2018	1,079
2019	848
2020	587
Total	¥4,939

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

Short-term bank loans as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen	
	2015	2014
Unsecured bank loans	¥10,038	¥16,630

The weighted-average annual interest rates on short-term bank loans as of March 31, 2015 and 2014 were 0.4% and 0.6%, respectively.

Unused lines of credit for short-term financing as of March 31, 2015 and 2014, aggregated ¥25,189 million and ¥25,377 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, 2015 and 2014.

Long-term debt as of March 31, 2015 and 2014, are summarized below. The interest rates and maturities are for loans as of March 31, 2015.

	Millions of yen	
	2015	2014
Collateralized bank loans, with floating interest at 4.5%, maturing through 2015		¥ 12
Collateralized bank loans, with fixed interest at 1.5%—1.8%, maturing through 2022	¥ 271	311
Unsecured bank loans, with floating interest at 1.0%, maturing through 2017	3,957	
Unsecured bank loans, with fixed interest at 0.4%—1.5%, maturing through 2022	551	1,194
Total	4,779	1,517
Less current portion	(534)	(695)
Long-term debt, less current portion	¥4,245	¥ 822

The annual maturities of long-term debt as of March 31, 2015, were as follows:

Year Ending March 31	Millions of yen
2016	¥ 534
2017	4,007
2018	50
2019	50
2020	50
Thereafter	88
Total	¥4,779

A subsidiary has pledged assets as security for loans. As of March 31, 2015 and 2014, assets pledged as collateral for bank loans were as follows:

	Millions of yen	
	2015	2014
Land	¥150	¥ 888
Buildings	258	595
Machinery and equipment		21
Total	¥408	¥1,504

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, 2015 are presented below:

Year Ending March 31	Millions of yen
2016	¥ 666
2017	539
2018	397
2019	284
2020	65
Thereafter	130
Total	¥2,081

Rental expenses were ¥6,476 million, ¥5,975 million and ¥5,780 million for the years ended March 31, 2015, 2014 and 2013, 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		
	2015	2014	2013
Balance at the beginning of the year	¥728	¥648	¥661
Accretion expense	8	6	5
Liabilities incurred	66	112	92
Liabilities settled	(32)	(43)	(113)
Change due to translation of foreign currencies	7	5	3
Balance at the end of the year	¥777	¥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		
	2015	2014	2013
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥33,712	¥34,449	¥34,135
Service cost	1,021	1,025	849
Interest cost	417	398	602
Participants' contributions	66	66	68
Actuarial loss	1,001	(258)	1,005
Benefits paid from plan assets	(908)	(879)	(825)
Settlement paid from plan assets	(1,075)	(995)	(1,201)
Settlement paid by the Company and certain subsidiaries	(149)	(94)	(184)
Benefit obligations at the end of the year	34,085	33,712	34,449
Change in plan assets:			
Fair value of plan assets at the beginning of the year	¥37,738	¥34,178	¥31,607
Actual return on plan assets	5,565	3,659	2,748
Employer contributions	1,751	1,709	1,781
Participants' contributions	66	66	68
Benefit payments	(908)	(879)	(825)
Settlement payments	(1,075)	(995)	(1,201)
Fair value of plan assets at the end of the year	43,137	37,738	34,178
Funded status at the end of the year	¥ 9,052	¥ 4,026	¥ (271)

Amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014, consist of:

	Millions of yen	
	2015	2014
Prepaid pension expense	¥10,577	¥ 5,666
Accrued expenses	(63)	(63)
Liability for termination and retirement benefits	(1,462)	(1,577)
	¥ 9,052	¥ 4,026



Amounts recognized in accumulated other comprehensive income (loss), pre-tax, as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Actuarial loss	¥2,573	¥(1,346)
Prior service benefit	1,098	1,590
	¥3,671	¥ 244

The accumulated benefit obligation for all defined retirement benefit plans as of March 31, 2015 and 2014, was as follows:

