True Beauty is Timeless

Wacoal Holdings Corp.

INTEGRATED REPORT 2017

Wacoal Story

Our Priorities

Contributing to Women’s Beauty

“Making women feel beautiful,” “Helping women to feel their most beautiful,” and “Contributing to the realization of women’s desires to express their beauty.”
These are the convictions Wacoal has put into practice since it was founded over half a century ago. Through changing times we hold onto our unchanging values, and continue moving forward together with women around the world.

Trust

Achieving the kind of mutual trust that we aim for requires us to be trusted by everyone. It means building a body of people bound by trust and respect, who more than merely getting along, always act out of a deep and intense humanity. Regardless of nation or era, we value this concept as the principal factor for co-existence and co-prosperity of people around the world.

Passion

In order to realize women's desires to feel beautiful, we listen to women's voices and create products and services to meet the demands of every era. Our passion for manufacturing, one of the Wacoal Group's intangible assets, has been faithfully instilled in every employee of the company. Nothing is overlooked—not one stitch, one millimeter, or one second—as we use human science to continue creating products loved by customers.

Culture

The Wacoal Group is proud to have played a part in helping Western style fashion take root in Japan in the post-war period. While we functioned outside regular clothing manufacturing, we believe that the undergarments we provided played a major role in allowing Western style outfits to be widely accepted in women's daily lives. Since our founding, our company has ambitiously explored challenges to create new culture as it moves forward.

Society

We extend our mutual trust far and wide throughout society. The Wacoal Group was already considering the meaning of our own social existence in a long-term management plan back in 1966. Our wish is to remain a company that fulfills every stakeholder's expectations and then goes beyond them too.

Wacoal Story

Creating Our Value

Wacoal today is the result of challenges met, each of which has become a turning point on our path to growth.
We are united by a culture of mutual trust, and we are determined to build the Wacoal Group into a global corporate group by raising our value and international profile.

Turning Point
1970
Establishing Footholds in Global Markets

Turning Point
1964
Origin of the Human Science Research Center

Turning Point
1950
A Stepping Stone into Department Stores

Growth through expansion of department store sales

Major hits with seamless cup bras and front-hook bras

Adoption of mission statement and basic management policy

Net sales:
(1978.9–1979.8)
¥74.3 billion

Turning Point
1973
A National Brand for General Merchandise Stores

First steps toward establishing the domestic market

Signing of exclusive sales agreement with an American innerwear manufacturer

Founding

Net sales:
(1968.9–1969.8)
¥9.7 billion

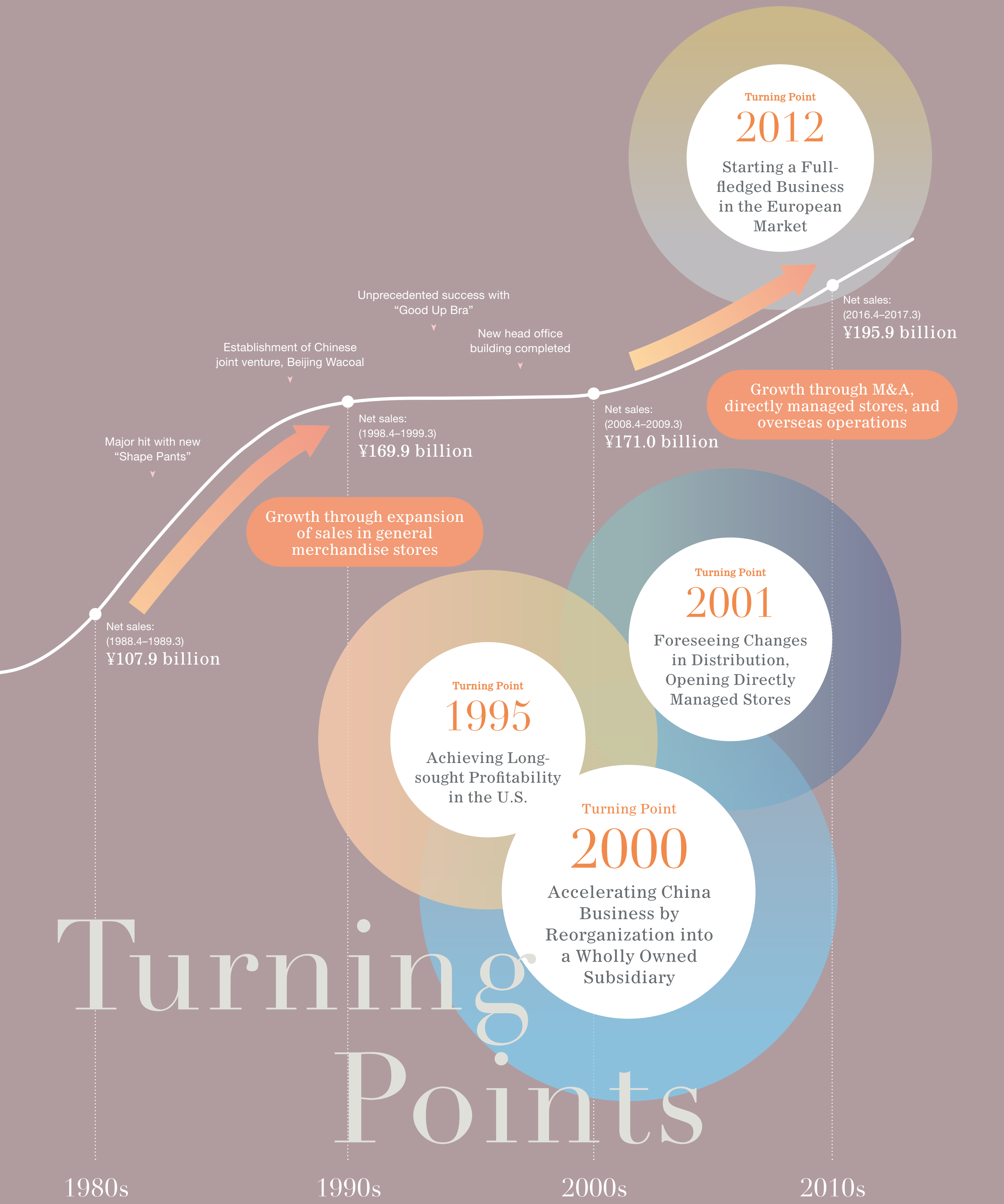
Net sales:
(1950.9–1951.8)
¥35 million

1950s

1960s

1970s

Turning Points

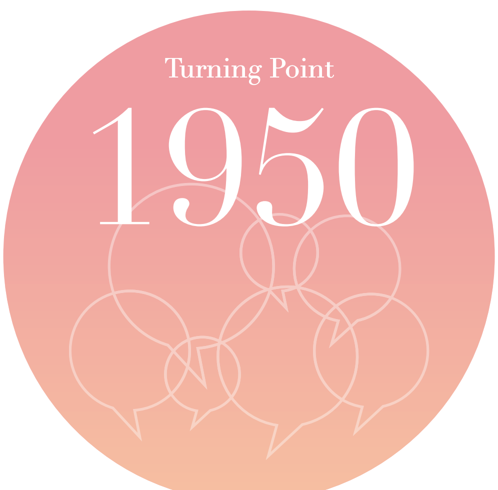


Securing Our Domestic Foundation

Products for Every Era in the Best Locations

Japanese department stores began carrying our products in 1950. That started off a series of challenges that in turn led us to develop our wide range of sales channels and high-quality products. These remain the strong points of the Wacoal Group to this day and have allowed us to acquire our current domestic market share. We think taking advantage of our strengths and opportunities while continuing to challenge ourselves is a key to the Group's future growth.

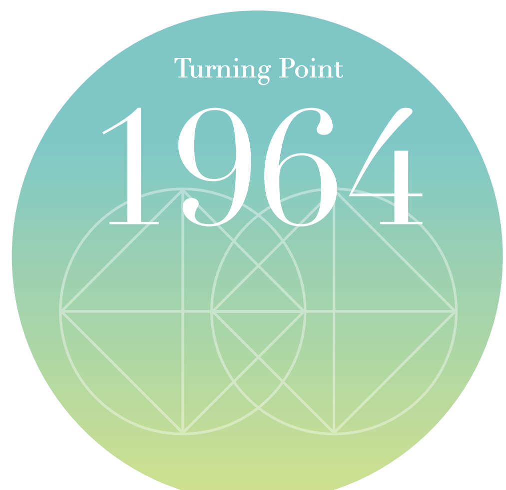
EPISODE 1



A Stepping Stone into Department Stores

"Please give us a chance to show customers how excellent our products are," urged Koichi Tsukamoto, Wacoal's founder, as he passionately implored acquaintances among the executives of the Kyoto branch of Takashimaya. He won a promise: "Compete with other companies for one week, and those sales numbers will determine whether you receive space." The founder then entreated some of the female accounting clerks to be the company's first sales staff. The result was a triumph, opening the door to sales channel expansion in department stores. Today, most department stores in Japan display the Wacoal logo on their lingerie floors.

EPISODE 2



Origin of the Human Science Research Center

From brassieres provided by partner manufacturers abroad, those in the company became aware of detailed differences in sizing configuration. A product research division was launched to manufacture products suitable for Japanese women's bodies. The division established a sizing structure for brassieres, and succeeded in quantifying the ideal body proportions for Japanese women based on the vast data collected from body measurements, and subsequently released the "Golden Proportion." Later, the product research division evolved into the Human Science Research Center, expanding researching scope to not only collect body shape data from different generation groups, but also to examine aspects like sensory comfort, physiology and movement, to utilize them for the development of new products.

EPISODE 3

Turning Point

1973

A National Brand for General Merchandise Stores

In the 1970s, apparel sales at general merchandise stores exceeded those at department stores and they became a large distribution channel that could not be ignored. When such stores began switching their style of sales, from sourcing and selling non-branded products in large volumes to selling national brands at discounted prices, Wacoal was approached to join them. However, Wacoal, uninterested in quick profit, refused the invitation, willing to wait for the right moment. Finally, the general merchandise stores agreed to Wacoal's strict conditions of opening dedicated sales spaces and applying a quotation price system. Thus, Wacoal's national brand "Wing" appeared across many of those stores' lingerie floors. Today, general merchandise stores remain one of the largest channels for our products.

EPISODE 4

Turning Point

2001

Foreseeing Changes in Distribution, Opening Directly Managed Stores

The distribution of women's innerwear fell into a turbulent time in which department stores and general merchandise stores lost popularity due to the emergence of successful stores located in fashion-oriented buildings, station buildings, and shopping malls. In March 2001, Wacoal opened Subito, its first SPA-style direct sales store, in Harajuku, Tokyo. Since then, the company has opened a series of stores of various styles that are tailored to specific customer bases and store locations, and the brand continues efforts to increase customer footfall. Currently, the number of stores in Japan supporting the business, including the Peach John business, is about 350 and growing.

Global Business Expansion

Think Globally, Act Locally

Wacoal made progress toward becoming a global business when it entered Asian markets in 1970, and the company currently operates in 23 countries worldwide, including China, the U.S., and nations in Europe. In order to enhance our presence all over the world, we strengthen global development by building on a management style valuing locally rooted mutual trust.

EPISODE 5

Establishing Footholds in Global Markets

Two decades after its foundation, Wacoal established venture companies in Korea, Thailand, and Taiwan. First, it dispatched technical advisers from Japan to train local staff. Later, the local staff took the lead in PR and sales initiatives. It was the predawn of women's inner garments in these regions. With cooperative actions from our partners, the expansion progressed following our success in the Japan market, quickly leading to profitability. Currently, Wacoal products in these areas have as strong a presence as they do in Japan. The roots of the company's global expansion began to take hold in each region, building our footholds to become "Worldwide Wacoal."

EPISODE 6

Achieving Long-sought Profitability in the U.S.

Unlike Asia, where our business grew favorably, our company struggled initially in the U.S. after its launch in 1983. There, business improvement was elusive due to excess inventories and rising selling, general and administrative expenses. While the market fell into increasing price competition, we continued improving products manufactured at our own facilities and retained our price points along with sales consultants. Things started to change from 1992, when Nordstrom, our biggest client at the time, awarded us with their best partner award. In the 12th year after the U.S. launch, that business achieved profitability for an entire fiscal year for the first time. Ever since, the U.S. market has been one of our most profitable and most stable revenue sources.

EPISODE 7

Accelerating China Business by Reorganization into a Wholly Owned Subsidiary

Beijing Wacoal Co., Ltd. had been in operation as a joint venture company since 1986. While China's rich potential seemed obvious given the country's huge population, the company was forced to accept inconvenient and inefficient business operations. Some questioned whether it had been too early to enter the China market. We decided to cancel the initial joint venture agreement and make a fresh start with a wholly owned subsidiary, which led to the performance improving gradually, and we became one of the leading brands at department stores there. Although it took time to gain profit, the market there is still attractive as the middle class population is expected to keep growing. We will maintain profitability there for the time being and look to opportunities for further expansion.

EPISODE 8

Starting a Full-fledged Business in the European Market

In 1990, from our representative office in Paris, we founded Wacoal France S.A. For over two decades afterwards, the "Wacoal" brand was having difficulty growing in the European market, where individuals have diverse preferences. This started to change when the company acquired Eveden Group Limited, a company that had multiple brands suited to a wide range of body shapes and sizes. From that point on, our presence in the UK and the EU has grown significantly. Having completed a post-acquisition reorganization, we are reviewing the brand portfolio and are on track to establish a stronger revenue base.

Our Convictions

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.

Worldwide Wacoal

Value Created by an Ever Enduring Spirit

Our employees share and realize our vision for the future and work with passion alongside our trusted partners to create products that will ensure customer satisfaction. We will continue to turn Wacoal's business philosophy into reality through applying this virtuous circle on a global scale.

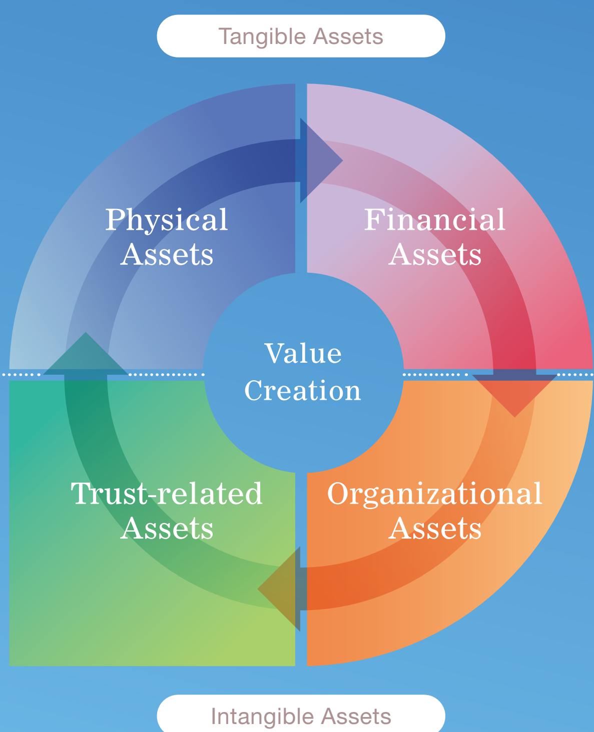
Contents

Our Value

Creating Value through Trust and Passion

Management to Build Trust

Strengthening intangible assets is a fundamental tenet of management.



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

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

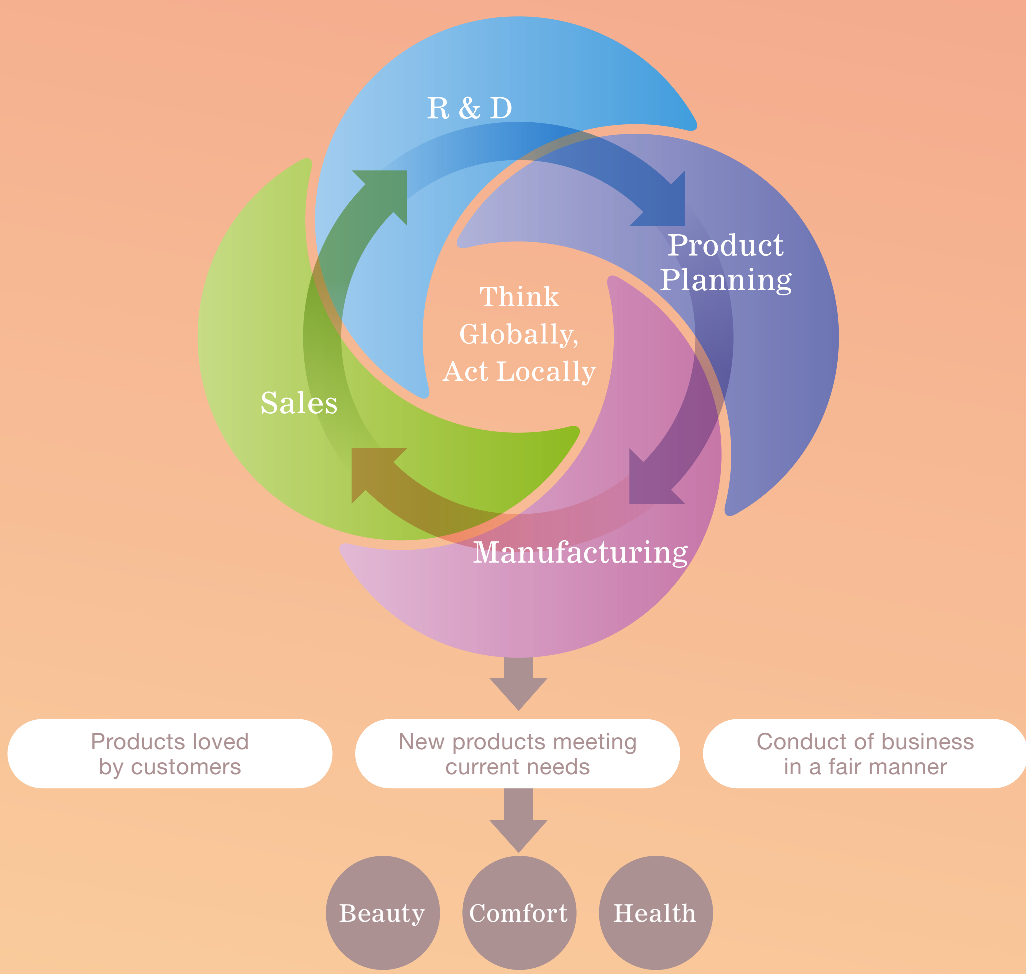
- Autonomous, innovative personnel
- Extensive and diverse groups of specialists
- Operation of wide range of stores
- Establishment of relationships of trust through customer service
- Social contribution through businesses
- Favorable business partnerships

- 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

For sustained growth, Wacoal continues to invest in and strengthen intangible assets. Based on appropriate management strategies, intangible assets are incorporated into our business model, providing society with the three values of beauty, comfort, and health. Women's values and sense of beauty differ widely by country and region. Considering the hearts, minds, and bodies of women in each part of the world, we aim to build a consistent business model with local roots. Underlying this is strong desire to help the women of the world to express their beauty.

Offering Beauty, Comfort, and Health

The foundation of our business is the desire for helping women to express their beauty.



Daily Life

Rich product lineups for everyone, regardless of gender or age.

- Wacoal Junior bis
- WACOAL BOYS
- FAIRY TIARA

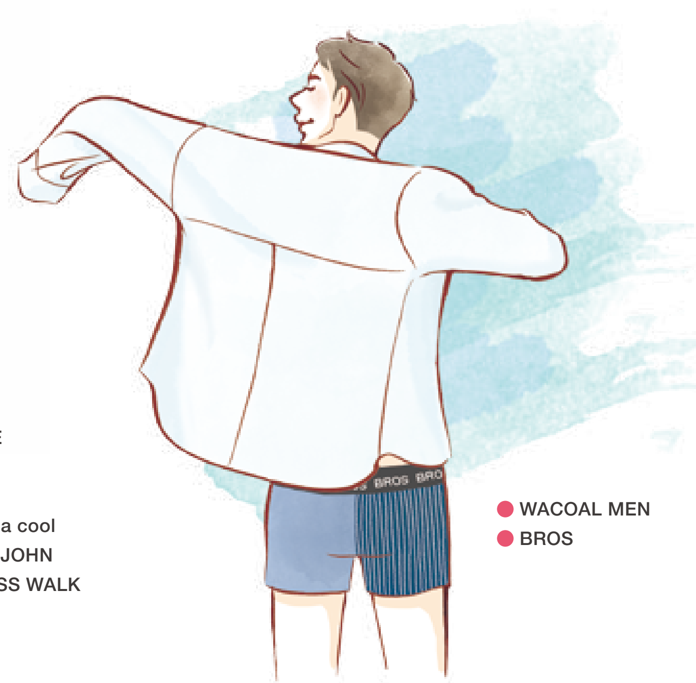
- gra-P
- Rakuraku Partner

To meet the varying requirements of customers' lifestyles, Wacoal offers a number of product brands manufactured through leveraging our strengths.

Wacoal

- Wacoal
- Wing
- WACOAL DIA
- Trèfle
- Salute
- PARFAGE

- L'ge
- LASSÉE
- amphi
- Pulili
- une nana cool
- PEACH JOHN
- SUCCESS WALK



- WACOAL MEN
- BROS

For Lifestyle

A New Life

● WACOAL BRIDAL

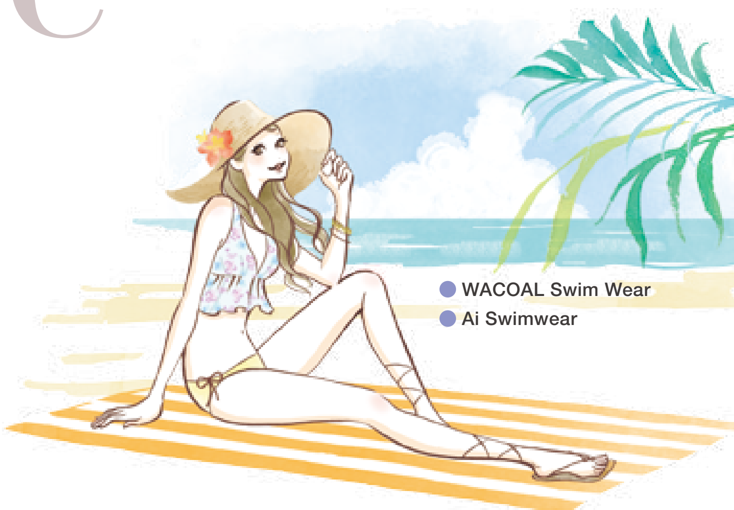
Superior-quality bridal lingerie for the special day, maternity innerwear to keep pre and postnatal mothers comfortable, and baby underwear that follows the baby's growth.

● WACOAL MATERNITY
● WACOAL BABY

Workout

Sportswear designed for mobility and support during physical activities.

● CW-X



● WACOAL Swim Wear
● Ai Swimwear

● Think Sleeping
● tsumori chisato SLEEP

Relax and Resort

Pajamas, and room wear essentials for relaxing, and swimwear for summer and resorts.

Tangible Assets—Financial Highlights (for the year ended March 31, 2017)

Financial Assets

Consolidated Financial Data

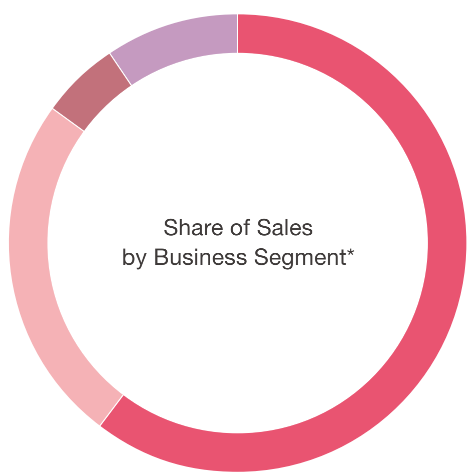
Net Sales	Operating Income	ROE	Full-year Cash Dividends per Share of Common Stock
¥195.9 billion	¥11.1 billion	5.5 %	¥36.00
DOWN by 3.5%	DOWN by 20.2%	UP by 0.6%	UP by ¥3

Operating Segment Information

9.2%
Other Businesses
Mainly operations of Nanasai Co., Ltd. and Lecien Corporation

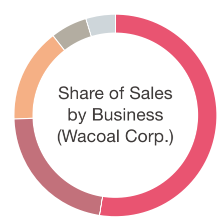
5.7%
Peach John Business
Operations of Peach John Co., Ltd.

24.7%
Wacoal Business (Overseas)
Mainly operations of Wacoal International Corp. (U.S.), Wacoal China Co., Ltd., and Wacoal Europe Ltd. (U.K.).



*Calculated based on net sales to external customers

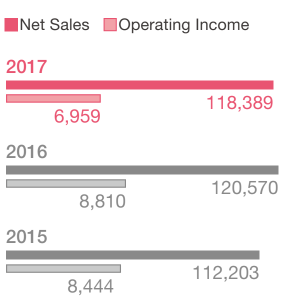
60.4%
Wacoal Business (Domestic)
Mainly operations of Wacoal Corp. in wholesale business for department stores, general merchandise stores, specialized stores, directly managed stores, and online sales business, as well as some domestic subsidiaries.



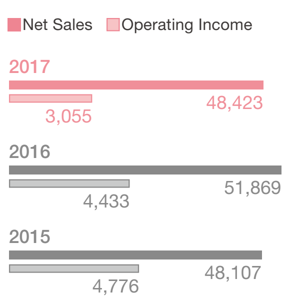
Wacoal Brand Operation Headquarters	52.5%
Wing Brand Operation Headquarters	22.1%
Retail Business Dept.	14.9%
Wellness Business Dept.	5.9%
Catalog Sales Business Dept.	4.6%

Operating Segment Net Sales/Operating Income (Loss)

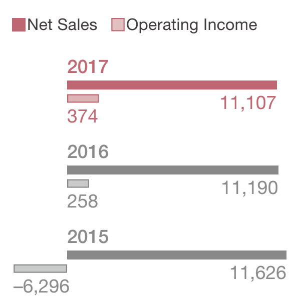
Wacoal Business (Domestic)
(¥ million)



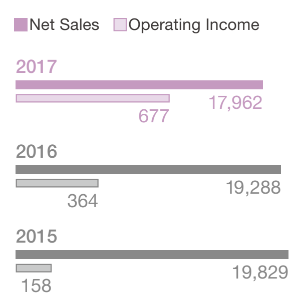
Wacoal Business (Overseas)
(¥ million)



Peach John Business
(¥ million)



Other Businesses
(¥ million)



Information by Region

Consolidated Overseas Sales

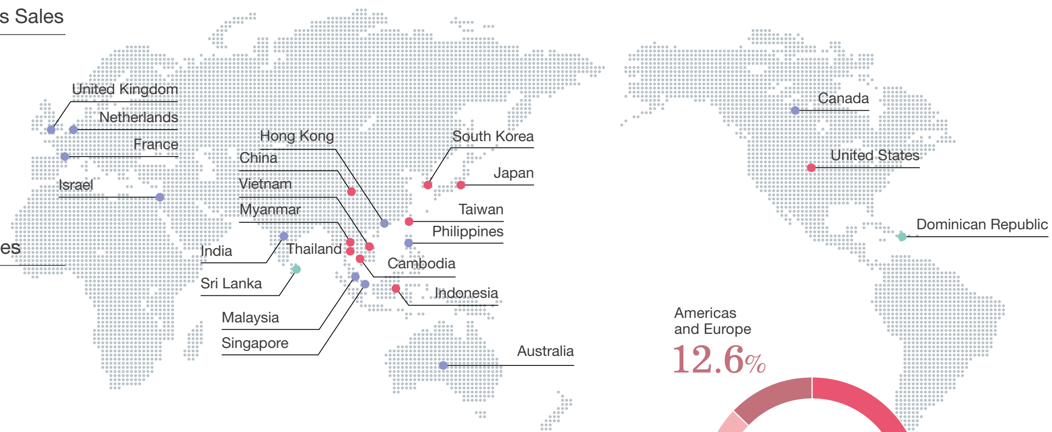
¥48.8 billion

DOWN by 6.6%

Overseas Affiliates Sales

¥38.6 billion

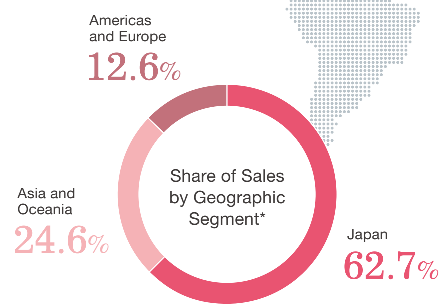
DOWN by 15.8%



Number of Countries where the Wacoal Group has Operating Bases

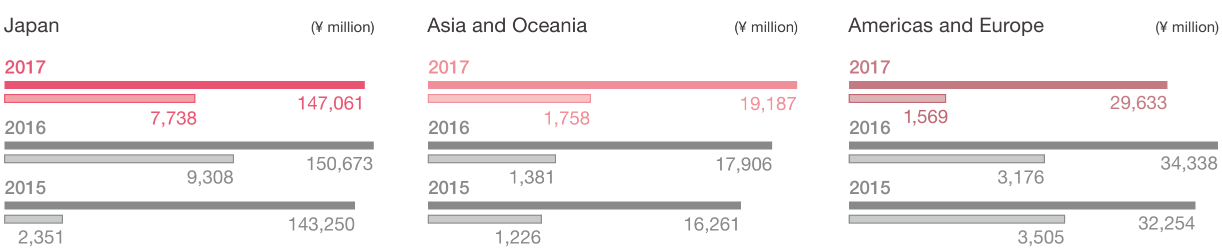
23 countries

Sales	11
Manufacturing	2
Manufacturing/Sales	10



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

Net Sales/Operating Income by Region (Consolidated)

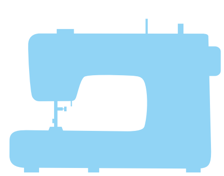


Physical Assets

Products Manufactured In-house*

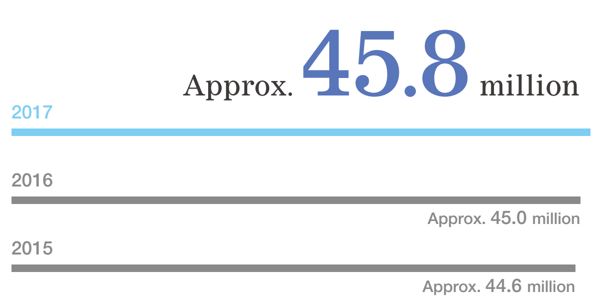
More than 80% of our products sold in Japan, and almost 100% of brassieres, are manufactured in-house. This kind of in-house manufacturing structure prevents our technological capability and manufacturing know-how from leaking to external parties, and allows us to maintain a dominant cost competitiveness that is little affected by macroeconomic conditions.

