

Wacoal Holdings Corp.

Integrated Report

2018

Beauty: Illustrated



What is **Beauty** to Wacoal?

Contributing to the realization of women's desires to express their beauty—

It has been through the pursuit and then the provision of beauty that
we have enhanced our corporate value.

It is through beauty that we interact with society, and also contribute to its betterment.

For us, beauty is a universal value.

Wacoal Essence

Beauty: Origin

In this section, we will explain how Wacoal has developed its strengths over time and the process of creating beauty.

- 02 Corporate Philosophy
- 04 History and Strengths
- 06 Wacoal's Relationship with Society through Building Mutual Trust
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Wacoal Story

Beauty: Sustainability

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Wacoal Management

Beauty: Respect

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Wacoal Essence

Beauty: Origin

“Making women feel beautiful,” “Helping women to feel their most beautiful,” and
“Contributing to the realization of women’s desires to express their beauty.”

For over half a century, these convictions have remained part of Wacoal’s mission.
Through changing times, they will continue to guide our activities as we move
forward in partnership with women everywhere.



Our Mission

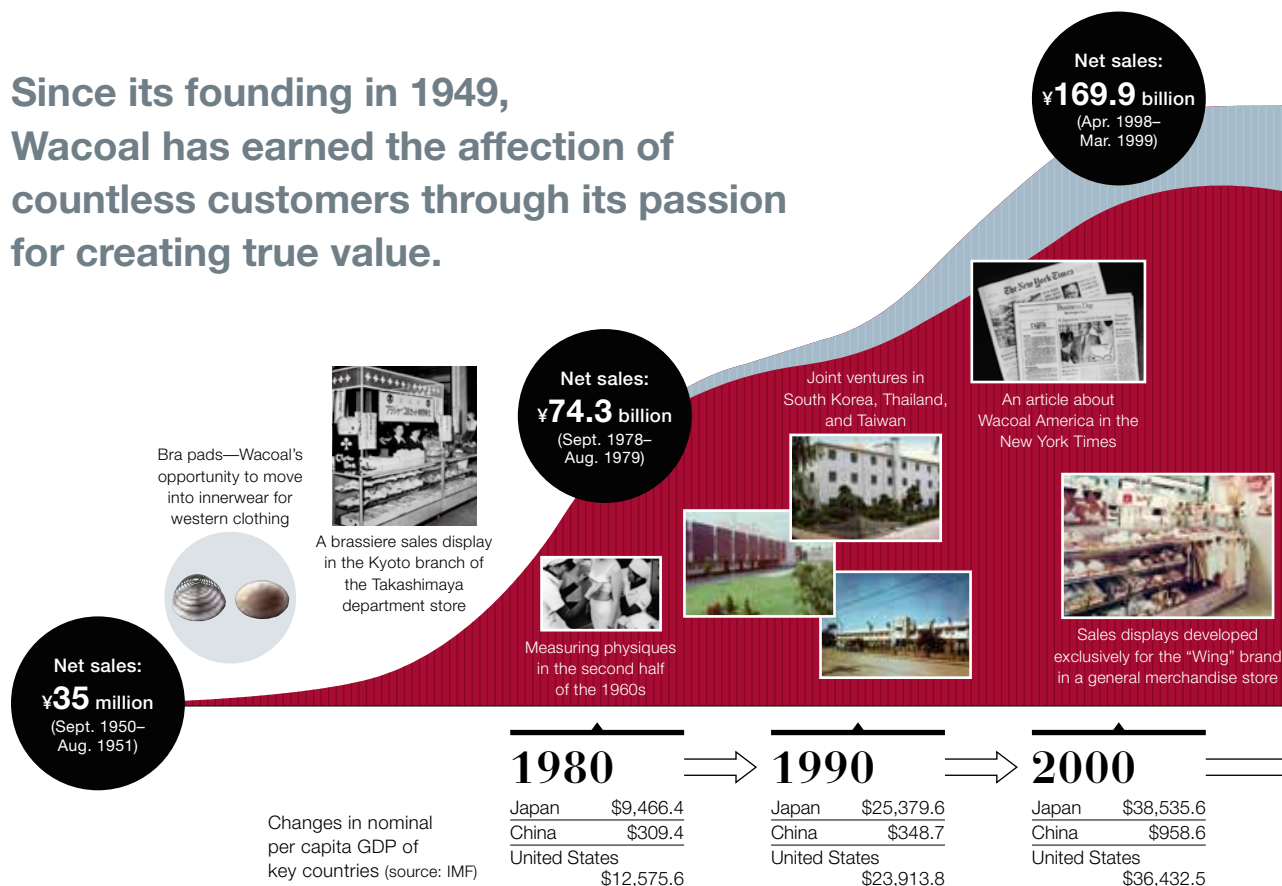
▼
We will contribute to society
by helping women to
express their beauty.

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.

History and Strengths

Since its founding in 1949, Wacoal has earned the affection of countless customers through its passion for creating true value.



The Evolution of Wacoal

1950s → 1960s

Establishment of the Japanese Market

Wacoal's challenge began with the establishment of outlets in department stores in 1950. Japanese women were increasingly shifting from traditional to Western apparel, and Wacoal responded to this opportunity by designing its own range of women's innerwear for use with Western clothing, and by manufacturing these products in its own factory. As Japan began to achieve rapid economic growth, women became more interested in quality and fashion in their lifestyles. Wacoal created a variety of new products to meet this need.

Establishing Management Systems Based on Mutual Trust

Labor relations were a major issue in 1962. In that year, Wacoal's founder, Koichi Tsukamoto was profoundly impressed when he heard a speech given by Sazo Idemitsu, President of Idemitsu Kosan. Tsukamoto decided that a company president who claimed to respect human rights must first trust the union, and he resolved to adopt a management system

based on mutual trust. Under that system, employees were given autonomy even over work attendance. This energized the corporate culture and created a psychological foundation that led to further corporate growth.

Start of Human Science Research

In 1964, Wacoal created a product research division in order to better create products that fit Japanese women. This unit established a brassiere size system and used accumulated measurement data to develop numerical models of what were considered ideal female physiques. This product research division later evolved into the Human Science Research Center, and the scope of its research expanded to include not only the collection of body shape data, but also studies relating to sensory perceptions, physiology, and movement.

1970s → 1980s

Pioneering the General Merchandise Store Channel

By the 1970s, general merchandise stores were selling more clothing than department stores and had emerged as a major distribution channel. General merchandise stores later began to shift from sourcing and selling

non-brand products to selling national brand products at discounted prices, and Wacoal also came under pressure to adapt this approach. After long negotiations with leading general merchandise stores, Wacoal agreed to sell its products in these outlets provided that they established dedicated sales areas and agreed to sell Wacoal products at the quoted prices. "Wing" products subsequently went on sale as a national brand in the lingerie areas of general merchandise stores.

Development and Establishment of Overseas Markets

In 1970 Wacoal established joint ventures in South Korea, Thailand, and Taiwan. These were followed in the 1980s by local subsidiaries in the United States and Hong Kong. Wacoal also became the first Japanese apparel manufacturer to establish a joint venture in China. The foundations for "Worldwide Wacoal" were laid through a unique overseas expansion strategy that gave priority to putting down deep local roots.

1990s → 2000s

Expansion into Directly Owned Outlets

In Japan, this era saw a decline in the relative

Wacoal today

Net sales:
¥195.7 billion
(Apr. 2017–
Mar. 2018)

Overseas sales

¥52.5
billion

Domestic sales

¥143.2
billion



Peach John—a wholly owned subsidiary since 2008



Wacoal Europe—a wholly owned subsidiary since 2012



An outlet operated directly by Wacoal India



A Wacoal sales area in a Shanghai department store

2017

Japan	\$38,439.5
China	\$8,643.1
United States	\$59,501.1

status of department stores, and the emergence of many kinds of retail alternatives to department stores, such as boutiques in train stations and freestanding shopping malls. Wacoal opened the first Subito store, a directly operated specialty store retailer of private label apparel (SPA) outlet in Tokyo's Harajuku district. Since then, more outlets have been established using multiple shop formats to match consumer profiles and local characteristics in each location.

Long-awaited Achievement of Positive Results in the United States

For many years after Wacoal's entry into the U.S. market, financial results stagnated due to over-stocking and soaring selling, general and administrative expenses. However, Wacoal worked to improve quality in its plant while also maintaining listed prices and its commitment to consultation sales. These efforts eventually bore fruit and, in 1995, the company achieved positive results for the first time. Today, the United States remains a significant and reliable source of earnings for Wacoal's overseas business operations.

Evolution as a Global Company

In 2000, Wacoal China became a wholly owned subsidiary, signaling the start of a major

expansion of local operations that would rapidly raise Wacoal's profile in the market. While expanding its production and sales networks in Asia, Wacoal also moved into the European market. In 2005, it shifted to a holding company structure to allow a faster and more precise approach to business development. Wacoal continued to expand its customer base through an active program of mergers and acquisitions, including the acquisition of Peach John, a brand that is popular in Japan with younger age groups, as a wholly owned subsidiary.

2010s → 2018

Creating "Worldwide Wacoal"

In 2012, Wacoal moved to expand its business operations in Europe by acquiring Eveden (now Wacoal Europe) as a subsidiary. This brought a rapid rise in Wacoal's presence in the United Kingdom and the Eurozone. Following the completion of post-merger integration, Wacoal Europe is now building a robust income structure through changes to its brand portfolio.

Wacoal's Accumulated Strengths

Wacoal has accumulated many strengths over the years, including the ability to develop sales channels to match changing trends, the creation of high-quality products backed by scientific research into the human physique, and the use of advanced technology and quality management systems to create finely crafted garments. These strengths underpin Wacoal's continuing efforts to enhance its medium- to long-term corporate value.



A Scientific Perspective on the Creation of Beauty

In 1964, Wacoal established the product research division (now Human Science Research Center) to study the female physique and provide data that could be used in manufacturing. For over 50 years, the Human Science Research Center has accumulated measurement data from over 40,000 women. It continues to conduct a wide range of basic research focusing on the female physique, and the scope of that research has expanded to include not only the collection of data relating to body shapes in different age groups, but also studies about sensory perceptions, physiology and movement. Findings accumulated through this work are used in the development of new products.



A Passion for Manufacturing

Wacoal's mission in every era has been the creation of products that consumers will love. Factors that contribute to the achievement of this mission include human science research, unique pattern design capabilities, material standards that ensure superior garment comfort, and superb quality resulting from hand-stitching by highly skilled workers. The real source of Wacoal's value is this unchanging passion for manufacturing.



Meeting the Challenge of Sales Channel Development

Beginning with the launch of department store sales outlets in the 1950s, and followed by entry into general merchandise stores in the 1970s, and the opening of directly owned outlets since the 2000s, Wacoal has achieved growth by continually taking up the challenge of developing sales channels in each successive era. In anticipation of further changes in the distribution environment, Wacoal now aims to strengthen its e-commerce systems, while creating an omni-channel approach that will produce synergies with sales channels developed in the past.

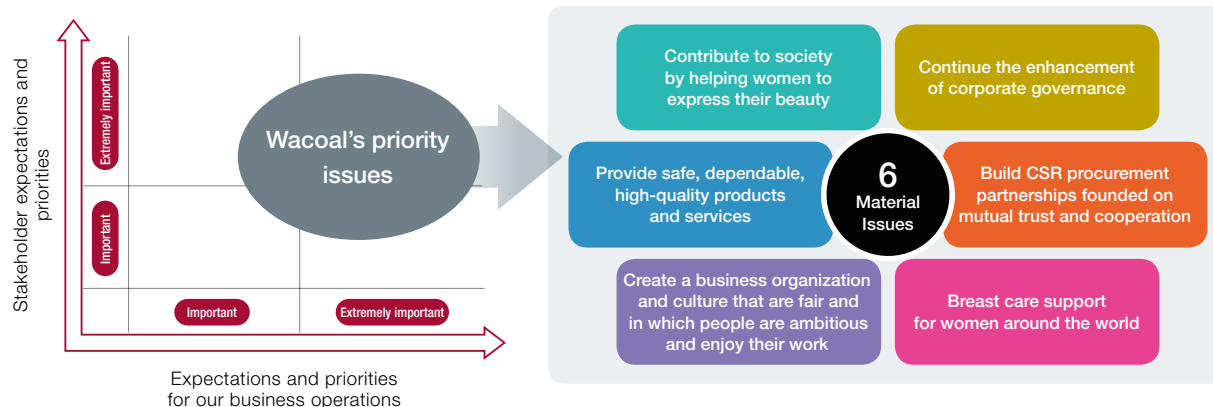
Wacoal's Relationship with Society through Building Mutual Trust

We will strengthen our brands and establish a competitive advantage by contributing to the solution of social problems and constantly engaging in social projects through our core business activities.