	Millions of yen	
	2015	2014
Accumulated benefit obligation	¥34,085	¥33,712

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	
	2015	2014
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,342	¥2,369
Fair value of plan assets	817	729
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,342	2,369
Fair value of plan assets	817	729

Net periodic benefit costs for the Company and certain subsidiaries' plans consisted of the following for the years ended March 31, 2015, 2014 and 2013:

	Millions of yen		
	2015	2014	2013
Service cost	¥1,021	¥1,025	¥ 849
Interest cost	417	398	602
Expected return on plan assets	(865)	(803)	(772)
Amortization of actuarial loss	220	936	1,298
Amortization of prior service benefit	(492)	(574)	(641)
	¥ 301	¥ 982	¥1,336

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, 2015, 2014 and 2013 were as follows:

	Millions of yen		
	2015	2014	2013
Current year actuarial gain	¥3,699	¥3,114	¥ 971
Amortization of actuarial loss	220	936	1,298
Amortization of prior service benefit	(492)	(574)	(641)
	¥3,427	¥3,476	¥1,628

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	
	2015	2014
Actuarial gain		¥(454)
Prior service benefit		(491)

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:

	2015	2014
Discount rate	1.0%	1.3%
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:

	2015	2014	2013
Discount rate	1.3%	1.2%	1.9%
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, 2015 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, 2015 and 2014, was as follows:

	2015	2014
Equity securities	49.4%	43.1%
Debt securities	29.8%	36.6%
Life insurance company general accounts	12.0%	13.6%
Real estate	1.4%	
Short-term financing	7.4%	6.7%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2015 and 2014 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, 2015 and 2014. 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 21.

	Millions of yen			
2015	Level 1	Level 2	Level 3	Total
Equity securities:				
Japanese companies	¥9,424			¥ 9,424
Pooled funds (a)		¥11,552		11,552
Debt securities:				
Foreign government bonds	17			17
Pooled funds (b)		9,717		9,717
Life insurance company general accounts		5,164		5,164
Other types of investments:				
Hedge funds (c)		1,194		1,194
Pooled funds (d)		3,301		3,301
Short-term financing		2,768		2,768
Total	¥9,441	¥33,696		¥43,137

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

- (a) This class includes common stock of approximately 25% Japanese companies and 75% foreign companies as of March 31, 2015, and those percentages were 24% and 76%, respectively, as of March 31, 2014.
- (b) This class includes approximately 28% of Japanese government bonds, 3% of Japanese municipal bonds, 33% of foreign government bonds and 36% of corporate bonds as of March 31, 2015, and those percentages were 41%, 5%, 25% and 29%, respectively, as of March 31, 2014.
- (c) This class is hedge funds that invest both long and short in debt securities as of March 31, 2015 and 2014.
- (d) This class includes approximately 58% of corporate bonds, 2% of common stock of Japanese companies, 10% of common stock of foreign companies, 18% of real estate and 12% of short-term financing as of March 31, 2015. This class includes approximately 38% of corporate bonds, 36% of insurance swaps and 26% of short-term financing 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 ¥1,260 million to their plans in the year ending March 31, 2016.

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

Year Ending March 31	Millions of yen
2016	¥1,923
2017	1,966
2018	1,989
2019	2,070
2020	1,989
Thereafter	9,590

**DEFINED CONTRIBUTION PLAN**—Certain subsidiaries have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥203 million, ¥196 million and ¥193 million for the years ended March 31, 2015, 2014 and 2013, 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 ¥114 million, ¥228 million and ¥280 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2015, 2014 and 2013, 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 as of March 31, 2015 and 2014, 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, 2015 and 2014 were ¥218 million, and were included in liability for termination and retirement benefits.

### 13. COMMITMENTS AND CONTINGENT LIABILITIES

The Company entered into a construction supervision contract and construction contract of ¥6,395 million, in connection with the office that was established in Minami-ku, Kyoto on October 20, 2014. The Company had contractual obligations of ¥5,763 million as of March 31, 2015.