*Wacoal Corp.



More than 80%

Worldwide Sales of Brassieres



Organizational Assets

Women Assuming More Active Roles

Percentage of female employees*1 (FY2017)

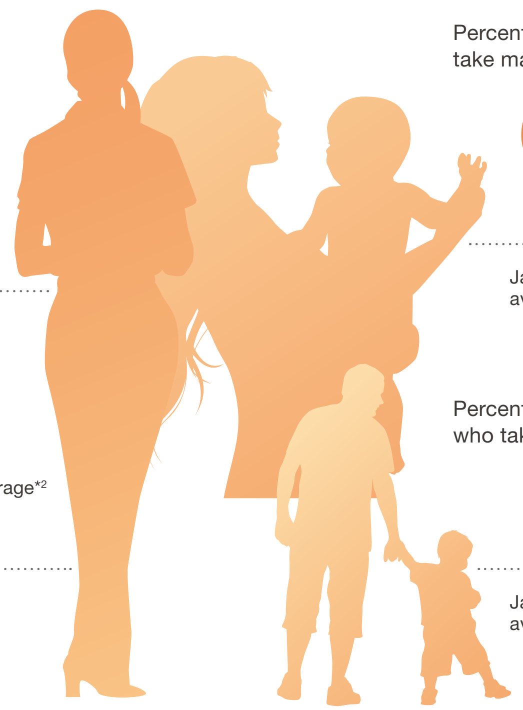
88%

Percentage of women in managerial positions*1 (FY2017)

19.8%

Japanese company average*2

12.1%



Percentage of employees who take maternity/child leave (FY2017)

99%

Japanese company average*2 82%

Percentage of male employees who take child care leave (FY2017)

20.7%

Japanese company average*2 3.2%

*1 Wacoal Corp.
*2 2016 Basic Survey of Gender Equality in Employment Management, Ministry of Health, Labour and Welfare

Directors and Audit & Supervisory Board Members

Number and percentage of female officers

1/8 %

Number of outside officers and ratio to total directors and Audit & Supervisory Board members

6/50 %

Cumulative Measurement Data*1

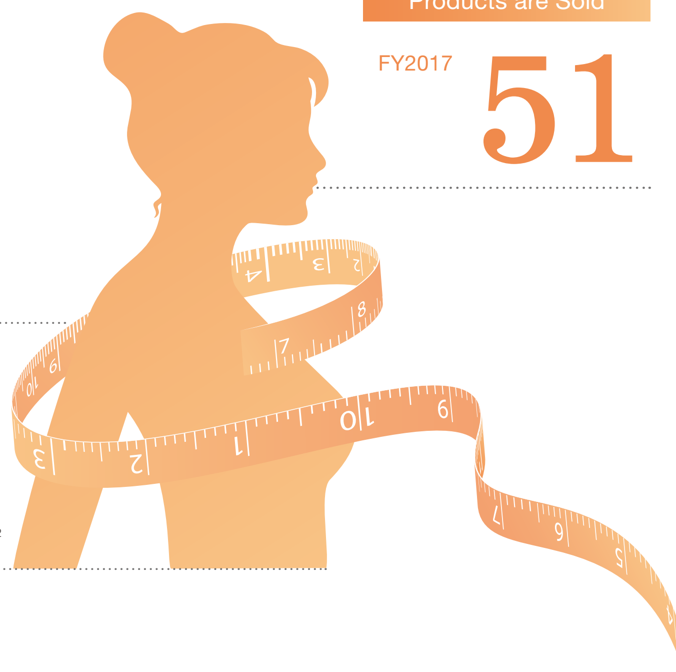
More than **40,000** women

Over nearly 50 years, we have studied the physiques of over 40,000 women. This data is the source of Wacoal's competitive products that incorporate beauty, comfort, and health.

Individual women on which we have accumulated data for nearly 30 years: More than **100**

Countries & Regions Where Wacoal Products are Sold

FY2017 **51**



Patents & Registrations in Japan*1

FY2017

Approx. **500**

Average at competitors: Approx. **170** in Japan*2

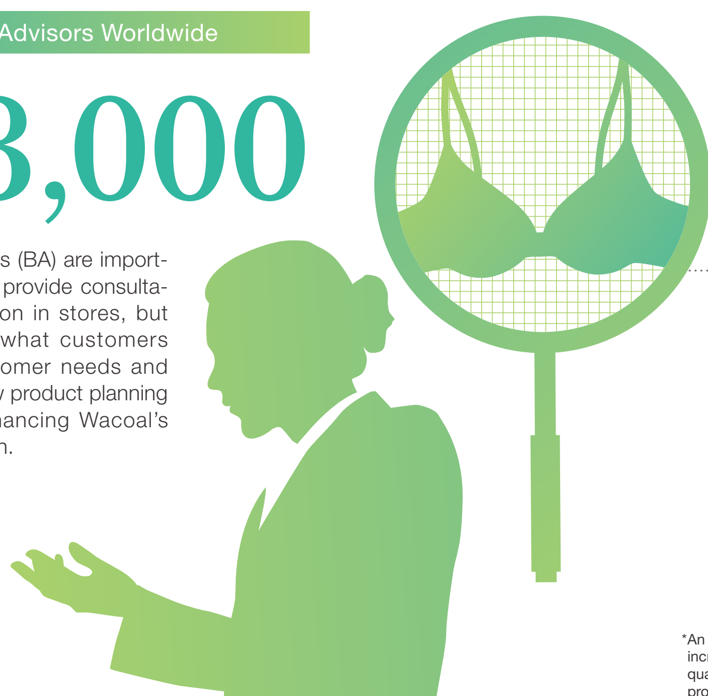
*1 Wacoal Corp.
*2 Estimated by Wacoal

Trust-related Assets

Beauty Advisors Worldwide

Approx. **8,000**

Our beauty advisors (BA) are important. They not only provide consultation and information in stores, but also understand what customers need. Those customer needs and voices will help new product planning and services, enhancing Wacoal's competitive position.



Quality Check

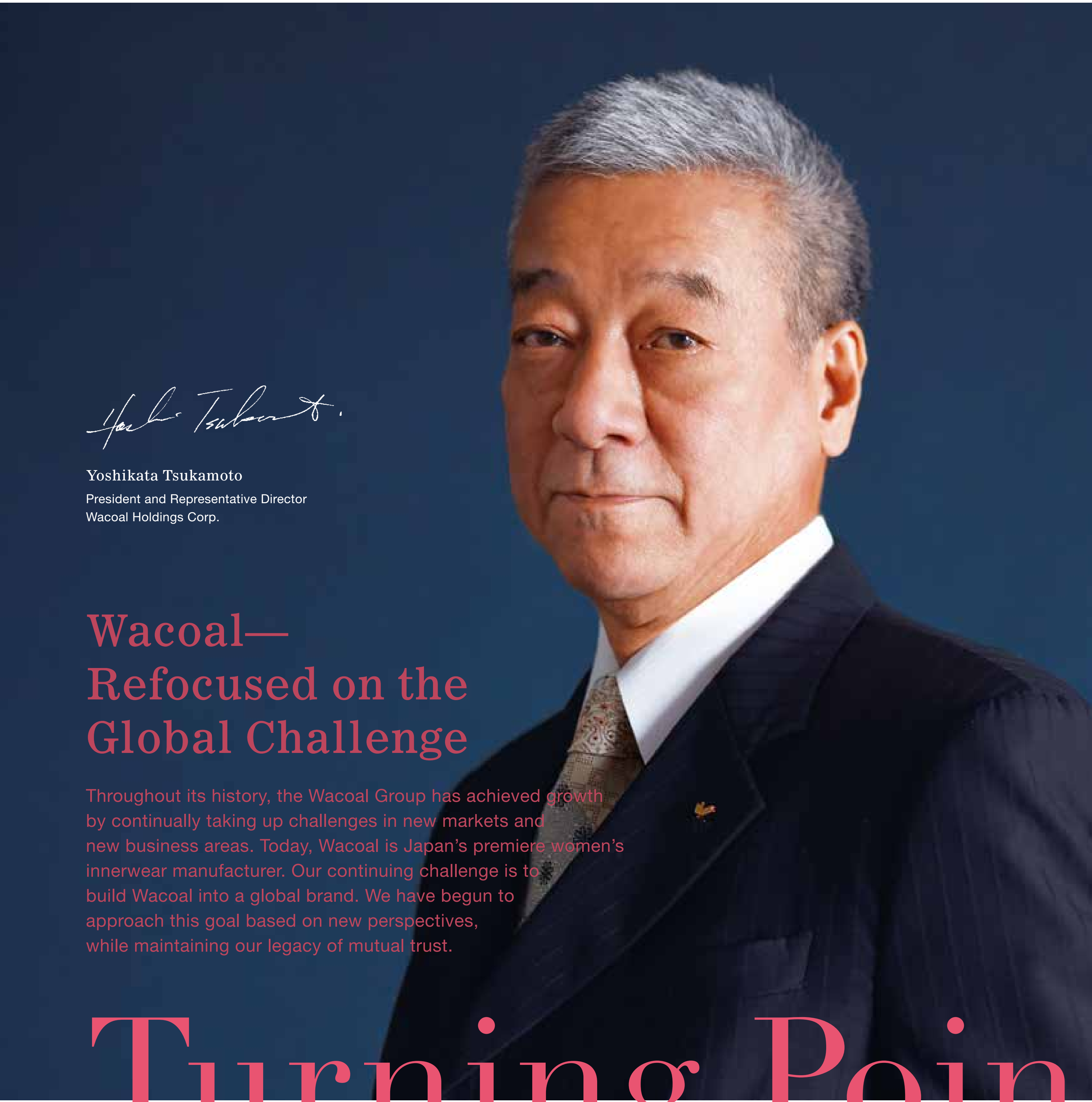
150 criteria

In 1997, Wacoal became the first ISO 9001* certified company in Japan's apparel industry. At Wacoal, innerwear product quality control is maintained according to over 150 criteria tested during the preproduction stage. We also employ unique quality standards for cutting and sewing, further ensuring that we can be trusted to deliver safe, reliable products.

*An international standard that continuously increases customer satisfaction and improves quality management systems through assurance of product and service quality.

WACOAL FUTURE STORY 01

A Message from the President



Yoshikata Tsukamoto
President and Representative Director
Wacoal Holdings Corp.

Wacoal— Refocused on the Global Challenge

Throughout its history, the Wacoal Group has achieved growth by continually taking up challenges in new markets and new business areas. Today, Wacoal is Japan's premiere women's innerwear manufacturer. Our continuing challenge is to build Wacoal into a global brand. We have begun to approach this goal based on new perspectives, while maintaining our legacy of mutual trust.

Turning Poin

The Courage to Stop, the Resolve to Start

Wacoal's theme for 2017 is "The Courage to Stop, the Resolve to Start." These words express our commitment to embrace change as a company determined to reach its first centennial and beyond.

Wacoal was established 70 years ago. Our growth since then would not have been possible without the support of our stakeholders, including the customers who love our products, the shareholders who have supported our business activities, and the employees who have worked long and hard to build a foundation of trust for our relationship with society. I would like to express our profound gratitude for that support.

However, our environment, together with the needs and expectations of customers and other stakeholders are changing at an accelerating rate. We will never change Wacoal's fundamental values and philosophy, including our founder's mission to contribute to society by helping women to express their beauty, and our Group culture based on mutual trust. Yet if Wacoal is to achieve continuing growth and success beyond its 100th anniversary, we cannot simply follow in the footsteps of our predecessors. We must have both the courage to stop doing things that no longer reflect today's needs and no longer produce results, and the resolve to start new things.

A specific example of what we mean by the resolve to start new things is a system we have established that allows employees to submit new ideas as business proposals. Staff can propose new business initiatives in any field, provided that they are in line with our corporate commitment to deliver beauty, comfort, and health. We will continue to take up new challenges that build on our legacy of trust and brand power, and our sound financial structure.

Our vision for the future in our new medium-term management plan is to establish a stronger global presence for the Wacoal Group. Our founder began to build foundations for expansion into overseas markets early in our history. We moved into the markets of South Korea, Thailand, and Taiwan almost half a century ago in 1970.

We have moved forward along a trail blazed by our founder, and we have expanded that path globally. Our overseas business operations are now emerging as growth drivers for the Wacoal Group. My task as the head of management is to ensure that every Wacoal Group employee throughout the world is able to work independently while sharing our values and philosophy.

I believe that if we can achieve this, we will be able to entrust management responsibility to the employees who show the greatest passion toward their work, regardless of age, gender, or nationality, and regardless of whether they are working for overseas subsidiaries, companies added to the Group through M&A, or companies established through new business initiatives.

Management is not a skill that can be learned in classrooms. It can only be learned by doing. I am confident that I will be able to entrust the future of Wacoal to a new generation of executives who have honed their skills by continually taking up the challenge of creating new businesses or transforming existing operations.

Operating Income Lower Year on Year but Above the Target

We reached and passed our operating income target in FY2017, the fiscal year ended March 2017. In Japan, we worked to improve the productivity of our wholesaling business and the profitability of our retail operations. Overseas, our priority was the development and reinforcement of our business base.

Retail sales trends in Japan remained firm, but net sales were lower year on year due to inventory cutbacks, especially by general merchandise stores. Net sales from overseas operations exceeded the previous year's result on a local currency basis but were lower year on year in yen terms because of a greater-than-expected rise in the value of the Japanese currency. As a result, consolidated net sales were 3.5% below the previous year's level at ¥195.881 billion.

Consolidated operating income amounted to ¥11.065 billion, a year-on-year decline of 20.2%. The lower figure reflects increased selling, general and administrative expenses in Japan, and costs relating to the liquidation of a subsidiary in France.

Income before income taxes increased by 10.8% year on year to ¥16.569 billion. This growth resulted from a gain on the sale of land in the first quarter. As a result, net income attributable to shareholders of Wacoal Holdings Corp. set a new record with a 12.2% increase to ¥12.525 billion.

These results translate into a consolidated operating margin of 5.6%, and consolidated return on equity (ROE) of 5.5%.

Strengthening Business Structure Development Initiatives under Five Basic Policies

Under the new medium-term management plan launched in the current year we want to increase the Wacoal Group's global presence. We have identified five basic policies for the realization of this vision. First, we will work to secure earnings in domestic businesses. Second, we will generate further growth in overseas business. Third, we will create group synergies and strengthen competitiveness. Fourth, we will take up the challenge of expanding our business portfolio. Fifth, we will improve our Group's management infrastructure. In FY2018, the year ending March 2018, we will continue our efforts to develop and strengthen our business structures under these basic policies.

1. Secure Earnings in Domestic Businesses

In the first year of our new medium-term management plan we focused on the improvement of our gross margin. We made significant progress toward this goal by expanding sales of high added-value products, by reducing discounting and returns, and by increasing sales of common products through company-owned channels.

In FY2018, we will improve our management resource efficiency and strengthen our marketing capabilities by integrating our marketing structures in general merchandise stores. Looking ahead, we aim to build an omni-channel structure. We will approach this by integrating our mission-critical IT systems, which have hitherto been optimized for each brand. We will also establish a new Omni-channel Strategy Promotion Department to create omni-channel services based on the integration of retail stores, e-commerce, and wholesaling.

We will also continue our efforts to optimize our product mix, while making further improvements in our inventory management, and focusing on the profitability of each brand and product group.

2. Generate Further Growth in Overseas Business

Our price policy in the United States was successful in reducing discounting and improving sales margins. We also strengthened our overseas business structures, especially in Europe and China, by reviewing unprofitable operations.

In FY2018, we will further strengthen business collaboration across different countries and regions. In addition to the improvement of merchandising efficiency through information sharing between Europe and North America, we will also integrate our marketing investment in Asia. Another goal will be the improvement of our ability to keep pace with the expansion of e-commerce in various countries through further development of related infrastructure.

We also target improvements in quality and cost competitiveness at our product supply bases in China and ASEAN countries. This will allow us to supply high added-value materials and products to Group companies in Japan and overseas, while also stabilizing procurement prices.

3. Create Group Synergies and Strengthen Competitiveness

Changes to the overseas operations of the Peach John business resulted in improved profitability last year. This reflects the success of a scheme based on the use of the operating resources of overseas Wacoal subsidiaries. In the next fiscal year, we will also apply this method to sales in Taiwan.

4. Expand Our Business Portfolio

We have established a system that allows employees to submit new business proposals. Our aim is to use the brand reputation and financial strength that we have built over the years as a foundation for expansion into new areas of business. Several employee proposals are already under serious consideration. We established the Future Business Promotion Office in preparation for further enhancement of the structures needed to support the commercial development of these proposals.

5. Improve Our Group Management Infrastructure

In FY2018, we will continue to train people with the abilities needed to run our global business operations. We will also enhance our systems from a diversity perspective. Another focus for continuing efforts will be the enhancement of corporate governance. In addition, we will further strengthen our management emphasis on human rights and ethics, especially in relation to our manufacturing and sales operations in emerging countries, and the working environments of our suppliers.

The Wacoal Group has a high in-house production ratio and its own large sales force. This means that our growth as a company is closely linked to the personal growth of our employees. By providing a stable environment for our employees, we ensure our stability as a company. This concept is the basis for our vision for Wacoal as a highly productive organization capable of achieving sustainable growth.

Our consolidated financial performance forecasts for FY2018 are net sales of ¥200 billion, with an operating income of ¥11.5 billion. These figures are 2.1% and 3.9% higher, respectively, than the results for the previous fiscal year. We are predicting that net income attributable to shareholders of Wacoal Holdings Corp. will be 28.1% lower year on year at ¥9 billion.

To Our Stakeholders

We are constantly aware that the growth achieved by Wacoal would not have been possible without the support of our stakeholders. We want Wacoal to be perceived as a company that will survive and prosper beyond its 100th anniversary while achieving further improvement in its corporate value. We ask for your continued support in our endeavors.

FY2019 Targets

Net Sales	Operating Income	Net Income	ROE
¥215 billion	¥15 billion	¥11 billion	5% or higher

	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Other Businesses
Net Sales (¥ million) 2019	122,500	58,000	13,200	21,300
Net Sales (¥ million) 2017 (Result)	118,389	48,423	11,107	17,962
Operating Income (¥ million) 2019	8,000	5,300	800	900
Operating Income (¥ million) 2017 (Result)	6,959	3,055	374	677

Medium- and Long-term Initiatives to Become "Worldwide Wacoal"

The Wacoal Group drew up a new three-year medium-term plan that started in FY2017.
We aim to establish a stronger global presence for the Wacoal Group.
To fulfill this vision, we will continue to develop the trust of customers worldwide while we make optimal use of management resources and the Group's network to provide state-of-the-art products and further develop new areas of innerwear culture. We will also focus on business profitability and efficiency while enhancing the company's value by challenging ourselves to delve into new areas as well as focusing on those in which Wacoal has a competitive position.

MARKET WATCH Background Market Characteristics

Characteristics of Wacoal's Business Worldwide

01 / Business unique to each market

Wacoal's business model does not simply introduce products created for Japan to the global market. Instead, mainly with local subsidiary staff in each country, we offer products and services tailored to local cultures, practices, and preferences. Our integrated system, from manufacturing to sales, enables us to respond swiftly and flexibly to local trends and customer needs.

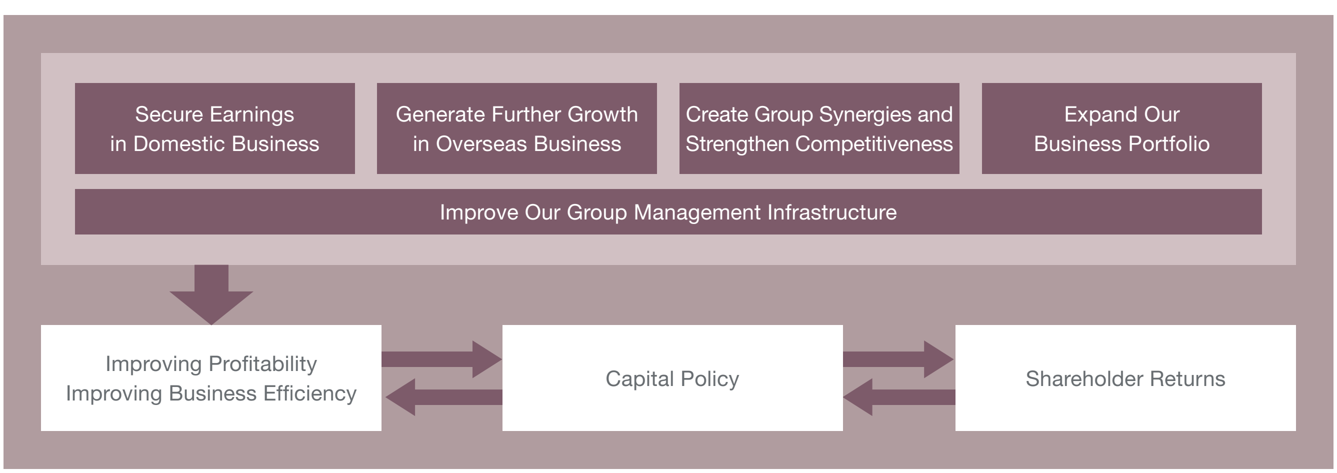
02 / Designs differ by country and region

Women's physiques vary greatly, not only among age groups and individuals, but also among countries and regions. To deliver innerwear that is comfortable for every woman, Wacoal designs products for all types of physiques and sensibilities worldwide. We believe that with products designed to fit for everyone, we can contribute to the beauty of the world's women in ways that customers love.

03 / Responding in detail, rather than scale

The women's innerwear industry is labor intensive, and uses small lot sizes of raw materials. This makes the economy of scale less effective, which is an obstacle for market entry to mass production/mass retailing clothing companies. However, this creates an opportunity for Wacoal to respond to market demands in superior detail.

Overview of the Medium-term Management Plan for FY2017–FY2019



MARKET WATCH Domestic Market Perspective

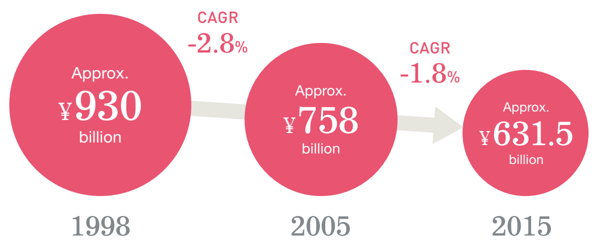
JAPAN

Retail Market Size*1	Women's Innerwear Market Share as a Ratio of GDP
Approx. ¥631.5 billion	0.12%

The domestic innerwear market has relatively little price elasticity, and is relatively unaffected by economic cycles and changes in individuals' incomes, making it easier to secure stable sales volume in the market.

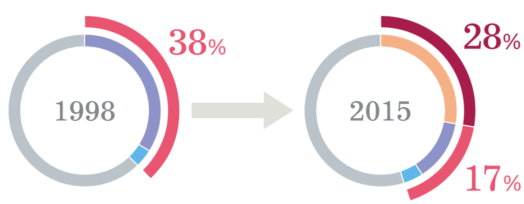
However, Japan's domestic market has been contracting since its peak in 1988, mainly due to falling average sales prices. This market is expected to shrink further, given that the economically productive population will be decreasing. On the other hand, women are being encouraged to play more active roles throughout society, which could increase demand for and diversity of innerwear. Higher-quality products are expected to sell better, which should be favorable for Wacoal.

Domestic Market Size*1



Change in Average Sales Price*2

Wacoal's main products retail for over ¥4,000. Products priced above ¥4,000 accounted for approximately 38% of the entire market in 1998, but fell to approximately 17% in 2015. On the other hand, products priced under ¥1,500 accounted for about 7% in 1998 and rose to approximately 28% of the market in 2015



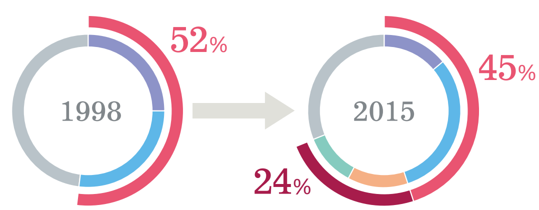
1998	
¥4,000–¥7,499	34%
¥7,500–	4%

2015	
–¥1,499	28%
¥4,000–¥7,499	13%
¥7,500–	4%

Change in Proportion by Sales Channels*1

Wacoal's main sales channels are department stores and general merchandise stores. In the overall market, though, department store sales have peaked and are contracting.

General merchandise store market sales have recently shown a tendency to decrease as well. On the other hand, as directly managed stores and online sales are expanding, Wacoal is putting more effort into opening direct stores and enhancing e-commerce websites.



1998	
Department stores	25%
General merchandise stores	27%

2015	
Department stores	14%
General merchandise stores	31%
Directly managed stores	13%
Online sales	11%

*1 From Yano Research Institute, Ltd. *2 Estimated by Wacoal

Initiatives under the Medium-term Management Plan

01 Secure Earnings in Domestic Businesses

Understand environmental changes accurately, and build the channel mix with customers' viewpoints in mind

- Improving the productivity of the wholesale business through the expansion of area marketing structures
- Improving the profitability of directly managed stores through a profit-oriented store establishment policy, and cost reductions based on product mix optimization
- Creation of a customer-focused channel mix to allow reciprocal customer referrals between our e-commerce websites and direct stores

Progress in FY2017

- Developed and expanded sales of products with new functions & high added-value
- Optimized product supplies in step with in-store sales
- Started sales of common merchandise across brands
  - Expanded sales of "BRAGENIC" products at directly managed stores

Initiatives in FY2018

- Integrate sales operations to handle general merchandise stores
  - Strengthening of sales force, higher productivity
- Establish Omni-channel Strategy Promotion Department
  - Realization of new services
- Integrate mission-critical IT systems
  - Sharing of inventory data

MARKET WATCH Overseas Market Perspective

UNITED STATES

Retail Market Size*1

Approx. $15 billion

Women's Innerwear Market Share as a Ratio of GDP

0.08%

A number of American brands occupy overwhelming shares of the U.S. market, while many other brands each hold less than about 5%. The largest sales channel is innerwear specialty stores, followed by general merchandise stores, and then department stores, which account for slightly less than 10% of sales. Wacoal's main sales channel is department stores, of which we hold the largest share at 22%.

EUROPE (10 major EU countries)

Retail Market Size*1

Approx. €16 billion

Women's Innerwear Market Share as a Ratio of GDP

0.14%

The European market is characterized by wide variation per country in designs, colors, and customer preferences, variation in customer body types, and top brands that are all completely different. The Wacoal Group's share of the market is approximately 1%. No brand holds more than a 10% share because there are so many brands in the market. Department stores are clearly one of the largest sales channels in the United Kingdom and Germany, but overall, including France and Italy, both boutique and chain innerwear specialty stores account for the main portion of sales channels.

CHINA

Retail Market Size*1

Approx. RMB120 billion

Women's Innerwear Market Share as a Ratio of GDP

0.19%

The Chinese market's annual rate of growth has slowed to slightly less than 10%. Approximately 10% of the entire China innerwear market is for mid- to high-end products sold mainly at department stores. Wacoal's share of these sales at department stores is approximately 20%, while local Chinese brands hold a market share of approximately 30%. E-commerce is the fastest growing sales channel.

*1 Estimated by Wacoal

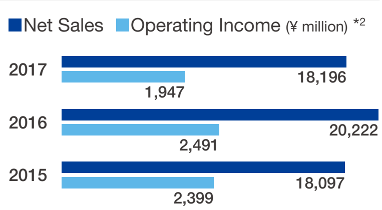
Initiatives under the Medium-term Management Plan

02 Generate Further Growth in Overseas Business

Build robust operating foundations in our three large markets, the U.S., Europe, and China

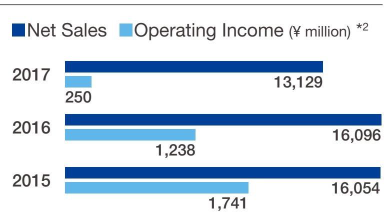
UNITED STATES
(Wacoal International Corp.)

- Firm pricing policy to maintain markets for medium/high-end products
- Development of new sales channels in neighboring countries
- Training of next-generation management and executive staff members



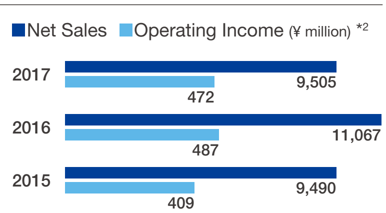
EUROPE
(Wacoal Europe Ltd.)

- Completion of organization restructuring
- Revision of brand portfolio
- Development trial based on human science research



CHINA
(Wacoal China Co., Ltd.)

- Achievement of overwhelming superiority in high-end products
- Improvement of profitability of mid-range brand "LA ROSABELLE"
- Expansion of sales on other companies' e-commerce websites



Progress in FY2017

- Pricing policy and reduction of discounting (U.S.)
- Strengthened digital marketing (major countries)
  Expanded e-commerce, launched B2B website
- Stepped back from underperforming businesses (Europe, China)
  - Liquidated "Huit"
  - Suspended shop openings for "LA ROSABELLE"

Initiatives in FY2018

- Inter-regional cooperation
  - Improvement of product efficiency in Europe and the U.S.
  - Improvement of marketing & investment efficiency in Asia
- Strengthen e-commerce capabilities
  - Processing capacity and usability
- Develop ASEAN supply bases
  (Thai materials companies, Myanmar)

*2 Before consolidation adjustments

Initiatives under the Medium-term Management Plan

03 Create Group Synergies and Strengthen Competitiveness

Leverage strengths of each Group company to enhance overall competitiveness

Peach John	● Rebuild the brand image ● Enhance online-to-offline communication ● Expand store network and strengthen customer base
Lecien	● Define and focus the business ● Streamline planning and production ● Develop high added-value products
Ai	● Reinforce year-round stores and improve resort wear products ● Jointly develop swimwear among Group subsidiaries and introduce reciprocal product developments to expand sales

Progress in FY2017

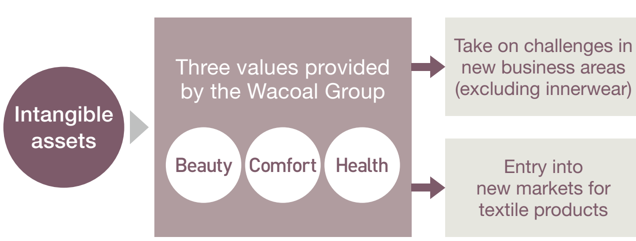
- Strengthened directly managed stores (Peach John)
  - Rebuilding of brand image and expansion of stores
- Cooperation with overseas Wacoal subsidiaries (Peach John)
  - China, Hong Kong
- Scaled back underperforming businesses (Lecien)

Initiatives in FY2018

- Share domestic sales channels, improve efficiency in distribution and administrative operations (Ai)
- Cooperate in joint ventures (Peach John)
  - Taiwan
- Expand procurement within the Group (Lecien)
  - Innerwear business, materials business

04 Expand Our Business Portfolio

Seek new business areas and markets based on our strengths



Progress in FY2017

- New business ideas from employees
  - Areas relating to beauty, comfort, and health

Initiatives in FY2018

- Establishment of Future Business Promotion Office
  - Specific commercialization plans

05 Improve Our Group Management Infrastructure

Sincerely engage with stakeholders to achieve sustainable growth

- Fulfill management philosophy
- Continuously improve corporate governance
- Respond to society's demands and issues
- Develop human resources, including encouraging women to take more active roles, etc.