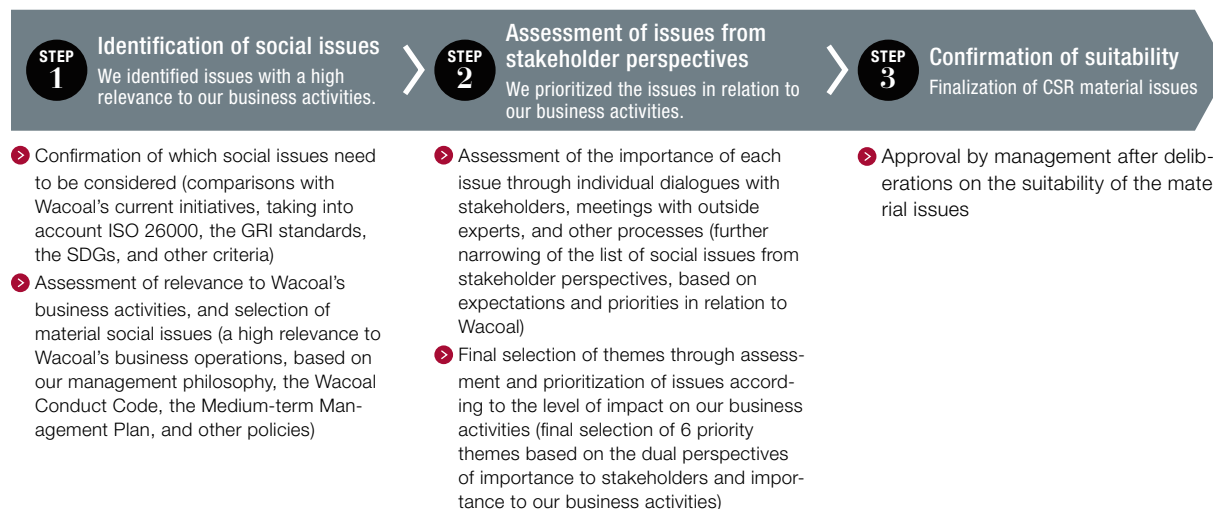
01 > 6 CSR Material Issues

We have identified 6 material issues relevant to our business activities and our commitment to:

sustainable development a society that values diversity highly transparent organizational structures



02 > Selection of Material Issues



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.

03 > Basis for Selection of CSR Material Issues

Commitment to Sustainable Development

Contribute to society
by helping women to
express their beauty

In line with this mission, our group philosophy and goal is to contribute widely to society by helping women to fulfill their desire to express their beauty.

We create clothing and contribute to new lifestyles and innerwear culture while helping women of all ages and across a wide spectrum of value systems, in Japan and around the world, to feel beautiful.

What stakeholders expect from us above all is to take up the challenge of working fairly and openly toward the creation of a society in which every individual can participate actively. That challenge is also the core focus of our business activities.

Provide safe,
dependable,
high-quality products
and services

The provision of safe, dependable, high-quality products and services is the foundation on which we build confidence in our brand among all stakeholders, including consumers.

Our beauty advisors and staff in customer centers and other locations provide dependable, high-quality products and services in a personal manner to help customers enjoy enhanced comfort and beauty in step with contemporary trends. At the same time, we provide accurate, fair, and unbiased information, while maintaining a high level of information security, including the protection of personal information.

We are also working to reduce energy consumption and prevent pollution in our production and logistics processes.

Toward a Society that Values Diversity

Create a business
organization and
culture that are fair and
in which people are
ambitious and
enjoy their work

We are working with our stakeholders to create a fair business organization and culture in which employees will be highly motivated. We will listen with humility to our increasingly global and diverse society, and we will refuse to be confined by past practices or to be complacent about past successes.

The Wacoal Group has built value chains linked to its own networks spanning all stages from product planning and development to the procurement of raw materials, production, and sales. The Group's most important assets in this are people. In the future, we expect to face significant challenges in recruiting human resources, so a key priority in terms of achieving sustainable growth is the creation of an attractive corporate culture in which employees can find both enjoyment and motivation in their work. We are introducing teleworking and other systems to help employees cope with family obligations, such as caring for children or aging relatives. Starting with career development for women, who make up the majority of the Group's workforce, we are moving into the development of systems and policies to attract diverse employees and provide opportunities for advancement. We are working through diversity management, workstyle innovation, and health management to ensure that every employee can achieve his or her full potential.

We are revising our corporate regulations and working with our suppliers and customers to enhance working and sales environments. Through these changes we aim to eliminate all forms of discrimination, including discrimination based on gender, age, nationality, race, ethnicity, religion, social status, disabilities, sexual orientation, and gender identity, and to provide support based on a proper understanding and respect for the human rights of people with diverse value systems.

Breast care support
for women around
the world

Breast cancer is the most common form of cancer in women. Wacoal is contributing to social infrastructure enhancement and community development through its breast care activities in 14 countries and regions. Through these activities, we aim to alleviate the suffering and sadness caused by breast cancer by providing support for patients and their families, including the promotion of early detection and diagnosis and the provision of post-surgery assistance, and by disseminating accurate information.

In each country and region where we are engaged in business activities, we use our networks, knowledge, and culture to contribute to society. We work sensitively with each individual and learn from what she shares with us. Through this process, we gain a renewed determination to expand our contribution to the elimination of breast cancer.

Creating Highly Transparent Organizational Structures

Build CSR procurement
partnerships founded on
mutual trust and
cooperation

Wacoal's commitment to the provision of safe, high-quality products and services cannot result in sacrifices by other people. We need to build close partnerships with all of our suppliers, which are important stakeholders in the manufacturing of our products, so that we can work together to ensure respect for and compliance with social imperatives in such areas as human rights, labor practices, the environment, and ethics.

An international human rights NGO criticized the working conditions at a factory that was handling subcontract work for one of our subsidiaries. We have learned from this, and have initiated due diligence about human rights, worker safety, and health with the aim of reliably detecting, preventing, or alleviating any situations that could have a negative impact on our business activities. We are also introducing mechanisms to rectify and alleviate problems.

We believe that the promotion of CSR procurement processes, in partnership with the suppliers and production contractors in our supply chains, maximizes benefits and contributes to sustainable growth for all partners. We will continue to implement dynamic initiatives in this area.

Continue the
enhancement of
corporate governance

Continual improvement of corporate governance is essential to timely and appropriate management decision-making, guided by awareness of society's needs and expectations, and a commitment to transparency, objectivity, and fairness. Corporate governance is also an essential foundation for building mutual trust with all stakeholders.

We are determined to achieve continual improvement in our corporate value through dialogue with all stakeholders, including shareholders, customers, business partners, employees, and local communities, and through a commitment to accountability and trustworthiness in our corporate activities. At the same time, we will work to optimize the distribution of value to all stakeholders.

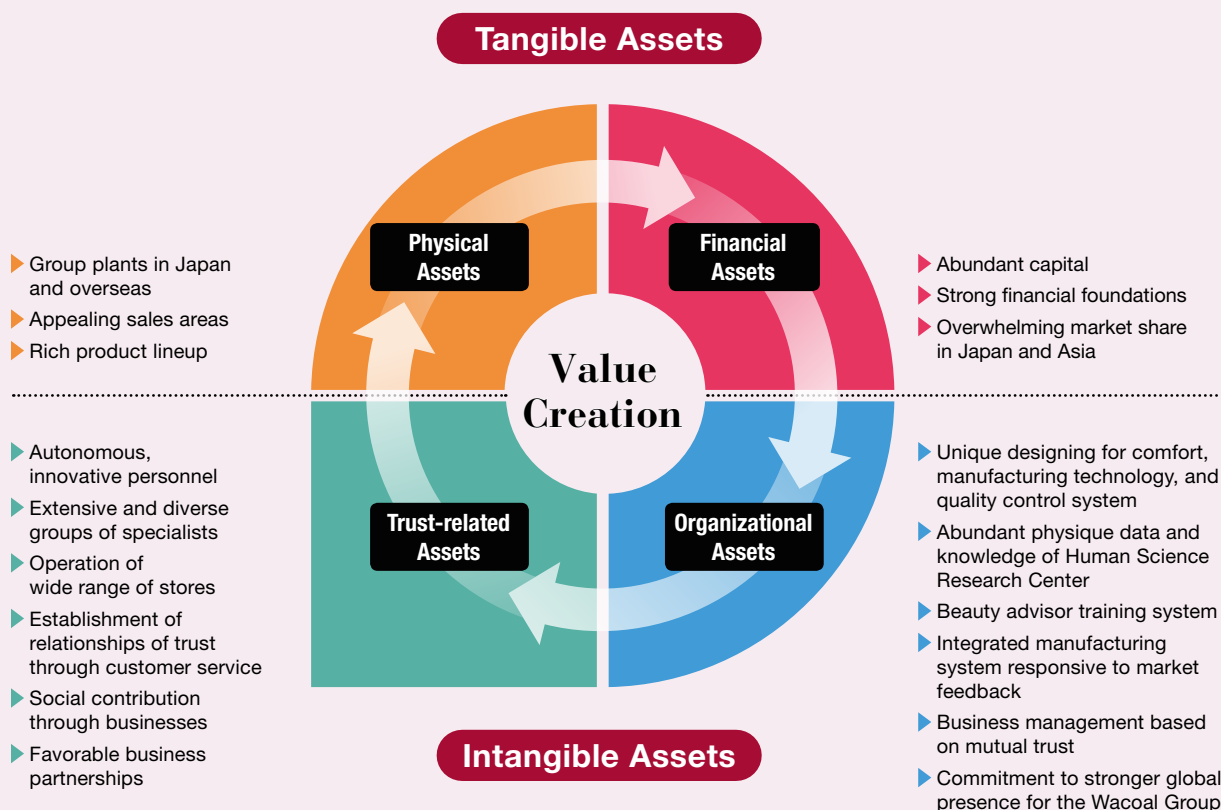
We are also disseminating information about related topics, such as crisis management, through training and other methods, to ensure that every Group employee is capable of acting independently and ethically. Through these efforts, we aim to prevent problems and earn the recognition of society as a corporate group with high ethical standards.

Intangible Assets for 3 Tangible Values— Beauty, Comfort, Health

Management to Build Trust

Our 4 types of assets—financial assets, physical assets, trust-related assets*, and organizational assets—are the sources that allow us to create products that are loved by large numbers of consumers. Our basic approach to management is to strengthen our intangible assets, which include our unchanging management philosophy, our structured strengths in the form of our organizational assets, and the trust-based assets that we build by developing relationships of mutual trust with our customers, employees, business partners, and society.

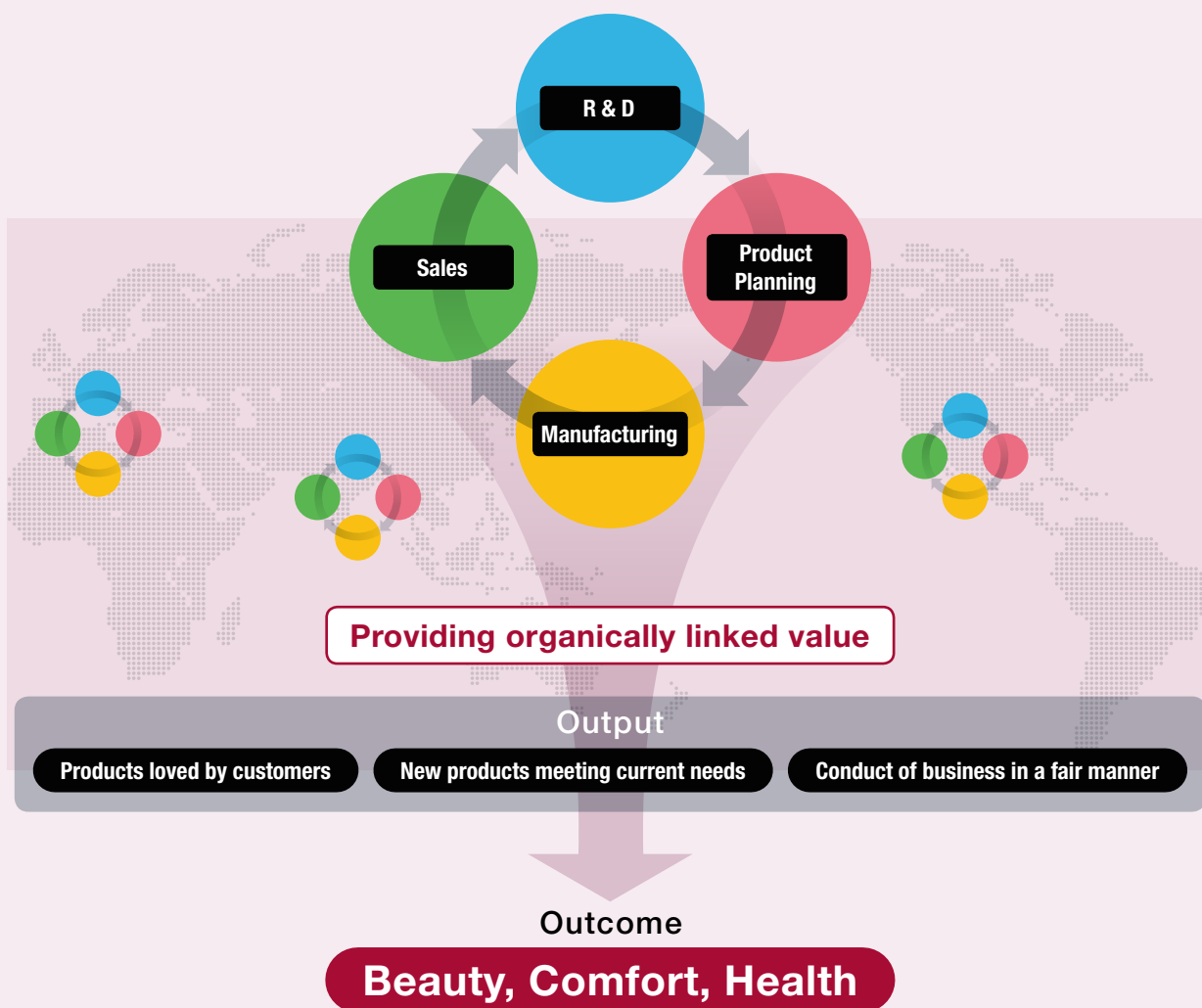
*Wacoal defines “trust-related assets” as human assets and customer assets, which increase or decrease in step with relationships of trust with the company, in contrast with organizational assets, which are consolidated in our organization and depend on employment or business transactions.