### 14. 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, 2015 and 2014, changes in Wacoal Holdings Corp.'s additional paid-in capital due to equity transactions with noncontrolling interest shareholders were as follows:

	Millions of yen	
	2015	2014
Net income attributable to Wacoal Holdings Corp.	¥8,444	¥10,106
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	0	4
Change in net income attributable to Wacoal Holdings Corp. and transfers from noncontrolling interests	¥8,444	¥10,110

### 15. 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, 2015, 2014 and 2013. 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 a 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.

	2015	2014	2013
Expected dividends yield	3.2%	2.8%	3.2%
Expected volatility	18.7%	20.6%	22.5%
Risk-free interest rate	0.1%	0.1%	0.1%
Expected term	3.1 years	2.8 years	3.1 years



A summary of stock option activities under the plan for the year ended March 31, 2015, 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, 2014	346,000	¥1	
Granted	63,000	1	
Exercised	5,000	1	
Outstanding as of March 31, 2015	404,000	1	15.0 years
Exercisable as of March 31, 2015	60,000	1	4.2 years

The total intrinsic value of options exercised was ¥6 million and ¥3 million for the years ended March 31, 2015 and 2013, respectively. There were no options exercised during the year ended March 31, 2014.

Total compensation costs recognized for the years ended March 31, 2015, 2014 and 2013 were ¥60 million, ¥69 million and ¥53 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2015, 2014 and 2013 were ¥21 million, ¥25 million and ¥19 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2015, 2014 and 2013 were ¥937, ¥918 and ¥799, respectively.

As of March 31, 2015, there was ¥11 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.

## 16. OTHER COMPREHENSIVE INCOME (LOSS)

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

	2015			2014		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥ 2,310	¥11,606	¥ (227)	¥(5,924)	¥ 9,310	¥(1,928)
Amount arising during the year:						
Pre-tax amount	9,019	15,809	3,651	8,582	3,709	2,578
Tax credit	(348)	(5,593)	(1,319)	(240)	(1,396)	(1,110)
Net amount	8,671	10,216	2,332	8,342	2,313	1,468
Reclassification adjustments:						
Pre-tax amount		(1,513)	(272)	27	(17)	362
Tax credit		539	96		6	(129)
Net amount		(974)	(176)	27	(11)	233
Other comprehensive income attributable to noncontrolling interests (after-tax)	(150)	(27)	5	(135)	(6)	
Balance at the end of the year (after-tax)	10,831	20,821	1,934	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 or loss on sales 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.

	2013		
	Pre-tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments:			
Amount arising during the year	¥ 5,332	¥ (260)	¥ 5,072
Unrealized gain on securities:			
Amount arising during the year	9,909	(3,435)	6,474
Reclassification adjustments	(2,101)	749	(1,352)
Net unrealized gain	7,808	(2,686)	5,122
Pension liability adjustments:			
Amount arising during the year	971	(346)	625
Reclassification adjustment	657	(234)	423
Net unrealized gain	1,628	(580)	1,048
Other comprehensive income	¥14,768	¥(3,526)	¥11,242

## 17. 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		
	2015	2014	2013
Japan	¥19,902	¥22,877	¥18,609
Foreign	(8,560)	(7,844)	(7,669)
Total	¥11,342	¥15,033	¥10,940

Domestic and foreign components of income tax expense consist of:

	Millions of yen		
	2015	2014	2013
Current:			
Japan	¥ 3,852	¥3,710	¥ 5,578
Foreign	1,371	1,546	1,060
	¥ 5,223	¥5,256	¥ 6,638
Deferred:			
Japan	¥(1,983)	¥ 549	¥(2,754)
Foreign	63	(164)	(112)
	¥(1,920)	¥ 385	¥(2,866)
Total income taxes	¥ 3,303	¥5,641	¥ 3,772

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 35.6% for the year ended March 31, 2015 and approximately 38.0% for the years ended March 31, 2014 and 2013. 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, 2015, 2014 and 2013:

	2015	2014	2013
Normal Japanese statutory tax rates	35.6%	38.0%	38.0%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	3.6	3.3	4.2
Change in valuation allowance	(9.4)	(2.9)	1.0
Undistributed earnings of associated companies	(0.5)	0.1	0.0
Differences in foreign subsidiaries' tax rate	(3.3)	(2.6)	(1.0)
Tax exemption	(0.1)	(0.2)	(0.3)
Unrecognized tax benefits	0.0	0.2	0.2
Impairment losses on goodwill	15.2		(4.1)
Changes in Japanese income tax rates	(10.7)	1.6	
Other - net	(1.4)	0.0	(3.5)
Effective tax rates	29.0%	37.5%	34.5%

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.