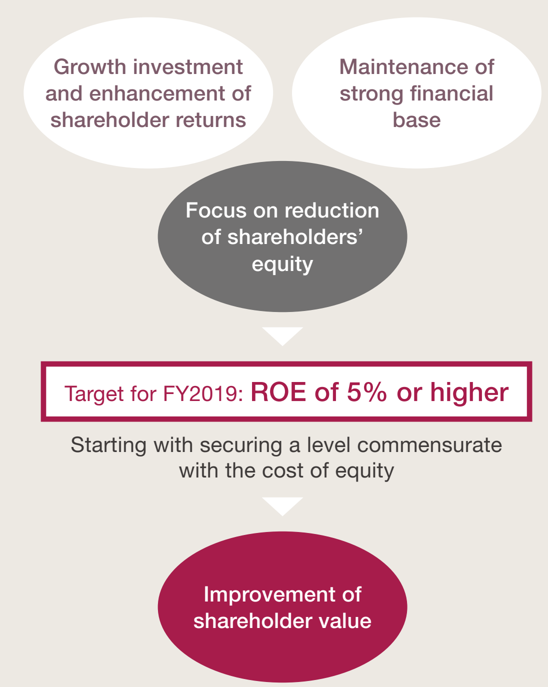
Progress in FY2017

- Selection as "Health and Productivity Stock" and "Nadeshiko Brand" (2nd straight year)
- Expansion of human resources and diversity programs
- Permeation of management philosophy
  - Training
  - Use of intranet in the Group

Initiatives in FY2018

- Continuous improvement of corporate governance
  - Regular audits of overseas companies
  - Improvement of monitoring and feedback system
- CSR procurement (human rights, ethics)
- Work style reforms
  - Improvement in labor productivity & support for employees at every life stage

Capital Policy and Shareholders Returns



For more details, please see the message from Vice President Wakabayashi on pages 26–27.

WACOAL FUTURE STORY 03

A Message from the Vice President Responsible for Financial Management

We will continue to enhance shareholder returns by improving corporate value through dynamic investment in future growth.

Under the current medium-term management plan, we aim to enhance shareholder returns and corporate value by investing in future growth, while maintaining a sound financial structure. Our goal is to raise ROE to 5% or higher, which is commensurate with our equity cost, in the third and final year of the plan, while also focusing on the reduction of shareholders' equity.

Director and Vice President
Wacoal Holdings Corp.
Masaya Wakabayashi

Improving Capital Efficiency and Maintaining Strong Shareholder Returns

Capital policy and shareholder returns will be key priorities under our current medium-term management plan, which covers the period to March 2019. Our aims in relation to the distribution of income to shareholders and investors are to raise our share price by improving our corporate value through aggressive investment, while also focusing on our capital structure. Specifically, we will work to expand cash flows by improving the profitability of our core activities, reducing our operating capital, and reviewing our strategic shareholdings. We will use these increased cash flows to fund investment in business growth and maintain stable dividends, while flexibly implementing share repurchase schemes.

In FY2017, the year ended March 2017, this policy enabled us not only to secure earnings, but also to reduce inventories and accounts receivable, thereby reducing operating capital by approximately ¥2 billion. We also sold off strategic shareholdings. In addition, we implemented two share repurchase schemes with the aim of further improving capital efficiency and providing returns to shareholders. We increased the final dividend for the current year by ¥3 to ¥36 per share. In FY2018, we plan to start paying an interim dividend as a way of achieving greater flexibility in shareholder returns. The most effective way to provide returns and the extent of those returns will vary according to multiple factors, such as the timing of business investments, share price trends, and cash flows. That is why we do not make specific predictions about shareholder returns. However, we will continue to provide shareholder returns aggressively, while monitoring related indicators, such as the total payout ratio, the ratio of dividends to shareholders' equity, and the dividend yield.

Capital Expenditure in Excess of ¥25 Billion Planned over a Three-year Period: Improvement of Productivity in Japan and Acceleration of Growth Overseas

During the period covered by the medium-term management plan, we will invest over ¥25 billion in the replacement and expansion of plants and facilities. In Japan, we will undertake projects to improve our systems, including the integration of inventory and customer information management across multiple brands, the introduction of RFID tags to facilitate the collection of marketing information and reduce work loads. The purpose of this investment is to improve productivity per worker and expand profit margins.

In our overseas operations, we will increase our investment in e-commerce infrastructure to keep pace with the accelerating global shift from store sales to e-commerce. We will also consider capital alliances with companies that have good business models and customer bases.

We will invest in additional machinery and equipment for our garment factory in Myanmar and material manufacturing factory in Thailand, which we established last year. The aim of this investment is to create a stable global supply structure by improving quality and expanding production capacity.

We have built our business in China through commercial agents in regional cities. We now aim to raise our brand visibility by establishing and operating our own outlets and switching to direct marketing. We will also use store sales and customer data to strengthen our marketing capabilities. In step with these measures, we will invest in the recruitment and training of new employees.

Targeting ROE above the Cost of Shareholders' Equity

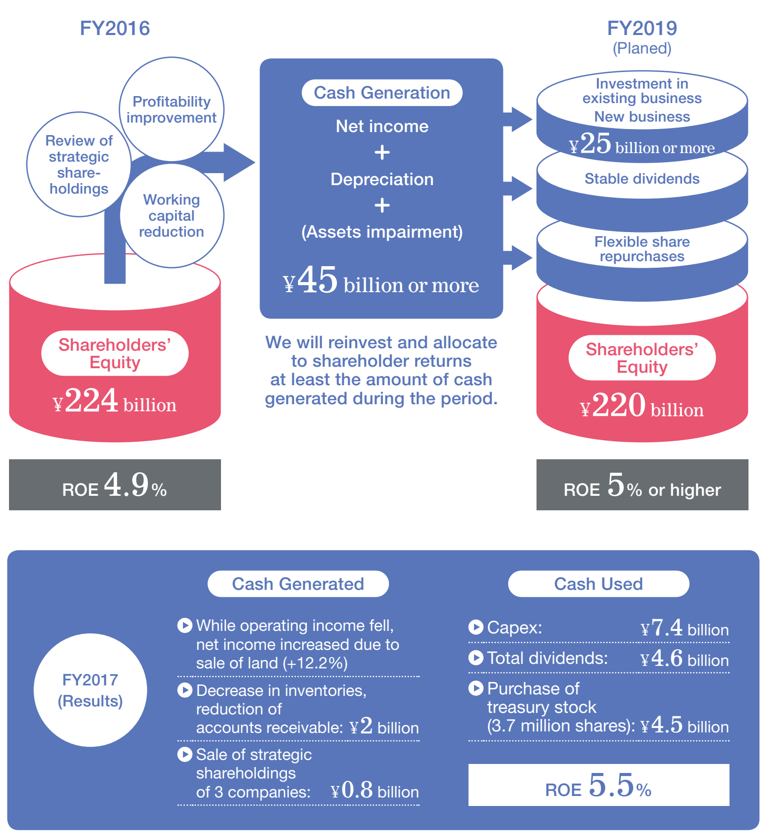
Our ROE target under the current medium-term management plan is 5% or higher. In the current year, a gain on the sale of land resulted in record net profit. We also improved our capital efficiency by implementing share repurchase programs. Because of these factors, consolidated ROE reached the target level at 5.5%. This is above the level of the present cost of shareholders' equity. We are determined to keep our ROE above the target level, while raising the percentage of income from core operating activities.

My Role in Creating Structures to Enable Wacoal to Fulfill its Basic Mission

One of our basic policies is to conduct business in a fair manner with a forward focus. One of my key tasks as Vice President is to encourage employees to act in accordance with this policy, while also informing shareholders how these actions lead to improvement in our corporate value.

We will continue our efforts to raise corporate value and increase net income per share, by improving our earning power through aggressive investment. We will also maintain our basic policy of providing stable dividends, while targeting further improvements in shareholder returns, including flexible share repurchase programs. We look forward to the continuing support and guidance of our shareholders.

Capital Policy and Shareholder Returns



SPOTLIGHT 01

Adapting to Changing Channels and Utilizing Wacoal's Total Potential

One of the basic policies under the current medium-term management plan is to further secure earnings in domestic businesses by utilizing Wacoal's total potential through the general merchandise stores channel. To achieve this goal, we established the Chain Store Operation Division in April 2017. We also undertook a major reorganization in relation to our biggest business channels in Japan with the aim of enhancing the value of our flagship "Wacoal" and "Wing" brands. The following message from Kuniharu Suzuki, General Manager of the Chain Store Operation Division, outlines the current situation and outlook.

Director, Managing Corporate Officer, Wacoal Corp.
General Manager, Chain Store Operation Division
Kuniharu Suzuki

Targeting Further Market Expansion through Integration of Marketing Structures for "Wacoal" and "Wing"

Chain stores are facing an increasingly challenging business environment, including a slump in apparel sales. Stores are being closed at an accelerated rate, especially in regional areas. The Chain Store Operation Division was created as a new fulcrum for our efforts to expand markets and earnings at a time of increasing diversity in customer needs and shopping styles. We restructured the Chain Store Sales Control Division of the Wacoal Brand Operation Headquarters and the Wing Brand Operation Headquarters to integrate "Wacoal" and "Wing" marketing structures for the general merchandise stores channel. Our aim is to maximize the effectiveness of brand products and management resources, including employees, information, and time, by moving away from vertical division of the organizational structure by brand, toward an integrated structure in which all staff members, including management, sales personnel, and beauty advisors market both brands in general merchandise stores.

Initiatives in FY2018, the fiscal year ended March 2018, will focus on the development of integrated sales infrastructure, the improvement of our ability to provide sales area advice and services, and the establishment of an inventory management system. These measures will be followed by progressive restructuring of salespersons' areas of responsibility and strengthening support for retail outlets with steps including integration of customer information, optimization of product mixes for both brands, and integration of inventory management. By FY2019, the final year of the current medium-term management plan, we aim to complete the formation of a structure that will support the recovery of growth potential in our wholesale business, and the reinforcement of earning performance.

Capturing Market Share through a Balanced Mix of Aggressive and Defensive Strategies

While we have only just begun our transition to the new structure, initial indications are very encouraging, and the changes are already yielding tangible benefits, including the use of zoning to facilitate collaboration at the point of sale, and the implementation of joint campaigns. By giving all in-store beauty advisors responsibility for both brands, we have been able to organize shifts more efficiently and improve productivity per worker.

However, the real work lies ahead. Success will depend on our ability to use these two powerful brands to enhance Wacoal's total potential, and the extent to which we can create customer satisfaction and offer new ideas to existing customers. We must capture market share by devising strategies that will ensure our success over our competitors. The key words will be "aggressive" and "defensive." We need to achieve overall optimization by balancing these two opposing approaches.

Our aggressive scenario calls for the generation of synergy through the use of resources, such as brands, products, and human resources gained through the integration, in addition to our organizational leadership capabilities. We will establish sales areas based on the new "Dual W" format, which eliminates barriers between brands and allows customers a free choice of products. We will also move forward quickly to create jointly developed products that reflect common trends or have the potential to encourage customers to make purchases on special occasions, such as school enrollment or Mother's Day. We also plan to optimize our merchandising as a way of emphasizing both the individuality of our brands and our extensive product ranges.

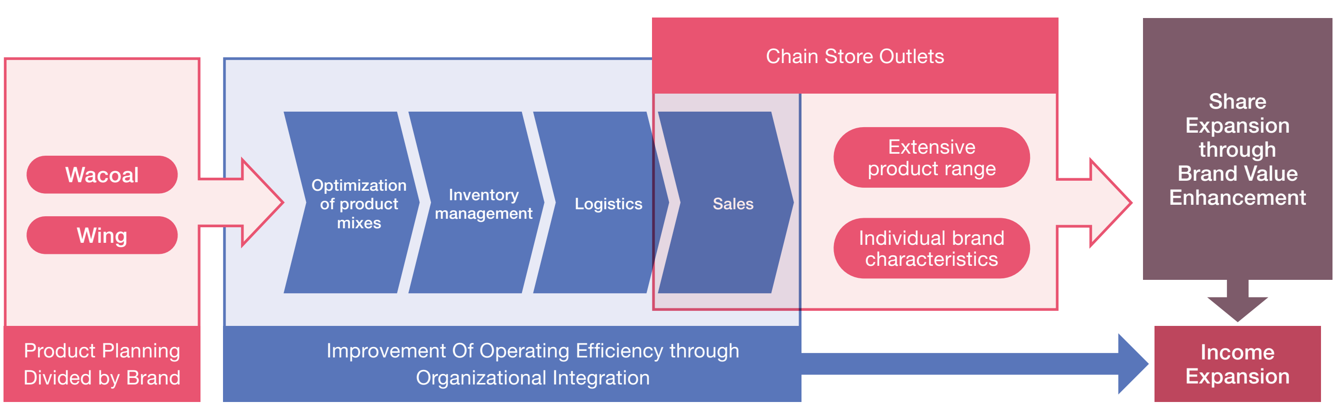
Our defensive scenario is based on the improvement of efficiency in various processes. The reduction of indirect costs through integrated management, efficiency gains resulting from changes to our product mix, and flexible shift management for beauty advisors will all contribute to improved earning performance.

In both of these scenarios, we need to avoid the loss of characteristics that distinguish the two brands. Our aim is to expand the range of choices for customers and, by emphasizing the attractive qualities of both brands, expand their fan base. Homogenizing the brands would defeat the purpose of integrated management. Efficiency improvement would also be meaningless if it resulted in a shrinking balance.

These changes have initially caused some confusion for our beauty advisors, who previously belonged to brand-based business divisions and worked in competition with each other. However, we are working to raise awareness of the importance of realizing Wacoal's total potential. Going forward, beauty advisors will work to provide optimal customer assistance based on a thorough knowledge of both brands.

To ensure the success of these reforms, we must create an environment in which all business divisions can pull together in the same direction. As the person responsible for leading this change, I am absolutely determined to move forward resolutely to implement the right policies at the right times, so that we can maximize our earnings while enhancing customer satisfaction.

The Process of Enhancing the Value of Each Brand and Improving Operating Structure Efficiency



SPOTLIGHT 01

Adapting to Changing Channels and Utilizing Wacoal's Total Potential

We have launched a new marketing structure for general merchandise stores designed to maximize the potential of our organizational resources. We are committed to change, starting from the front lines.

Change is opportunity. Mid-level employees in the Chain Store Operation Division are playing a pivotal role in the expansion of the general merchandise stores sales channel in Japan. We asked them about the commitment, pride, and passion that they bring to their work.

Kazunari Okamoto
(with Wacoal since 2014)
Sales Section II, Chubu-Tokai Branch, Sales Control Division

Kanako Miyake
(with Wacoal since 2005)
Sales Section I, Kinki-Chugoku Branch, Sales Control Division

Maximizing Synergies between "Wacoal" and "Wing" to Expand Our Market Share

— Now that you have established a new structure, how do you view the changes from your various frontline perspectives?

Yamamoto: We now have an integrated sales organization for both brands. This has resulted in a tangible improvement in our ability to meet customer needs. Because of the large variety of "Wing" brand products, we are better able to respond to a wide spectrum of customer requirements. On the other hand, individual "Wacoal" brand products offer major advantages, including their functionality and ability to enhance the body shape. We want to use the strengths of both brands to capture a bigger share of the market.

Niyama: Part of my work is to coordinate beauty advisors. We are able to provide a higher standard of customer service, because we can now offer optimal products from both the "Wacoal" and "Wing" ranges. I've noticed that customers are being attracted by the dependability of the "Wacoal" brand, and that loyalty to the "Wing" brand is also rising.

Miyake: I believe that we now have a deeper capacity to meet the needs of various generations, from teens to seniors, and lifestyles, covering customer categories from maternity to men's. Because we have changed the allotment of work for sales representatives, I find that, for me, I have more time to visit "Wing" outlets. This is an important advantage, because now I can provide detailed follow-up.

Okamoto: Because we now have a wider range of products, we're better able to go the extra mile to win sales. Thanks to organizational integration, we're also able to make faster decisions in response to recommendations from the frontline. We're working to increase the number of new stores handling products such as men's innerwear and pajamas, too.

— You're also developing new types of sales environments.

Yamamoto: "Dual W" is a new type of sales area that brings together Wacoal's total strengths. Since there are no barriers between brands, customers are better able to compare various products. We can also support different shopping styles, providing consultation or leaving customers to make their own selection. We created this environment through a trial-and-error process that focused on responding to customer expectations.

Niyama: Shopping styles are becoming more diversified. Some customers want help from beauty advisors, while others want to be free to select products themselves. The "Dual W" format was designed as a solution to the needs of both types of shoppers.

Miyake: We're also moving forward steadily with zoning changes in our sales environments. We can actively promote products from the same categories in each brand, such as "GOCOCi" ("comfort") products in the "Wacoal" range and "Kichinto Raku Bra" ("well-fitted comfort bra") in the "Wing" range. For example, we can create special sales areas for campaigns. In the past, we ran separate campaigns for each brand, but the customer response has been much more positive with this new approach.

Sayuri Niyama
(with Wacoal since 1988)
Sales Section III, Kinki-Chugoku Branch, Sales Control Division

Masahide Yamamoto
(with Wacoal since 2008)
West Japan Sales Planning Section, Strategic Planning Division

— What has been the response in the general merchandise stores?

Niyama: Customers tell us that they feel more comfortable because there are always beauty advisors in our areas. In the past, we were sometimes unable to follow up customer inquiries if, for example, a "Wing" beauty advisor was present but a "Wacoal" one was not. Now all beauty advisors can handle both brands and are able to respond to customer needs.

Taking Change as an Opportunity to Invigorate Our Business in General Merchandise Stores in Japan

— Have any issues become more apparent following the transition to the new structure?

Niyama: One issue is the need to focus on beauty advisor attitudes. In the past, beauty advisors worked with just one brand, and there was a competitive environment within the company. Naturally, they've found the transition a little confusing. Some have reported that they feel unable to respond to customers confidently because they haven't developed the necessary product knowledge. While this concern can be seen as proof of the professionalism of our beauty advisors, there is a risk that it could damage their motivation, and we need to provide support. I'm working to raise frontline morale by taking the initiative in providing customer service for brands that I've not previously handled, and by demonstrating my willingness to work alongside beauty advisors.
Miyake: Another priority is to streamline report preparation and other secondary tasks as much as possible so that beauty advisors can focus on their core task, which is to sell products.
Okamoto: We integrated two brands with totally different operating methods and ranges of systems. This inevitably caused some confusion among sales planning and sales representatives across all aspects of our work, not only in regards to report writing, but also the methods used to disseminate product information and maintain product stocks.
Yamamoto: When one sales representative is responsible for both the "Wacoal" and "Wing" brands, simply speaking, the work doubles. So we need to modify our operations. In the past, we relied on the capabilities of individual sales representatives to handle various tasks, such as the preparation of documentation for negotiations with clients and period sales planning. Going forward, we need to take this opportunity to make radical changes in our systems, so that we can use standardized documentation and raise the level of proposals.

— How would you sum up your personal determination to realize Wacoal's total potential and ensure the success of the chain store operation strategies?

Yamamoto: We want to build an optimal product line-up based on the strengths of both the "Wacoal" and "Wing" brands. We'll achieve optimization by identifying areas of duplication and areas of deficiency. From a sales planning perspective, we will also work to improve systems for secondary tasks so that we can enhance the efficiency of our frontline sales operations.
Niyama: The core players in this strategy and the key to its success are the beauty advisors. I want to work and grow with them so they can earn recognition from everyone for the way they can use their advanced product knowledge to put customers at ease and respond fully to their needs by using our products to provide an excellent customer experience and a high level of satisfaction.
Miyake: I want to take advantage of Wacoal's total potential to meet the needs of customers across a wide range of generations and lifestyles. Information is readily accessible these days, and many customers have extensive knowledge about innerwear. We want to create sales environments in which we can offer an attractive and comprehensive range of brands and products to meet the needs of these customers. I want to improve my own knowledge and the knowledge of my team members, so that people will see us as innerwear professionals.
Okamoto: I want to increase our contribution to sales numbers by creating sales areas and environments that our customers will love. My goal is to provide our clients with the full value of both brands so that they will see us as an irreplaceable partner, and to use that partnership as the basis for further expansion of our market share. It is not easy to adapt to change, but I see this as a truly great opportunity for us.

SPOTLIGHT 02

Wacoal Europe: The Key to "Worldwide Wacoal"

Wacoal Europe has taken up the new challenge of achieving a double-digit operating margin by strengthening its business base through organization restructuring. Initiatives toward future growth are outlined in the following messages from Wacoal Europe's Chairman, Yuzo Ide, CEO Geoff Embley, and Brand Director Laura Simon.

Organization Restructuring, the Start of Wacoal Europe's New Growth Path

Wacoal Europe was formed through the merger of Wacoal France S.A. and Wacoal (UK) Ltd. We integrated the offices and logistics operations of the two companies to create a single management structure. The resulting improvement in organizational efficiency is to generate enhanced business results. As part of our brand portfolio strategy, we disposed of the "Huit" brand, which consisted of products for average-size women, and wrote down the resulting loss.

Before its acquisition by the Wacoal Group, Eveden, the company that would become Wacoal Europe, minimized investment in brands, human resources, IT systems, and other areas in order to maximize short-term profits. In order to create a structure capable of consistently generating an operating margin of 10% or higher, we are making appropriate investments and have initiated a five-year plan to achieve organizational improvements.

Director, Vice President and Corporate Officer, Wacoal Corp.
Chairman, Wacoal Europe Ltd.
Yuzo Ide

When I was first appointed to this company, local employees were worried about how the positioning and future of the existing Eveden brands would be impacted as a result of the company's acquisition by the Wacoal Group. However, we recognized the value of the existing "FANTASIE," "Freya," "elomi," and "Goddess" brands, which fulfilled the needs of fuller-figured women and women with fuller busts. We therefore decided to apply Wacoal's original development technology to these brands. The "Wacoal" brand was meanwhile positioned as a brand specifically for average-size women and a symbol of Wacoal Europe in terms of designs and function.

This approach allowed us to build a relationship of trust with local employees. There was also increasing communication between local and Japanese members of our team, which allowed increased synergy. For example, local designers created products for established local brands using materials from Japanese designers. Going forward, we aim to achieve further evolution by combining existing local technology with the knowledge based on human science and engineering from Japan.

A Leading Force for the Wacoal Group's Global Strategy

The Wacoal Group has business operations in 23 countries and regions worldwide. The IT systems that we use in product planning, production management, and other areas, such as computer-aided design (CAD), computer-aided manufacturing (CAM), and product lifecycle management (PLM), are broadly divided into three types within the Group. There is still scope for improvement in product planning, design, development, and production efficiency, and sharing of information between business operations.

Our current concept focuses on efficiency improvement through systems integration, starting in Europe and North America. Integration in Europe and North America will be followed by the natural alignment of operations in countries that receive production orders from the businesses in Europe and North America. This will broaden and deepen the potential for sharing between America and Europe, while steadily creating opportunities for a variety of synergies at all stages from product planning to production management.

If the creation of new systems proceeds faster than in Japan, we will be able to apply the knowledge gained to systems innovation in Japan.

There are also benefits to be gained from the development of 3D CAD, but if we tried to develop this technology ourselves in Japan the costs would be prohibitive. However, general-purpose systems made by outside suppliers have already been proven in Europe and North America. Development will be much easier if we use those systems.

I believe that there is potential to accelerate the global expansion of the Wacoal Group dramatically if we can extend systems innovation from Europe and North America.

Supply Chain Evolution

There has been growing social concern about serious cases of environmental degradation in China, with the result that Asian countries have become unwilling to accept companies involved in dyeing processes.

In 2016, we were able to establish A Tech Textile Co., Ltd., a Wacoal subsidiary involved in the production of materials in Thailand. This was an important opportunity for the Wacoal Group, since it is very unusual for a company with 60% foreign ownership to be granted wastewater rights for dyeing operations. The project was recognized as an excellent example of an environment-friendly business operation backed by advanced Japanese technology. We think it would be wonderful if this could lead to further business development in the future.

A Tech Textile's priority is to supply materials to Europe, North America, China, and Thailand, and it will focus on investment to ensure that it can meet expectations in these countries. There will be major business results if A Tech Textile can create a supply chain network centering on Japan, since its shipments to Europe, North America, China, and Thailand will be worth around ¥60 billion.

Realizing the "Worldwide Wacoal" Vision

To establish a stronger global presence, we need to create business strategies that allow us to maximize the benefits of our scale within the Group, including sharing and standardization in such areas as product planning, production management, marketing, and inventory management, while respecting regional characteristics and autonomy. We are determined to extend initiatives by Wacoal Europe into other regions.

Another current priority is investment in the Indian market, which is expected to show further growth in the future. We believe that if the scale of our business operations expands in India, we will be able to create momentum for the rapid achievement of a positive bottom line by utilizing supply chains controlled by Wacoal Europe, including the factories in locations like Sri Lanka that offer preferential tariffs.

Completion of Organization Restructuring and Future Initiatives

	Organization Restructuring: Creation of Business Base Capable of Generating Major Business Results		New Five-year Plan: Prioritized Investment in Sustainable Growth
	From Acquisition in 2012 to the Current Period (FY2017)		Next Fiscal Year (FY2018)—
Brand Value	• Elimination of Fauve • Sale of "Huit" business • Expansion of countries/channels for marketing	**Brand Portfolio Redesign** Creation of portfolio suitable for the market environment	**Brand Development** Value proposal, strengthening brand recognition **Product Competitiveness** Improvement of designs, comfort, technology
Operations Structure	• Integration of product planning operations • Integration of marketing organization, efficiency improvements • Introduction of Group corporate governance guidelines	**Establishment of New Management Structure** Creation of Group synergies	**Human Resources** Recruitment of people with excellent capabilities, training of next-generation managers **Compensation** Structure designed to enhance motivation and performance
Business Base	• Centralization of logistics sites • Integration of mission-critical IT systems • Increased utilization of own supply chain network (plants, procurement of materials)	**Improvement of Business Productivity** Initiation of systems standardization, starting in Europe and North America	**Facilities** Improvement of efficiency in buildings, logistics centers, office spaces **IT Systems** Product planning and production management (CAD, CAM, PLM), sales reinforcement (B2B, B2C), management efficiency (ERP)

SPOTLIGHT

02

Wacoal Europe:
The Key to "Worldwide Wacoal"

Seeking Synergies throughout the Group

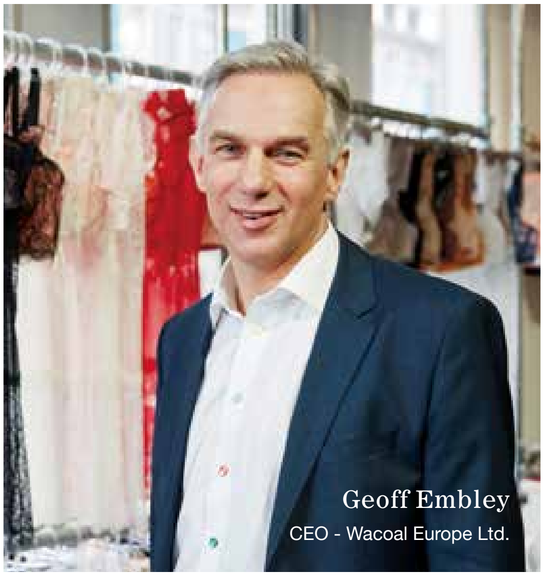
The support from Wacoal Japan has been just fantastic.

One of the distinguishing features of Wacoal Europe is the broad range of countries that we market into, across Europe, North America, and Australia. Currently, our principal markets are the UK, our most established market, the US, as it is so vast, and Europe—particularly France, and Germany, but we are growing throughout Europe. Each market has subtle differences, but we tend to find that if a bra or design is successful in one market, it is successful everywhere.

Working with Wacoal

When Wacoal took over in 2012, I was serving as finance director. They have been very encouraging, while also giving us some engaging challenges. I was given a great opportunity as CEO to present a five-year plan in November 2016, when we were effectively still a very new management team.

In order to bring out maximum local enterprise and initiative, Wacoal urges the various Group entities to think and operate as self-managed units. As a result we have been granted broad autonomy throughout the process of bringing the two business cultures together. That process, too, is paying off, as our infrastructure investment in things like logistics streamlining, our branding strategy development, and group-wide global manufacturing rationalization are all based around the proposals we were asked to come up with quite early in our term. There are many similarities in the way we've both done things, so the changes have been very simple. One change we made was adopting the Wacoal design process, which is now starting to show results. We are now moving forward together in anticipation of where we will be at the end of the first five years.



Geoff Embley
CEO - Wacoal Europe Ltd.

Encouraged by Shared Strengths

The support of Wacoal Japan has been just fantastic, and one of the strengths we are able to contribute to Wacoal is our ability to handle a lot of different brands, the many lingerie brands plus swimwear. That ability grew out of our history, and now we are adding the "Wacoal" brand.

Another strength is our second-tier managers, the head-of-department level, whose depth and experience extend to every area of our business. They bring a lot of design expertise and assure that we can provide meaningful innovations for each brand. We have solid expertise in the area of the fuller figure, which is of rising importance in our markets.

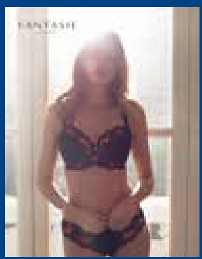
A third strength is our sales force. We are pretty dominant in the UK, and we are making inroads into Europe, particularly Germany and France, which is home to some of the world's most famous innerwear brands. Nevertheless, with support from Wacoal, our sales organization is able to unlock some pretty big doors against some rather strong competition in Europe.

One of the biggest challenges in Europe remains brand awareness. The "Wacoal" brand is our lead brand in Europe, but there is, in fact, still insufficient awareness of the "Wacoal" brand there. Stepping up brand communication is one of our first orders of the day.