Think Globally, Act Locally

Global-scale Business Expansion with Local Roots

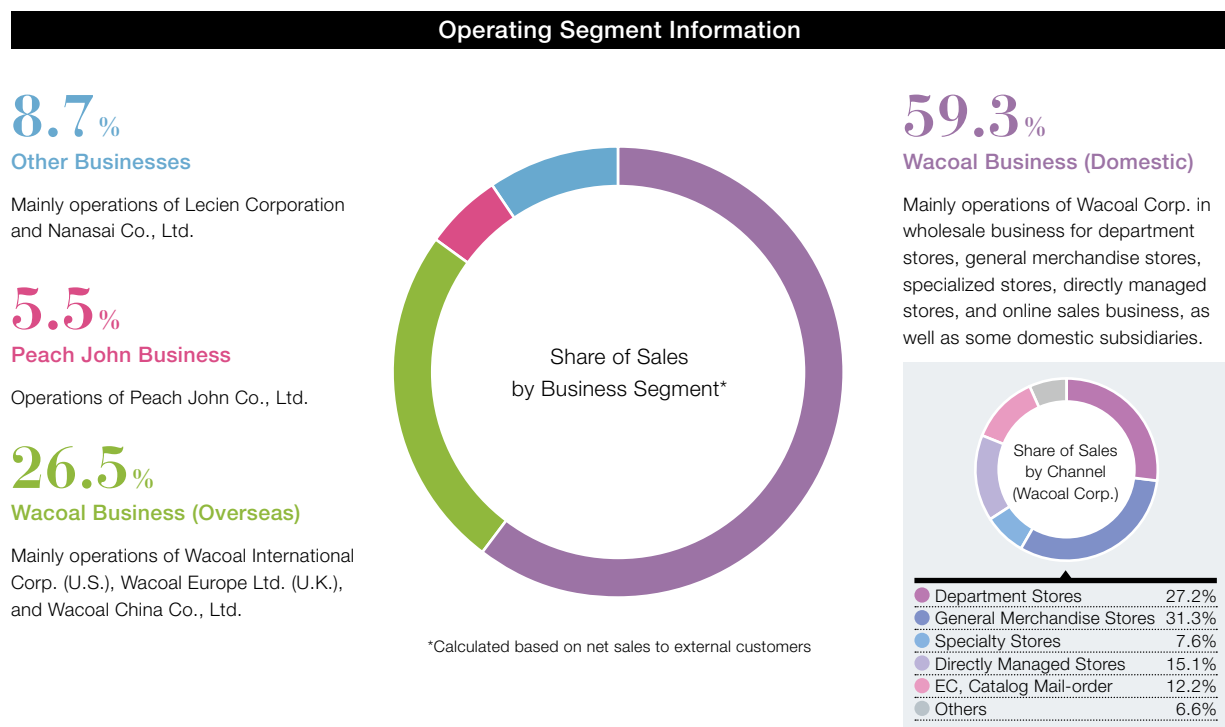
In addition to its global perspective on business development, Wacoal is also pursuing a business model based on the creation of businesses with local roots. We see this as the best way to respond to needs and values of women in various countries and regions with differing perceptions of beauty. Our fundamental motivation is our desire to help women everywhere to express their beauty through learning to understand the hearts and physiques of women in various regions. At the same time, we are working toward our vision of a “Worldwide Wacoal” by creating innovative value, while using our know-how and technology to build links across countries and regions around the world.



Financial and Non-financial Highlights (for the year ended March 31, 2018)

Financial Highlights

Consolidated Financial Data			
Net Sales	Operating Income	ROE	Full-year Cash Dividends per Share of Common Stock
¥ 195.7 billion <div> <div></div> DOWN by 0.1% </div>	¥ 12.5 billion <div> <div></div> UP by 13.3% </div>	4.2 % <div> <div></div> DOWN by 1.3% </div>	¥ 72.00 As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split.



Operating Segment Net Sales/Operating Income

Wacoal Business (Domestic) (¥ million)	Wacoal Business (Overseas) (¥ million)	Peach John Business (¥ million)	Other Businesses (¥ million)
Net Sales	Net Sales	Net Sales	Net Sales
FY2018 116,085	FY2018 51,888	FY2018 10,795	FY2018 16,957
Operating Income 7,885	Operating Income 3,852	Operating Income 441	Operating Income 356
FY2017 118,389	FY2017 48,423	FY2017 11,107	FY2017 17,962
Operating Income 6,959	Operating Income 3,055	Operating Income 374	Operating Income 677
FY2016 120,570	FY2016 51,869	FY2016 11,190	FY2016 19,288
Operating Income 8,810	Operating Income 4,433	Operating Income 258	Operating Income 364

Information by Region

Overseas Consolidated Subsidiaries Sales

¥**52.5** billion
 UP by 7.5%

Overseas Equity Method Affiliated Companies Sales

¥**43.4** billion
 UP by 12.1%

Countries & Regions where Wacoal Products are Sold

More than **50**

Number of Countries where the Wacoal Group has Operating Bases

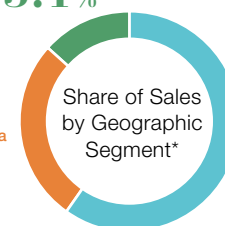
22 countries
 (Including equity method affiliated companies)

○ Sales 8
 ■ Manufacturing 4
 ● Manufacturing/Sales 10

Asia and Oceania
27.0%

Americas and Europe

13.1%

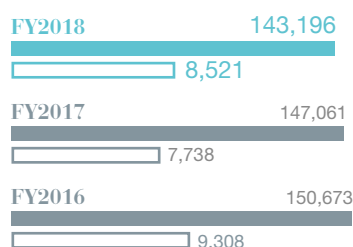


*Calculated based on net sales including net sales of overseas affiliates

Net Sales/Operating Income by Region (Consolidated)

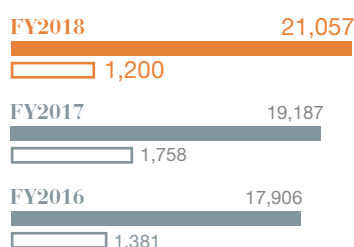
Japan (¥ million)

■ Net Sales □ Operating Income



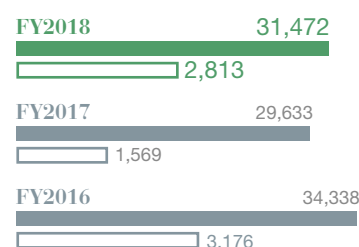
Asia and Oceania (¥ million)

■ Net Sales □ Operating Income



Americas and Europe (¥ million)

■ Net Sales □ Operating Income



Non-financial Highlights



Patents & Registrations in Japan*1

Approx. **500**

Average at competitors in Japan*2

Approx. **170**



Products Manufactured In-house*3

More than **80%**



Beauty Advisors Worldwide

Approx. **8,000**



Environment*4

CO₂ emissions*5 (electricity, gas) **6,348t**

Compared to FY2007 **27.9%** DOWN

Waste emissions **1,109t**

Compared to FY2007 **30.1%** DOWN

*1 Wacoal Corp.

*2 Estimated by Wacoal

*3 Wacoal Corp.

*4 Figures are FY2018

*5 Only CO₂ emissions resulting from electricity and gas equivalent values based on FY2011

YOSHIKATA TSUKAMOTO



Wacoal Story

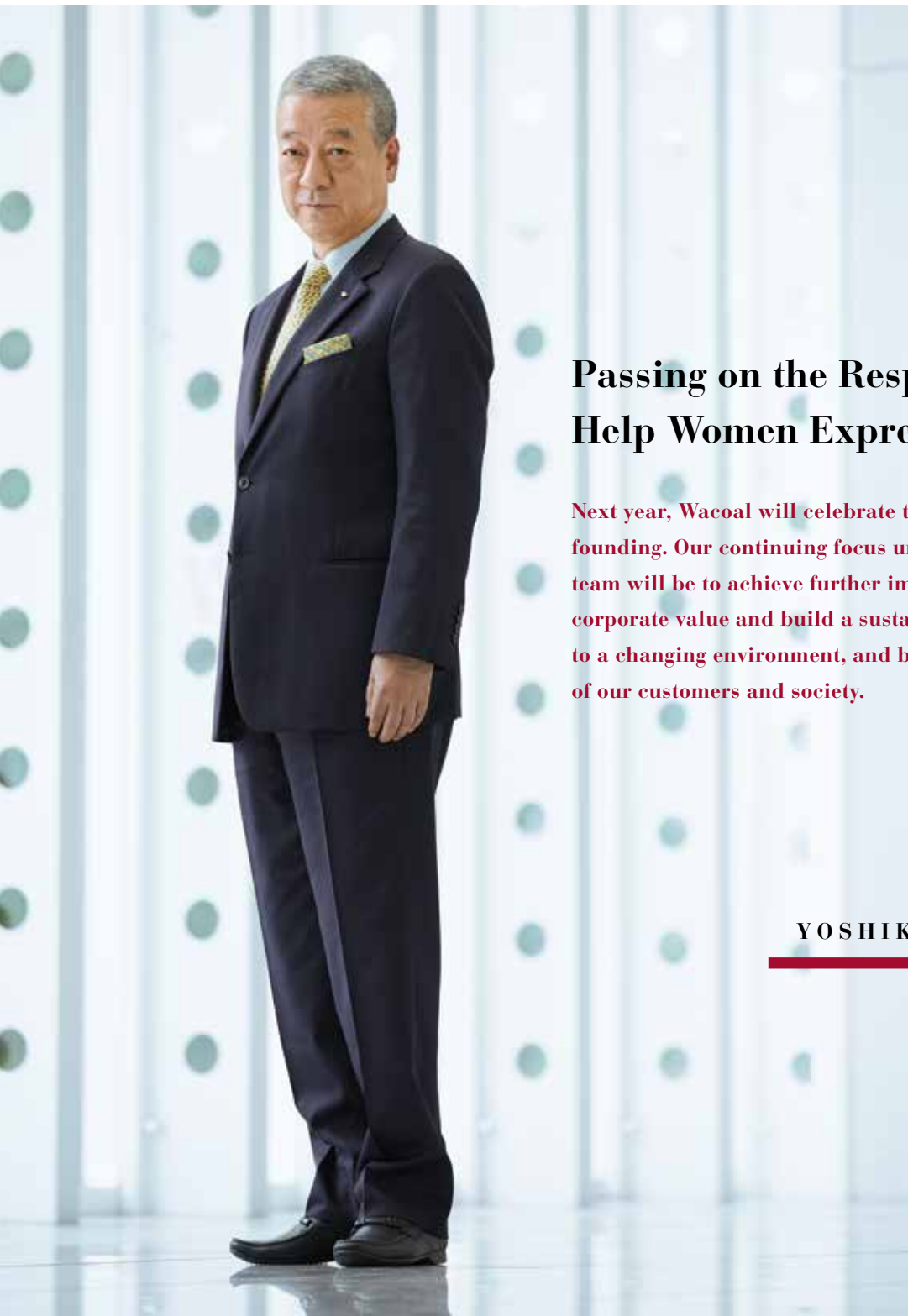
Beauty: Sustainability

A company that society will continue to rely on for years to come—
Wacoal's new management structure seeks to fulfill this vision.

HIRONOBU YASUHARA



MASAYA WAKABAYASHI



Passing on the Responsibility to Help Women Express their Beauty

Next year, Wacoal will celebrate the 70th anniversary of its founding. Our continuing focus under our new management team will be to achieve further improvement in our corporate value and build a sustainable future by adapting to a changing environment, and by meeting the expectations of our customers and society.

YOSHIKATA TSUKAMOTO

Representative Director and Chairman
Wacoal Holdings Corp.

Management that Continues to Take up New Challenges without Fear of Failure

Under the new management structure created at the general meeting of shareholders held on June 28, 2018, I became Representative Director and Chairman, while Hironobu Yasuhara was appointed as President and Representative Director. I had been President of Wacoal for 31 years, since 1987. During that time, we worked to realize the concept of “Worldwide Wacoal” beyond our presence in Japan and the United States through initiatives that included the acquisition of companies within Japan and the establishment of business operations in China, Europe, and Southeast Asia. As the scale of our business expanded, group management and corporate governance became more important than at any other time in our history.