Following the amendments described above, new amendments, the Act on the Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act on the Partial Revision of Local Tax Act, etc. (Act No. 2 of 2015) were issued on March 31, 2015, and the corporate tax rate

will be lowered starting from the consolidated fiscal year beginning on and after April 1, 2015. Accordingly, from the end of the current fiscal year, with respect to the Company and our major domestic subsidiaries, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from the current 35.6% to 33.1% for the temporary differences which are expected to reverse during the consolidated fiscal year beginning April 1, 2015 and to 32.3% for the temporary differences which are expected to reverse in and after the consolidated fiscal year beginning April 1, 2016.

Due to this tax rate change, the deferred income taxes recognized in the fiscal year ended March 31, 2015 decreased by ¥1,209 million as a result of a reversal of the deferred tax assets and deferred tax liabilities.

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2015 and 2014 were as follows:

	2015		2014	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for returns	¥ 737		¥ 771	
Allowance for doubtful receivables	43		51	
Accruals not currently deductible	136		187	
Inventory valuation	1,058		1,149	
Accrued bonuses	1,067		1,258	
Impairment charges on marketable securities and investments	1,273		1,471	
Advanced depreciation on property, plant and equipment		¥ 1,200		¥ 1,354
Undistributed earnings of associated companies		2,731		2,405
Net unrealized gain on marketable securities and investments		11,411		7,407
Net realized gain on exchange of investments		961		1,059
Capitalized supplies	215		290	
Enterprise taxes	204		114	
Accrued vacation	771		799	
Asset retirement obligation	253		259	
Prepaid pension cost		2,825		1,420
Pension expense	430		501	
Tangible fixed assets	1,214		1,312	
Tax loss carryforwards	3,300		3,668	
Intangible assets		2,276		2,802
Other temporary differences	974	62	1,076	198
Total	11,675	21,466	12,906	16,645
Valuation allowance	(2,535)		(4,016)	
Total	¥ 9,140	¥21,466	¥ 8,890	¥16,645

The valuation allowance decreased by ¥1,481 million and ¥193 million for the years ended March 31, 2015 and 2014, respectively. On November 28, 2014, the Company resolved a restructuring plan for its group organization. Based on the resolution, most of assets and liabilities of Lecien Corp., a wholly-owned subsidiary of the Company, were transferred to a newly established subsidiary, and Wacoal Corp., another wholly-owned subsidiary of the Company, merged Lecien Corp. with the remainder of their assets and liabilities on April 1, 2015.

In conjunction with the merger, deferred tax assets for temporary differences concerning the merged assets and liabilities and tax loss carryforwards were transferred from Lecien Corp. to Wacoal Corp., Such deferred tax assets which had been fully covered by a valuation allowance due to the poor operating results of Lecien Corp. However, as a result of considering the change in the realizability of deferred tax assets triggered by the resolution, the Company reversed ¥1,398 million of valuation allowance and recognized the same amount of income tax benefit for the year ended March 31, 2015.

The Companies reversed a part of its valuation allowance and utilized ¥811 million and ¥847 million of tax loss carryforwards, and recognized tax benefits of ¥246 million and ¥226 million for the years ended March 31, 2015 and 2014, respectively.

As of March 31, 2015, 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
2016	¥ 170
2017	370
2018	438
2019	1,905
2020	2,693
2021	1,056
2022	44
2023	
2024	24
Thereafter	3,670
Total	¥10,370

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, 2015 and 2014.