WACOAL EUROPE'S BRAND PROFILE

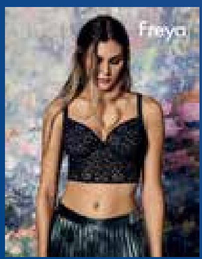
Wacoal

Well crafted, progressive products that deliver on a stylish, timeless look. For the woman who is understated, sophisticated, and informed, and believes in the power of lingerie.
(Mid/Upper price focus)



FANTASIE

The foundation for your day. This fuller bust brand provides women with the confidence, comfort and support they require every day, without compromising on the look.
(Mid price focus)



Freya

Bold and colorful, with products that reflect her diverse life. A fuller bust fashion brand that connects with the dynamic, sociable consumer.
(Moderate/Mid price focus)

We develop products that represent today's multidimensional woman. We want to connect with her in a way that builds a strong emotional affiliation with our brands.

When I arrived at Wacoal Europe twelve months ago, I first spent time with the various units of the design and sales functions to begin to identify what the Wacoal portfolio looked like. We took a moment to step back and look at who we were trying to target across each of our brands. Then we started work on refreshing the look and tone of voice, building stronger personalities, clearer brand values, and more consistent messaging and clearer age ranges. This work forms the foundation of our journey, an ongoing process of developing our portfolio, and allows the creation of more cohesive collections as we progress.

New Passion and Direction

Wacoal Europe balances six major brands within the lingerie, swimwear, and lifestyle wear markets. For example, "Freya" is a fashion lingerie line specifically for fuller bust sizes, while the "Wacoal" brand is considered lifestyle, and "elomi" is a fuller figure lingerie and swim brand. No matter the brand, first on the list is brand recognition, then driving awareness and engagement, and then over time gaining conversion, customer retention, and reward.

"Freya" is an example of a brand that benefitted greatly from redefinition, since

Laura Simon
Brand Director - Wacoal Europe Ltd.

we realized that it seemed to have aged with its customers rather than retaining its own style. Now, the proposed "Freya" customer is a woman age 25 to 35, who works, goes to the gym, and lives a busy and connected life.

The team is also working on linking the "Wacoal" brand story back to its Japanese origins. We are basing the concept on the company's founding ideals: "Wacoal exists on the behalf of women." Using our Japanese heritage and the craftsmanship of the products themselves as key selling points, we want to position "Wacoal" as a brand that represent female connoisseurship, or those who live in a world of beautiful things. We want to get "Wacoal" into the "consideration set" of customers, making it top of mind when making a purchase.

Focus on the Message

In communicating with most our customers, we are relying on social media and brand influencers. While the team is taking into account regional differences, we think there is a universal way to communicate brand messaging. Rather than concentrate too much on the medium, the focus should be on the content and its relevance to customers in an effort to build a community of women around our brands.

We are also talking to retailers who want to connect with consumers in a different way. The brand communication that we are attempting will be category breaking for lingerie marketing. With the backbone of our strategies, and our robust portfolio, we are excited to see where this journey takes us. Some things will work and some things will not, but we really want to take this chance to leave our mark.

elomi

Combines excellent fit plus striking design in all products.
Offering a wardrobe of lingerie to inspire a younger, more fashion forward, fuller figure consumer.
(Moderate/Mid price focus)

Goddess

Offers dependable products, great fit, comfort and a modern design.
Ensures our fuller figure consumer feels confident and supported.
(Moderate price focus)

b.tempt'd

Proposes the fun and freshness of the New York trends.
For the woman who is sensitive to trends and considers lingerie to be a part of her fashion.
(Moderate/Mid price focus)

Directors and Audit & Supervisory Board Members

Wacoal Holdings Corp.
As of June 29, 2017

Yoshikata Tsukamoto
President and Representative Director

Masashi Yamaguchi
Managing Director

Akira Katayanagi
Outside Audit & Supervisory Board Member
Outside Audit & Supervisory Board Member, TOTO Ltd.

Hiroshi Shirai
Outside Audit & Supervisory Board Member
Managing Partner, Shirai Public Accounting Firm
Outside Audit & Supervisory Board Member, Noritz Corporation
Outside Audit & Supervisory Board Member, ALTECO Co., Ltd.

Mitsuhiro Hamamoto
Outside Audit & Supervisory Board Member
Partner, Kikkawa Law Office
Outside Director, Toa Valve Engineering Inc.

Masaya Wakabayashi
Director and Vice President

Our Management

Shigeru Saito
Outside Director
Representative Director and Chairman, and CEO, TOSE CO., LTD.
Outside Director, SCREEN Holdings Co., Ltd.

Tomoki Nakamura
Standing Audit & Supervisory Board Member

Kiyotaka Hiroshima
Standing Audit & Supervisory Board Member

Hironobu Yasuhara
Director and Vice President

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

Madoka Mayuzumi
Outside Director
Visiting Professor, Kitasato University
Councilor, Governing Council of East Japan Railway Culture Foundation
Councilor, The National Art Center, Tokyo

To build a relationship of mutual trust with every stakeholder, the Wacoal Group's overriding goal of corporate governance is to continuously grow enterprise value by ensuring that management is highly transparent, equitable, and objective with respect to all stakeholders.

Revisions in Wacoal's Corporate Governance System

1977	Wacoal issues ADRs* (American Depositary Receipt)	Wacoal becomes the 8th Japanese company to issue ADRs. Upon issuance, the SEC (U.S. Securities and Exchange Commission) requires consolidated financial statements and accounting report in accordance with U.S. GAAP.
2002	Introduction of the corporate officer system **Number of directors: 13 → 9**	In June 2002, the company employs a corporate officer system in order to delegate authority and clarify responsibility more appropriately and efficiently. At the same time, the number of directors is reduced.
2005	Switches to a pure holding company	We switch to a holding company system for effective, strategic decision-making and resource placement in order to execute quickly and clarify responsibilities and delegation of responsibilities at operating affiliate companies.
	Appointment of outside officers	To promote fairness and independence of the Board of Directors and the Audit & Supervisory Board, the Group increases the number of outside directors by two members and outside Audit & Supervisory Board members by one member.
2007	Established Executive Compensation Advisory Committee **Number of committee members (including outside directors): 4**	Regarding appointment, promotion, and remuneration of the directors and executive officers, the Executive Compensation Advisory Committee, chaired by the Director of the Administrative Department, was established with outside directors included as members.
2010	All outside officers are registered with the Tokyo Stock Exchange as independent officers **Independent officers registered: 6**	All outside directors and outside Audit & Supervisory Board members are registered with the Tokyo Stock Exchange as independent officers.
2015	Independent Outside Officer Meeting is established	The Independent Outside Officer Meeting is established with the intention of sharing information about improving corporate governance, Board of Directors meetings, internal audits, etc. The committee includes independent outside officers.

*In 2013, Wacoal stops listing ADRs on the U.S. NASDAQ market and de-registers with the SEC.

Corporate Governance Guidelines

The Role of the Board of Directors and the Responsibilities of the Directors

The Board of Directors makes decisions on important matters as stipulated in laws and regulations and the articles of incorporation. They also consider management strategies and social priorities from medium- to long-term perspectives. To ensure that the supervisory functions of the Board of Directors are performed effectively and in a timely manner, the Board of Directors and the Audit & Supervisory Board members formulate Group management strategies and consider important management issues at the Group Management Meeting. The Group Strategy Meeting and the Quarterly Business Results Review Committee share information about priorities and monitor quarterly results. The directors are required to perform their duties fully by collaborating with the management team and the Audit & Supervisory Board members as necessary; by collecting sufficient information; and by proactively putting forward views and engaging in debate. Persons appointed as directors must have a thorough understanding of related laws and regulations, the articles of incorporation, the rules of the Board of Directors, and other internal rules and regulations, as well as be fully aware of the level of responsibility the position entails.

Decision-making Process for Compensation of Company Officers

Compensation for company officers is determined under a highly objective and transparent system designed by the Executive Compensation Advisory Committee, which includes the independent outside directors. Compensation for directors consists of a fixed basic remuneration, together with bonuses linked to the company's performance each year, and stock options, which are linked to medium- to long-term performance trends. Independent outside directors and Audit & Supervisory Board members receive only the fixed basic remuneration, since it would be inappropriate for them to receive performance-linked remuneration.

Compensation is set at a level that is appropriate compared with other companies in the same industry or of a similar size, and commensurate with the company's business performance and size. The amount of bonuses to be paid is determined according to the company's business performance on the basis of a resolution passed at the regular general meeting of shareholders each fiscal year. The upper limit for stock options was set at ¥70 million per year by a resolution passed at the 60th regular meeting of shareholders held on June 27, 2008.

Details of Remuneration 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 Options	Bonus	Retirement Allowance	
Directors (Excluding outside directors)	286	190	46	49	—	5
Audit & Supervisory Board members (Excluding outside Audit & Supervisory Board members)	35	35	—	—	—	2
Outside officers	46	46	—	—	—	6

Compliance Structure

In April 2017, we merged the Risk Management Committee and Corporate Ethics Committee to form the Corporate Ethics and Risk Management Committee. The aim of this change was to enhance the effectiveness of corporate ethics and risk management in the Wacoal Group. Under Group compliance and risk policies formulated by the committee, directors and employees perform their duties in compliance with laws, regulations, and the articles of incorporation and sound social norms. We have also formulated the Wacoal Ethics Code and the Wacoal Conduct Code. These require us to reject any demands from antisocial elements. Our Risk Management Manual similarly stipulates that Wacoal will have no relationship with any antisocial group. We have established a structure that requires a director or employee who becomes aware of an issue that could involve violations of the Corporate Ethics: Wacoal Conduct Code to report the matter immediately through our internal reporting system.

Basic Policy on Constructive Dialogue with Shareholders and Other Stakeholders

We have adopted a basic policy on constructive dialogue with shareholders and other stakeholders and published it on our website. Company officers and employees attend meetings with shareholders and other stakeholders. Managing directors coordinate such meetings. Various factors are considered in relation to requests for meetings with directors, including the topic of the meeting and the affiliations of the person seeking the meeting. In addition to fair, timely, and accurate disclosure of information about our business and financial situation to shareholders and investors in Japan and overseas, we also help stakeholders to gain a better understanding about our situation and thinking by actively distributing information about the market environment and our unique strengths.

State of IR Activities

Presentations for individual investors	Presentations hosted by securities companies: around eight per year	IR office
Presentations for analysts and institutional investors	Presentation of financial results twice a year (end of second quarter, end of financial year); presentations focusing on individual business areas or key topics and facility tours at various times	Representative directors and directors, IR office
Presentations for overseas investors	Presentations during individual visits: 1-2 times per year (August 2016, Singapore; November 2016, London)	Directors, IR office

Basic Policy on Information Disclosure

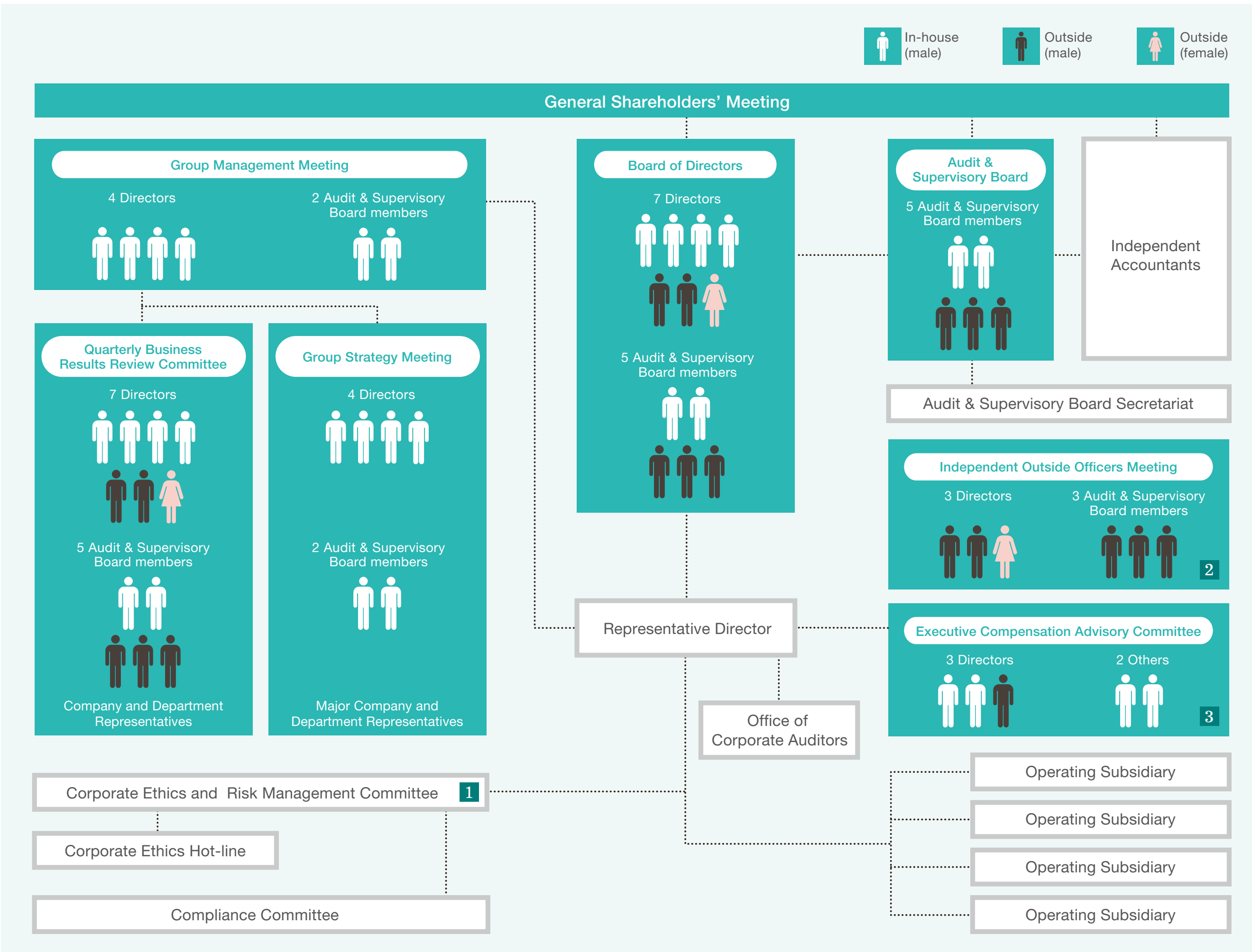
We see timely disclosure of accurate information as the foundation for trusting relationships with all stakeholders. We are also keenly aware that disclosure is essential for accurate assessments of our corporate value. We actively disclose information while complying with all related regulatory requirements.

We have identified three basic requirements for information disclosure. First, important information must be disclosed accurately and in a timely manner, regardless of whether it is positive or negative for us. Second, information must be expressed in language that is easy for all stakeholders to understand and disclosed using various methods to ensure ease of access and fairness. Third, organizational, personal, physical, and technical steps must be taken to prevent leakage of information before timely, appropriate disclosure.

Management decision-making process, management organization according to business operations and supervision, and other corporate governance structures

(As of June 29, 2017)

Corporate Governance Structure



1 Corporate Ethics and Risk Management Committee*

This committee consists of the directors and Audit & Supervisory Board members of Wacoal Holdings and Wacoal Corp., and the heads of key business departments and the heads of administrative departments of Wacoal Holdings. Its task is to monitor risks affecting all areas of the Group's business operations, to engage in activities to mitigate those risks, and to respond to risk situations. The committee also works to strengthen and ensure compliance with corporate ethics. Other tasks include education and disseminating information about corporate ethics, and handling complaints and other situations related to corporate ethics in cooperation with the relevant departments.

*From April 2017, the Risk Management Committee and Corporate Ethics Committee were integrated to form the Corporate Ethics and Risk Management Committee.

2 Independent Outside Officers Meeting

It consists of independent outside officers, and takes place at least once per year with an agenda including issues of corporate governance, improvement of operation of the Board of Directors, and sharing of information about internal audits, etc. The meeting can hire advisors from various fields, with fees to be borne by the Company.

3 Executive Compensation Advisory Committee

The committee is established in an advisory function to the Representative Director. It discusses and submits reports on the appointment, promotion, recognition, and remuneration of the directors and executive officers. The Executive Compensation Advisory Committee has an independent outside director as a member.

FOCUS

Initiatives for Strengthening Corporate Governance

Outlined below are some of the ways in which Wacoal works to enhance the effectiveness of corporate governance.

Interviews at Independent Outside Officers Meeting

We have begun to distribute documentation to independent outside officers concerning issues identified in effectiveness assessments in the previous fiscal year. Issues identified in this year's effectiveness assessment and actions taken were as follows.

- There was inadequate reporting of medium- and long-term management priorities and progress on the medium-term management Plan.
- Improvements are needed in relation to information sharing between outside directors and the Internal Audit Department.

We will increase opportunities to report medium- and long-term management issues to the Board of Directors and ensure that the views and advice from outside officers are better reflected in management. We will also consider regular reporting of internal audits.

■ Policy on training for directors and Audit & Supervisory Board members

Directors and Audit & Supervisory Board members undergo management and audit training and are provided with knowledge about company law, corporate governance, and other aspects, as well as useful information about regulatory compliance and management. When they are appointed, outside directors and outside Audit & Supervisory Board members are briefed in order to deepen their understanding of the management strategies of the Wacoal Group, general aspects of our business operations, and Wacoal's business environment, including the industry situation, and other aspects. They continue to receive information updates thereafter.

■ Support structure for outside directors and outside Audit & Supervisory Board members

We offer various types of support for outside directors and outside Audit & Supervisory Board members including briefings in advance of Board of Directors' meetings, to enable them to carry out their monitoring and supervisory roles effectively. The Corporate Planning Office distributes the agendas of the Board of Directors meetings to outside directors in advance and provides briefings on important matters. Internal Audit & Supervisory Board members provide outside Audit & Supervisory Board members with advance briefings ahead of board meetings. They also attend monthly Audit & Supervisory Board meetings, which are coordinated with the regular Board of Directors meetings. Special meetings of the Audit & Supervisory Board are held if necessary.

Outside Directors and Audit & Supervisory Board Members

Reasons for Appointment of the Said Outside Directors*

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, she has made wide-ranging contributions to the fields of art and culture in Japan and overseas. Her 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.

Shigeru Saito

It is anticipated he will enhance management supervisory functions by providing input from various perspectives based on his extensive knowledge and experience as a representative director of another company.

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 him an appropriate outside Audit & Supervisory Board member for the Group.

Hiroshi Shirai

Specialized knowledge of accounting and finance as a certified public accountant make him an appropriate outside Audit & Supervisory Board member for the Group.

Mitsuhiro Hamamoto

His experience and specialized knowledge as an attorney make him an appropriate outside Audit & Supervisory Board member.

*Wacoal newly documented "Criteria for the Election of Directors" and "Criteria for Independence of Outside Officers" at the Board of Directors meeting on April 30, 2015.

Criteria to Ensure Independence of Outside Executives

For more details on our Criteria to Ensure Independence of Outside Executives, please see our Corporate Governance Report.

http://www.wacoalholdings.jp/en/ir/pdf/governance_report.pdf

Attendance of Outside Directors at Meetings of the Board of Directors

(April 2016–March 2017)

Atsushi Horiba	Attended	11 of 13
Madoka Mayuzumi	Attended	13 of 13
Mamoru Ozaki	Attended	12 of 13

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

(April 2016–March 2017)

	Board of Directors		Audit & Supervisory Board	
Akira Katayanagi	Attended	12 of 13	Attended	13 of 15
Hiroshi Shirai	Attended	12 of 13	Attended	14 of 15
Yoko Takemura	Attended	13 of 13	Attended	13 of 15

DIALOGUE

Enhancing the Effectiveness of the Board of Directors

Wacoal has strengthened its management supervisory functions by appointing Outside Audit & Supervisory Board members to three of the five positions. These Outside Audit & Supervisory Board members contribute to the reinforcement and enhancement of corporate governance from an independent perspective. We asked two of them about Wacoal Holdings' governance activities and the current state of the company.

The Independent Outside Officers Meeting is an important forum for assessing the effectiveness of the Board of Directors. We intend to make extensive use of this mechanism going forward.

Hiroshi Shirai

Outside Audit & Supervisory Board Member
Managing Partner, Shirai Public Accounting Firm
Outside Audit & Supervisory Board Member, Noritz Corporation
Outside Audit & Supervisory Board Member, ALTECO Co., Ltd.

Continuing Evolution of Structure in Line with the Corporate Governance Code

— How do you view the corporate governance structure of Wacoal Holdings from your perspective as an Audit & Supervisory Board member?

Katayanagi: I feel that the structure has evolved steadily in the seven years since my appointment as an Outside Audit & Supervisory Board Member. Since Japan's Corporate Governance Code went into effect in June 2015, Wacoal has made particular efforts to strengthen its structures under its corporate guidelines. I believe that this has resulted in improvements in social consciousness and transparency.

Shirai: I became an Outside Audit & Supervisory Board Member two years ago. During that time, Wacoal Holdings has taken specific steps to administer its business operations in accordance with the fundamental principles of the Corporate Governance Code. My impression is that there has been steady progress in all areas, including accurate disclosure, transparency, and engagement with stakeholders.

Katayanagi: For example, the company has significantly strengthened its risk management, which is a key aspect of corporate governance. The detailed reports that we receive from the Risk Management Committee give us a clear picture of what has happened and where, areas in which problems have occurred, actions taken in response to those problems, and other developments. I hope that the company will learn from these case studies and strengthen preventive control systems.

— Last year you held the inaugural meeting of the Independent Outside Officers Meeting.

Shirai: The Independent Outside Officers

Meeting was created to enhance the effectiveness of the Board of Directors. We intend to make full use of this mechanism as a forum in which outside directors and Audit & Supervisory Board members can meet to express their views and work toward improvements.

Katayanagi: The first meeting was devoted mainly to presentations about the reasons for the establishment of the new mechanism and the significance of the Corporate Governance Code, and discussions about information sharing. Going forward, we plan to discuss approaches to the improvement of management supervisory functions from various perspectives.

Shirai: We aim to maintain lively, in-depth discussions by choosing a new theme for each meeting. I believe that the Independent Outside Officers Meeting will also have a beneficial effect in terms of facilitating communications with the outside officers. I look forward to increasingly energized debate.

Katayanagi: I agree. We gather for Audit & Supervisory Board meetings frequently and meet on other occasions, so we know each other well enough to be able to speak frankly. The Independent Outside Officers Meeting will provide opportunities to deepen our communications with the outside directors. I am sure that this will result in stronger governance structures.

Outside Directors' Views Crucial to the Effectiveness of the Board of Directors

— The appointment of a new outside director was approved at this year's general meeting of shareholders.

Shirai: Wacoal has added a new outside director with experience of business management. I look forward to a further deepening of our discussions through input from a business management perspective.

Katayanagi: The inside directors have detailed and exhaustive discussions before each board meeting, so it would be fair to say that the main purpose of the board meetings is to hear the views of the outside directors.

Shirai: That tendency has become stronger in recent years as companies have come under increasingly intense shareholder scrutiny. I welcome the recent appointment as a response to this situation. It is a sign that Wacoal is actively listening to input from people involved in business management.

Katayanagi: Perceptions within a company may differ from outside perceptions. Important concepts that may have been missed by those working within a company can often be discovered via input and questions from outsiders. Sometimes perspectives will clash, but those clashes are really the source of new value.

— Are there any areas in which improvements are needed in terms of making effective use of input from outside directors?

Katayanagi: We always receive briefings on various projects now, but I believe that further improvements could be achieved by enhancing the quality and quantity of prior briefings. What do you think, Mr. Shirai?

Shirai: I agree. Some topics, such as investment projects, are quite complex, and it can be very difficult even for a person with expert knowledge to form an opinion in a short period of time.

Katayanagi: The Audit & Supervisory Board members are briefed about proposals, segment performance, and other information at meetings of the Audit & Supervisory Board and Quarterly Business Results Review Committee. I think that there should also be opportunities for the outside directors to hear reports about management issues and progress under the medium-term plan.

Shirai: If we are thoroughly briefed in advance and given time to assimilate information, our questions will be deeper and more incisive, and there will be greater benefits for the company.

Contributing to Sustainable Growth and the Improvement of Corporate Value

— How do you envision your role as Audit & Supervisory Board members going forward?

Shirai: We fulfill our role by judging whether or not the company is being governed appropriately. Our basic stance will remain unchanged. I believe that we need to be alert to changing times and changes in the environment. We will maintain a certain distance from the company's operations, while working to strengthen corporate governance and contribute to sustainable growth and the improvement of corporate value over the medium- to long-term future.

Katayanagi: Whenever I visit a Wacoal facility, I see an organization in which the company's founding principles and the spirit of mutual trust permeate. Workplace education is excellent, and individual workers are highly motivated. I find this very reassuring, and I feel confident that problems are unlikely to arise in this environment. This is an important strength, and an asset that helps to underpin corporate governance. As social values become increasingly diverse, I hope that Wacoal will maintain its excellent corporate culture and continue to move forward as a trusted company. I am determined to use the knowledge and experience that I have gained to contribute to sound corporate development.

Since the Corporate Governance Code went into effect, we have worked to strengthen structures and optimize management soundness and transparency.

Akira Katayanagi
Outside Audit & Supervisory Board Member
Outside Audit & Supervisory Board Member, TOTO Ltd.

Building Mutual Trust with Society

Earning the Trust of Society by Meeting Society's Demands and Expectations

Wacoal's

Under the Wacoal management philosophy, building mutual trust with society is our corporate goal and *raison d'etre*. Comprising Our Mission, Our Vision, and Our Values, this management philosophy serves as a compass for our CSR initiatives. By responding to society's needs and expectations we build the trust and relationships that are essential to our continuing existence as a company and our ability to procure management resources from markets.

We will continue to heed the voice of society, and our business activities will continue to be guided by our consideration for the societies in which our markets exist. Creating mutual trust with society is the goal of Wacoal's CSR activities.

CSR Action Policy

Wacoal's fundamental CSR objectives are to manufacture products that customers love, develop products that meet current needs, and conduct business fairly to pave the way to a better future.

We conduct business in a fair manner and provide products that customers need. "Manufacturing" is our first step toward building relationships of trust with customers and society, as well as the foundation of our CSR activities.

To advance CSR initiatives, Wacoal established its Basic Policies on CSR based on the ISO 26000 standards published in November 2010 (Japan Standards Association, 2010) according to seven basic principles (for accountability, transparency, ethical behavior, respect for stakeholders' interests, respect for the rule of law, respect for international codes of conduct, and respect for human rights) and seven core subjects (organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues, community involvement and development).

Furthermore, as part of its business strategy, Wacoal conducts continuous CSR activities to address social issues that are related to the main business. This also strengthens brand power and competitiveness.

CSR

Wacoal's Core CSR Subjects

- Organizational Governance
- Human Rights
- Labor Practices
- Environment
- Fair Operating Practices
- Consumer Issues (responding to customers)
- Community Involvement and Development

CSR Activities Linked to Wacoal's Main Business

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

CSR Activities Based on Wacoal's Business Characteristics

- Pink Ribbon Activities
- Remamma Project
- Bra Recycling Campaign
- Breast Cancer Examination Support
- Tsubomi School

CSR Highlights

Reaching Our Communities

Pink Ribbon Kyoto*

Stamp Rally Participants

2012 (first year) Approx. 600 people → 2016 Approx. 1,100 people

Stamp Rally

Participants in Wacoal's stamp rally visit historic sites and attractions in Kyoto, where they earn stamps by answering questions on breast cancer and visiting company booths that promote the importance of breast cancer examination.

*Pink Ribbon Kyoto operates in collaboration with doctors and nurses from medical institutions, NPOs, local companies based in Kyoto, students, Kyoto City and Prefectural governments, and the mass media.

Tsubomi School

Tsubomi School Participants

2001 (first year) Approx. 232 people → 2017 (cumulative as of the end of March) Approx. 110,000 people

The Tsubomi School is an itinerant educational program that teaches young girls (aged 10–14) and their caregivers about the physical and emotional changes that occur during adolescence, and about the selection of undergarments. In recent years, we have also run the Aging Seminar, which helps adults to understand the aging process.

Tsubomi School.

Bra Recycling

We have run Bra Recycling campaigns since 2008 as part of our environmental activities. The garments are recovered in bags, which are processed unopened, into recycled solid fuel for industrial use (Refuse Paper & Plastic Fuel/RPF).

Number of Bras Recycled

2008 (first year) Approx. 30,000 bras → 2017 (cumulative as of the end of March) Approx. 1,413,900 bras

Nadeshiko Brand 2017

In both fiscal 2016 and 2017, Wacoal Holdings was selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a Nadeshiko Brand. This designation is awarded to companies that practice diversity management, especially in regards to women's needs.

NADESHIKO BRAND 2017

Selected 2 years in a row

For more details on our CSR activities, please see our website.

http://www.wacoalholdings.jp/en/csr/index.html

Wacoal×Society

Wacoal's Unique Social Contributions

Wacoal's mission states "We will contribute to society by helping women to express their beauty." We believe that this mission can only be truly achieved by applying the knowledge and culture that we have accumulated through our business activities to society in general. We want women to participate fully in society with confidence and pride. This commitment inspires our efforts to build mutual trust with society and carry on business activities that reflect our unique characteristics, which in turn leads to the improvement of public confidence in Wacoal and increased motivation for our employees.

01 Our Partnership with Women

Wacoal's Breast Care Activities Around the World

In support of women, Wacoal is on a mission to eliminate suffering from breast cancer. Wacoal advances Breast Care Activities that promote raising awareness of breast cancer, breast cancer screenings, and post-surgical support. The three pillars of Pink Ribbon activities, AIO, and Remamma Project, has been put into action and gained trust worldwide. These initiatives lead people to become long-term customers of Wacoal products.

Pink Ribbon Activities

Through Pink Ribbon Activities, we support the early diagnosis of breast cancer. During the Pink Ribbon Fitting Campaign, we make a ¥10 donation for every time a customer tries on a bra in approximately 2,000 outlets throughout Japan.

Remamma Project

We are helping fulfill women's wishes to feel beautiful by using accumulated data from our decades of research on the female body to create innerwear and swimwear for women who have undergone major breast surgery.

Breast Cancer Diagnosis Examination Support Project (AIO)

Wacoal purchased AIO, a mobile breast cancer screening unit, which has been used since October 2009 to provide women with an easier and more comfortable way to undergo examinations. We are currently expanding this initiative through mass-screenings organized by health insurance associations, business corporations, and other groups.