In FY2020, the fiscal year ending March 31, 2020, we will launch a new medium-term (three-year) management plan for the Wacoal Group. As President, Mr. Yasuhara will lead group management through the formulation of management and business strategies. During his seven years as a Vice President of Wacoal Corporation, Mr. Yasuhara restructured our wholesaling operations in Japan and put our retail business on track to realize growth opportunities in that area. His efforts enhanced the company's earning performance. He also has overseas business experience. For example, while stationed in China, he led our operations in that country through a challenging transitional phase. Mr. Yasuhara's other strengths include extensive business networks in Japan and overseas, and a fine-tuned sensitivity to society's expectations. He is the ideal person to lead the management of our group companies.

I will do everything possible to ensure a smooth transition to the new management structure. I will also strengthen the ability of the Board of Directors to oversee the performance of business operations and supervise group management. Our goal is to achieve further enhancement of our corporate value by working to achieve sustainable growth and development, contribute to a society in which diversity is valued, and build highly transparent organizational structures. I will lead the development of the corporate governance structure that will form the foundation for these efforts.

I am also determined to ensure that Wacoal's management philosophy will continue to evolve for the future by maintaining and improving our relationships of trust with our joint venture partners in South Korea, Taiwan, Thailand, Indonesia, and elsewhere, and by continuing our efforts to disseminate and introduce our corporate culture in emerging countries. Within Japan, I have been concerned about a decline in our opportunities for direct dialogue with our business partners and frontline employees since our transition to a holding company structure in 2005. I intend to travel around the country and spend time listening to what our employees, business partners, and customers have to say.

I will convey the thoughts of frontline employees in Japan and overseas to Mr. Yasuhara's management team so that they can work to develop a work environment in which employee motivation will be maintained and enhanced. I will also work to energize communication between Wacoal and its business partners and customers, since I see the development of strong bonds with all stakeholders as an important part of my role.

We will listen with humility to feedback from our customers and society, and we will redouble our efforts to build Wacoal into a company that will continue to be needed beyond our first century. An essential part of this process will be the training of future generations of managers. I believe that next-generation leaders are formed through adapting to a changing world, gaining management experience in a variety of important positions, and by accumulating track records while staying ahead of changing trends. We give increased priority to the training of as many future managers as possible. We will choose people who are not afraid to put forward new ideas, and who can take up bold challenges and see them through to the end without being daunted by repeated setbacks.

Wacoal will continue to help women to fulfill the desire to express their beauty. Through this commitment, we will contribute to society by creating new lifestyles, clothing, and innerwear culture. We look forward to your continuing support.



Our Success is Driven Ultimately by the New Value We Create for Society

HIRONOBU YASUHARA

President and Representative Director
Wacoal Holdings Corp.

A World-leading Innerwear Manufacturer Determined to Evolve Further

My most important mission as President of Wacoal will be to ensure timely adaptation to changes in the world market by further enhancing our strengths as a manufacturer, including our planning, development, and production systems, our technology, our quality assurance systems, and our customer service. I also believe that I have a mission to identify growth opportunities accurately, and to move forward boldly with decisions about proactive investment and business restructuring.

Various tectonic shifts are transforming the business environment for the innerwear industry. Those changes include demographic aging and a falling birthrate in Japan, the global emergence of fast fashion, the rapid spread of internet shopping, accelerating advances in AI and other technologies, and an increasing focus on social responsibility in supply chains. Many of the world's traditional manufacturers of luxury innerwear are losing their relevance as values change and with the spread of diverse

value systems and dramatic shifts in competitive environments.

However, this change is also a major opportunity for us, since it can be seen as evidence of Wacoal's increasing rarity as one of the world's leading manufacturers of high-quality innerwear. Next spring, we plan to open a next-generation store that will combine technological innovation with Wacoal's traditional excellence in customer service. This initiative is just part of our ongoing efforts to respond effectively to a changing business environment and realize our vision for Wacoal as a world-class innerwear manufacturer.

Operating Income and Net Income Exceeds Forecast

FY2019, the fiscal year ending March 31, 2019, will be the final year of our three-year medium-term management plan. We have adopted five basic policies under this plan, and we are continuing to develop and strengthen our business structures in line with those policies. In FY2018, we secured our earnings from business operations in Japan by further enhancing our group management

infrastructure while also maintaining initiatives designed to drive overseas business growth. At the same time, we improved our earning performance and business efficiency by using group synergies to enhance our competitiveness in existing business areas, even as we took up the challenge of expanding our business portfolio.

In parallel with our efforts in these areas, we also implemented effective financial strategies designed to improve our capital efficiency.

Progress on these measures was reflected in results that exceeded our consolidated performance forecasts. Operating income exceeded our forecast by ¥1,034 million, net income before income taxes by ¥1,786 million, and net income attributable to shareholders of Wacoal Holdings Corp. by ¥745 million. The ratio of net sales to operating income was 6.4%, and ROE reached 4.2%.

Outlined below is our progress toward the reinforcement of our business structures under the five basic policies in the medium-term management plan.

1. Secure Earnings in Domestic Business

Our businesses in Japan have been

impacted by the closure of wholesale channels and a prolonged inventory correction. At the same time, rising health insurance premiums, the improvement of employment conditions for sales personnel, and expenditure on IT systems are inevitably causing an increase in selling, general and administrative expenses. We have responded to this situation through business restructuring initiatives focusing mainly on chain store and retail operations, with the emphasis on earning performance. We have improved the gross margin by expanding sales of products offering new comfort features, by reducing discounts and returns by wholesaling appropriate quantities at appropriate times, and by increasing our focus on the rollout of standard products at directly operated outlets.

We will integrate our wholesaling operations into a single organizational structure and commenced initiatives to optimize supply chain processes. At the same time, we will deepen customer relationships by using digital technology to provide omni-channel services. While improving business efficiency, we will also work toward an early return to a growth track.

2. Generate Further Growth in Overseas Business

Our three main subsidiaries in Europe, the Americas, and China have intensified their efforts in the growth area of e-commerce. We have enhanced customer convenience on our own e-commerce sites and revised our product and sales policies for other companies' sites. These measures have led to robust sales growth and further strengthening of our management structures. Since acquiring a materials supplier (A Textiles) in Thailand, we have been restructuring the

company to overcome a number of issues, including quality problems, and liquidating unprofitable operations. This process has taken a considerable amount of time. We will continue to strengthen our growth potential through effective investment in other countries.

3. Create Group Synergies and Strengthen Competitiveness

Four of our subsidiaries in Japan—Peach John, Lecien, Nanasai, and Ai—have been unable to adjust to changes in distribution structures and consumer needs, and their net sales and operating income have fallen below their targets. Their ratios of net sales to operating income have also stagnated over the past few years. We therefore plan to implement radical business restructuring measures and initiatives to improve earning performance, so that we can utilize their business infrastructure more efficiently within the Group.

4. Expand Our Business Portfolio

We have created infrastructure for an accommodation business using Machiya townhouses in Kyoto. While working to improve the earning potential of our existing business areas, we will continue to explore the creation of new business portfolios that allow us to build our brand reputation and financial soundness without being confined to existing business models.

5. Improve Our Group Management Infrastructure

In October 2017, we adopted the Wacoal Group CSR Procurement Guidelines, which call for increased efforts to fulfill our responsibilities in cooperation with our suppliers, by responding to social expectations in such areas as human rights, labor practices, and ethics. We will also work continuously to

enhance our corporate governance systems. Another priority will be the development of business infrastructure from a diversity perspective, including career development for women. At the same time, with the aim of enhancing the value of our intangible assets, we will further energize our organization and human resources through work style innovations, such as the introduction of teleworking.

In the year ending March 2019, we are forecasting that consolidated net sales will increase by 2.2% year on year to ¥200 billion, that consolidated operating income will be 20.2% lower at ¥10 billion, and that consolidated net income attributable to shareholders of Wacoal Holdings Corp. will rise by 2.6% to ¥10 billion.

Deepening Commitments to Stakeholders

We see the present time as a turning point for Wacoal. In August, we signed a comprehensive partnership agreement with the sportswear manufacturer Descente. The two companies will combine their business infrastructure and know-how to create new value by going beyond both fashion and sports to offer products and services that will earn the support of consumers.

In recent years, companies have come under intense scrutiny about what they consider key issues in the creation of a sustainable society, and about their commitment to the consistent fulfillment of their responsibilities through CSR activities in the true sense of the concept. Wacoal has identified six priorities in its efforts to achieve sustainable growth and development, create a society in which diversity is valued, and build highly transparent organizational structures.

We need to build a business structure that supports an accurate awareness of society's expectations and has been adapted to changes in consumer needs, and we must pass that structure on to the next generation. We remain fully committed to new value creation that will allow Wacoal's evolution as a company that is always needed by society.

Consolidated Financial Results and Forecasts

	FY2018 (forecast)		FY2018 (result)		FY2019 (forecast)
➤ Net Sales	¥200.0 billion	▶	¥195.7 billion	▶	¥200 billion
➤ Operating Income	¥11.5 billion	▶	¥12.5 billion	▶	¥10 billion
➤ Income Before Income Taxes*	¥12.5 billion	▶	¥14.3 billion	▶	¥13 billion
➤ Net Income Attributable to Shareholders of Wacoal Holdings Corp.	¥9.0 billion	▶	¥9.7 billion	▶	¥10 billion

*Income before Income Taxes and Equity in Net Income of Affiliated Companies

September 2018

We are maintaining and enhancing corporate value, while optimizing value distribution to stakeholders.



MASAYA WAKABAYASHI

Director and Vice President
Wacoal Holdings Corp.

FY2019, the year ending March 2019, will be the final year of our current medium-term management plan. Our goal under this plan is to enhance corporate value by further expanding investment in future growth and shareholder returns, while maintaining a robust financial structure. In addition to the improvement of earning performance in core business areas, we have also continued to generate cash by reducing operating shareholders' equity, restructuring our strategic shareholdings, and other measures. We have invested more than the cash generated through these measures in future growth, while also allocating funds to the maintenance of dividend stability and a flexible share buy-back program.

Through this strategy, we aim to provide returns to shareholders by combining a medium- to long-term improvement in corporate value with shareholder returns that also reflect our capital structure.

In FY2018, we implemented another share buy-back scheme and introduced an interim dividend, resulting in a total payout

ratio of 117%. However, shareholders' equity increased more than expected due to the effects of unrealized gains and losses on securities and other factors. As a result, ROE fell below the target level to 4.2%.

We are developing IT systems to support omni-channel services in our business operations in Japan. We see active investment in Japan and overseas as the way to ensure Wacoal's growth potential in domestic and international markets, while also raising business productivity per employee, improving our consolidated operating income margin, and expanding net income per share.

In October 2017, we formulated the Wacoal Group CSR Procurement Guidelines. Under these guidelines, we are working in close partnership with all suppliers involved in our production activities to ensure that we fulfill social responsibilities. We have declared that Wacoal and its suppliers will not only maintain high standards in terms of quality, price, and on-time delivery, but also must comply with and respect society's expectations in such

areas as human rights, labor practices, the environment, and ethics.

Our existing project structure already incorporated effective supervisory mechanisms, including the monitoring of socially responsible procurement and the rectification of any issues. However, we decided to enhance the effectiveness of this system, and since April 2018, the CSR Procurement Committee, of which I am the chairperson, has been effectively monitoring compliance within the provisions of the Guidelines. We have also shifted our focus toward continual improvement and identified CSR procurement as a management priority that will be targeted with expanded initiatives.

Wacoal's business depends on the trust of many stakeholders and society in general. To ensure Wacoal's future as a company that society will continue to need in the future, we need to maintain and enhance our corporate value, and optimize the distribution of value to all stakeholders. My role is to provide effective leadership for these efforts.

Capital Policy and Shareholder Returns

PART 01

Improving Capital Efficiency, Shareholder Returns

Net income attributable to shareholders of Wacoal Holdings Corp. in FY2018, the year ended March 2018, of ¥9.7 billion exceeded our forecast but was lower than the result for FY2017, when we recorded gains on sales of fixed assets (land).

Capital expenditure amounted to ¥5.9 billion. The main items were the development of IT systems to support omni-channel services in Japan, the creation of platforms for our overseas e-commerce operations, and the replacement of factory equipment. Returns to shareholders totaled ¥11.4 billion, consisting of ¥7.4 billion in dividends, and a ¥4 billion share repurchase scheme.