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

	Millions of yen		
	2015	2014	2013
Balance at the beginning of the year	¥296	¥ 313	¥267
Additions based on tax positions related to the current year	16	133	46
Reductions for tax positions of prior years		(150)	
Balance at the end of the year	¥312	¥ 296	¥313

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥312 million, ¥296 million and ¥313 million as of March 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013 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.

## 18. 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 ¥2,581 million, ¥2,375 million and ¥2,353 million in the fiscal years ended March 31, 2015, 2014 and 2013, respectively. The accounts payable to affiliated companies were ¥142 million and ¥220 million as of March 31, 2015 and 2014, respectively.

The Companies also sell supplies, materials and products to certain affiliated companies. Aggregate sales to affiliated companies were ¥386 million, ¥342 million and ¥381 million in the fiscal years

ended March 31, 2015, 2014 and 2013, respectively. The accounts receivable from affiliated companies were ¥70 million and ¥58 million as of March 31, 2015 and 2014, respectively.

The Companies earn royalties from the use of the Wacoal Brand by certain affiliated companies. The amount of royalty revenue earned was ¥288 million, ¥248 million and ¥247 million in the fiscal years ended March 31, 2015, 2014 and 2013, respectively. Other accounts receivable from affiliated companies, which are included in other current assets in the consolidated balance sheets, were ¥219 million and ¥188 million as of March 31, 2015 and 2014, respectively.

## 19. EARNINGS PER SHARE

Basic net income attributable to Wacoal Holdings Corp. per share has been computed by dividing net income attributable to Wacoal Holdings Corp. by the weighted-average number of common shares 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 weighted-average number of common shares outstanding used in the computations of basic net income attributable to Wacoal

Holdings Corp. per share was 140,839,059 shares, 140,841,722 shares and 140,846,298 shares for the years ended March 31, 2015, 2014 and 2013, respectively. The weighted-average number of diluted common shares outstanding used in the computations of diluted net income attributable to Wacoal Holdings Corp. per share was 141,203,998 shares, 141,135,395 shares and 141,070,568 shares for the years ended March 31, 2015, 2014 and 2013, respectively.



## 20. 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, 2015 and 2014 were as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Notes 3 and 21)	¥ 2,387	¥ 2,386	¥ 3,523	¥ 3,520
Investments (Notes 3 and 21)	58,668	58,665	44,589	44,592
Foreign exchange contracts (Note 21)	209	209	18	18
Total assets	¥61,264	¥61,260	¥48,130	¥48,130
Liabilities:				
Foreign exchange contracts (Note 21)			¥ (1)	¥ (1)
Long-term debt including current portion	¥(4,779)	¥ (4,780)	(1,517)	(1,518)
Total liabilities	¥(4,779)	¥ (4,780)	¥ (1,518)	¥ (1,519)

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 hedge.

**MARKETABLE SECURITIES AND INVESTMENTS**—Held-to-maturity debt securities are classified as marketable securities and investments as of March 31, 2015 and as investments as of March 31, 2014, 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 21.

**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 instruments. 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 8.9%, 10.0% and 9.1% of the total sales in fiscal years ended March 31, 2015, 2014 and 2013, respectively.

## 21. 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, 2015 and 2014 were as follows:

	Millions of yen			
2015	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Corporate bonds		501		501
Mutual funds		1,390		1,390
Total marketable securities		1,901		1,901
Investments:				
Equity securities	¥58,048			58,048
Derivative instruments:				
Foreign exchange contracts		209		209
Total assets	¥58,048	¥2,110		¥60,158
2014				
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)

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 ¥192 million, ¥5 million and ¥40 million in other-net of other income (expenses) in the years ended March 31, 2015, 2014 and 2013, respectively.

The Companies recorded the derivative instruments as other current assets in the consolidated balance sheets at fair value of ¥209 million as of March 31, 2015. The derivative instruments are presented as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥18 million and ¥1 million as of March 31, 2014, respectively.

#### ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

Assets measured at fair value on a nonrecurring basis as of March 31, 2015 were as follows:

	Millions of yen				
2015	Level 1	Level 2	Level 3	Total	Total Losses
Goodwill (Note 8)			¥4,325	¥4,325	¥(4,845)
Trademarks (Note 8)			1,994	1,994	(1,176)
					¥(6,021)

As of the end of March 31, 2015, goodwill with a carrying amount of ¥9,170 million was written down to its implied fair value of ¥4,325 million, resulting in an impairment charge of ¥4,845 million, which is included in earnings for the year ended March 31, 2015. 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 ¥3,170 million as of March 31, 2015, were written down to their fair values of ¥1,994 million, resulting in recognition of an impairment charge of ¥1,176 million for the year ended March 31, 2015. 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.

There were no significant assets or liabilities that were measured at fair value on a nonrecurring basis as of March 31, 2014.

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.

#### 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, 2015 is as follows:

March 31, 2015	Millions of yen	Valuation Technique	Principal Unobservable Input	Range
	Fair Value			
Trademarks	¥1,994	Relief-from royalty method	Discount rate	7.3% - 11.3%
			Royalty rate	3.0% - 4.0%
			Short-term revenue growth rates (within five years)	2.3% - 5.3%
			Perpetuity growth rate (over five years)	0%

## 22. 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.

Information about operating results and assets for each segment as of and for the years ended March 31, 2015, 2014 and 2013 is as follows:

	Millions of yen					
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
2015						
Net sales:						
External customers	¥112,203	¥48,107	¥11,626	¥19,829		¥191,765
Intersegment	1,906	8,592	650	5,046	¥(16,194)	
Total	114,109	56,699	12,276	24,875	(16,194)	191,765
Operating costs and expenses:						
Operating costs and expenses	102,789	50,444	12,080	24,469	(16,194)	173,588
Depreciation and amortization	2,876	1,479	471	248		5,074
Impairment charges on goodwill (Note 8)			4,845			4,845
Impairment charges on other intangible assets (Note 8)			1,176			1,176
Total	105,665	51,923	18,572	24,717	(16,194)	184,683
Operating profit (loss)	8,444	4,776	(6,296)	158		7,082
Total assets and capital expenditures:						
Total assets	261,467	78,143	11,748	20,789	(71,875)	300,272
Capital expenditures	3,338	742	300	98		4,478

	Millions of yen					
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
2014						
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					
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
2013						
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 8)			1,197			1,197
Impairment charges on other intangible assets (Note 8)			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

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, 2015, 2014 and 2013 is as follows:

	Millions of yen		
	2015	2014	2013
Innerwear:			
Foundation and lingerie	¥142,681	¥144,783	¥132,525
Nightwear	9,514	9,301	9,221
Children's underwear	1,373	1,475	1,465
Subtotal	153,568	155,559	143,211
Outerwear/Sportswear	¥ 16,227	¥ 16,954	¥ 17,287
Hosiery	2,437	2,252	1,559
Other textile goods and related products	7,616	8,577	7,580
Others	11,917	10,900	10,593
Total	¥191,765	¥193,781	¥180,230

#### GEOGRAPHIC INFORMATION

Information by major geographic area as of and for the years ended March 31, 2015, 2014 and 2013 is as follows:

	Millions of yen		
	2015	2014	2013
Net sales:			
Japan	¥143,250	¥149,715	¥146,224
Asia and Oceania	16,261	14,871	11,777
Americas and Europe	32,254	29,195	22,229
Consolidated	¥191,765	¥193,781	¥180,230
Long-lived assets:			
Japan	¥ 43,200	¥ 43,446	¥ 44,670
Asia and Oceania	2,998	2,894	2,692
Americas and Europe	2,990	2,638	2,303
Consolidated	¥ 49,188	¥ 48,978	¥ 49,665

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.

## 23. SUBSEQUENT EVENTS

On May 11, 2015, the Board of Directors resolved to pay a cash dividend of ¥150 per 5 shares of common stock to holders of record as of March 31, 2015 (aggregate amount of ¥4,225 million).