Fitting Campaign
(number of participants and bras)

2007 (First year)	2016 (cumulative)
111,989 women	1,592,479 women
273,288 bras	4,149,368 bras

Nationwide Seminars
(number of participants and venues)

1993 (First year)	2016 (cumulative)
537 participants	24,562 participants
4 venues	201 venues

AIO Screening
(number of women examined and days of operation)

2009 (First year)	2016 (cumulative)
369 women	34,158 women
15 days	788 days

02 Working with Communities

Nishi-Oji Station Area Beautification Association

The Nishi-Oji Station Area Beautification Association was formed in 1997 as a partnership among the local neighborhood association, Kyoto City, the Minami Ward Office, the Ministry of Land, Infrastructure and Transport, the Minami Police Station, and other government agencies, together with six local companies. Its purpose was to find a solution to illegal bicycle parking in the area around JR Nishi-Oji Station, where Wacoal's head office building is located.

Wacoal decided to provide part of its land for a bicycle parking area. We also engage in three main activities in the area: litter removal, promotion of the use of bicycle parking areas, and the removal of illegal advertising.

Every Monday, Wacoal employees participate in collecting litter in the area around Nishi-Oji Station. This activity fosters relationships with the community and local businesses and contributes to awareness of safety and to crime prevention.

WACOAL STUDYHALL KYOTO

03 Culture and Education

Wacoal Study Hall Kyoto

In addition to providing beauty through our products, we want to help women enhance their inner beauty by cultivating taste and knowledge. That is why we opened the Wacoal Study Hall Kyoto in October 2016.

We host lecture programs focusing on themes relating to physical beauty, the beauty of good taste, and social beauty. Guests can also freely browse books on beauty and deepen their knowledge in a relaxing library and co-working space. Other facilities include a gallery and a shop.

The catchphrase for Wacoal Study Hall Kyoto is "Giving full rein to aesthetic curiosity." Our vision for the facility was to create a place where women could attend lectures and read books that would stimulate their aesthetic curiosity in ways that would inspire them to enrich their lives. We want Wacoal Study Hall Kyoto to be a place where women can learn new things and satisfy their curiosity, and create beautiful lifestyles and beautiful relationships for the future.

For more details on Wacoal Study Hall Kyoto, please see our website.
http://www.wacoal.jp/studyhall

DIALOGUE

Creating Paths to a Better Future by Deepening Relationships of Trust throughout Our Entire Supply Chains

One of the CSR priorities of the Wacoal Group, as we work to achieve sustainable, healthy corporate growth, is solving any problems relating to the work environments involved in our supply chains. We asked Director and Vice President Hironobu Yasuhara and sustainability expert Mizue Unno about initiatives to achieve harmonious coexistence with suppliers.

Hironobu Yasuhara

Director and Vice President
Wacoal Holdings Corp.

We are working to build effective management systems for our expanding and increasingly complex supply chains.

Unno: As a result of globalization, those in the business community are increasingly aware of the need to give priority to the reinforcement of CSR initiatives, especially in supply chains.

Yasuhara: That's true. As I'm sure you know, an international human rights NGO critiqued the working conditions at one of our subcontracting garment factories in Myanmar last November. We responded to that by working with our subsidiaries to draw up a list of all of our suppliers in Japan and overseas, and by restructuring our management systems.

Unno: Companies can easily manage factories that they own directly, but it's often very difficult for large corporations to supervise overseas suppliers, those supplying orders placed by their subsidiaries, or even those supplying their subsidiaries' suppliers. However, that level of management oversight is essential these days.

Yasuhara: We have, of course, always monitored working conditions and other aspects of operations in our own factories, as well as in factories operated by outside suppliers and contractors, and even suppliers of materials. Where possible, these efforts included site visits. This type of monitoring is essential to ensure product quality. To create products that will satisfy our customers, we need not only advanced technology, but also a lot of human effort, and carefully selected materials. Every condition has to be right, including environmental factors, management conditions, and employee motivation. These ideas are reflected in our efforts to create systems within which we can achieve harmonious coexistence with our suppliers.

Unno: That is very much what I would expect from a company that never compromises on quality. But were there any aspects that you overlooked?

Yasuhara: Yes. We missed problems relating to small quantities of products procured though trading companies. We even overlooked problems relating to operations in our own factories. We then began to survey conditions in facilities operated by the suppliers on our list and think about stepping up our initiatives with trustworthy suppliers.

Unno: Starting with stronger laws and regulations, companies in Europe and the United States are facing an increasingly strict environment. It's no longer acceptable to say that a problem only involved small quantities of products or was caused by companies at the end of supply chains. Globally active companies have heavy responsibilities.

Yasuhara: Indeed. We implement extensive checks at Group factories supplying products to Europe and the United States. For the United States, it's become the norm for companies to disclose their supplier lists. For our businesses in other countries, we have built supply chains that do not go through Japan, and we have established separate systems to comply with the different rules in each country.

Unno: I recently visited your factory in Vietnam and had the opportunity to

Mizue Unno

speak with employees. My impression was that they are all very positive and highly motivated.

Yasuhara: Our factory in Vietnam is our biggest single manufacturing facility and plays a core role in our operations. Currently there's just one Japanese employee, and the rest of the staff are all local people. I think the workers are highly motivated because we've fully localized the factory, and because everyone is aware of having their own roles.

Unno: In China and elsewhere, many Japanese-owned companies seek to minimize costs by reducing the number of full-time employees and using large numbers of contract workers. What is Wacoal's approach?

Yasuhara: All of our workers are employed full-time. That's because we believe that quality is more important than cost. We foster mutual trust by putting down roots in one place and providing people with an environment in which they can work with confidence. This helps them to assimilate and learn technological skills. We see this approach as a good foundation for our products.

We are creating new value by closely communicating with stakeholders and building good relationships.

Unno: The level of scrutiny companies face over human rights and labor practices these days means that even with diligent efforts in these areas, there is still a chance NGOs or labor organizations will raise issues that need to be resolved. What are your thoughts on how companies should respond in such cases?

Yasuhara: Obviously, the first step is to understand the real intentions behind the criticism. The next step is to identify issues and take immediate action to rectify them. That's all that a company can do.

Unno: When a company receives a comment from a customer it responds promptly and in good faith. Likewise, since NGOs and labor organizations are also stakeholders, a company should treat them the same way. When an issue is raised, it's best to send someone to address the problem in person. Moreover, I think it's important to maintain an ongoing commitment to good communications, rather than simply responding passively to criticism.

Yasuhara: We received similar comments from people within the company related to this incident. We are still in the process of creating additional rules to cover working environments, and we intend to make opportunities for active sharing of views.

Unno: It's important that you put those measures into effect. I think the ideal relationship is one based on trust and cooperation toward the shared goal of improvement.

Wacoal's quality-first approach to supply chain management reflects our determination to achieve sustainable business growth.

Unno: The role of supply chains is to support sustainable business growth, but what kinds of issues do you face going forward?

Yasuhara: Our biggest manufacturing bottleneck is dyeing. Every country has stringent wastewater regulations, and it has become very difficult to operate profitably because of the heavy capital expenditure burden. The working conditions are hard, so the number of dyeing factories continues to shrink. We need to tackle this problem across all of our supply chains as part of our efforts to achieve sustainable production and consumption.

Unno: You have built robust supply chains in Japan, China, Myanmar and Vietnam. How will you adapt your business models to achieve further development?

Yasuhara: We do not believe in relocating our operations from place to place in search of lower costs. Our priority is dependable quality. That is why we are working to optimize our supply chains, including infrastructure, while also considering the environment and human rights. We are convinced that this is the way to respond to the trust of our customers, and to achieve sustainable business growth.

Mizue Unno
Managing Director
So-Tech Consulting
She uses original analysis techniques to provide Japanese companies with advice about strategic aspects of CSR and sustainability in the context of global strategies. This supports business practices targeted toward the realization of sustainable management strategies.

Preserving the Environment as a Global Business

Conducting business worldwide, Wacoal considers preserving the global environment to be its responsibility as a company and promotes environmental activities based on the spirit of mutual trust with society. Currently, six domestic companies and two overseas companies in the Group are certified according to the standards of ISO 14001 (environment management system) and four domestic plants are certified according to KES (Kyoto Environmental Management System Standard).

Results of Activities

Item	FY2017	Compared to FY2007
Electricity use	11,821 thousand kwh	29.4% Down
Office paper use	24.6 million sheets	16.3% Down
Gas use	685 thousand m³	27.6% Down
Waste emissions	1,181 t	25.6% Down
CO_2 emissions* (electricity, gas)	6,227 t	29.3% Down
Waste incineration	73.8 t	77.2% Down
Water use	112 thousand m³	20.0% Down
Recycle percentage	94 %	14.0% Up

*Only CO_2 emissions resulting from electricity and gas equivalent values based on FY2011

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_2 emissions. This indicator is shown as the product of value-added labor productivity (value added/total hours worked) and CO_2 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_2 emissions resulting from electricity, gas, water, and waste. For CO_2 emissions resulting from energy, equivalent values for each region are used.

$$\text{Value-added carbon footprint ratio} = \frac{\text{Value added}}{\text{CFP}} = \frac{\text{Value added}}{\text{Total hours worked}} \times \frac{\text{Total hours worked}}{\text{CFP}}$$

FY2011

$$\frac{\text{Value added } ¥29.13 \text{ billion}}{\text{Total hours worked } 9{,}197 \text{ thousand hours}} \times \frac{\text{Total hours worked } 9{,}197 \text{ thousand hours}}{\text{CFP } 3{,}328\text{ t}}$$

FY2011: ¥8.75 million/t

FY2017

$$\frac{\text{Value added } ¥30.24 \text{ billion}}{\text{Total hours worked } 9{,}461 \text{ thousand hours}} \times \frac{\text{Total hours worked } 9{,}461 \text{ thousand hours}}{\text{CFP } 4{,}127\text{ t}}$$

FY2017: ¥7.33 million/t

Down ¥1.42 million/t

For more details on our environmental activities, please see our website.
http://www.wacoalholdings.jp/en/csr/pr_environment.html

Health Management

Your health keeps the company healthy!

Wacoal GENKI Project 2020

Theme	Targets	Outline	FY2015 (Before project initiatives)	FY2017 (Results)
Lifestyle disease countermeasures	25% reduction	Reduction of lifestyle disease rate	29.2%	33.1%
Cancer countermeasures	100%	Increased percentage of people tested for five major cancer types	Lung 96.1%	95.9%
			Stomach 79.3%	73.9%
			Colorectal 90.5%	91.0%
			Breast 81.0%	80.4%
			Uterine 65.0%	65.8%
	100%	Percentage of people at high risk of disease who take secondary examination	67.0%	77.5%
	15% or lower	Decreasing rate of smokers	20.4%	18.1%
Mental health countermeasures	7,000 or lower	Reduction of number of employees with long-term absences due to mental health reasons × absent days	9,555	11,864

Under the Wacoal GENKI Project 2020, the company and employees are independently managing their health in partnership with the company. We have set medium-term goals for this initiative to build an energized and healthy corporate environment.

There are numerical targets for countermeasures against lifestyle diseases, cancer, and mental health problems. The company, the Wacoal Health Insurance Union, and Labor Union are working together in partnership to implement various measures toward the achievement of these numerical targets. While we have had mixed progress so far, we expect significant outcomes to emerge from our efforts in various areas, including the expansion of opportunities to undergo health examinations.

Initiatives to achieve our targets will include increased efforts to encourage employees to undergo health examinations, the extension of awareness-raising activities to include outside workers, and the expansion of no-smoking hours and the establishment of no-smoking days. We will also enhance employee health literacy, raise employee awareness, and create an environment to support organized health management initiatives.

In the previous fiscal year, we continued to support activities that enable people to improve their health while having fun. We also introduced the "health mileage" system, which allows employees to earn points that can be redeemed for products by achieving lifestyle improvement challenges that they set for themselves. Another focus was health education. We held a variety of seminars, including a uterine cancer seminar presented by a gynecologist, and cancer seminars by outside medical experts. We also took steps to make the seminars more accessible to employees by holding them both within and outside of working hours.

As a result of these initiatives, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) recognized Wacoal in its "Health & Productivity Stock" category for the second straight year.

Wacoal Selected for "Health & Productivity Stock" for Two Straight Years

Every year the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) select companies that enhance corporate value through employee health management initiatives. Wacoal has achieved this designation for two consecutive years.

Under the Wacoal Health Declaration of November 2015, we actively help our employees to manage their health. Senior management has taken responsibility for creating a good environment for wide-ranging health maintenance and improvement activities, including breast and uterine cancer examinations for female employees.

2017
健康経営銘柄
Health and Productivity

Eleven-Year Financial Summary

Wacoal Holdings Corp.: Key Consolidated Financial Data

	2017	2016	2015
Performance			
Net sales	195,881	202,917	191,765
Cost of sales	92,950	95,901	90,722
% of net sales	47.5%	47.3%	47.3%
Selling, general and administrative expenses	91,866	93,151	87,940
% of net sales	46.9%	45.9%	45.9%
EBITDA	16,097	18,680	12,156
Operating income	11,065	13,865	7,082
% of net sales	5.6%	6.8%	3.7%
Income before income taxes and equity in net income of affiliated companies	16,569	14,957	11,342
Net income attributable to Wacoal Holdings Corp.	12,525	11,159	8,444
Return on equity (ROE)	5.5%	4.9%	3.9%
Return on assets (ROA)	5.6%	5.0%	4.0%
Financial Condition			
Total assets	294,958	292,854	300,272
Total shareholders' equity	227,568	224,374	228,857
Net property, plant and equipment	55,288	53,938	49,188
Inventories	43,822	44,445	42,893
Cash Flows			
Net cash provided by operating activities	16,351	12,635	14,337
Net cash provided by (used in) investment activities	(3,032)	(11,407)	164
Net cash provided by (used in) financing activities	(13,055)	(4,547)	(8,391)
Free cash flow	13,319	1,228	14,501
Cash and cash equivalents	33,995	34,059	38,410
Investment			
Capital expenditures	7,445	8,978	4,478
Depreciation and amortization	5,032	4,815	5,074
Per Share of Common Stock			
Shareholders' equity per share	1,658.53	1,592.90	1,624.93
Net income per share attributable to Wacoal Holdings Corp.	90.13	79.23	59.95
Dividends per share	36.00	33.00	30.00
Total dividend amount	4,225	4,648	3,944
Dividend yield	2.6%	2.5%	2.2%
Dividend payout ratio	39.9%	41.7%	50.0%
Price earnings ratio (Times)	15.24	16.95	22.55
Price book-value ratio (Times)	0.83	0.84	0.83
Operating Segment Information			
Net sales:			
Wacoal business (Domestic)	118,389	120,570	112,203
Wacoal business (Overseas)	48,423	51,869	48,107
Peach John business	11,107	11,190	11,626
Other	17,962	19,288	19,829
Operating income (loss):			
Wacoal business (Domestic)	6,959	8,810	8,444
Wacoal business (Overseas)	3,055	4,433	4,776
Peach John business	374	258	(6,296)
Other	677	364	158
Employees			
Employees within group (Persons)	21,139	20,655	18,986

*Consolidated financial statements for the fiscal year ended March 31, 2011, and prior fiscal years have been retroactively revised in accordance with the changes of the settlement dates for certain consolidated subsidiaries that took place in the fiscal year ended March 31, 2012.

*In accordance with changes in segment carried out in the fiscal year ended March 31, 2011, segment information for the fiscal year ended March 31, 2010, and prior fiscal years has been omitted.

For more details on our financial indicators, please see our website.
http://www.wacoalholdings.jp/en/ir/financial/index.html

(Millions of yen, except per share amounts)

2014	2013	2012	2011	2010	2009	2008	2007
193,781	180,230	171,897	165,548	163,548	170,960	165,201	166,410
91,008	84,548	81,891	81,659	80,101	83,879	82,943	84,658
47.0%	46.9%	47.6%	49.3%	49.0%	49.1%	50.2%	50.9%
88,913	84,331	79,629	77,716	78,524	77,248	68,921	68,856
45.9%	46.8%	46.3%	46.9%	48.0%	45.2%	41.7%	41.4%
18,896	13,387	15,037	9,086	8,594	14,377	17,229	16,631
13,860	8,499	10,377	4,401	3,829	9,833	13,337	12,896
7.2%	4.7%	6.0%	2.7%	2.3%	5.8%	8.1%	7.7%
15,033	10,940	10,207	3,927	3,155	7,329	14,153	13,920
10,106	7,880	6,913	2,785	2,475	5,062	4,845	9,029
5.2%	4.4%	4.1%	1.6%	1.5%	2.9%	2.6%	4.8%
5.7%	4.6%	4.7%	1.8%	1.4%	3.2%	5.8%	5.7%
271,988	254,536	221,098	215,276	222,889	213,827	240,053	250,266
205,106	186,646	171,496	167,480	171,860	166,767	184,128	193,278
48,978	49,665	49,078	49,734	51,804	49,165	51,185	52,782
40,211	37,807	32,847	30,956	32,103	31,153	30,020	30,199
8,949	12,309	10,060	10,441	9,463	8,202	14,249	9,339
1,658	(23,520)	(3,467)	(703)	(3,573)	(4,759)	3,709	(1,185)
(5,554)	5,379	(2,824)	(4,965)	(5,363)	(7,448)	(9,400)	(8,404)
10,607	(11,211)	6,593	9,738	5,890	3,443	17,958	8,154
30,658	24,514	29,985	26,316	22,328	21,954	27,069	19,816
3,464	3,330	3,554	3,323	5,736	4,216	2,788	2,536
5,036	4,888	4,660	4,685	4,765	4,544	3,892	3,735
1,456.32	1,325.19	1,217.57	1,189.08	1,215.17	1,187.37	1,284.54	1,374.89
71.75	55.95	49.08	19.73	17.51	35.57	34.29	63.18
33.00	28.00	28.00	20.00	20.00	25.00	25.00	22.00
3,944	2,817	2,824	3,511	3,584	3,093	2,878	2,878
3.1%	2.8%	2.9%	1.9%	1.7%	2.2%	1.7%	1.5%
46.0%	50.0%	57.0%	101.4%	114.2%	70.3%	72.9%	34.8%
14.68	18.11	19.99	53.12	66.70	32.05	42.96	23.63
0.72	0.76	0.81	0.88	0.96	0.96	1.15	1.09
118,085	115,657	115,870	110,856				
43,636	23,081	21,396	20,010				
12,482	11,972	13,836	11,575				
19,578	26,444	20,795	23,107				
9,284	8,423	8,172	5,620				
4,037	1,430	1,440	1,322				
83	(2,701)	529	(2,879)				
456	947	236	338				
18,912	18,650	16,524	16,013	15,686	14,382	13,562	13,397

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, prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The Wacoal Group consists of one holding company (the Company), 57 subsidiaries, and eight affiliates.

The Wacoal Group manufactures, wholesales, and—for certain products—retails 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 74.1% of our consolidated net sales for fiscal year 2017. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile goods, and provide 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 goods, and other products.

For fiscal year 2017, approximately 78% of the net sales of the Wacoal business (domestic) (the net sales of which account for approximately 60% of our consolidated net sales) were apparel sales made on a wholesale basis to department stores, general merchandisers, and other general retailers and approximately 20% were apparel sales made through directly managed retail stores, catalog sales, and the Internet. Sales from our other businesses (which include cultural products and other services) constituted the remaining, approximately 2%, of the Wacoal business's (domestic) net sales for fiscal year 2017.

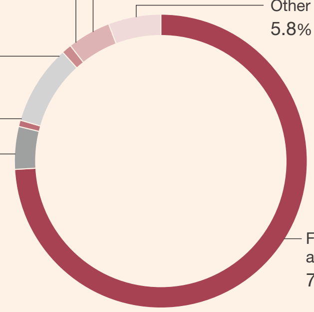
Over the past five fiscal years, fluctuations in our sales have typically reflected changes in unit volume, as average unit prices have generally remained stable during this period.

• COST OF SALES

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

Share of Net Sales

2017



• 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 directly managed 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, there was no sign of recovery in consumer spending due to the continued impact of a decline in response to the consumption tax increase, while the female population is declining. The outlook for recovery in consumer spending remains uncertain despite the postponement in April 2017 of a consumption tax increase. In addition, a slowdown is seen in consumption by inbound tourists, while the number of tourists visiting Japan is increasing. With intensifying competition within the industry, the environment remains very difficult as consumer spending continues to be weak.

(ii) As for sales channels, the amount of purchases has increased at locations other than our traditional sale spaces such as department

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

Millions of yen

	2017		2016		2015	
Innerwear						
Foundation garments and lingerie	¥145,188	74.1%	¥151,166	74.5%	¥142,681	74.4%
Nightwear	9,154	4.7%	10,098	5.0%	9,514	5.0%
Children's underwear	1,429	0.7%	1,386	0.7%	1,373	0.7%
Total innerwear	155,771	79.5%	162,650	80.2%	153,568	80.1%
Outerwear and sportswear	17,189	8.8%	19,074	9.4%	16,227	8.4%
Hosiery	2,235	1.1%	2,178	1.1%	2,437	1.3%
Textile products	9,346	4.8%	7,161	3.5%	7,616	4.0%
Other	11,340	5.8%	11,854	5.8%	11,917	6.2%
Total	¥195,881	100.0%	¥202,917	100.0%	¥191,765	100.0%

stores, general merchandise stores and specialty stores for underwear. Our sales channels have changed and diversified as seen in growing sales online, at directly managed retail stores and casual apparel shops. On the other hand, with respect to directly managed retail stores, certain competitors have focused on profitability by limiting shop openings and closing underperforming stores.

(iii) Retailers and specialty store retailers of private label apparel have been making efforts to increase the number of customer contacts through direct retail sales, website sales, and other online sales, and to integrate direct retail sales with website sales (realization of omni-channel services). General merchandise stores have also strengthened the development of their "private brand" merchandise. Manufacturers have made efforts to strengthen direct sales and OEM and to develop new sales channels.

(iv) These manufacturers and other competitors have produced lower priced women's innerwear garments by sourcing fabric and producing garments in lower cost countries in Asia, but due to increasing raw material prices and rising costs associated with increases in processing fees, they have come to focus on improving the value-added components of products.

During the last two fiscal years, which are the reporting periods of the audited consolidated financial statements included in this report, we made efforts to cultivate new customers and to achieve customer optimization in the domestic market, to rebuild our Group's production base, and to expand sales and profits in the overseas market in order to address the above trends. With regard to the domestic market, we implemented initiatives to respond to market diversification and optimization, which include strengthening our geographically-focused sales system, achieving synergies from the acquired swimwear business, realizing omni-channel services, reducing costs related to our retail business, and building business infrastructure. With respect to our production base, we have established a new factory in Myanmar and two new raw materials manufacturing companies in Thailand. We aim to build a global production base by aligning these newly established companies and our existing manufacturing companies in the ASEAN region. With regard to the overseas market, in the United States, Wacoal America Inc. is expanding sales from e-commerce websites and our exports to surrounding countries. In Europe, we have completed business restructuring. In our business in China, we have continued to make efforts to improve profitability, while our business has been weak due to the deteriorating market conditions in China. In addition, we have developed our business and initiated sales in India. Despite these management initiatives and sales efforts, our consolidated business results for the current fiscal year were as follows: ¥195,881 million in sales, a decrease of 3.5% as compared to the previous fiscal year, due to an increase in retirement benefit expenses, recognition of expenses in connection with the opening of a new building and the business restructuring expenses in Europe, and the impact of foreign exchange rates; ¥11,065 million in operating income, a decrease of 20.2% as compared to the previous fiscal year; and ¥16,569 million in income before income taxes and equity in net income of affiliated companies, an increase of 10.8% as compared to the previous fiscal year, due to gain on sale of fixed assets (land).

SUMMARY OF BUSINESS RESULTS

• SUMMARY OF BUSINESS OPERATIONS

Our Group entered the first year of our three-year mid-term plan (from fiscal year 2017 to fiscal year 2019), and we have been making efforts to improve profitability and business efficiency in line with the five elements of the basic policies, which are (i) to improve the infrastructure of our Group management base as a foundation, (ii) to ensure profits from our domestic business, (iii) to achieve further growth of our overseas business, (iv) to achieve Group synergies through collaboration and to strengthen our competitiveness and (v) to attempt to expand our business portfolio. Also, we intend to improve our corporate value by implementing an efficient capital policy.

During the current fiscal year, we steadily focused on increasing the productivity of our wholesale business and the profitability of our retail business in Japan, as well as improving and strengthening the foundations of our overseas business. While the domestic market continues to experience a slowdown in consumption of luxury goods and a series of closings of general merchandise stores, we moved forward with the development of products with new features and the standardization of goods for campaigns implemented at our directly managed stores. With respect to our overseas business, while respecting the local management, we continued to improve the value of our brands by providing high-end goods backed by craftsmanship and quality and to strengthen our ability to respond to the immensely growing e-commerce market. Also, two material manufacturers in Thailand and one sewing company in Myanmar commenced operations, enabling us to upgrade the infrastructure for the stable supply of our high-quality and cost-competitive materials/products.

As a result of the above, our consolidated sales for the current fiscal year fell below the consolidated sales for the previous fiscal year due to tighter management of inventories by our clients, even though the over-the-counter sales of our domestic business were steady. Sales from our overseas business in Europe on a local currency basis exceeded such sales for the previous fiscal year, mainly due to the favorable effect of the depreciation of the British pound. However, sales from our business in the United States and China remained unchanged from the previous fiscal year. As a result, on a yen converted basis, consolidated sales on the Japanese yen basis fell below the consolidated sales for the previous fiscal year due to the inflation of the Japanese yen.

Although our consolidated operating income fell much below the consolidated operating income for the previous fiscal year due to increases in selling, general and administrative expenses which resulted from our domestic business and expenses related to the liquidation proceedings by our French subsidiary, it exceeded our initial plan for the current fiscal year. On the other hand, income before income taxes and equity in net income of affiliated companies largely exceeded that for the previous fiscal year due to gain on sale of fixed assets (land) for the first quarter of the current fiscal year.

As a result of the above, with respect to our consolidated business results for the fiscal year ended March 31, 2017, the consolidated operating income margin was 5.6%, and the consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for the current fiscal year) was 5.5%.

Net sales:	¥195,881 million (down 3.5% compared to fiscal 2016)
Operating income:	¥11,065 million (down 20.2% compared to fiscal 2016)
Income before income taxes and equity in net income of affiliated companies:	¥16,569 million (up 10.8% compared to fiscal 2016)
Net income attributable to Wacoal Holdings Corp.:	¥12,525 million (up 12.2% compared to fiscal 2016)

Cost of Sales

Our cost of sales decreased 3.1% from ¥95,901 million for fiscal year 2016 to ¥92,950 million for fiscal year 2017. This decrease was mainly due to cost of sales from our foreign consolidated subsidiaries that decreased due to the appreciation of the Japanese yen, in addition to a decrease in cost of sales caused by sales fluctuations. Cost of sales as a percentage of net sales for fiscal year 2016 and fiscal year 2017 were 47.3% and 47.5%, respectively.

Selling, General and Administrative Expenses
Our selling, general and administrative expenses decreased 1.4% from ¥93,151 million for fiscal year 2016 to ¥91,866 million for fiscal year 2017. This decrease was mainly due to selling, general and administrative expenses at our foreign consolidated subsidiaries that were deflated by the appreciation of the Japanese yen.

Operating Margin
Our operating margin decreased 1.2% from 6.8% for fiscal year 2016 to 5.6% for fiscal year 2017 as selling, general and administrative expenses rose as a percentage of the total cost. This increase was mainly due to recognition of expenses in connection with the opening for business at our new building, IT related expenses, and expenses related to the liquidation proceedings for our foreign consolidated subsidiary.

Other Income/Expenses
We recorded ¥5,504 million as other income, an increase of ¥4,412 million, as compared to ¥1,092 million of other income recorded for fiscal year 2016. This increase was mainly due to ¥3,770 million of gain on sale of property, plant and equipment, the gain on sale and exchange of marketable securities and investments, which increased from fiscal year 2016.

Net Income Attributable to Wacoal Holdings Corp.
Net income attributable to Wacoal Holdings Corp. for fiscal year 2017 was ¥12,525 million, an increase of ¥1,366 million as compared to that for fiscal year 2016 as a result of an increase in other income, despite an increase in tax expenses.

• SUMMARY OF OPERATIONS BY OPERATING SEGMENT

Wacoal Business (Domestic)
With respect to our Wacoal brand business, sales of brassiere products with new features, which provide comfort to wearers, increased steadily, and sales of our pajama products, of which design focuses on comfort for sleep, increased by winning consumers. On the other hand, sales of our luxury-line products and underwear products were poor due to factors such as a slowdown in the consumption of luxury goods, a decrease in average spending per inbound tourist, the impact of a warm winter and the absence of the temporary demand increase we experienced in the previous fiscal year. As a result, overall sales fell below the overall sales for the previous fiscal year.

With respect to our Wing brand business, the shop sales of brassiere products for the whole current fiscal year were steady due to the strong sales of our spring/summer line of products. Also, our brand for the junior generation, the "Pulili" business, largely exceeded the results for the previous fiscal year due to the increase in the number of retailers selling this brand. However, as the sales of bottoms products were poor as compared to the sales for the previous fiscal year and general merchandise stores increasingly elected to close unprofitable stores and reduce inventories, overall sales fell below the overall sales for the previous fiscal year.

In our retail business, sales of our directly managed retail store, "AMPHI," and our outlet store, "Factory Store," remained unchanged from the previous fiscal year, despite a decrease in the number of buying customers, due to our success in updating our sales approach, including introducing in-store discounts that resulted in an increase in average spending per customer. However, due to efforts such as the expansion of sales of our common products for the campaign "BRAGENIC," overall sales exceeded the overall sales for the previous fiscal year.

In our wellness business, although sales of our sports bra products under the "CW-X" brand were steady, sales of functional sport tights were poor at both sport specialty chain stores and outdoor specialty stores, due to increased competition in the market. Export sales for the market in the United States were also weak. As a result, overall sales fell below the overall sales for the previous fiscal year.

In our catalog sales business, although there was a turnaround in sales in the fourth quarter of the current fiscal year due to our campaign using the SNS "LINE," review of the number of issues of catalogs published and expansion in demand through improved communications with member customers, overall sales for the whole current fiscal year fell below the overall sales for the previous fiscal year due to the underperformance of our catalog products from the first quarter of the current fiscal year to the third quarter of the current fiscal year.