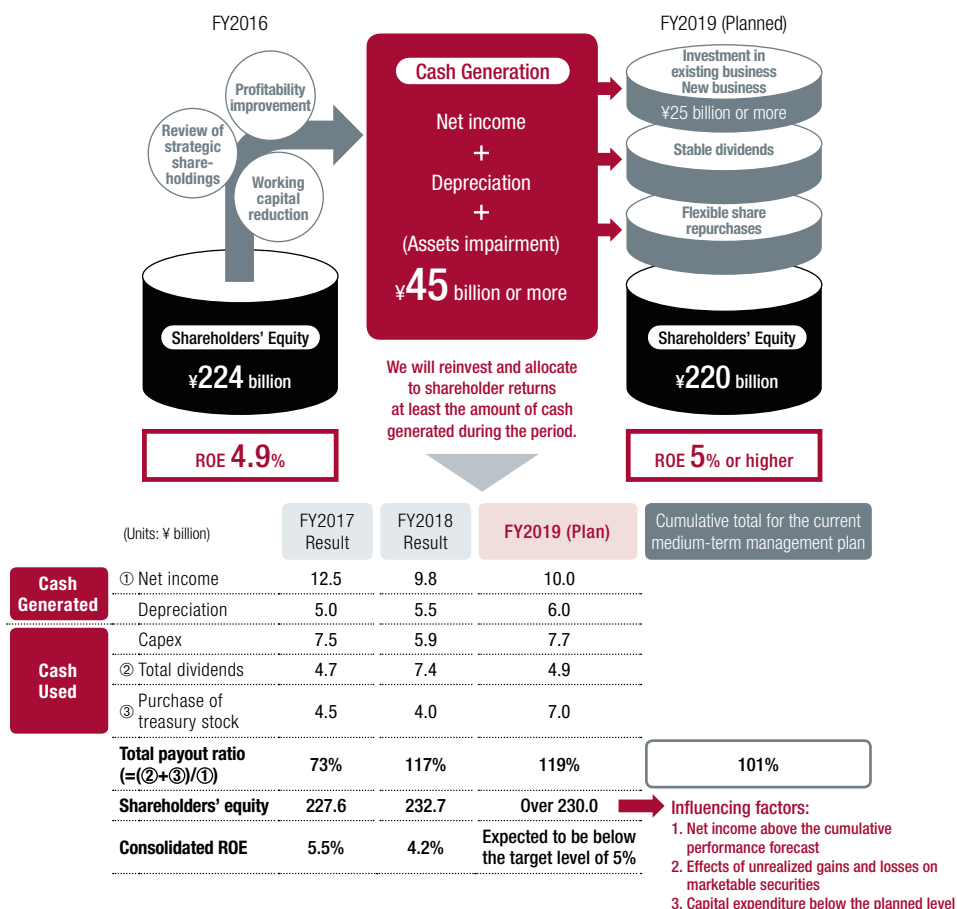
Shareholders' equity increased by ¥5.1 billion to ¥232.7 billion, in part because of the effects of unrealized losses and gains on marketable securities. Consolidated ROE was 4.2%.

Our forecasts of consolidated financial results for FY2019, the year ending March 2019, include net income attributable to shareholders of Wacoal Holdings Corp. of ¥10 billion.

Our policy on shareholder returns is to maintain long-term dividend stability. Under this policy, we have kept the annual dividend at ¥72 per share. We also plan to implement a share repurchase scheme up to a maximum of 2.2 million shares, or ¥7.0 billion. On this basis, we expect the total payout ratio for the period covered by the medium-term management plan to be over 100%.

However, in May 15, 2018, after finalizing our forecasts for FY2019, we projected that shareholders' equity would exceed ¥230 billion, and on that basis we expect consolidated ROE to be below 5%. We will continue our efforts to bring this figure up to the target level while working to improve our business earnings.

Capital Efficiency Improvement and Shareholder Returns as Indicators for the Current Medium-term Management Plan



Promoting CSR Procurement

PART 02

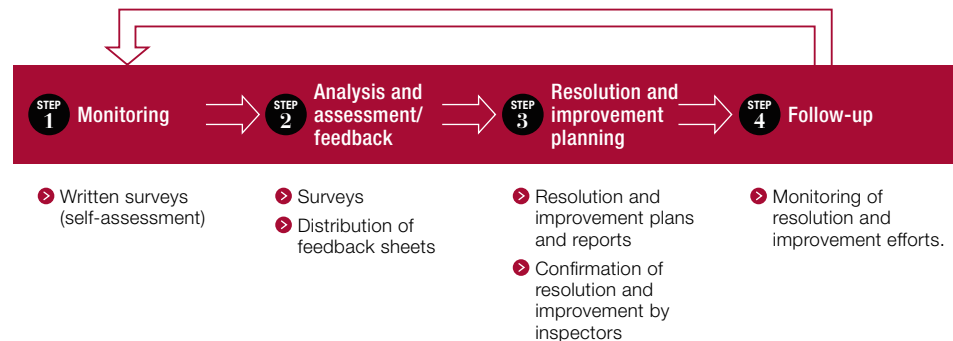
CSR Procurement Based on Mutual Trust and Cooperation

Supply chains for textiles and apparel begin with product planning and design in the countries and regions where the products will be sold. Almost all products are shipped to their respective markets after processing through international networks in which production or procurement of raw materials and the mass-production of finished products are carried out in factories in China or emerging countries in ASEAN.

In January 2017, an international NGO raised concerns about working conditions in a factory in Myanmar, which had been contracted to carry out manufacturing work for Lecien Corporation, a Wacoal Group company. As part of learning from this situation, we are monitoring for any negative impacts from our business activities, and have established systems to resolve and improve issues and to carry out due diligence in relation to human rights, labor practices, and other aspects.

Ongoing Initiatives to Monitor Human Rights and Labor Practices and Resolve and Improve Issues

In October 2017, we adopted the Wacoal Group CSR Procurement Guidelines, which call for efforts based on trust and cooperation in partnership with suppliers that share our commitment to social imperatives in such areas as human rights, labor practices, the environment, and ethics. We have started to monitor compliance with the Guidelines in various ways, including self-assessment by contract manufacturers. We provide feedback based on analysis and assessment results, develop resolution and improvement plans, and carry out follow-up measures. In February 2018, we commenced initiatives based on a cycle of accurate monitoring, followed by continuous resolution and improvement of issues.



Maintaining and Improving Transparency—Disclosure of Contract Manufacturer Information

Since May 2018, we have disclosed basic information about our contract manufacturers, including names and addresses, on our website. The purpose of this initiative is to enhance the transparency of our supply chains, and to work with contract manufacturers to fulfill our responsibilities in relation to social imperatives in the spirit of mutual trust and cooperation. Individual manufacturers are aware that they are under public scrutiny and will work with Wacoal to resolve problems and make improvements. All manufacturers have agreed to the publication of their details.

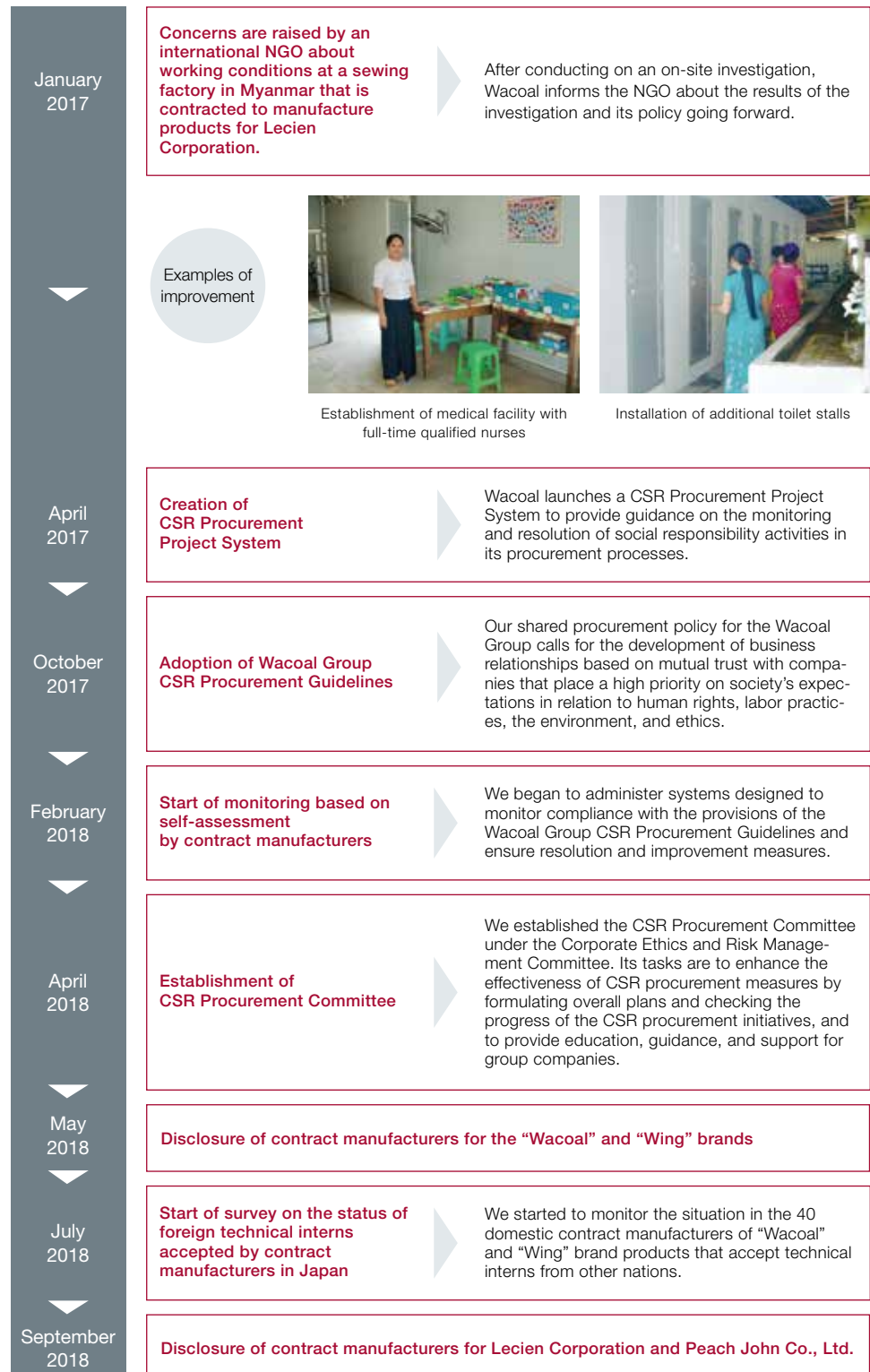
Contract Manufacturers Covered by Disclosure (as of the end of September 2018)



Click here for detailed information about CSR procurement.

<https://www.wacoalholdings.en/csr/procurement.html>

CSR Procurement Initiatives Based on Mutual Trust and Cooperation



Wacoal Story

Characterizing Wacoal's Business

We study local characteristics and respond to local needs.

Our vision for the future of the Wacoal Group is summed up in the words “Worldwide Wacoal.” We are actively expanding our business operations not only in Japan, but also in overseas markets, especially the United States, Europe, and China. Markets in each country or region vary widely according to economic scale, culture, lifestyles, and other factors, and we have achieved growth through a management strategy of putting down roots in each market. We are determined to maintain continuous business growth and strengthen our earning power by using the full potential of group synergies to enhance the value of the Wacoal brand in each country, and by further reinforcing our product planning and development capabilities.

Characteristics of Wacoal's Business Worldwide

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.

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.

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.

EUROPE (10 major EU countries)



Market Size*2

Approx.

€ **16** billion

Women's Innerwear Market Share as a Ratio of GDP

0.12 %

CHINA



Market Size*2

Approx.

RMB **130** billion

Women's Innerwear Market Share as a Ratio of GDP

0.19 %

JAPAN



Market Size*1

Approx.

¥ **624** billion

Women's Innerwear Market Share as a Ratio of GDP

0.11 %

UNITED STATES



Market Size*2

Approx.

\$ **15** billion

Women's Innerwear Market Share as a Ratio of GDP

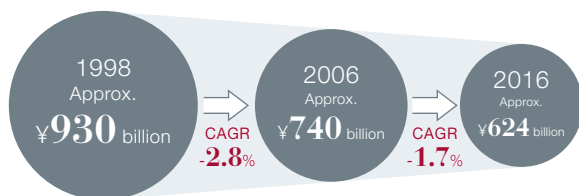
0.08 %

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

Domestic Market

JAPAN

Domestic Market Size*1

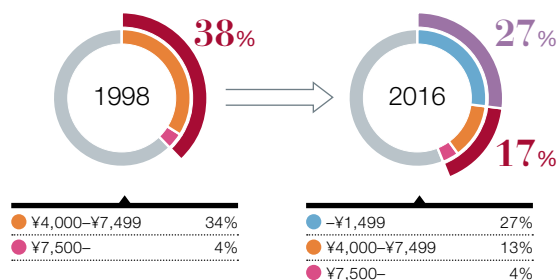


The domestic innerwear market has relatively little price elasticity, and is relatively unaffected by economic cycles and changes in individuals' incomes, making it easier to secure stable sales volume in the market.

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.

Change in Average Sales Price*2

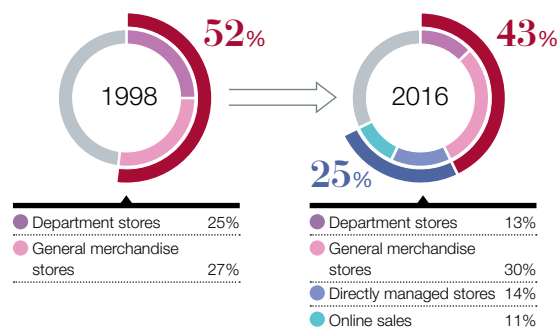
Wacoal's main products retail for over ¥4,000. Products priced above ¥4,000 accounted for approximately 38% of the entire market in 1998, but fell to approximately 17% in 2016. On the other hand, products priced under ¥1,500 accounted for about 7% in 1998 and rose to approximately 27% of the market in 2016.



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.



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

Global Market

OVERSEAS



UNITED STATES

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 23%.



EUROPE

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

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.