# Independent Auditors' Report

# Deloitte.

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

Tel: +81 (75) 222 0181  
Fax: +81 (75) 231 2703  
[www.deloitte.com/jp](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, 2015 and 2014, 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, 2015 (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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2015, 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 within this Annual Securities Report as information for readers.



June 26, 2015

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, 2015. 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, 2015.

### 4. Supplementary Matters

Not applicable.

### 5. Special Information

Not applicable.

Yoshikata Tukamoto  
President and Representative Director  
WACOAL HOLDINGS CORP.

Masaya Wakabayashi  
Managing Director  
WACOAL HOLDINGS CORP.

# 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:

Seiichiro Nakashima

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, 2015 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, 2014 to March 31, 2015, 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, 2015, 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, 2015.

## 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, 2015 is effectively maintained, 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 26, 2015

# Corporate Data

As of March 31, 2015

## HEAD OFFICE

29, Nakajima-cho, Kisshoin,  
Minami-ku, Kyoto 601-8530, Japan  
Tel 075-694-3111 Fax 075-694-3109

### Web Site

www.wacoalholdings.jp/en

### Date of Foundation

June 15, 1946

### Date of Establishment

November 1, 1949

### Shareholders' Equity

¥228,857 million

### Number of Employees

(Consolidated)

20,196

## DOMESTIC PRINCIPAL SUBSIDIARIES

Wacoal Holdings Equity Owned	%
Wacoal Corp.	100
Lecien Corporation	100
Peach John Co., Ltd.	100
Nanasai Co., Ltd.	99
Une nana cool Corp.	100
Ai CO., LTD.	100
Kyushu Wacoal Manufacturing Corp.	100
Niigata Wacoal Sewing Corp.	100
Hokuriku Wacoal Sewing Corp.	100
Torica Inc.	57
Wacoal Career Service Corp.	100
Wacoal Service Co., Ltd.	100
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 Europe Ltd.	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.)

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 CANADA INC.

155 Rene-Levesque Blvd, W.40th Floor  
Montreal, Q.C., Canada H3B 3V2  
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 Europe Ltd.

Rothwell Road, Desborough, Kettering,  
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, 2015

## STOCK LISTING

Tokyo

## FISCAL YEAR-END

March 31

## SECURITIES CODE

3591

## COMMON STOCK

Issued: 143,378,085 shares

Outstanding: 140,840,809 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

Market: OTCQX

Symbol: WACLY

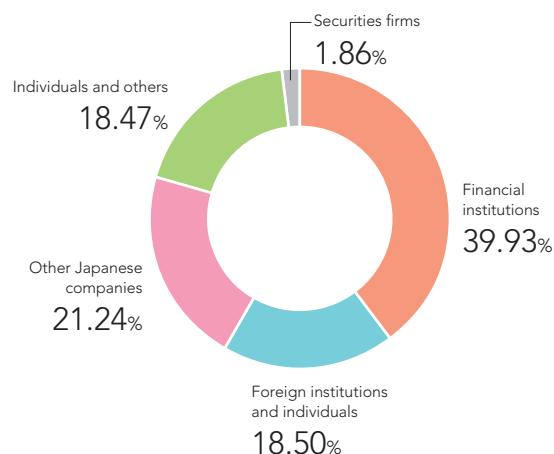
## DEPOSITARY

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

14,660

## Ownership and Distribution of Shares



## Major Shareholders

	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.34
Meiji Yasuda Life Insurance Company	4.25
The Bank of Kyoto, Ltd.	3.28
Japan Trustee Services Bank, Ltd. (Trust Account)	3.00
Nippon Life Insurance Company	2.56
The Shiga Bank, Ltd.	2.54
Mitsubishi UFJ Trust and Banking Corporation	2.12
The Dai-ichi Life Insurance Company, Ltd.	1.90
Asahi Kasei Fibers Corporation	1.73

## Stock Price / Trading Volume

¥ / Thousand shares



**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 at the time of writing. 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.



[www.wacoalholdings.jp/en](http://www.wacoalholdings.jp/en)