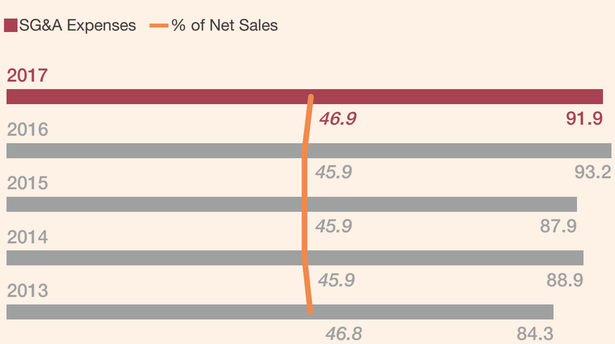
With respect to Ai Co., Ltd., although sales from our e-commerce website focusing on swimwear grew steadily, overall sales dropped compared to overall sales for the previous fiscal year, due to the underperformance of our seasonal stores opened only during a period of peak demand, as well as the reduction of sales space at department stores and the increased returns of our products resulting from poorly-functioning e-commerce websites managed by other companies.

As a result, sales attributable to our "Wacoal Business (Domestic)" segment decreased 1.8% from such sales for the previous fiscal year. Operating income decreased 21.0% from the previous fiscal year due to an increase in retirement benefit expenses at Wacoal Corp., recognition of one-time expenses and depreciation expenses in connection with the opening for the business at the New Kyoto Building, and an increase in tax as a result of the introduction of pro-forma basis taxation.

Net sales:	¥118,389 million (down 1.8% compared to fiscal 2016)
Operating income:	¥6,959 million (down 21.0% compared to fiscal 2016)

Wacoal Business (Overseas)
With respect to Wacoal America, Inc., department-store sales on a local currency basis were weak due to the shifting focus in the retail environment in the United States from physical store sales to e-commerce sales, a trend that has become more prominent. On the other hand, overall sales on a local currency basis remained unchanged from the previous fiscal year, as sales from our own e-commerce website increased significantly and sales of our products through e-commerce websites managed by department stores and other companies grew substantially. The gross profit rate improved because discounts were decreased by our pricing policy and also due to a higher ratio of e-commerce sales. However, operating income on a local currency basis fell below the operating income for the previous fiscal year due to increases of expenses associated with strengthening of e-commerce sales, increases of labor costs in healthcare costs as a result of increases in

SG&A Expenses / % of Net Sales
(¥ billion / %)



medical insurance premiums, and impact of expenses from closure of our directly managed outlet stores that were underperforming.

With respect to sales on a local currency basis for Wacoal Europe (the United Kingdom), sales at department stores in the United Kingdom were steady and e-commerce sales in North America were strong. Also, sales from our plus-size brand "Elomi" greatly exceeded sales for the previous fiscal year in various countries including Europe, North America and Australia. Although sales were significantly and negatively impacted by the "Huit" brand business, which was liquidated, overall sales exceeded the overall sales for the previous fiscal year due to the currency appreciation in non-British pound markets. In terms of operating income on a local currency basis, although gross profit increased due to increased sales, our overall operating income largely fell below the operating income for the previous fiscal year due to the impact of expenses related to the liquidation proceedings for our French subsidiary and increased expenses under IT-related investments.

With respect to our business in China, as a result of consumers becoming more sophisticated in balancing quality and service against price, sales of "Wacoal" brand products were poor and over-the-counter sales at department stores grew at a stagnant pace. However, e-commerce sales were steady due to strong sales on the online shopping festival day called "Double Eleven." As a result, although overall sales on a local currency basis for the first half of the fiscal year were weak, the overall sales on a local currency basis for the whole current fiscal year remained unchanged from the previous fiscal year. Operating income on a local currency basis exceeded the operating income for the previous fiscal year due to the closure of underperforming stores and suspension of opening of shops for the "LA ROSABALLE," our brand targeting the middle-class consumers.

As a result of the above, and due to the impact of foreign exchange rates caused by the appreciation of the Japanese yen during the current fiscal year, the overall sales attributable to our "Wacoal Business (Overseas)" segment on the Japanese yen basis decreased 6.6% and the operating income decreased 31.1% compared to the results for the previous fiscal year.

Net sales:	¥48,423 million (down 6.6% compared to fiscal 2016)
Operating income:	¥3,055 million (down 31.1% compared to fiscal 2016)

Peach John Business

With respect to Peach John Co., Ltd., retail sales at stores exceeded retail sales from mail-order catalogs for the current fiscal year. This is due to strong sales of our domestic directly managed stores, especially at the existing stores located in Tokyo. We also experienced significant growth in sales through e-commerce websites managed by other companies for the whole current fiscal year. Overseas subsidiaries in Hong Kong and China both experienced positive growth. On the other hand, because the sales of outerwear from domestic mail order catalogs fell significantly below such sales for the previous fiscal year, the results for the overall sales remained unchanged from the previous fiscal year. In terms of operating income, as the gross profit rate improved due to favorable foreign exchange rates, as well as reduction in production cost for direct mail sales catalogs and our Chinese subsidiaries returning to profitability, operating income largely exceeded the operating income for the previous fiscal year.

Net sales:	¥11,107 million (down 0.7% compared to fiscal 2016)
Operating income:	¥374 million (up 45.0% as compared to fiscal 2016)

Other

With respect to the business of Lecien Corporation ("Lecien"), sales of the innerwear business, which is its main business division, were poor for the whole current fiscal year, as sales during the fall and winter were poor, while the "brassiere for school club activities" campaign conducted during the fourth quarter of the current fiscal year proved to be successful. The art & hobby business, which mainly deals in handcraft items, performed poorly, as the anticipated repeat orders from North America did not materialize. As a result, overall sales from Lecien fell below the overall sales from the previous fiscal year. However, with respect to operating income, we moved to surplus from deficit for the previous fiscal year, due to the increased gross profit rate as a result of favorable foreign exchange rates, as well as increases in unit prices of innerwear products and a shift towards sales of high-profit products in both the innerwear and art & hobby businesses.

With respect to Nanasai Co., Ltd. ("Nanasai"), while the rental business performed well in areas such as seasonal shops and events, its business aimed at permanent stores such as department stores performed poorly. Sales from the construction business fell below the sales for the previous fiscal year due to continued postponement by our valued clients of sales space renovation projects because of worsened business confidence in the clothing industry. The poor sales of the sales business were the result of postponement of construction projects. As a result, overall sales from Nanasai fell below the overall sales for the previous fiscal year. Operating income fell below the operating income for the previous fiscal year in spite of our efforts to reduce operating expenses, due to the decrease in the gross profit rate caused by increases in rental business costs and the increase in the percentage of low-profit construction projects.

As a result of the above, overall sales attributable to our "Other" segment decreased 6.9% from the overall sales for the previous fiscal year, and operating income increased 86.0% from the operating income for the previous fiscal year.

Net sales:	¥17,962 million (down 6.9% compared to fiscal 2016)
Operating income:	¥677 million (up 86.0% compared to fiscal 2016)

• SUMMARY OF OPERATIONS BY REGION

Japan

The summary of operations of this segment (Japan) reflects the results of net sales and operating income attributable to "(i) Wacoal Business (Domestic)" under the operation segment above and the results under "(iii) Peach John Business" and "(iv) Other" segments that are attributable to our domestic business.

As described in the summary of operations by operating segment above, both net sales and operating income attributable to Wacoal Corp. (which accounts for a large portion of this segment) fell below the results for the previous fiscal year.

Sales of Peach John Co., Ltd. remained unchanged from the previous fiscal year. In the current fiscal year, while we experienced significant growth in our storefront business due to strong sales of our directly managed stores, net sales were weak, as a result of weak sales from mail-order catalogs. Operating income largely exceeded the results for the previous fiscal year as the gross profit rate improved due to favorable foreign exchange rates.

As described above, sales of Lecien fell below the results for the previous fiscal year due to the poor results of the innerwear and the art & hobby businesses. However, we achieved operating income in improvement from operating loss for the previous fiscal year, due to a significant improvement in the gross profit rate from favorable foreign exchange rates, as well as a shift towards sales of highly profitable products.

As a result of the above, both net sales and operating income fell below the results for the previous fiscal year.

Net sales:	¥147,061 million (down 2.4% compared to fiscal 2016)
Operating income:	¥7,738 million (down 16.9% compared to fiscal 2016)

Asia/Oceania

With respect to our business in China, as described in the summary of operations by operating segment, sales on a local currency basis remained unchanged from the previous fiscal year, and operating income on a local currency basis exceeded the results for the previous fiscal year.

With respect to our business in Hong Kong, while sales on a local currency basis of "Wacoal" brand products were poor due to changes in the sale space as a result of renovations at major department stores, sales of "Peach John" brand were strong due to the strong results of our flagship stores, among other things. As a result, sales of our business in Hong Kong remained unchanged from the previous fiscal year. Operating income fell below the results for the previous fiscal year due to a higher sales ratio of Peach John brand products at low profitability levels and increases in labor costs as a result of an increase in the number of sales representatives.

This Asia/Oceania segment includes sales in Oceania and Israel in which our subsidiaries of Wacoal Europe Ltd. develop businesses. Sales on a local currency basis from Oceania and Israel significantly exceeded the results for the previous fiscal year due to the growing sales from "Wacoal" brand and our plus-size brand "Elomi." The increased gross profit rate as a result of the depreciation of the British pound had a positive impact on operating income. In addition, we achieved operating income with respect to Israel, in improvement from operating loss for the previous fiscal year.

Also, two material manufacturers in Thailand and one sewing company in Myanmar commenced operations from the current fiscal year, and sales and operating losses, on the Japanese yen basis, from these operations have reached approximately ¥3,200 million and ¥300 million, respectively.

As a result of the above, both net sales and operating income, on the Japanese yen basis, have exceeded the results for the previous fiscal year.

Net sales:	¥19,187 million (up 7.2% compared to fiscal 2016)
Operating income:	¥1,758 million (up 27.3% compared to fiscal 2016)

Europe/North America

As described in the summary of operations by operating segment, sales of Wacoal International Corp. on a local currency basis remained unchanged from the previous fiscal year, and operating income on a local currency basis fell below the results for the previous fiscal year.

Sales of Wacoal Europe Ltd. on a local currency basis exceeded the results for the previous fiscal year due to steady sales at department stores in the United Kingdom, strong e-commerce sales in North America, as well as strong sales at specialty stores in the Eurozone area. However, operating income fell significantly below the results for the previous fiscal year due to the impact of expenses related to the liquidation proceedings for our French subsidiary.

As a result of the above and due to the impact of foreign exchange rates caused by the appreciation of the Japanese yen, both net sales and operating income, on the Japanese yen basis, fell significantly below the results for the previous fiscal year.

Net sales:	¥29,633 million (down 13.7% compared to fiscal 2016)
Operating income:	¥1,569 million (down 50.6% compared to fiscal 2016)

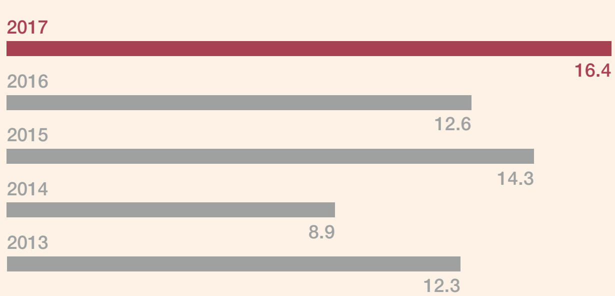
LIQUIDITY AND CAPITAL RESOURCES

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, 2017, we had credit facilities at financial institutions totaling ¥34,893 million, and the unused lines of credit for short-term financing amounted to ¥7,949 million. Of this credit, ¥2,500 million is available to Wacoal Holdings Corp., ¥2,418 million is available to Wacoal Europe Ltd., ¥2,717 million is available to Wacoal Service Co., Ltd., and ¥235 million is available to Nanasai.

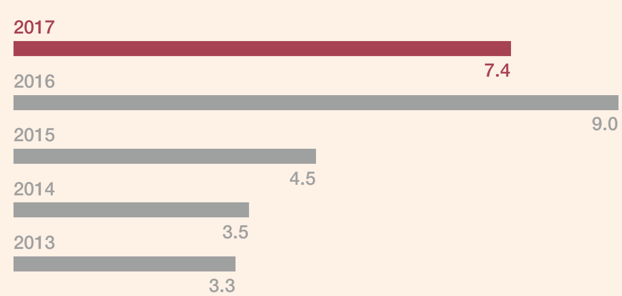
In general, most of our credit facilities have automatically renewed terms, and we are not aware of any issues with respect to any of our lenders that could cause these facilities to become unavailable. Even if any of our subsidiaries loses access to funds from our credit facilities, we believe that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

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

Net Cash Provided by Operating Activities
(¥ billion)



Capital Investment
(¥ billion)



CASH FLOW STATUS

The balance of cash and cash equivalents at the end of fiscal year 2017 was ¥33,995 million, a decrease of ¥64 million 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 2017 was ¥16,351 million, an increase of ¥3,716 million as compared to the previous fiscal year. It is the result after the net income of ¥12,648 million was adjusted for depreciation expenses, deferred taxes and changes in assets and liabilities.

• CASH FLOW USED IN INVESTING ACTIVITIES

Cash flow used in investing activities during the fiscal year 2017 was ¥3,032 million, a decrease of ¥8,375 million as compared to the previous fiscal year, due to capital expenditures.

• NET CASH USED IN FINANCING ACTIVITIES

Cash flow used in financing activities during the fiscal year 2017 was ¥13,055 million, an increase of ¥8,508 million as compared to the previous fiscal year, due to the cash dividend payments and repurchase of treasury stock.

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2017, was ¥7,445 million. 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 ¥5,233 million, ¥1,799 million, ¥355 million, and ¥58 million, 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 such a policy, we plan to distribute the year-end dividend of ¥36 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.

In addition, although we have paid only year-end dividends so far, in order to enhance the opportunity to return profits to the Company's shareholders, our Articles of Incorporation have been amended to authorize the Company to make interim dividends as stipulated in Paragraph 5, Article 454 of the Companies Act, by a resolution of the 69th Ordinary General Meeting of Shareholders held on June 29, 2017.

Accordingly, our basic policy is to distribute earnings twice a year in the form of interim and year-end dividends and the Board of Directors is the decision-making body for the distribution of earnings.

We also provide that the Company may distribute earnings subject to the resolution of the Board of Directors pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act.

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 of 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 the creation of a healthy and beautiful body by changing the idea of everyday walking to walking for exercise. In 2010, we conducted an analysis and announced principles on the physiological changes associated with the aging period from a person's 20s to their 50s. We also strengthened the development of new products coping with aging and have been working on developing new functional products based on the lifestyle habits of people as they undergo small physical changes associated with aging.

Our Human Science Research Center is promoting research and development that is based on a survey analysis of the body shapes and needs of young customers, including customers at an age at which our products are first introduced, and the senior generation.

We strengthened our research and development during the current fiscal year by focusing on the concepts of "new beauty," extending to beauty in motion from standstill, "comfort" and "modeling."

As a result of the above, we recorded ¥810 million for our research and development during the fiscal year ended March 2017.

Our research and development activities cover a wide range of research from basic research to product development, mainly of women's innerwear. Therefore, it is difficult to relate each of these activities to a specific segment, and thus, we do not provide information regarding research and development activities by segment.

In order to promote "the realization of an industry supporting women with unbounded living beauty," we will make efforts to enrich research and development activities that contribute to the improvement of customer satisfaction and corporate value based on the key concepts 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, 2017 and 2016	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 2) 2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 33,995	¥ 34,059	$ 305,134
Time deposits	2,722	2,131	24,432
Marketable securities (Notes 3, 19 and 20)	1,457	1,880	13,078
Notes and accounts receivable (Note 17)	25,563	26,936	229,450
Allowance for returns and doubtful receivables (Note 4)	(2,477)	(2,229)	(22,233)
Inventories (Note 5)	43,822	44,445	393,340
Deferred income taxes (Note 16)	4,049	3,832	36,343
Other current assets (Notes 17, 20, 21 and 23)	4,683	5,797	42,034
Total current assets	113,814	116,851	1,021,578
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 9 and 20)	21,555	21,677	193,475
Buildings and structures (Notes 9 , 11 and 20)	72,664	65,056	652,222
Machinery and equipment (Note 20)	17,722	17,552	159,070
Construction in progress	274	5,419	2,459
Total	112,215	109,704	1,007,226
Accumulated depreciation	(56,927)	(55,766)	(510,969)
Net property, plant and equipment	55,288	53,938	496,257
OTHER ASSETS:			
Investments in affiliated companies (Note 6)	20,868	20,713	187,308
Investments (Notes 3, 19 and 20)	59,847	56,021	537,178
Goodwill (Notes 7 and 8)	16,071	17,911	144,251
Other intangible assets (Note 8)	11,849	12,112	106,355
Prepaid pension expense (Note 12)	10,287	8,145	92,335
Deferred income taxes (Note 16)	1,060	1,036	9,514
Other	5,874	6,127	52,724
Total other assets	125,856	122,065	1,129,665
TOTAL	¥294,958	¥292,854	$2,647,500

See notes to consolidated financial statements.

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 2) 2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 9)	¥ 7,716	¥ 11,759	$ 69,258
Notes and accounts payable:			
Trade notes payable	1,438	1,431	12,907
Trade accounts payable (Note 17)	11,605	12,017	104,165
Other payables	6,185	6,106	55,516
Accrued payroll and bonuses	7,093	7,152	63,666
Income taxes payable (Note 16)	2,964	711	26,604
Current portion of long-term debt (Notes 9 and 19)	50	293	449
Other current liabilities (Notes 20 and 21)	4,008	4,874	35,975
Total current liabilities	41,059	44,343	368,540
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 19)	185	95	1,661
Liability for termination and retirement benefit (Note 12)	1,956	1,703	17,557
Deferred income taxes (Note 16)	17,862	15,588	160,327
Other long-term liabilities (Notes 11, 12 and 16)	1,414	1,724	12,691
Total long-term liabilities	21,417	19,110	192,236
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)			
EQUITY:			
WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY (Note 14):			
Common stock, no par value - authorized, 500,000,000 shares in 2017 and 2016; issued 143,378,085 shares in 2017 and 2016	13,260	13,260	119,020
Additional paid-in capital (Note 14)	29,707	29,686	266,646
Retained earnings	170,062	162,196	1,526,452
Accumulated other comprehensive income (Note 15):			
Foreign currency translation adjustments	1,212	5,177	10,878
Unrealized gain on securities	21,075	17,966	189,166
Pension liability adjustments (Note 12)	(414)	(1,035)	(3,716)
Total accumulated other comprehensive income	21,873	22,108	196,328
Treasury stock, at cost - 6,167,211 shares and 2,519,350 shares in 2017 and 2016, respectively	(7,334)	(2,876)	(65,829)
Total Wacoal Holdings Corp. shareholders' equity	227,568	224,374	2,042,617
NONCONTROLLING INTERESTS	4,914	5,027	44,107
Total equity	232,482	229,401	2,086,724
TOTAL	¥294,958	¥292,854	$2,647,500

Consolidated Statements of Income

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2017, 2016 and 2015	2017 (Millions of yen)	2016 (Millions of yen)	2015 (Millions of yen)	2017 (Thousands of U.S. dollars (Note 2))
NET SALES (Note 17)	¥195,881	¥202,917	¥191,765	$1,758,200
OPERATING COSTS AND EXPENSES:				
Cost of sales (Notes 12 and 17)	92,950	95,901	90,722	834,306
Selling, general and administrative expenses (Notes 1, 10, 11, 12, 13, 20 and 22)	91,866	93,151	87,940	824,576
Impairment charges on goodwill (Notes 8 and 20)			4,845	
Impairment charges on other intangible assets (Notes 8 and 20)			1,176	
Total operating costs and expenses	184,816	189,052	184,683	1,658,882
OPERATING INCOME	11,065	13,865	7,082	99,318
OTHER INCOME (EXPENSES):				
Interest income	157	161	142	1,409
Interest expense	(27)	(65)	(98)	(242)
Dividend income	1,176	1,057	1,011	10,556
Gain (loss) on sale or exchange of marketable securities and investments – net (Note 3)	441	90	1,585	3,958
Valuation gain (loss) on marketable securities and investments – net (Note 3)	1	(20)	(14)	9
Gain on sale of property, plant and equipment	3,770			33,839
Gain on bargain purchase (Note 7)		173		
Gain on sales of paintings			1,405	
Other – net (Notes 1, 15 and 21)	(14)	(304)	229	(126)
Total other income (expenses) – net	5,504	1,092	4,260	49,403
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	16,569	14,957	11,342	148,721
INCOME TAXES (Note 16):				
Current	4,830	3,442	5,223	43,354
Deferred	450	1,288	(1,920)	4,039
Total income taxes	5,280	4,730	3,303	47,393
INCOME BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	11,289	10,227	8,039	101,328
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	1,359	1,245	705	12,199
NET INCOME	12,648	11,472	8,744	113,527
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(123)	(313)	(300)	(1,104)
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 12,525	¥ 11,159	¥ 8,444	$ 112,423

Years Ended March 31, 2017, 2016 and 2015	2017 (Yen)	2016 (Yen)	2015 (Yen)	2017 (U.S. dollars (Note 2))
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 18):				
Basic	¥ 90.13	¥ 79.23	¥ 59.95	$ 0.81
Diluted	¥ 89.85	¥ 79.00	¥ 59.80	$ 0.81
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 18):				
Basic	¥ 450.65	¥ 396.15	¥ 299.77	$ 4.04
Diluted	¥ 449.27	¥ 394.99	¥ 299.00	$ 4.03

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2017, 2016 and 2015	2017 (Millions of yen)	2016 (Millions of yen)	2015 (Millions of yen)	2017 (Thousands of U.S. dollars (Note 2))
NET INCOME	¥ 12,648	¥ 11,472	¥ 8,744	$ 113,527
OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 15):				
Foreign currency translation adjustments:				
Amounts arising during the year	(4,079)	(5,670)	8,671	(36,613)
Reclassification adjustments				
Total foreign currency translation adjustments	(4,079)	(5,670)	8,671	(36,613)
Unrealized gain (loss) on securities:				
Amounts arising during the year	3,413	(2,833)	10,216	30,635
Reclassification adjustments	(304)	(47)	(974)	(2,729)
Total unrealized gain (loss) on securities	3,109	(2,880)	9,242	27,906
Pension liability adjustments:				
Amounts arising during the year	619	(2,327)	2,332	5,556
Reclassification adjustments	(1)	(644)	(176)	(9)
Total pension liability adjustments	618	(2,971)	2,156	5,547
OTHER COMPREHENSIVE (LOSS) INCOME	(352)	(11,521)	20,069	(3,160)
COMPREHENSIVE INCOME (LOSS)	12,296	(49)	28,813	110,367
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(6)	(270)	(472)	(54)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 12,290	¥ (319)	¥ 28,341	$ 110,313

See notes to consolidated financial statements.

Consolidated Statements of Equity

Wacoal Holdings Corp. and Subsidiaries

Millions of yen

Years Ended March 31, 2017, 2016 and 2015	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock, at Cost	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 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 gain 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)
Purchase of treasury stock	(3)					(3)	(3)		(3)
Share-based compensation granted (exercised) (Note 13)	5		55			6	61		61
Equity transactions with noncontrolling interests			0				0	(1)	(1)
BALANCE, MARCH 31, 2015	140,841	13,260	29,642	155,264	33,586	(2,895)	228,857	2,711	231,568
Net income				11,159			11,159	313	11,472
Foreign currency translation adjustments					(5,654)		(5,654)	(16)	(5,670)
Unrealized loss on securities					(2,855)		(2,855)	(25)	(2,880)
Pension liability adjustments					(2,969)		(2,969)	(2)	(2,971)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥150 per 5 shares of common stock				(4,225)			(4,225)		(4,225)
Cash dividends paid to noncontrolling interests								(206)	(206)
Purchase of treasury stock	(5)					(7)	(7)		(7)
Disposal of treasury stock	1					1	1		1
Share-based compensation granted (exercised) (Note 13)	22		44	(2)		25	67		67
Increase due to establishment of subsidiaries (Note 7)								2,252	2,252
BALANCE, MARCH 31, 2016	140,859	13,260	29,686	162,196	22,108	(2,876)	224,374	5,027	229,401
Net income				12,525			12,525	123	12,648
Foreign currency translation adjustments					(3,965)		(3,965)	(114)	(4,079)
Unrealized gain on securities					3,109		3,109	0	3,109
Pension liability adjustments					621		621	(3)	618
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								(167)	(167)
Purchase of treasury stock	(3,703)					(4,522)	(4,522)		(4,522)
Share-based compensation granted (exercised) (Note 13)	55		21	(11)		64	74		74
Equity transactions with noncontrolling interests								48	48
BALANCE, MARCH 31, 2017	137,211	¥13,260	¥29,707	¥170,062	¥21,873	¥(7,334)	¥227,568	¥4,914	¥232,482

Thousands of U.S. dollars (Note 2)

Year Ended March 31, 2017	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock, at Cost	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2016	$119,020	$266,457	$1,455,848	$198,438	$(25,815)	$2,013,948	$45,121	$2,059,069
Net income			112,423			112,423	1,104	113,527
Foreign currency translation adjustments				(35,590)		(35,590)	(1,023)	(36,613)
Unrealized gain on securities				27,906		27,906	0	27,906
Pension liability adjustments				5,574		5,574	(27)	5,547
Cash dividends paid to Wacoal Holdings Corp. shareholders, $1 per 5 shares of common stock			(41,720)			(41,720)		(41,720)
Cash dividends paid to noncontrolling interests							(1,499)	(1,499)
Purchase of treasury stock					(40,589)	(40,589)		(40,589)
Share-based compensation granted (exercised) (Note 13)		189	(99)		575	665		665
Equity transactions with noncontrolling interests							431	431
BALANCE, MARCH 31, 2017	$119,020	$266,646	$1,526,452	$196,328	$(65,829)	$2,042,617	$44,107	$2,086,724

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2017, 2016 and 2015	2017	2016	2015 (Millions of yen)	2017 (Thousands of U.S. dollars (Note 2))
OPERATING ACTIVITIES:				
Net income	¥ 12,648	¥ 11,472	¥ 8,744	$ 113,527
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,032	4,815	5,074	45,167
Share-based compensation (Note 13)	74	67	60	664
Allowance for returns and doubtful receivables – net	264	(117)	(45)	2,370
Deferred income taxes	450	1,288	(1,920)	4,039
(Gain) loss on sales or disposal of property, plant and equipment – net	(3,374)	59	38	(30,285)
Impairment charges on long-lived assets		256		
Impairment charges on goodwill (Notes 8 and 20)			4,845	
Impairment charges on other intangible assets (Notes 8 and 20)			1,176	
(Gain) loss on sale or exchange of marketable securities and investments – net (Note 3)	(441)	(90)	(1,585)	(3,958)
Valuation (gain) loss on marketable securities and investments – net (Note 3)	(1)	20	14	(9)
Gain on bargain purchase (Note 7)		(173)		
Gain on sales of paintings			(1,405)	
Equity in net income of affiliated companies, less dividends received	(837)	(482)	(27)	(7,513)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	882	(195)	534	7,917
Increase in inventories	(378)	(1,008)	(1,038)	(3,393)
Decrease (increase) in other current assets	475	(1,111)	(442)	4,264
(Decrease) increase in notes and accounts payable	(95)	(45)	1,302	(853)
Decrease in liability for termination and retirement benefit	(417)	(2,101)	(1,601)	(3,743)
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	1,615	(261)	505	14,496
Other	454	241	108	4,074
Net cash provided by operating activities	16,351	12,635	14,337	146,764
INVESTING ACTIVITIES:				
Increase in time deposits	(4,336)	(2,459)	(3,548)	(38,919)
Decrease in time deposits	3,717	2,889	3,383	33,363
Proceeds from sales and redemption of available-for-sale securities (Note 3)	1,968	602	4,499	17,664
Payments to acquire available-for-sale securities	(313)	(420)	(1,353)	(2,809)
Proceeds from redemption of held-to-maturity debt securities	109	739	114	978
Payments to acquire held-to-maturity debt securities	(330)	(629)	(568)	(2,962)
Proceeds from sales of paintings			1,785	
Proceeds from sales of property, plant and equipment	3,585	775	174	32,178
Capital expenditures	(5,504)	(7,546)	(3,093)	(49,403)
Payments to acquire intangible assets (Note 8)	(1,941)	(1,432)	(1,385)	(17,422)
Proceeds from sales of other investments	15	12	124	135
Payments to acquire other investments	(39)			(350)
Proceeds from sales of shares of affiliated companies	4	6	6	36
Payments to acquire additional shares of a subsidiary			(1)	
Payments associated with the acquisition of a business (net of cash and cash equivalents acquired) (Note 7)		(3,822)		
Other	33	(122)	27	296
Net cash (used in) provided by investing activities	(3,032)	(11,407)	164	(27,215)
FINANCING ACTIVITIES:				
(Decrease) increase in short-term bank loans with original maturities of three months or less – net	(3,613)	2,101	(6,784)	(32,430)
Proceeds from issuance of long-term debt	250		4,460	2,244
Repayments of long-term debt	(403)	(4,463)	(1,226)	(3,617)
Purchase of treasury stock	(4,522)	(7)	(3)	(40,589)
Proceeds from sales of treasury stock		1		
Dividends paid on common stock	(4,648)	(4,225)	(4,648)	(41,720)
Dividends paid to noncontrolling interests	(167)	(206)	(190)	(1,499)
Proceeds from payments from noncontrolling interests	48	2,252		431
Net cash used in financing activities	(13,055)	(4,547)	(8,391)	(117,180)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(328)	(1,032)	1,642	(2,944)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(64)	(4,351)	7,752	(575)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,059	38,410	30,658	305,709
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 33,995	¥ 34,059	¥38,410	$ 305,134
ADDITIONAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	¥ 27	¥ 67	¥ 100	$ 242
Income taxes	2,812	5,756	4,497	25,240
NONCASH INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment by assuming payment obligation	¥ 795	¥ 736	¥ 419	$ 7,136

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 other 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 have been 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 end. Necessary adjustments have been made for significant events related to subsidiaries that occurred during the period between their fiscal year ends and March 31.

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 from 20% to 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 highly liquid investments 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, which is 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, 2017, 2016 and 2015 were ¥(175) million, ¥(519) million and ¥300 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, available-for-sale or held-to-maturity. Trading securities are recorded at fair value and unrealized holding gains and losses on trading securities are included in earnings. Available-for -sale securities are recorded at fair value with a corresponding recognition of unrealized holding gain or loss (net of tax) in accumulated other comprehensive income or loss, which is a separate component of equity, until realized. 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. 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—An allowance for sales returns is estimated based on historical products returns experience, sales movements, and the overall retail industry considerations.