Wacoal Story

Medium-term Management Plan



In FY2019, the year ending March 2019, which will be the final year of the current three-year medium-term management plan, Wacoal will work to complete the development of infrastructure to support the improvement of business efficiency, while also investing in areas that offer growth potential. We will restructure our business operations in Japan with aim of strengthening collaboration and improving productivity in our wholesaling operations. We will also expand our efforts to improve the profitability of our retailing business. Another goal is to complete the development of omni-channel infrastructure so that we can phase in the operation of related systems. Goals for our overseas business include the expansion of our own e-commerce sites into more countries, and increased selling on other companies' e-commerce sites at standard prices. At the same time, we will work to enhance services in department stores and stores owned directly by Wacoal. At product supply bases in China and ASEAN, our efforts will focus on the development of production systems for whole-garment products, which offer competitive advantages in terms of both quality and costs.

	Net Sales	Operating Income	Net Income	Operating Margin
Targets announced in May 2016 for FY2019 (final year of the medium-term management plan)	¥215 billion	¥15 billion	¥11 billion	7%
Financial forecasts for FY2019 (announced in May 2018) Figures in [] represent increases (decreases) compared with the targets	¥200 billion [-¥15 billion]	¥10 billion [-¥5 billion]	¥10 billion [-¥1 billion]	5%

The results are expected to fall short of the medium-term management plan targets.

Comparison to plan					Factors	
Differences from targets						
		Net Sales		Operating Income		
(Unit: Billions of yen)		Amount	Percent	Amount	Percent	
> Wacoal		-4.4	-3.9%	-1.1	-21.2%	> Wacoal
Peach John		-1.4	-9.6%	-0.4	-43.8%	Net Sales
Lecien		-2.6	-20.0%	-0.1	-20.0%	Operating Income
Nanasai		-2.8	-23.3%	-0.3	-55.6%	
Ai		-1.8	-23.8%	-0.2	-71.4%	> Four subsidiaries in Japan
> Subsidiaries in Japan (total of 4)		-8.6	-18.2%	-0.8	-46.8%	Net Sales
Wacoal International (U.S.)		-0.4	-2.0%	-0.3	-13.6%	Operating Income
Wacoal Europe		-1.5	-9.1%	-0.5	-27.3%	
Wacoal China		0.5	+4.4%	-0.4	-36.3%	> Four overseas subsidiaries
A Tech Textile		-1.0	-35.7%	-0.7		Net Sales
> Overseas subsidiaries (total of 4)		-2.4	-4.7%	-1.8	-36.5%	Operating Income

Secure Earnings in Domestic Business

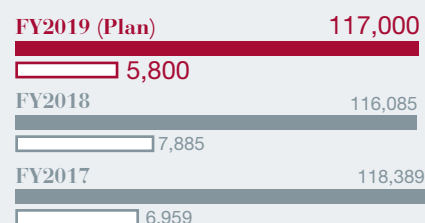
Our flagship company, Wacoal Corporation, is restructuring its business operations to strengthen its focus on profitability, especially in the areas of wholesaling and retailing. It has achieved improvements in sales margins by reducing discounting and returns while giving priority to the expansion of sales of high added-value products, optimization of retail inventories, and the increased roll-out of common product lines for directly owned outlets. In FY2019, the year ended March 2019, we expect to complete the infrastructure for omni-channel services, which will allow us to use digital technology to evolve our customer contact capabilities, including a shift to digital management of customer information in collaboration with department stores, and the launch of new app-based services.

Basic Policies

- Continue to develop attractive new products with high added value
- Improve the productivity of our wholesaling business and the profitability of our retailing business
- Create original omni-channel services to enhance customer convenience

Wacoal Business (Domestic) Net Sales / Operating Income

■ Net Sales □ Operating Income (¥ million)



Main initiatives up to FY2018

01 Enhancement of marketing capabilities, productivity improvement

- Launch of the Chain Store Operation Division organization
- Enhancement of profitability of the Retail Business Department

02 Development of infrastructure for omni-channel services

- Digitization of customer information management
- Introduction of tablets for use in customer interactions

03 Integration of core IT systems

- Creation of an information management system encompassing products from all brands

Focus of efforts in FY2019



Return to a growth track while improving productivity

01 Improvement of wholesaling productivity and retail profitability

- Launch of the Wholesale Business Division organization
 - Value chain optimization, efficient deployment of human resources
- Reinforcement of retail earnings base
 - Development of common/continuing products, incorporation of RFID systems

02 Using digital technology to enhance our customer interaction capabilities

- Specific measures toward the roll-out of omni-channel services
 - Trial development of next-generation shops
 - Launch of new app-based services

03 Planning and development of strategic products with a competitive advantage

- Reanalysis of customer needs and positioning for comfortably designed bras
- Introduction of high-added value non-wire bras

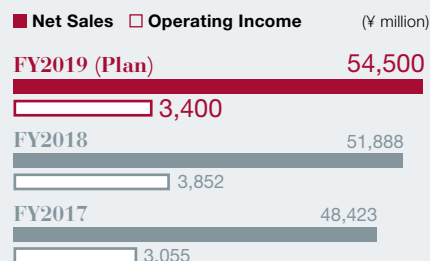
Generating Further Growth in Overseas Business

We are focusing on the reinforcement of our business structure, which centers on our three main subsidiaries in the United States, Europe, and China. Specific goals include the enhancement of our planning and development systems in order to raise the added value of our products, the linkage of product planning and production management in Europe and the United States, and the improvement of our capacity to keep pace with the accelerating growth of e-commerce markets throughout the world. In FY2018, we enhanced the usability of our own e-commerce sites and reviewed our product and sales policies for e-commerce sites operated by other companies. These measures resulted in robust sales growth. In FY2019, we will continue to strengthen our growth potential by effective growth investment. At product supply bases in China and ASEAN, we are installing production equipment for whole-garment products, which are highly competitive in terms of both quality and costs.

Basic Policies

- Enhance product added value through the reinforcement of planning and development systems
- Collaborate across regions on product planning and production management
- Improve our ability to keep pace with the accelerating global growth of e-commerce markets
- Use global supply chains to develop highly competitive materials

Wacoal Business (Overseas) Net Sales / Operating Income



Main initiatives up to FY2018

01 Cross-regional business collaboration

- Review of material standards for the EU and the United States, collaboration with factories in the ASEAN region
- Implementation of the "One Wacoal" policy in Asia
 - Shop design standardization and joint sales promotion initiatives in Asia

02 Reinforcement of e-commerce capabilities

- Expansion of our own e-commerce sites into more countries (Europe, the U.S.)
- Expansion of initiatives based on other companies' e-commerce sites (China)

03 Develop ASEAN supply bases

- Creation of a stable supply system consisting of high-quality, small lots

Focus of efforts in FY2019

Please see page 32 for U.S. business initiatives.

Boost growth potential by investing effectively in growth initiatives



01 Enhance development capabilities and product competitiveness

- Improvement of brand value and product planning and design proficiency in Europe and the U.S.
- Enhance novelty and originality in China and other Asian countries

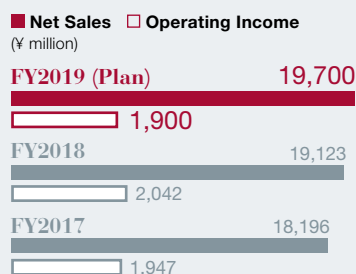
02 Continue cultivating channels by increasing e-commerce capabilities

- Extend our e-commerce site to other countries, and expand regular sales of our products on third-party e-commerce sites

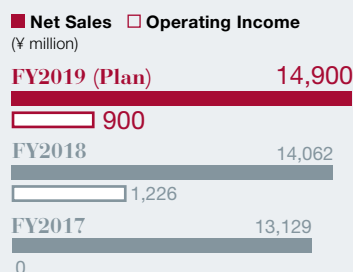
03 Expansion of supply chain networking

- Development of supply bases in the ASEAN region (Thai materials company, Myanmar)
- Development of equipment environments to meet a wide range of needs
- Increased use of PLM and CAD

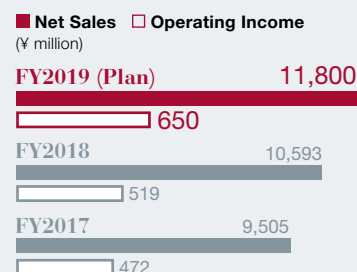
Wacoal International Corp. Net Sales / Operating Income (Before consolidation adjustments)



Wacoal Europe Ltd. Net Sales / Operating Income (Before consolidation adjustments)



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



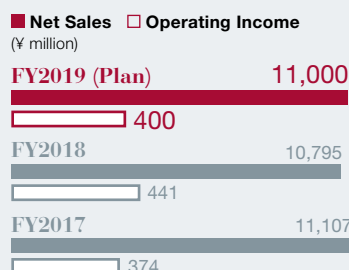
Create Group Synergies and Strengthen Competitiveness

Basic Policies

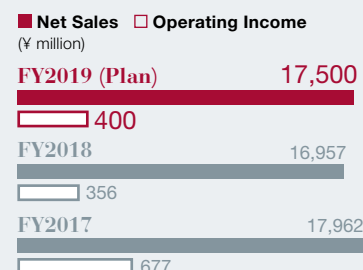
- Act on the management problems of individual companies
- Reciprocal use of each company's strengths to increase overall competitiveness

Our four subsidiaries in Japan—Peach John, Lecien, Nanasai and Ai—have been unable to adjust to changes in distribution structures and consumer needs, with the result that their sales and operating income have fallen below the target levels in the plan. We will continue our efforts to improve their profitability, including the possibility of radical business restructuring. We will also initiate reforms designed to ensure reliable sales and earnings.

Peach John Business Net Sales / Operating Income



Other Businesses Net Sales / Operating Income



Initiatives in FY2019 ▶ Income improvement measures, including radical changes to business structures

Peach John | Improvement of earnings in Japan, reinforcement of overseas sales

- Expansion of Taiwanese business through directly owned outlets and e-commerce sales
- Expansion of business in China in cooperation with Wacoal China
- Sales expansion and cost reduction for each body type

Lecien | Strengthening of efforts to improve earnings

- Improvement of competitiveness of own-brand products
- Cost reduction through centralized sourcing of key materials

Ai | Strengthening of efforts to improve earnings

- Reciprocal use of sales channels, improvement of efficiency of indirect operations
- Increase in percentage of products planned in-house, cost reduction

Expand Our Business Portfolio

We will continue to explore ways to create new business portfolios that go beyond our existing business models. In FY2019, we will launch an accommodation business based on Machiya townhouses in Kyoto.

Basic Policies

- Expand our business portfolio using Wacoal's tangible and intangible strengths

Initiatives in FY2019 ▶ Launch of new businesses relating to beauty, health, and comfort

- Launch of accommodation business using Machiya townhouses in Kyoto

Improve Our Group Management Infrastructure

Basic Policies

- Continually analyze society's needs and expectations and reflect them in our management policies

We are building a relationship of trust with society through ongoing efforts to achieve sustainability and respond to social issues, such as the environment and human rights, to implement social contribution activities in such areas as breast care, and to ensure the safety and dependability of our products and services. In addition to the continuous improvement of our corporate governance, we will go beyond our focus on career development for women to develop business structures from a diversity perspective.

Focus of efforts in FY2019

01 CSR procurement in cooperation with contract manufacturers

- Establishment of the CSR Procurement Committee
- Updating of the published list of factories, achievement of transparency, fulfillment of social responsibilities
- Continuous monitoring, mitigation, and improvement

02 Continuing improvement of corporate governance

- Compliance with amendments to the Corporate Governance Code
- Cessation of takeover defense measures

03 Acceleration of work style innovation and leave reforms

- Introduction of teleworking, development of IT infrastructure
- Introduction of career development leave system



Wacoal Story | Spotlight

Beauty: Sustainability





People-centered Pursuit of Originality in Japan and Overseas

Wacoal is adapting to the diversification of values in Japan by putting its unique omni-channel service strategy into effect. In the United States, our management philosophy has helped us to build trust-related assets by achieving the top share of department store sales, and we have now taken up the challenge of achieving sustainable growth and success in that market. Our work to create richly diverse organizational assets are helping to sustain our efforts in this challenge as we co-create corporate value with our employees around the world.



Strengthening the Earning Power of Domestic Business Operations



Wacoal's omni-channel service strategy adapting to Change.

We are developing services that transcend brand and channel boundaries to supply products that match customer expectations. We are approaching this goal through decisive organizational changes and dynamic growth investment in IT systems.

Tomoyasu Ito

Representative Director, President and Corporate Officer
Wacoal Corp.

Current Trends in Our Business in Japan

The business environment in Japan has changed dramatically over the past few years, in step with the diversification of social values and the expansion of choices. Based on our past history, Wacoal may seem to have specialized mainly in wholesaling. However, in recent years department stores and general merchandise stores have closed unprofitable outlets in response to stagnating apparel sales, while advances in digital technology have accelerated. This has resulted in a decrease in the proportion of sales through physical store locations from three-quarters as of five years ago to two-thirds in the year ended March 2018. Another conspicuous trend, reflecting the increasing role of women and seniors in the workplace, has been the expansion of the market for apparel that is not overly casual but combines fashionability with ease of movement. The industry is also being transformed by a labor market environment in which it is becoming increasingly difficult to recruit sufficient numbers of sales personnel, and by the severe decrease in manufacturers dedicated to the production of innerwear of truly high quality.