ALLOWANCE FOR DOUBTFUL RECEIVABLES—An 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 charges. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired on or after April 1, 1998 as well as building improvements and structures acquired on or after April 1, 2016, 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 structures	2–50 years (mainly 38 years)
Machinery and equipment (except for the part of the painting)	2–20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2017, 2016 and 2015 are ¥3,443 million, ¥3,278 million and ¥3,356 million, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS—The carrying amount of long-lived assets held and used by the Companies is 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 is based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. The impairment charge is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Impairment charges on long-lived assets for the year ended March 31, 2016 were ¥256 million in selling, general and administrative expenses in the consolidated statements of income. The Companies recorded no impairment charges on long-lived assets for the years ended March 31, 2017 and 2015.

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 amount 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 charge 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 charge is recognized in an amount equal to that excess.

Other intangible assets with estimable useful lives consist primarily of brands 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)
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 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 estimated asset retirement costs are capitalized as part of the carrying amount of the associated 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.

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. In the case where the purchase price is below the fair value of the net assets, the Companies recognize the excess of fair value of the net assets over the purchase price in earnings as a gain on bargain purchase in the consolidated statements of income.

REVENUE RECOGNITION—The Companies recognize revenue on sales to retailers, mail order catalog sales and web 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, 2017, 2016 and 2015 were ¥5,249 million, ¥5,560 million and ¥5,487 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, 2017, 2016 and 2015 were ¥12,694 million, ¥13,167 million and ¥13,103 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, 2017, 2016 and 2015 were ¥810 million, ¥839 million and ¥869 million, respectively, and have been included in selling, general and administrative expenses.

CONSUMPTION TAXES—Consumption taxes are excluded from sales, costs, and expenses in the consolidated statements of income.

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 statements 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 a 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 of the derivatives are recorded in earnings or losses.

SUBSEQUENT EVENTS—In accordance with the guidance for subsequent events, the Company has evaluated subsequent events through June 29, 2017.

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 Standards Board (the "FASB") issued a new accounting guidance related to revenue recognition. This guidance is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard provides comprehensive guidance, and requires the disclosure of information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued additional guidance and deferred the effective date of the guidance for a year. In May 2016, the FASB also issued additional guidance to improve the above guidance by reducing the potential for diversity in practice at initial application and the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within that annual period. The Companies are currently evaluating the potential impact of adoption on the Companies' consolidated financial position and results of operations.

EXTRAORDINARY AND UNUSUAL ITEMS—In January 2015, the FASB issued a new accounting guidance 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. Adoption of this guidance did not have an impact on the Companies' consolidated financial position, results of operations, or cash flows.

FAIR VALUE MEASUREMENT—In May 2015, the FASB issued a new guidance which amends fair value measurement. This guidance 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 did not have an impact on the Companies' consolidated financial position, results of operations, or cash flows.

MEASUREMENT OF INVENTORY—In July 2015, the FASB issued a new guidance related to simplifying the measurement of inventory. Currently an entity is required to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. This guidance requires an entity to measure inventory at the lower of cost or net realizable value. This guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial position, results of operations, or cash flows.

BALANCE SHEET CLASSIFICATION OF DEFERRED TAXES—In November 2015, the FASB issued a new accounting guidance related to balance sheet classification of deferred taxes. This guidance requires an entity to classify deferred tax liabilities and assets as noncurrent on the consolidated financial position. This guidance is effective for fiscal years beginning after December 15, 2016. The carrying amount of the current portion of deferred tax assets in the Companies' consolidated balance sheet as of March 31, 2017 was ¥4,049 million. There was no current portion of deferred tax liabilities as of March 31, 2017.

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS—In January 2016, the FASB issued new accounting guidance related to recognition and measurement of financial assets and financial liabilities. This guidance requires an entity to measure equity investments (except those accounted for under to the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income and change of related disclosures. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the potential impact of adoption on the Company's consolidated financial position, and results of operations.

LEASE—In February 2016, the FASB issued new accounting guidance related to leases. This guidance requires an entity to recognize lease assets and lease liabilities on the balance sheet for, with a few exceptions, those leases classified as operating leases under current U.S. GAAP. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within that annual period. The Company is currently evaluating the potential impact of adoption on the Company's consolidated financial position, and results of operations.

CLASSIFICATION OF CERTAIN CASH RECEIPTS AND CASH PAYMENTS—In August 2016, the FASB issued new accounting guidance related to classification of certain cash receipts and cash payments. This guidance is intended to reduce existing diversity in practice with respect to classification of certain cash receipts and payments in the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within that annual period. The Company is currently evaluating the potential impact of adoption on the Company's consolidated statement of cash flows.

INCOME TAXES—In October 2016, the FASB issued new accounting guidance related to income taxes. This guidance requires an entity to recognize income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within that annual period. The Company is currently evaluating the potential impact of adoption on the Company's consolidated financial position, and results of operations.

SIMPLIFYING THE TEST FOR GOODWILL IMPAIRMENT—In January 2017, the FASB issued new accounting guidance related to goodwill and other intangible assets. This guidance simplifies the goodwill impairment test by eliminating Step 2 from the test. This guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within that annual period. The Company is currently evaluating the potential impact of adoption on the Company's consolidated financial position, and results of operations.

PERIODIC PENSION COST—In March 2017, the FASB issued new accounting guidance related to periodic pension cost and net periodic post retirement benefit cost. This guidance requires an entity to disaggregate the service cost component from the other components of net periodic benefit costs. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within that annual period. The Company is currently evaluating the potential impact of adoption on the Company's consolidated financial position, and results of operations.

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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥111.41 to $1, the noon buying rate for yen in New York City as of March 31, 2017. Such translation 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, 2017 and 2016. 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

2017	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
Municipal bonds	¥ 10	¥ 0		¥ 10
Mutual funds	701	168	¥ 1	868
Total	¥ 711	¥ 168	¥ 1	¥ 878
Noncurrent:				
Equity securities	¥23,153	¥34,833	¥10	¥57,976
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥ 567		¥ 3	¥ 564
Noncurrent:				
Corporate debt securities	¥ 566		¥ 4	¥ 562

Millions of yen

2016	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
Municipal bonds	¥ 10	¥ 0		¥ 10
Corporate debt securities	395		¥0	395
Mutual funds	1,083	279	1	1,361
Total	¥ 1,488	¥ 279	¥1	¥ 1,766
Noncurrent:				
Equity securities	¥23,592	¥30,336	¥3	¥53,925
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥ 114		¥1	¥ 113
Noncurrent:				
Corporate debt securities	¥ 808	¥ 0	¥3	¥ 805

Gross unrealized holding losses and fair values of held-to-maturity securities, all of which have been in a continuous unrealized loss position for more than 12 months as of March 31, 2017 and 2016, were as follows:

Millions of yen

	2017		2016	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥340	¥3	¥114	¥1
Noncurrent:				
Corporate debt securities			¥345	¥3

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, 2017 and 2016, were as follows:

Millions of yen

	2017		2016	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale securities:				
Current:				
Corporate debt securities			¥395	¥0
Mutual funds	¥ 8	¥ 1	480	1
Noncurrent:				
Equity securities	¥172	¥10	¥102	¥3
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥224	¥ 0		
Noncurrent:				
Corporate debt securities	¥562	¥ 4	¥232	¥0

As of March 31, 2017, the available-for-sale securities in a continuous unrealized loss position are composed of three equity securities and one mutual fund. The percentage of decline was less than 11.5%. 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 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 available-for-sale and held-to-maturity securities for a sufficient period of time for anticipated recovery in fair value as described in Note 1. No available-for-sale or held-to-maturity securities were identified that meet the Companies' criteria for recognition of an impairment charge on available-for-sale and held-to-maturity securities in an unrealized loss position presented above. Therefore, the Companies do not believe the unrealized losses represent an other-than-temporary impairment as of March 31, 2017 and 2016.

Future maturities of debt securities and mutual funds classified as available-for-sale excluding debt securities and mutual funds without fixed maturities as of March 31, 2017 were as follows:

Millions of yen

	Cost	Fair Value
Due within one year		
Due after one year through five years	¥305	¥308
Due within ten years		
More than ten years	280	291
Total	¥585	¥599

Future maturities of debt securities classified as held-to-maturity as of March 31, 2017 were as follows:

Millions of yen

	Cost	Fair Value
Due within one year	¥ 567	¥ 564
Due after one year through five years	566	562
Total	¥1,133	¥1,126

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, 2017, 2016 and 2015 were as follows:

Millions of yen

	2017	2016	2015
Proceeds from sales of available-for-sale securities	¥1,573	¥102	¥3,499
Gross realized gain on sales of available-for-sale securities	458	90	1,516
Gross realized loss on sales of available-for-sale securities	17		

During the year ended March 31, 2017, the Companies exchanged certain equity securities for other marketable securities. The Companies recorded newly-received securities at fair value and recognized a loss of ¥0 million for the year ended March 31, 2017. There was no exchange of marketable securities for the year ended March 31, 2016. The Companies recorded newly-received securities at fair value and recognized a gain of ¥1 million for the year ended March 31, 2015.

The amount of impairment charges the Companies recognized on available-for-sale securities in which declines in fair value were deemed to be other than temporary was ¥3 million, ¥20 million and ¥4 million for the years ended March 31, 2017, 2016 and 2015, respectively.

TRADING SECURITIES—A subsidiary in the United States of America has trading securities consisting of mutual funds, which are recorded as investments at a fair value of ¥44 million as of March 31, 2017. There were no trading securities as of March 31, 2016. The Companies recorded a gain of ¥4 million for the year ended March 31, 2017. There was no gain or loss related to trading securities for the years ended March 31, 2016 and 2015.

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 ¥1,273 million and ¥1,288 million as of March 31, 2017 and 2016, respectively. Investments in nonmarketable equity securities are reviewed annually or upon the occurrence of an event for other-than-temporary impairment. There were no impairment charges on investments in nonmarketable equity securities for the year ended March 31, 2017. The Companies recognized impairment charges on investments in nonmarketable equity securities of ¥0 million and ¥10 million for the years ended March 31, 2016 and 2015, respectively.

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES AND SALES RETURNS

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

Millions of yen

	2017	2016	2015
Balance at the beginning of the year	¥196	¥ 198	¥201
Charged to costs and expenses	68	110	45
Balances written-off/reversed	(45)	(112)	(48)
Balance at the end of the year	¥219	¥ 196	¥198

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

Millions of yen

	2017	2016	2015
Balance at the beginning of the year	¥ 2,033	¥ 2,211	¥ 2,120
Charged to costs and expenses	2,258	2,033	2,211
Balances utilized	(2,033)	(2,211)	(2,120)
Balance at the end of the year	¥ 2,258	¥ 2,033	¥ 2,211

5. INVENTORIES

The components of inventories as of March 31, 2017 and 2016 were as follows:

Millions of yen

	2017	2016
Finished products	¥37,586	¥37,689
Work in process	3,743	4,056
Raw materials	2,493	2,700
Total	¥43,822	¥44,445

6. INVESTMENTS IN AFFILIATED COMPANIES

Certain investments are accounted for using the equity method if the investment provides the Companies with 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, 2017 and 2016, were as follows:

Percentage of ownership (%)

Name of Investee	2017	2016
Shinyoung Wacoal Inc.	25	25
Taiwan Wacoal Co., Ltd.	50	50
THAI WACOAL PUBLIC CO., LTD.	34	34
PT. Indonesia Wacoal	42	42
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, 2017 and 2016, were as follows:

Millions of yen

	2017	2016
Carrying amount	¥13,556	¥13,522
Aggregate value of quoted market price	11,754	11,561

The following tables represent the affiliated companies' summarized information from the balance sheets as of March 31, 2017 and statements of income for the years ended March 31, 2017 and 2015. Summarized information of the balance sheet and statement of income of affiliated companies for the year ended March 31, 2016 is not disclosed as it is immaterial.

Millions of yen

	2017
Current assets	¥40,589
Noncurrent assets	41,773
Total	¥82,362
Current liabilities	¥8,538
Long-term liabilities	7,366
Equity	66,458
Total	¥82,362

Millions of yen

	2017	2015
Net sales	¥59,172	¥62,459
Gross profit	30,200	31,519
Income before income taxes	5,105	2,848
Net income	4,089	2,196

Dividends received from affiliated companies were ¥522 million, ¥763 million and ¥678 million for the years ended March 31, 2017, 2016 and 2015, respectively.

Retained earnings includes net undistributed earnings of affiliated companies of ¥15,689 million and ¥15,226 million as of March 31, 2017 and 2016, respectively.

7. ACQUISITIONS

On April 1, 2015, Ai Co., Ltd., a wholly-owned domestic subsidiary of the Company, acquired the swimwear business and underwear business from San-Ai Co., Ltd. and San-Ai Style Co., Ltd., and the difference between the acquisition cost and the estimated fair values of the identifiable assets acquired and liabilities assumed, the details of which were investigated and analyzed, was recorded on the consolidated statements of income as a gain on bargain purchase in the amount of ¥173 million.

The fair values of the assets and liabilities as of the date of the acquisition have been revised based on updated information obtained after the date of acquisition, and were adjusted retroactively to the date of the acquisition.

In January 2016, Wacoal Corp., a wholly-owned subsidiary of the Company, established A Tech Textile Co., Ltd. ("A Tech") and G Tech Material Co., Ltd. ("G Tech") in the Kingdom of Thailand pursuant to joint venture agreements executed on November 13, 2015. A Tech and G Tech executed business transfer agreements with Textile Prestige Public Company Limited ("TPC") and Erawan Textile Company Limited ("ETC"), respectively, and transfers of the material business assets and liabilities were completed on February 1, 2016.

In connection with these business transfers, A Tech and G Tech agreed to pay the purchase price for the assets acquired and liabilities assumed, in the amount of ¥2,334 million (THB 699 million) and ¥693 million (THB 208 million), respectively.

By establishing these two subsidiaries, the Group will build a worldwide system to supply materials and products in the ASEAN region, which has the potential to further develop and grow, improve the manufacturing quality and cost competitiveness of our entire group and to stably supply high value-added materials and products to the global network of the Wacoal group and customers in the future.

As a result of purchase price allocations for A Tech and G Tech, goodwill was recognized and recorded in the consolidated balance sheet in the year ended March 31, 2016. Goodwill is not deductible for tax purposes.

Furthermore, based on updated information obtained after the date of the transfers, the fair values of the assets and liabilities as of the date of the transfers were adjusted. A Tech and TPC reached a final agreement on the purchase price. As a result of these changes, the amount of goodwill relating to A Tech and G Tech decreased by ¥39 million and ¥18 million, respectively. These adjustments during the measurement period were reflected in the consolidated balance sheet as of March 31, 2017.

The fair value of the assets and liabilities of the businesses, which A Tech and G Tech acquired, were as follows:

	Before Adjustment	
	Millions of yen	
	February 1, 2016	
	A Tech	G Tech
Cash and cash equivalents	¥ 210	
Notes and accounts receivable	557	¥150
Inventories	608	101
Other current assets	18	4
Property, plant and equipment	1,243	342
Goodwill	246	223
Other noncurrent assets		1
Total	2,882	821
Current liabilities	281	82
Other long-term liabilities	251	46
Total	532	128
Total shareholder's equity	¥2,350	¥693

	After Adjustment	
	Millions of yen	
	February 1, 2016	
	A Tech	G Tech
Cash and cash equivalents	¥ 210	
Notes and accounts receivable	557	¥150
Inventories	608	101
Other current assets	18	4
Property, plant and equipment	1,265	342
Goodwill	207	205
Other noncurrent assets		1
Total	2,865	803
Current liabilities	282	64
Other long-term liabilities	249	46
Total	531	110
Total shareholder's equity	¥2,334	¥693

8. GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL—The changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2017, 2016 and 2015 were as follows. For information about the Companies' operating segments, see Note 24.

			Millions of yen
			2017
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Goodwill	¥13,586	¥11,203	¥24,789
Accumulated impairment charges		(6,878)	(6,878)
Total	13,586	4,325	17,911
Adjustments during the measurement period	(57)		(57)
Foreign currency translation adjustments	(1,783)		(1,783)
Balance at the end of the year:			
Goodwill	11,746	11,203	22,949
Accumulated impairment charges		(6,878)	(6,878)
Total	¥11,746	¥ 4,325	¥16,071

Millions of yen

2016	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Goodwill	¥14,425	¥11,203	¥25,628
Accumulated impairment charges		(6,878)	(6,878)
Total	14,425	4,325	18,750
Acquisition during the year	469		469
Foreign currency translation adjustments	(1,308)		(1,308)
Balance at the end of the year:			
Goodwill	13,586	11,203	24,789
Accumulated impairment charges		(6,878)	(6,878)
Total	¥13,586	¥ 4,325	¥17,911

Millions of yen

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

During the year ended March 31, 2015, the Companies recorded impairment charges on goodwill of ¥4,845 million in the Peach John segment. See Note 20 for further information.

OTHER INTANGIBLE ASSETS—The components of intangible assets excluding goodwill as of March 31, 2017 and 2016 were as follows:

Millions of yen

Year Ended March 31	2017		2016	
	Gross Carrying Amount	Accumulated Amortization and Impairment Charge	Gross Carrying Amount	Accumulated Amortization and Impairment Charge
Amortized intangible assets:				
Brands	¥ 5,853	¥1,311	¥ 6,766	¥1,212
Software	9,692	5,434	8,034	4,597
Others	1,601	660	1,646	633
Total	¥17,146	¥7,405	¥16,446	¥6,442
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥3,322	¥ 5,316	¥3,322
Other	114		114	
Total	¥ 5,430	¥3,322	¥ 5,430	¥3,322

Other intangible assets acquired during the year ended March 31, 2017, 2016 and 2015 totaled ¥1,941 million, ¥1,432 million and ¥1,385 million, all of which primarily consist of software with an estimated useful life of five years.

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

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 years ended March 31, 2017 and 2016, the Companies recorded no impairment charge on other intangible assets. See Note 20 for further information.

Aggregate amortization expenses for the years ended March 31, 2017, 2016 and 2015 related to other intangible assets were ¥1,589 million, ¥1,537 million and ¥1,536 million, respectively. Future estimated amortization expenses as of March 31, 2017 were as follows:

Year Ending March 31	Millions of yen
Estimated amortization expense	
2018	¥1,568
2019	1,382
2020	1,124
2021	840
2022	633
Total	¥5,547

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

Short-term bank loans as of March 31, 2017 and 2016 consisted of the following:

Millions of yen

	2017	2016
Unsecured bank loans	¥7,716	¥11,759

The weighted-average annual interest rate on short-term bank loans as of March 31, 2017 and 2016 was 0.4%.

Unused lines of credit for short-term financing as of March 31, 2017 and 2016 aggregated ¥26,830 million and ¥24,779 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, 2017 and 2016.

Long-term debt as of March 31, 2017 and 2016 is summarized below. The interest rates and maturities are for loans as of March 31, 2017.

Millions of yen

	2017	2016
Collateralized bank loans, with fixed interest at 0.6%, maturing through 2022	¥ 95	¥ 231
Unsecured bank loans, with fixed interest at 0.4%, maturing through 2022	140	157
Total	235	388
Less current portion	(50)	(293)
Long-term debt, less current portion	¥185	¥ 95

The annual maturities of long-term debt as of March 31, 2017 were as follows:

Year Ending March 31	Millions of yen
2018	¥ 50
2019	50
2020	50
2021	50
2022	35
Total	¥235

A subsidiary has pledged assets as security for loans. As of March 31, 2017 and 2016, assets pledged as collateral for bank loans were as follows:

Millions of yen

	2017	2016
Land	¥150	¥150
Buildings	213	236
Total	¥363	¥386

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 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, 2017 are presented below:

Year Ending March 31	Millions of yen
2018	¥ 495
2019	466
2020	157
2021	72
2022	8
Thereafter	10
Total	¥1,208

Rental expenses were ¥7,862 million, ¥7,902 million and ¥6,476 million for the years ended March 31, 2017, 2016 and 2015, 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

	2017	2016	2015
Balance at the beginning of the year	¥ 878	¥777	¥728
Accretion expense	2	20	8
Liabilities incurred	84	157	66
Liabilities settled	(111)	(74)	(32)
Change due to translation of foreign currencies	2	(2)	7
Balance at the end of the year	¥ 855	¥878	¥777

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

	2017	2016	2015
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥35,777	¥34,085	¥33,712
Service cost	1,103	1,074	1,021
Interest cost	183	321	417
Participants' contributions	65	66	66
Actuarial (gain) loss	(509)	1,893	1,001
Prior service cost arising during the year	271		
Benefits paid from plan assets	(958)	(950)	(908)
Settlement paid from plan assets	(865)	(850)	(1,075)
Settlement paid by the Company and certain subsidiaries	(125)	(100)	(149)
Changes in foreign currency exchange rate	(7)	(6)	
Change in the scope of consolidation		244	
Benefit obligations at the end of the year	34,935	35,777	34,085
Change in plan assets:			
Fair value of plan assets at the beginning of the year	¥42,156	¥43,137	¥37,738
Actual return on plan assets	2,176	(516)	5,565
Employer contributions	633	1,275	1,751
Participants' contributions	65	66	66
Benefit payments	(958)	(950)	(908)
Settlement payments	(865)	(850)	(1,075)
Changes in foreign currency exchange rate	(4)	(6)	
Fair value of plan assets at the end of the year	43,203	42,156	43,137
Funded status at the end of the year	¥ 8,268	¥ 6,379	¥ 9,052

Amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016, consist of:

Millions of yen

	2017	2016
Prepaid pension expense	¥10,287	¥ 8,145
Other current liabilities	(63)	(63)
Liability for termination and retirement benefit	(1,956)	(1,703)
Total	¥ 8,268	¥ 6,379

Amounts recognized in accumulated other comprehensive income, pre-tax, as of March 31, 2017 and 2016 were as follows:

Millions of yen

	2017	2016
Actuarial loss (gain)	¥667	¥(1,264)
Prior service benefit	121	607
Total	¥788	¥ (657)

The accumulated benefit obligation for all defined retirement benefit plans as of March 31, 2017 and 2016 was as follows:

Millions of yen

	2017	2016
Accumulated benefit obligation	¥34,935	¥35,777

The projected benefit obligations and the fair value of the plan assets for the Company's 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

	2017	2016
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,905	¥2,659
Fair value of plan assets	886	893
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,905	2,659
Fair value of plan assets	886	893

Net periodic benefit costs for the Company and certain subsidiaries' plans consisted of the following for the years ended March 31, 2017, 2016 and 2015:

Millions of yen

	2017	2016	2015
Service cost	¥1,103	¥1,074	¥1,021
Interest cost	183	321	417
Expected return on plan assets	(967)	(967)	(865)
Amortization of actuarial loss (gain)	213	(461)	220
Amortization of prior service benefit	(215)	(491)	(492)
	¥ 317	¥ (524)	¥ 301

The unrecognized net actuarial gain or loss and prior service benefit are being amortized within 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 for the years ended March 31, 2017, 2016 and 2015 were as follows:

Millions of yen

	2017	2016	2015
Actuarial gain (loss)	¥1,718	¥(3,376)	¥3,699
Amortization of actuarial loss (gain)	213	(461)	220
Prior service cost arising during the year	(271)		
Amortization of prior service benefit	(215)	(491)	(492)
	¥1,445	¥(4,328)	¥3,427

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

Actuarial loss	¥(124)
Prior service benefit	(122)

The Company and certain subsidiaries use a measurement date of March 31 for their plans. The weighted-average assumptions used as of March 31, 2017 and 2016 in computing the benefit obligations shown above were as follows:

	2017	2016
Discount rate	0.6%	0.5%

The weighted-average assumptions used as of March 31, 2017, 2016 and 2015 in computing the net periodic benefit cost shown above were as follows:

	2017	2016	2015
Discount rate	0.5%	1.0%	1.3%
Rate of increase in future compensation	5.3%	5.3%	7.6%
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, 2017 on the corporate bond indices for which maturity dates approximate the timing of the expected future benefit payments.

The retirement benefit plans of the Company and a certain subsidiary is a point-based benefits system, and, therefore, the rate of compensation increase has not been included in computing the benefit obligations.

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 other short-term investments of 2.0%.

The Company's and certain subsidiaries' plan investment strategy is to maintain actual asset weightings within a preset range of target allocations. The Company's and certain subsidiaries' plan 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 payments.

The asset allocation as of March 31, 2017 and 2016, was as follows:

	2017	2016
Equity securities	48.3%	46.4%
Debt securities	26.3%	30.6%
Life insurance company general accounts	11.1%	12.2%
Real estate	3.9%	3.9%
Other short-term investments	10.4%	6.9%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2017 and 2016 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's and certain subsidiaries' plan assets using the fair value hierarchy as of March 31, 2017 and 2016. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value. For the reference to each level, see Note 20.

Millions of yen

2017	Level 1	Level 2	Level 3	Total
Assets evaluated by other than net asset value per share				
Equity securities:				
Japanese companies	¥ 9,962			¥ 9,962
Foreign companies	25			25
Debt securities:				
Foreign government bonds	67			67
Life insurance company general accounts		¥4,805		4,805
Other types of investments:				
Other short-term investments		3,235		3,235
Assets evaluated by net asset value per share (a)				
Equity securities:				
Pooled funds (b)				10,021
Debt securities:				
Pooled funds (c)				7,894
Other types of investments:				
Hedge funds (d)				1,377
Pooled funds (e)				5,817
Total	¥10,054	¥8,040		¥43,203

Millions of yen

2016	Level 1	Level 2	Level 3	Total
Assets evaluated by other than net asset value per share				
Equity securities:				
Japanese companies	¥9,508			¥ 9,508
Debt securities:				
Foreign government bonds	25			25
Life insurance company general accounts		¥5,135		5,135
Other types of investments:				
Other short-term investments		1,391		1,391
Assets evaluated by net asset value per share (a)				
Equity securities:				
Pooled funds (b)				9,397
Debt securities:				
Pooled funds (c)				9,139
Other types of investments:				
Hedge funds (d)				1,273
Pooled funds (e)				6,288
Total	¥9,533	¥6,526		¥42,156

(a) Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.

(b) This class includes common stock of approximately 34% Japanese companies and 66% foreign companies as of March 31, 2017 and 32% and 68%, respectively, as of March 31, 2016.

(c) This class includes approximately 15% of Japanese government bonds, 2% of Japanese municipal bonds, 38% of foreign government bonds, 44% of corporate bonds and 1% of other short-term investments as of March 31, 2017. This class includes approximately 27% of Japanese government bonds, 4% of Japanese municipal bonds, 36% of foreign government bonds and 33% of corporate bonds as of March 31, 2016.

(d) This class consists of hedge funds that invest in both long- and short-term debt securities as of March 31, 2017 and 2016.

(e) This class includes approximately 35% of corporate bonds, 2% of common stock of Japanese companies, 13% of common stock of foreign companies, 29% of real estate and 21% of other short-term investments as of March 31, 2017. This class includes approximately 39% of corporate bonds, 2% of common stock of Japanese companies, 8% of common stock of foreign companies, 27% of real estate and 24% of other short-term investments as of March 31, 2016.

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 the funds. Life insurance company general accounts include contracts with insurance companies with guaranteed rates of return and capital, and those values are based on the sum of original value and return. Pooled funds are valued using the net asset value per share provided by the administrator of the fund.

The Company's 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 ¥613 million to their plans in the year ending March 31, 2018.

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

Year Ending March 31	Millions of yen
2018	¥1,879
2019	1,996
2020	2,007
2021	2,008
2022	1,943
Thereafter	9,623

DEFINED CONTRIBUTION PLAN—Certain subsidiaries have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥249 million, ¥219 million and ¥203 million for the years ended March 31, 2017, 2016 and 2015, respectively.

EMPLOYEE EARLY RETIREMENT PROGRAM—The Company and certain subsidiaries provide additional benefits to employees that elect to participate in the Company's and certain subsidiaries' early retirement program. Retirement benefits of ¥143 million, ¥125 million and ¥114 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2017, 2016 and 2015, respectively.

TERMINATION PLAN FOR DIRECTORS—The Company previously had, and a certain subsidiary currently has, 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 ¥340 million as of March 31, 2017 and 2016 and were recorded in other long-term liabilities. A certain subsidiary has plans for its directors and recorded a liability for termination benefit for directors at the amount that would be needed if all directors were to resign at each balance sheet date in accordance with the guidance for determination of vested benefit obligation for a defined benefit pension plan.

13. 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, 2017, 2016 and 2015. The Company believes that such awards better align the interests of its directors with those of its shareholders, by sharing both risk and return from fluctuations in stock prices and giving motivation to enhance its corporate value. Each stock option is exercisable to acquire 1,000 shares of the Company's common stock at ¥1 per share. The compensation cost is measured at fair value on the grant date. Options vest over one year in proportion to the services rendered by the directors, and are exercisable from the day after the date of retirement up to (i) 20 years from the grant date or (ii) 5 years from the day after the date of retirement, whichever is earlier.

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

Expected dividend yield is based on the actual payout of dividends in the last fiscal year and the closing price of the Company's common stock on the grant date. Expected volatility is based on the historical volatility of the Company's share price over the most recent period commensurate with the expected term of the Company's stock options. The risk-free interest rate is based on the Japanese government bond yield curve in effect at the time of grant for a period commensurate with the expected term of the Company's share options. The 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.

	2017	2016	2015
Expected dividend yield	2.9%	2.0%	3.2%
Expected volatility	25.1%	20.9%	18.7%
Risk-free interest rate	(0.2)%	0.0%	0.1%
Expected term	2.5 years	2.6 years	3.1 years

A summary of stock option activities under the plan for the year ended March 31, 2017, 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, 2016	431,000	¥1		
Granted	69,000	1		
Exercised	55,000	1		
Outstanding as of March 31, 2017	445,000	1	14.58 years	¥611
Exercisable as of March 31, 2017	52,000	1	3.10 years	71

The total intrinsic value of options exercised was ¥69 million, ¥31 million and ¥6 million as of years ended March 31, 2017, 2016 and 2015, respectively.

The total compensation costs recognized for the years ended March 31, 2017, 2016 and 2015 were ¥74 million, ¥67 million and ¥60 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2017, 2016 and 2015 were ¥23 million, ¥21 million and ¥21 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2017, 2016 and 2015 were ¥1,044, ¥1,419 and ¥937, respectively.

As of March 31, 2017, 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.

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. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

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

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

(c) Treasury stock

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

15. OTHER COMPREHENSIVE INCOME (LOSS)

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

Millions of yen

	2017			2016		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments	Foreign Currency Translation Adjustments	Unrealized Loss on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥ 5,177	¥17,966	¥ (1,035)	¥10,831	¥20,821	¥ 1,934
Amount arising during the year:						
Pre-tax amount	(4,109)	4,905	1,062	(5,890)	(4,169)	(3,418)
Tax credit	30	(1,492)	(443)	220	1,336	1,091
Net amount	(4,079)	3,413	619	(5,670)	(2,833)	(2,327)
Reclassification adjustments:						
Pre-tax amount		(438)	(2)		(70)	(952)
Tax credit		134	1		23	308
Net amount		(304)	(1)		(47)	(644)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	114	(0)	3	16	25	2
Balance at the end of the year (after-tax)	¥ 1,212	¥21,075	¥ (414)	¥ 5,177	¥17,966	¥(1,035)

			Millions of yen
			2015
	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)
Amount arising during the year:			
Pre-tax amount	9,019	15,809	3,651
Tax credit	(348)	(5,593)	(1,319)
Net amount	8,671	10,216	2,332
Reclassification adjustments:			
Pre-tax amount		(1,513)	(272)
Tax credit		539	96
Net amount		(974)	(176)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	(150)	(27)	5
Balance at the end of the year (after-tax)	¥10,831	¥20,821	¥ 1,934

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in "Gain on sales or exchange of marketable securities and Investments - net" and "Valuation gain or loss on marketable securities and investments – net" in the consolidated statements of income.

Reclassification adjustments (pre-tax) of pension liability adjustments are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income as the net periodic benefit costs.

16. INCOME TAXES

Domestic and foreign components of income before income taxes and equity in net income of affiliated companies for the years ended March 31, 2017, 2016 and 2015 were summarized as follows:

			Millions of yen
	2017	2016	2015
Japan	¥ 27,487	¥24,002	¥19,902
Foreign	(10,918)	(9,045)	(8,560)
Total	¥ 16,569	¥14,957	¥11,342

Domestic and foreign components of income tax expense for the years ended March 31, 2017, 2016 and 2015 consist of:

			Millions of yen
	2017	2016	2015
Current:			
Japan	¥3,230	¥1,666	¥ 3,852
Foreign	1,600	1,776	1,371
	¥4,830	¥3,442	¥ 5,223
Deferred:			
Japan	¥ 690	¥1,483	¥(1,983)
Foreign	(240)	(195)	63
	¥ 450	¥1,288	¥(1,920)
Total income taxes	¥5,280	¥4,730	¥ 3,303

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 30.9%, 33.1% and 35.6% for the years ended March 31, 2017, 2016 and 2015, respectively. 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 effective statutory tax rates for the following reasons for the years ended March 31, 2017, 2016 and 2015:

	2017	2016	2015
Normal Japanese effective statutory tax rates	30.9%	33.1%	35.6%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	2.4	2.8	3.6
Change in valuation allowance	3.1	1.1	(9.4)
Undistributed earnings of associated companies	(2.1)	0.1	(0.5)
Differences in foreign subsidiaries' tax rate	(0.5)	(1.2)	(3.3)
Tax exemption	(0.4)	(0.2)	(0.1)
Unrecognized tax benefits	(1.8)	(0.1)	0.0
Impairment charges on goodwill			15.2
Changes in Japanese income tax rates	0.2	(3.0)	(10.7)
Other – net	0.1	(1.0)	(1.4)
Effective tax rates	31.9%	31.6%	29.0%

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 has been lowered starting from the consolidated fiscal year beginning on and after April 1, 2015. Accordingly, from the end of the fiscal year ended March 31, 2015, 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 were 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 the reversal of the deferred tax assets and deferred tax liabilities.

Following the amendments described above, new amendments, the Act on the Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on the Partial Revision of Local Tax Act, etc. and Related Matters (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016, and the corporate tax rate is lowered starting from the consolidated fiscal year beginning on or after April 1, 2016. Accordingly, 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 32.3% to 30.9% for the temporary differences which are expected to reverse during the consolidated fiscal year beginning April 1, 2016 and the consolidated fiscal year beginning April 1, 2017, and to 30.6% for the temporary differences which are expected to reverse in and after the consolidated fiscal year beginning April 1, 2018.

Due to this tax rate change, the deferred income taxes recognized in the fiscal year ended March 31, 2016 decreased by ¥454 million as a result of the 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, 2017 and 2016 were as follows:

Millions of yen

	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for returns	¥ 713		¥ 638	
Allowance for doubtful receivables	14		17	
Accruals not currently deductible	221		139	
Inventory valuation	830		964	
Accrued bonuses	963		1,038	
Impairment charges on marketable securities and investments	972		1,118	
Advanced depreciation on property, plant and equipment		¥ 1,992		¥ 1,126
Undistributed earnings of associated companies		2,209		2,564
Net unrealized gain on marketable securities and investments		10,738		9,395
Net realized gain on exchange of investments		818		818
Capitalized supplies	162		167	
Enterprise taxes	298		86	
Accrued vacation	761		743	
Asset retirement obligation	267		277	
Prepaid pension expense		2,462		1,872
Liability for termination and retirement benefit	478		415	
Tangible fixed assets	1,472		1,439	
Tax loss carryforwards	1,491		2,017	
Intangible assets		1,761		2,017
Other temporary differences	525	95	577	203
Total	9,167	20,075	9,635	17,995
Valuation allowance	(1,845)		(2,360)	
Total	¥ 7,322	¥20,075	¥ 7,275	¥17,995

The valuation allowance decreased by ¥515 million and ¥175 million for the years ended March 31, 2017 and 2016, respectively.

On November 28, 2014, the Company resolved a restructuring plan for its group organization. Based on the resolution, most of the assets and liabilities of Lecien Corp. ("Lecien"), 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 with Lecien, including Lecien's remaining of assets and liabilities on April 1, 2015.

In conjunction with the merger, deferred tax assets for temporary differences related to the merged assets and liabilities and tax loss carryforwards were transferred from Lecien to Wacoal Corp., such deferred tax assets which had been fully covered by a valuation allowance due to the poor operating results of Lecien. 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 the valuation allowance and utilized ¥257 million and ¥189 million of tax loss carryforwards, and recognized tax benefits of ¥77 million and ¥56 million for the years ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, 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
2018	¥267
2019	439
2020	812
2021	194
2022	414
2023	
2024	43
2025	121
2026	657
Thereafter	2,253
Total	¥5,200

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, 2017 and 2016.

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

Millions of yen

	2017	2016	2015
Balance at the beginning of the year	¥ 300	¥312	¥296
Additions based on tax positions related to the current year	1	1	16
Reductions for tax positions of prior years	(297)	(13)	
Balance at the end of the year	¥ 4	¥300	¥312

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥4 million, ¥300 million and ¥312 million as of March 31, 2017, 2016 and 2015, 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, 2017, 2016 and 2015 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 2014 with few exceptions. For other countries, the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2010 with few exceptions. The transfer pricing examinations of certain domestic and U.S. subsidiaries' 2007 and 2010 fiscal years were completed.

17. RELATED PARTY TRANSACTIONS

The Companies purchase merchandise from numerous suppliers throughout the world, including certain affiliated companies of the Companies. The Companies purchased merchandise from affiliated companies in the amount of ¥2,646 million, ¥2,468 million and ¥2,581 million in the years ended March 31, 2017, 2016 and 2015, respectively. The accounts payable to affiliated companies were ¥237 million and ¥188 million as of March 31, 2017 and 2016, respectively.

The Companies also sell supplies, materials and products to certain affiliated companies. Aggregate sales to affiliated companies were ¥1,898 million, ¥335 million and ¥386 million in the years ended March 31, 2017, 2016 and 2015, respectively. The accounts receivable from affiliated companies were ¥513 million and ¥97 million as of March 31, 2017 and 2016, respectively.

The Companies earn royalties from the use of the Wacoal Brand by certain affiliated companies. The amount of royalty revenue earned was ¥263 million, ¥266 million and ¥288 million in the years ended March 31, 2017, 2016 and 2015, respectively. Other accounts receivable from affiliated companies, which are included in other current assets in the consolidated balance sheets, were ¥226 million and ¥225 million as of March 31, 2017 and 2016, respectively.

18. 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 would occur if share-based options 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 138,966,630 shares, 140,842,184 shares and 140,839,059 shares for the years ended March 31, 2017, 2016 and 2015, 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 139,393,263 shares, 141,255,241 shares and 141,203,998 shares for the years ended March 31, 2017, 2016 and 2015, respectively.

19. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of financial instruments as of March 31, 2017 and 2016 were as follows:

Millions of yen

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Notes 3 and 21)	¥ 1,445	¥ 1,442	¥ 1,880	¥ 1,879
Investments (Notes 3 and 21)	58,586	58,582	54,733	54,730
Total assets	¥60,031	¥60,024	¥56,613	¥56,609
Liabilities:				
Long-term debt including current portion	¥ 235	¥ 235	¥ 388	¥ 389
Total liabilities	¥ 235	¥ 235	¥ 388	¥ 389

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. For information about fair values of foreign exchange contracts, see Note 20.

MARKETABLE SECURITIES AND INVESTMENTS—Held-to-maturity debt securities are classified as marketable securities and investments as of March 31, 2017 and 2016. The fair value of these held-to-maturity debt securities are classified as Level 1. For all other investments included in marketable securities and investments, see Notes 3 and 20.

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

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.

20. FAIR VALUE MEASUREMENTS

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

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

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

Level 3—Inputs are unobservable.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 and 2016 were as follows:

				Millions of yen
2017	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Mutual funds		868		868
Total marketable securities		878		878
Investments:				
Equity securities	¥57,976			57,976
Mutual funds	44			44
Total investments	58,020			58,020
Derivative instruments:				
Foreign exchange contracts		2		2
Total assets	¥58,020	¥880		¥58,900
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ 4		¥ 4
Total liabilities		¥ 4		¥ 4

				Millions of yen
2016	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Corporate bonds		395		395
Mutual funds		1,361		1,361
Total marketable securities		1,766		1,766
Investments:				
Equity securities	¥53,925			53,925
Total assets	¥53,925	¥1,766		¥55,691
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ 297		¥ 297
Total liabilities		¥ 297		¥ 297

Investments presented in Level 1 are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Bonds presented in Level 2 are valued by financial institutions using quoted market prices for identical instruments in markets that are not active. Mutual funds presented in Level 2 are valued by financial institutions based on quoted prices in an inactive market for identical instruments which are included in the mutual funds.

As discussed 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.

Foreign exchange contracts presented in Level 2 are valued by financial institutions based on market data in both active and inactive market.

ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

There were no assets measured at fair value on a nonrecurring basis as of March 31, 2017. Assets measured at fair value on a nonrecurring basis as of March 31, 2016 were as follows:

	Millions of yen				
2016	Level 1	Level 2	Level 3	Total	Total Losses
Land			¥133	¥133	¥(233)
Buildings and Structures			0	0	(8)
Machinery and equipment			0	0	(15)
					¥(256)

During the fiscal year ended March 31, 2016, the Company categorized a certain asset group as real estate for rent. The Company performed an impairment analysis as of March 31, 2016 and determined that the fair value of the real estate was below its carrying amount. Accordingly, the Company reduced the carrying amount from ¥366 million to ¥133 million for land and from ¥8 million to ¥0 million for buildings and structures, respectively. The fair value was measured mainly based on the real estate appraisal value. An impairment charge on the long-lived assets of ¥241 million was included in an operating expense of Wacoal Business (Domestic) in the segment information.

As 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 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 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 next 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.

Valuation process:

The valuation process involved in Level 3 measurements for applicable assets and liabilities 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 valuation experts to assist us in the valuation process for certain assets over a specific amount, and their results of their valuations are reviewed by the responsible personnel of the Companies. All valuations, including those performed by the external experts, are reviewed and approved by management of the Companies 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:

	Millions of yen			
March 31, 2015	Fair Value	Valuation Technique	Principal Unobservable Input	Range
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%

21. DERIVATIVE INSTRUMENTS

RISK MANAGEMENT POLICY—The Companies are exposed to the risk of changes in foreign currency exchange rates. Derivative instruments are used to manage such risk. Derivative instruments are used based on Company policy and administrative provisions. There were no derivative instruments used for the purpose of speculative trading. The Companies consider the related credit risk to be low since these derivative instruments are provided by the financial institutions with international credibility.

FOREIGN EXCHANGE RISK—Assets and liabilities denominated in foreign currencies, which are primarily related to international business, are exposed to the risk of changes in foreign currency exchange rates. Foreign exchange contracts are used to mitigate such risk.

DERIVATIVE INSTRUMENTS NOT DESIGNATED AS A HEDGE—Foreign exchange contracts are classified as derivative instruments, which are not designated as a hedge since these derivative instruments do not qualify for hedge accounting. These derivative instruments are used to mitigate the risk of changes in foreign currency exchange rates, and the changes in fair value of such derivative instruments are recorded in earnings immediately.

Notional contract amounts of foreign currency exchange contracts that are not designated as hedges are ¥1,313 million and ¥5,366 million as of March 31, 2017 and 2016, respectively. 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 hedges. The Companies recognized a gain of ¥295 million, a loss of ¥(506) million and a gain of ¥192 million in other - net of other income (expenses) for the years ended March 31, 2017, 2016 and 2015, respectively.

The Companies recorded the derivative instruments at fair value in the consolidated balance sheets as other current assets and other current liabilities in the amount of ¥2 million and ¥4 million, respectively, as of March 31, 2017, and as other current liabilities of ¥297 million as of March 31, 2016.

22. REORGANIZATION EXPENSES

Eveden Huit SAS, a wholly-owned subsidiary of the Company which sold underwear and swimwear, filed with the Rennes Commercial Court in France for reorganization on April 1, 2016. On July 9, 2016, the subsidiary was instructed to transfer its business to Trendy Capital Co., which operates in France. Accordingly, in connection with this reorganization, expenses of ¥750 million were recognized during the year ended March 31, 2017. The total amount of reorganization expenses are estimated to be ¥805 million.

The changes in the amount of related liabilities for the year ended March 31, 2017 were as follows:

Millions of yen

2017	Retirement Cost	Depreciation and Loss on Disposal of Assets without Cash Payment – net	Other Related Expenses	Total
Balance at the beginning of the year:				
Reorganization expenses	¥ 237	¥ 301	¥ 212	¥ 750
Expenses without cash payment		(301)	(2)	(303)
Cash payments made	(237)		(121)	(358)
Foreign currency translation adjustments			(2)	(2)
Balance at the end of the year			¥ 87	¥ 87

The Companies recorded ¥211 million and ¥539 million of reorganization expenses in costs of sales and selling, general and administrative expenses, respectively, in the consolidated statement of income for the year ended March 31, 2017. These expenses were included in the operating costs and expenses for Wacoal Business (Overseas) in the segment information.

23. ASSETS CLASSIFIED AS HELD FOR SALE

The Companies transferred land, located at the site of the Nagoya branch, on April 27, 2016 to make effective use of resources because it was unlikely that the Companies would use this site for future business. The Companies recorded ¥295 million of land held for sale in other current assets in the consolidated balance sheet as of March 31, 2016, which was included in the asset group for Wacoal Business (Domestic) in the segment information.

As a result of the transfer, the Companies recorded a gain on sale of property, plant and equipment of ¥3,770 million in the consolidated statement of income for the year ended March 31 2017.

24. 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 income (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.

The "Wacoal business (domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. The "Wacoal business (overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery and other textile-related products. The "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear), outerwear, and other textile-related products, which are sold under the "Peach John" brand. The "Other" produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, 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, 2017, 2016 and 2015 is as follows:

Millions of yen

2017	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥118,389	¥48,423	¥11,107	¥17,962		¥195,881
Intersegment	1,098	9,236	1,006	5,947	¥(17,287)	
Total	119,487	57,659	12,113	23,909	(17,287)	195,881
Operating costs and expenses:						
Operating costs and expenses	109,280	53,320	11,427	23,044	(17,287)	179,784
Depreciation and amortization	3,248	1,284	312	188		5,032
Total	112,528	54,604	11,739	23,232	(17,287)	184,816
Operating income	6,959	3,055	374	677		11,065
Total assets and capital expenditures:						
Total assets	259,531	77,313	11,882	18,684	(72,452)	294,958
Capital expenditures	5,233	1,799	355	58		7,445

Millions of yen

2016	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥120,570	¥51,869	¥11,190	¥19,288		¥202,917
Intersegment	1,427	8,595	775	6,102	¥(16,899)	
Total	121,997	60,464	11,965	25,390	(16,899)	202,917
Operating costs and expenses:						
Operating costs and expenses	110,144	54,711	11,442	24,839	(16,899)	184,237
Depreciation and amortization	3,043	1,320	265	187		4,815
Total	113,187	56,031	11,707	25,026	(16,899)	189,052
Operating income	8,810	4,433	258	364		13,865
Total assets and capital expenditures:						
Total assets	254,269	80,580	11,959	18,866	(72,820)	292,854
Capital expenditures	6,977	1,694	245	62		8,978

Millions of yen

2015	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
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 income (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

The sum of the operating income (loss) of the reportable segments is consistent with the operating income on the consolidated statements of income. For a reconciliation from operating income to income before income taxes and equity in net income of affiliated companies, see other income (expenses) on the consolidated statements of income.

The Companies account for intersegment sales and transfers at cost plus a markup. Operating income (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, 2017, 2016 and 2015 is as follows:

Millions of yen

	2017	2016	2015
Innerwear:			
Foundation and lingerie	¥145,188	¥151,166	¥142,681
Nightwear	9,154	10,098	9,514
Children's underwear	1,429	1,386	1,373
Subtotal	155,771	162,650	153,568
Outerwear/Sportswear and others	¥ 17,189	¥ 19,074	¥ 16,227
Hosiery	2,235	2,178	2,437
Other textile goods and related products	9,346	7,161	7,616
Others	11,340	11,854	11,917
Total	¥195,881	¥202,917	¥191,765

GEOGRAPHIC INFORMATION

Information by major geographic area as of and for the years ended March 31, 2017, 2016 and 2015 is as follows:

Millions of yen

	2017	2016	2015
Net sales:			
Japan	¥147,061	¥150,673	¥143,250
Asia and Oceania	19,187	17,906	16,261
Americas and Europe	29,633	34,338	32,254
Consolidated	¥195,881	¥202,917	¥191,765
Long-lived assets:			
Japan	¥ 47,452	¥ 46,136	¥ 43,200
Asia and Oceania	4,661	4,490	2,998
Americas and Europe	3,175	3,312	2,990
Consolidated	¥ 55,288	¥ 53,938	¥ 49,188

Countries or areas are classified according to their geographical proximity.
Asia and Oceania includes East Asia, Southeast Asia, West Asia and Australia.
Net sales are attributed to countries or areas based on the location where sold.
Long-lived assets represent property, plant and equipment.

25. SUBSEQUENT EVENTS

(Purchase of Treasury Stock)

On May 10, 2017, the Board of Directors resolved to purchase treasury stock with the specific purchasing method as described below pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act as follows.

a. Reason for Purchase:
To improve capital efficiency and to implement our capital policy with increased flexibility tailored to the business environment

b. Type of Shares to Be Purchased:
Common stock of the Company

c. Total Number of Shares to Be Purchased:
2,800,000 shares (at maximum)

d. Purchase Period:
From May 15, 2017 through December 31, 2017

e. Total Amount to Be Purchased:
¥4,000 million (at maximum)

(Share Consolidation and Amendment of the Number of Shares Constituting One Share Unit)

On May 10, 2017, the Board of Directors resolved to submit a proposal for share consolidation and amendment of the number of shares constituting one share unit to the 69th ordinary general meeting of shareholders held on June 29, 2017, and the proposal was approved.

a. Reason for Share Consolidation and Amendment of the Number of Shares Constituting One Share Unit:
All Japanese stock exchanges issued the "Plan of Action for Consolidating Unit of Trading," and have purpose the minimum trading unit of common stock for domestically listed companies to aiming to unify 100 shares and a unit trading price within a range from ¥50,000 to ¥500,000. In response to this, the number of shares constituting one share unit was amended to 100 shares from 1,000 shares, and a share consolidation pursuant to which two shares will be consolidated into one share was implemented, which was determined based on the Company's mid- and long-term stock price fluctuations.

b. Details of the Share Consolidation:
Type of shares subject to the share consolidation:
Common stock of the Company
Method and ratio of share consolidation:
From October 1, 2017, shares possessed by shareholders of record as of September 30, 2017 (September 29, 2017 in fact) are consolidated in at a ratio of one for two shares.

Number of decreasing shares due to the share consolidation:
Total number of authorized shares (on March 31, 2017) 143,378,085 shares
Decrease in shares due to the share consolidation 71,689,043 shares
Total number of authorized shares after the share consolidation 71,689,042 shares

The "Decrease in shares due to the share consolidation" is theoretical value calculated by multiplying the total number of authorized shares before the share consolidation and the ratio of share consolidation.

Correspondence to fractional shares occurring:
If any fractional shares arise as a result of the share consolidation, the Company will collectively purchase all such fractional shares and distribute the proceeds to each of the shareholders holding fractional share(s) in proportion to the number of fractional share(s) held by each of such shareholders, pursuant to the provisions of the Companies Act.

c. Contents of Amendment of the Number of Shares Constituting One Share Unit:
Resulting from the share consolidation, the number of shares constituting one share unit was amended to 100 shares from 1,000 shares.

d. Schedule of the Share Consolidation and Amendment of the Number of Shares Constituting One Share Unit:
Resolution day of the Board of Directors May 10, 2017
Resolution day of the ordinary general meeting of shareholders June 29, 2017
Share consolidation and amendment of the number of shares constituting one share unit October 1, 2017 (scheduled)

e. Effect on Per Share Information:
Assuming that the share consolidation had taken place on April 1, 2015, per share information for the years ended March 31, 2017 and 2016 would be as follows:

Yen

	2017	2016
Shareholder's equity per share	¥3,317.06	¥3,185.80
Basic net income attributable to Wacoal Holdings Corp. per share	¥ 180.26	¥ 158.46
Diluted net income attributable to Wacoal Holdings Corp. per share	¥ 179.71	¥ 158.00

(Dividend Declaration)

On May 10, 2017, the Board of Directors resolved to pay a cash dividend of ¥180 per 5 shares of common stock to holders of record as of March 31, 2017 (aggregate amount of ¥4,940 million).

Independent Auditors' Report

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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, 2017 and 2016, 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, 2017 (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.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and its subsidiaries as of March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2017, 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.

Deloitte Touche Tohmatsu LLC

June 29, 2017

Member of
Deloitte Touche Tohmatsu Limited

Management's Annual Report on Internal Control Over Financial Reporting (Translation)

NOTE TO READERS

The 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's 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 approximate 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, and Masaya Wakabayashi, Director and Vice President, 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 certain 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, 2017. 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 the 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 our 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 quantitatively material impact on the consolidated financial statements in the scope of the 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 process-level controls.

At the selected significant business units, we included, in the scope of our assessment, those business processes leading to sales or accounts receivable and inventories, as significant accounts that may have a material impact on our business objectives. 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 financial reporting, (1) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and (2) those business processes relating to businesses or operations dealing 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, 2017.

4. Supplementary Matters
Not applicable.

5. Special Information
Not applicable.

Yoshikata Tsukamoto
President and Representative Director
WACOAL HOLDINGS CORP.

Masaya Wakabayashi
Director and Vice President
WACOAL HOLDINGS CORP.

Deloitte.

NOTE TO READERS:

The 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 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 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 unit selection and/or account selection. In an audit of ICFR under 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 processes, 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:

Hiroaki Sakai

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, 2017 of Wacoal Holdings Corp. and its consolidated subsidiaries (the "Company"), and the consolidated statements of income, comprehensive income, equity and cash flows for the fiscal year from April 1, 2016 to March 31, 2017, 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 auditors consider 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 Wacoal Holdings Corp. and its consolidated subsidiaries as of March 31, 2017, 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, 2017.

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.

Audit 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 Wacoal Holdings Corp. and its consolidated subsidiaries as of March 31, 2017 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 29, 2017

Member of
Deloitte Touche Tohmatsu Limited

As of March 31, 2017

STOCK LISTING
Tokyo

FISCAL YEAR-END
March 31

SECURITIES CODE
3591

COMMON STOCK
Issued: 143,378,085 shares
Outstanding: 137,210,874 shares

TRADING UNIT
1,000 shares

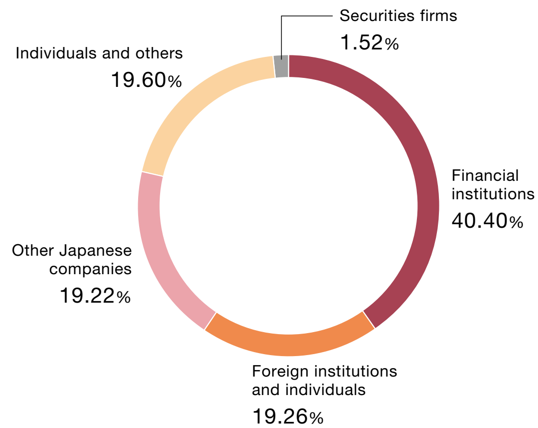
SHAREHOLDER REGISTER AGENT FOR COMMON STOCK
Mitsubishi UFJ Trust and
Banking Corporation,
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

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
14,230

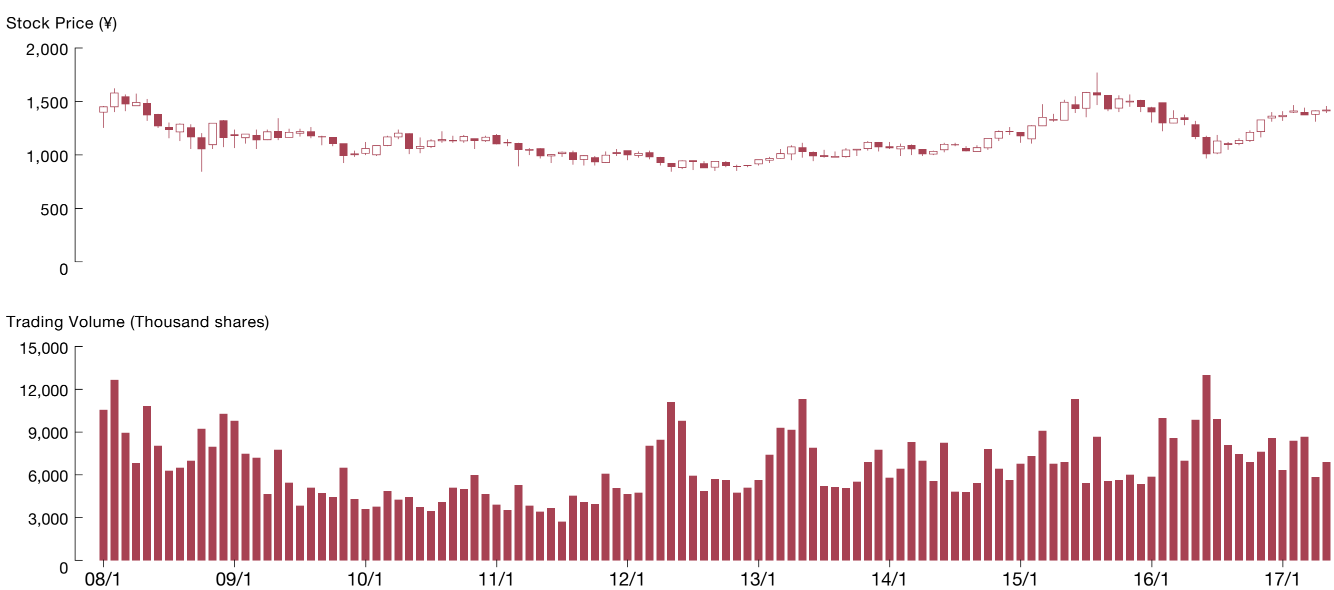
Ownership and Distribution of Shares



Major Shareholders*	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.80
Meiji Yasuda Life Insurance Company	4.44
Japan Trustee Services Bank Ltd. (Trust Account)	4.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.79
The Bank of Kyoto, Ltd.	3.42
Nippon Life Insurance Company	2.67
The Shiga Bank, Ltd.	2.65
Mitsubishi UFJ Trust and Banking Corporation	2.22
The Dai-ichi Life Insurance Company, Ltd.	1.99
Asahi Kasei Fibers Corp.	1.80

*The percentages exclude treasury stock.

Stock Price/Trading Volume

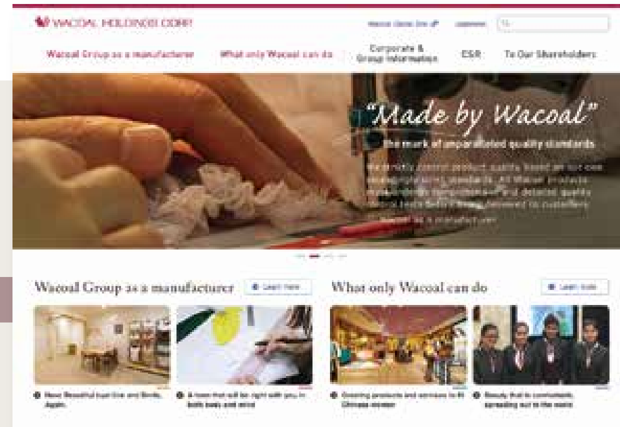


Forward-Looking Statements: Statements contained in this integrated report that are not historical facts are forward-looking statements, which reflect the Company's plans and expectations at the time of writing.

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.

WACOAL'S WEBSITE

Please find more information on our website.



Top page

http://www.wacoalholdings.jp/en

To Our Shareholders

http://www.wacoalholdings.jp/en/ir

- Corporate Strategy
- Corporate Governance
- Financial Results
- Monthly Sales Data
- IR News
- IR Schedule
- For Personal Investors
- Other Information

CSR

http://www.wacoalholdings.jp/en/csr

- CSR Objectives
- Relations with Stakeholders
- Basic Policies (ISO 26000)
- Other Information

Editorial Policy for This Report

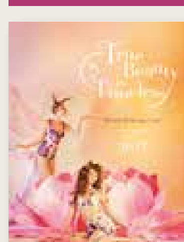
In accordance with international norms for integrated reporting, the Wacoal Group has been issuing integrated reports since FY2011 as part of its communication with shareholders and other investors.

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.

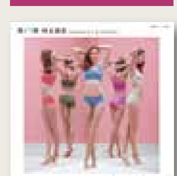
Further, the website of Wacoal Holdings Corp. includes a wide range of information about the Group. We hope that referring to this integrated report in conjunction with the website will further understanding of the Group. Going forward, we will continue pursuing an editorial policy that responds to changes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

Publications to Help Stakeholders Understand Wacoal

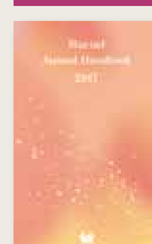
Integrated Report



News for Shareholders



Annual Handbook



WACOAL HOLDINGS CORP.

www.wacoalholdings.jp/en

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