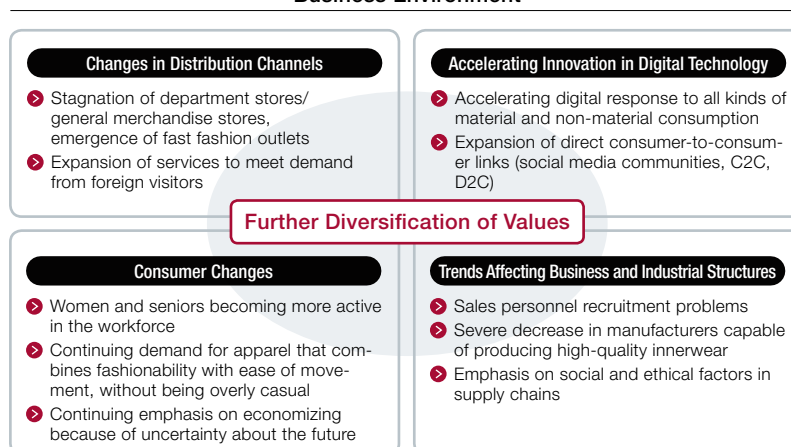
Our focus under the current medium-term management plan is to prioritize the profitability of our domestic business in this environment. To date, we have worked to develop the infrastructure needed to support enhanced business efficiency, and to transform our business structure through

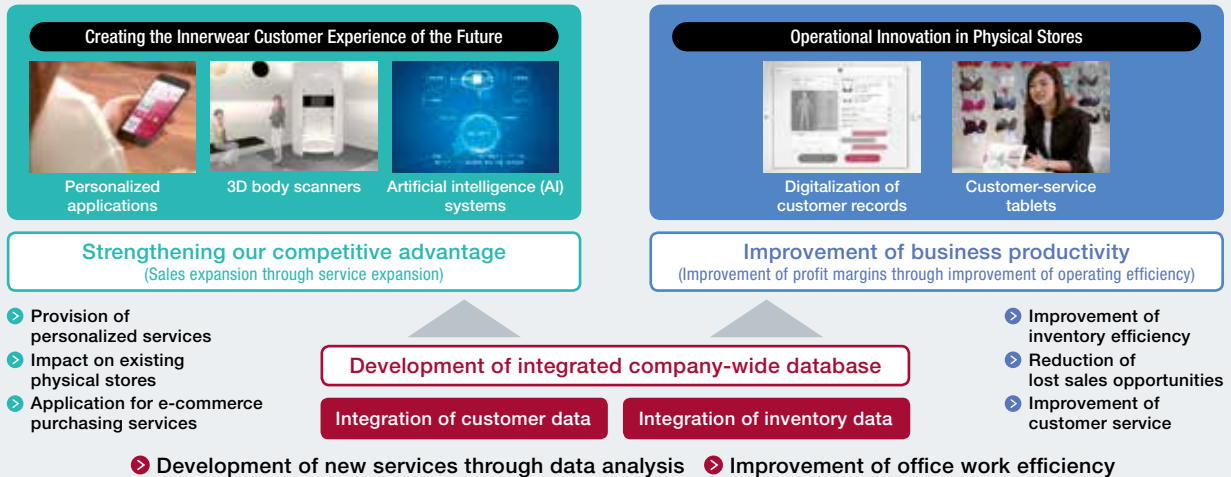
efforts targeted toward three key areas: the restructuring and reinforcement of our wholesale business organization, the improvement of profitability in our retail business, and the creation of omni-channel service infrastructure.

A major initiative to restructure and reinforce our wholesale business organization was the integration of business management and marketing operations for our existing "Wacoal" and "Wing" brands, which were served previously by separate marketing structures under the control of the Chain Store Operation Division. This change took effect from the start of the year ended March 2018. At the start of the year ending March 2019, we merged the Chain Store Operation Division with the Wacoal Brand Business

Department and the Wellness Business Department, thereby integrating all management and operations relating to department stores, general merchandise stores, innerwear specialty stores, and other retailers under the Wholesale Business Department. The fundamental aim of these organizational changes is to improve business efficiency and enhance our competitive advantage by optimally deploying our finite wholesale business management resources, including our brands, product items, marketing support, and sales staff, to department stores and other sales channels. These changes have clearly improved efficiency in indirect and back-office areas. Additionally, this merge has strengthened collaboration across brand boundaries

Business Environment





and business units in such areas as effective sales outlet development. We have also expanded the scope for efforts to deploy salespersons and beauty advisers flexibly in each market.

To achieve our second target, the improvement of profitability in our retail business, we have been conducting analyses to identify the characteristics of highly efficient outlets by examining various aspects of directly operated stores opened over the past few years, including their siting conditions and areas. As trends became apparent, we implemented a decisive scrap-and-build strategy that reduced the percentage of individual stores with negative returns to less than 10%, including newly established outlets. These measures were accompanied by efforts to improve sales margins through changes to our product mix. Our past approach was to maintain detailed differentiation of each shop brand. However, we switched to the development of strong common products that can be sold in different types of shops and focused on promotional activities with strong synergistic effects. This led to the creation of major hit products and resulted in a dramatic improvement in our sales margins.

Goals for Our Business Operations in Japan

Our third target is the creation of an omni-channel service infrastructure. We are now on track to open next-generation stores to provide services that will meet the expectations of our customers. I would like to speak in detail about this new initiative, which is expected to start around the spring of 2019.

As consumer values become increasingly diverse, Wacoal needs to be able to provide a personalized response to each individual consumer's expectations and

needs. In the past, it was possible to complete transactions without ever knowing the customer's name, but today the possession of big data has become the key to success, and we are expected to be able to offer personalized solutions based not only on recognition of each customer's name and face, but also on an understanding of each individual's physique and thought processes. The aim of Wacoal's omni-channel service strategy is to build deeper, wider, and longer relationships with each customer. Building a "deeper" relationship in this context means working closely with each customer to achieve her desire to express her beauty. By building "wider" relationships, we mean that we want to build a customer relationship that also encompasses her family and friends. When we say that we want to build "longer" relationships, we mean that we are committed to serving each customer throughout her lifetime by maintaining the bonds that we have built and carefully retaining her data no matter where she goes.

We aim to secure our future as the number one brand by building a solid reputation with customers and in the market, and by using our omni-channel strategy to create service networks that our competitors will be unable to match. We will achieve these goals by maintaining our commitment to the development of high-quality products to meet changing needs, while using digital technology to enhance the advantage that we have gained through customer services provided by beauty advisers.

Specifically, we will begin by developing a personalized customer mobile app as the starting point for our relationships with individual customers. This will be the initial step in two-way communications between Wacoal and the customer based on individualized fitting information and purchase history, allowing Wacoal to

provide appropriate information in response to the customer's needs. We will next install 3D body scanners and customer consultation equipment utilizing artificial intelligence (AI) in store locations. A significant number of customers experience stress when interacting with sales assistants for measurement and consultation. A 3D scanner can instantly record 1,100,000 size measurement data points and share the resulting data with the app. The AI consultation service will also be available via the app, allowing the customer to look for products or retrieve information anywhere and at any time.

We have been digitalizing our customer records and plan to provide tablets to support the customer-service activities of our beauty consultants. With digital customer records, it will be possible to update the customer's purchase history instantly at any store. This will not only save time and stress for the customer, but will also reduce the sales assistant's administration workload. By using tablets, sales assistants will be able to display suitable products on-screen for comparison and immediately check the stock of product size and color. In addition to reducing customer wait time, this system will also allow more efficient deployment of sales staff.

Customer information collected through these systems will be centrally managed as part of Wacoal's resource of big data. Each customer's information will be analyzed and used in product development and service improvement. In addition, we will improve business efficiency by reflecting accurate data in production and inventory management.

These improvements to our business infrastructure and income structure in our three core areas of wholesale, retailing, and omni-channel services will put us on track to achieve sustained sales growth, while also ensuring robust profit growth.

Our Challenge: Sustainable Growth and Success in North America

Wacoal's singular corporate philosophy is the key to surpassing customer expectations.

The Wacoal corporate culture is the foundation for the growth of the North American business, which has the highest operating margin of any Group company. Our goal is to provide new value to customers amid the accelerating diversification of sales channels.



Robert Vitale

President and CEO,
Wacoal America, Inc.

North American Business Built on the Wacoal Spirit

Wacoal's founder, Koichi Tsukamoto, envisioned his business not merely as an arm of the textiles industry, but as something rather more, something rather uncommon—an industry dedicated to helping women everywhere to achieve their own personal beauty. It was when Wacoal first opened an office in New York in 1977 that Tsukamoto reportedly declared Wacoal should also take its corporate culture—its management philosophy, its approach to business activities—to America. That culture centers on the development of relationships of mutual trust with our business partners and all stakeholders by consistently providing the highest standards of quality in our products and services.

The first turning point for Wacoal America was perhaps the establishment of a plant in the Dominican Republic in 1990. We applied the Wacoal spirit—our passionate commitment to quality manufacturing—by raising the quality of pattern design, materials, sewing, and other processes to the same standards as we have in Japan, and by creating a structure that allows us to supply products that meet the needs and match the physiques of American women. A second major turning point came when we began to sell products licensed under the Donna Karan label. Wacoal had

struggled to make inroads into the American market because of low brand recognition, but when Donna Karan, a designer with a strong focus on quality, named Wacoal as her ideal partner, we gained a reputation as a manufacturer of high-quality products, and our business expansion accelerated.

A third turning point came in 1992, when we received our first "Partner in Excellence" award from the Nordstrom department store chain. Historically, America's leading department stores were the best in the world and were known for providing excellent customer service and consultation sales. By the time that we received the award, department stores had gone through a period of change, and in most stores customers simply picked items off the shelves and took them to a cash register. However, Nordstrom singled out Wacoal for recognition because it still placed great importance on customer service and consultation. We have built strong relationships of trust by working closely with individual customers. We do this by matching the customer's desire to achieve her own beauty, and Wacoal's desire to help her to reach that goal.

These turning points marked the rise of Wacoal's reputation in the American market as a brand that is synonymous with high quality and the best fit. We have also emerged as the undisputed leader in department store sales with a share of

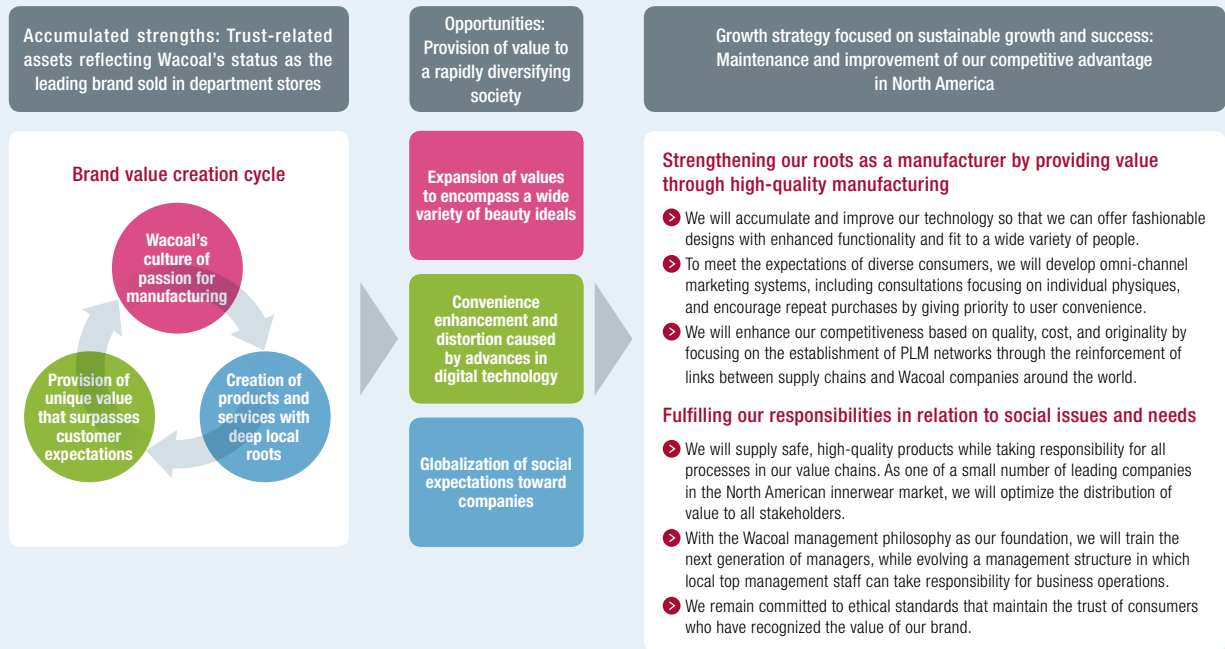
over 22%. In the year ended March 2018, sales through our rapidly expanding e-commerce business, including our own site and those operated by our partner department stores, as well as specialist e-commerce companies, grew to 29% of total sales. However, department stores remained our main channel, accounting for 53% of Wacoal America's sales.

Competitive Edge Based on Product and Service Quality

Just as in Japan, China, and Europe, Wacoal America is directly involved in all processes, from product planning and development, pattern design, and the development of technology and materials, to production, inventory management, and sales. This approach allows us to exceed customer expectations by providing the added value associated with the Wacoal brand, including quality, functionality, fit, and design. At the same time, Wacoal America works to enhance this added value still further by helping each customer to achieve her individual beauty through its in-store customer service and consultation.

In February 2016, Wacoal declared its withdrawal from price competition in department stores and other retail outlets by adopting a minimum retail pricing (MRP) policy. We aim to achieve continuing growth in the number of customers who buy our products because they

Roadmap to Sustainable Growth and Success



recognize the value behind the Wacoal label, and to earn the long-term loyalty of those customers by always living up to the trust placed in us.

Our Continuing Mission— To Surpass Customer Expectations

Always focused on its core role as a manufacturer, Wacoal America will continue to build a robust technology base and provide customers with highly functional, stylishly designed products with unrivaled fit along with high-quality services. To achieve this, Wacoal America will strengthen relationships with other Wacoal subsidiaries around the world, such as Wacoal Europe and Thai Wa-

coal, with whom we share an unwavering commitment to the provision of products and services that surpass customer expectations.

In March 2018, Wacoal America opened a directly operated outlet in an upscale shopping center in New Jersey. The spacious interior was designed as a place where we can inform customers about the true value of the Wacoal brand. In addition to a comprehensive range of Wacoal products, the store offers consulting services by highly experienced sales staff. We have also launched new initiatives to enhance our brand value in department stores. Customers in North America hold increasingly diverse views on beauty, so we push initiatives to meet a wide range of customer needs at our

stores, such as strengthening the development of a more extensive range of sizes than other brands.

In September 2017, Wacoal America established a Sustainability Committee with the task of considering what Wacoal America needs to do now in response to the priorities and needs of future generations of society over the next 10 years and beyond. The committee will also look at ways to achieve sustainable development while enhancing Wacoal's corporate value. We will further strengthen our efforts to meet the expectations of our stakeholders and fulfill our social responsibilities as a manufacturer that is involved in all processes through its supply chain.

COLUMN



Keisuke Kawanishi
Vice Chairman,
Wacoal America, Inc.

Enhancing the Wacoal Brand through Value Co-creation by Local Employees and Group Companies

Wacoal's Chairman, Yoshikata Tsukamoto, has a vision of an international network of subsidiaries spanning various countries and regions, all operating under a single brand and cooperatively sharing knowledge, while maintaining their management autonomy. That vision reflects part of the Wacoal Group's foundation. The Wacoal Group does not sell products based on the same standards and designs everywhere in the world. Instead, we foster our unique strengths in each country or region and put down roots in local markets. This requires a continual investment of effort and innovative ideas, all made possible by the talent and abilities of Wacoal people. Wacoal America has carefully built up a profile for its products, which it markets through its own efforts. It gauges the market response and modifies those products accordingly in a repeated cycle that also contributes to the development of our human resources. Wacoal America is building brand value that best matches the needs of the U.S. market through shared value creation with other Wacoal Group companies around the world.

Creating an Attractive Corporate Culture



Junko Kasai

Director, Corporate Officer, Chief of Diversity Promotion
Wacoal Corp.

We are looking to a future in which the diversity of our employees becomes a significant source of corporate and brand value.

Wacoal aims to create an environment in which there is reciprocal acceptance of individual differences and values, and in which all employees can reach their full potential. We see this as the source of added value for Wacoal, as a brand that customers will continue to prefer in the long-term future. Junko Kasai, Chief of Diversity Promotion, provides the following examples of the strategic approach that Wacoal Corp. has taken to diversity promotion.

Enhancing Corporate Value by Linking Diversity to Growth Potential

Wacoal Corp. is the Wacoal Group's business corporation in Japan. In 2014, we established the Diversity Career Support Group, which has since worked to implement two core strategies: the design and implementation of systems to enhance working environments, and career development support for next-generation leaders with the aim of enhancing motivation. With women making up around 90% of the Wacoal Corp. workforce, career development for women is an important management priority. Our goal of increasing the per-

centage of women in managerial positions to 20% (as compared to FY2014) was achieved two years early in FY2018 with a figure of 20.3%, as shown in the chart on page 35. This success is attributable to efforts on various levels, including the enhancement of systems and the provision of leadership training. There have also been conspicuous changes that go beyond these figures, such as more women working after having a child, and an increase in male and female employees combining work with child-care. I believe that we were able to achieve our target because we have evolved a corporate culture that accommodates these life events as a matter of course.

One of Wacoal's strengths is its creation of value chains based on its own global networks integrating all stages from product development to the procurement of materials, production, and marketing. Customers associate Wacoal with quality. We have been able to build that reputation thanks to our frontline capabilities, by which I mean the strong sense of responsibility that our employees, who are our most important management resource, bring to their work. The core aim of Wacoal's diversity strategy is to enhance our corporate value, which derives from our earning power combined with our intangible assets, by improving our performance through the creation of a diverse organi-

zation in which individuals can express their various values.

Realizing Individual Potential through a Real Commitment to Diversity

Wacoal has gained prominence for its in-house initiatives, such as career development for women. However, we are also working actively to provide our own unique answers to social issues, such as the development of sales environments that also reflect the needs of LGBT customers. This focus is not limited to within Wacoal or the needs of our employees. Our aim is to create an environment in which developers, business partners, and the consumers who buy our products can all enjoy innerwear culture in a spirit of mutual respect and consideration.

We are about to commence the second phase of our diversity strategy, the aim of which is to realize the potential of diversity regardless of individual attributes, such as gender, disabilities, or age. As a company we have a responsibility to develop systems and provide skill development support to enable individual employees to achieve his/her career goals. Employees have a responsibility to pursue their personal development by making career path decisions and improving their own skills, while working to foster a mindset and culture actively linked to contributing to the organization. For these reasons, we will work with a sense of urgency to create opportunities and improve productivity by introducing a variety of work style innovations, such as teleworking, the development of multiple perspectives through employment in multiple jobs, and a career development leave system.

Wacoal's business philosophy is centered on mutual trust, while our corporate culture is characterized by a sense of pride in our organizational solidarity. With the second phase of our diversity strategy, we aim to improve employee motivation and work satisfaction by fostering a corporate culture in which diversity is welcomed, and by

helping employees to raise their level of engagement by forming a sense of empathy toward society and their company.

We also want to maintain Wacoal's role as a company that provides real value by giving priority to initiatives that lead to innovation. We will foster qualities that encourage people to collaborate with those outside of the company through networking with other industries at different levels of seniority, and by hosting seminars with people from other industries. We see these activities as a way to develop the experience and skills needed by all employees, whether they have just joined Wacoal or have been with Wacoal for years, in order to create value, from the improvement of day-to-day tasks, to the start-up of new businesses. These systems will be designed to give priority to the development of a sense of initiative, so that employees will be motivated to participate.

The Key to Wacoal's Future—Independent, Innovative People with Skills Honed in Diverse Business Environments

Under our next medium-term management plan, Group companies in Japan and overseas will further strengthen their focus on diversity. We will extend the

benefits achieved by Wacoal Corp., including the utilization of diverse human resources, and our track record of work style innovation, across the entire Group, while learning together from progressive initiatives by other Group companies. We believe that this approach will further enhance Group-level synergy benefits. We will periodically monitor progress and encourage Group companies to reflect these efforts in their management.

Another goal is to train people with the ability to work globally, and to accelerate the global spread of our management philosophy. We will achieve these goals by facilitating information and human resource networking through collaboration with local offices on the development of personnel capable of working successfully in overseas Group companies, and through the creation of opportunities for global human resource exchanges.

Diversity management is not a goal in itself. Our vision for the future of Wacoal calls for the creation of an environment in which we can recruit diverse groups of people and help them to set their own career goals and develop their skills. Those people can then work independently and innovatively to achieve success through their commitment to building a future for their company.

Progress toward Diversity Promotion

Theme	FY2014		FY2018
Career development for women (increase in the percentage of women in managerial positions)	15.2%	⇒	20.3%
Employment of people with disabilities (statutory employment ratio)	2.15% (2.0%)	⇒	2.23% (2.2%)
Employment of seniors (re-employment ratio)	82% of employees who reach retirement age, 100% of those who wish to be re-employed (FY2018)		
LGBT	Training to promote understanding of LGBT issues among management; formulation of guidelines for working with LGBT customers, and provision of that information to wholesale business outlets		

Wacoal Management

Directors and Audit & Supervisory Board Members

Wacoal Holdings Corp.

As of June 28, 2018

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.

Akira Miyagi

Director

Masashi Yamaguchi

Managing Director



Minoru Shimada

Outside Audit & Supervisory
Board Member

Director and Chairman,
SOTSU CORPORATION

Mitsuhiro Hamamoto

Outside Audit & Supervisory
Board Member

Partner, Kikkawa Law Office
Outside Director,
Toa Valve Engineering Inc.

Masaya Wakabayashi

Director and Vice President

Yoshikata Tsukamoto

Representative Director and
Chairman

Beauty: Respect

Shigeru Saito

Outside Director

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

Tsunehiko Iwai

Outside Director

Senior Advisor, Shiseido Co., Ltd.



Hironobu Yasuhara

President and
Representative Director

Madoka Mayuzumi

Outside Director
Visiting Professor,
Kitasato University
Councilor, Governing Council
of East Japan Railway
Culture Foundation

Tomoki Nakamura

Standing Audit &
Supervisory Board Member

Kiyotaka Hiroshima

Standing Audit &
Supervisory Board Member

Wacoal Management

Corporate Governance

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 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)	297	198	41	57	—	4
Audit & Supervisory Board members (Excluding outside Audit & Supervisory Board members)	36	36	—	—	—	2
Outside officers	46	46	—	—	—	8

*As of March 31, 2018, the numbers of directors, Audit & Supervisory Board members, and outside officers were four, two, and six, respectively. These numbers are inconsistent with the numbers described above since the ones above include two outside officers who resigned upon the close of the 69th Ordinary General Meeting of Shareholders held on June 29, 2017.

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 Con-

duct 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: about eight regular sessions per year, with corporate informational sessions and company facility tours held as appropriate	IR office
Presentations for analysts and institutional investors	Presentation of financial results twice a year (end of second quarter, end of financial year)	Representative directors and directors, IR office
Presentations for overseas investors	Presentations during individual visits: 1-2 times per year (October 2017, London; February 2018, Singapore)	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 accu-

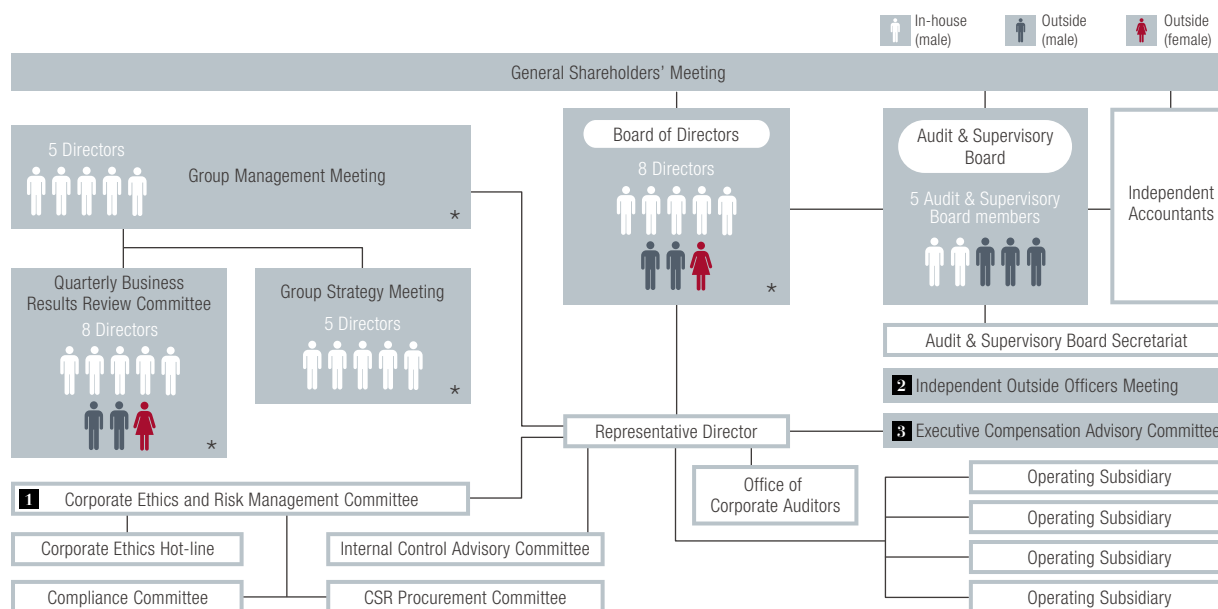
rately and in a timely manner, regardless of whether it is positive or negative for us. Second, information must be expressed in language that is easy for all stakeholders to understand and disclosed using various methods to ensure ease of access and fairness. Third, organizational, personal, physical,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

Wacoal Management

Corporate Governance

Management decision-making process, management organization according to business operations and supervision, and other corporate governance structures (As of June 28, 2018)

Corporate Governance Structure



*Both internal and external Audit & Supervisory Board members attend meetings for the purpose of auditing the performance of duties by directors.

Overview of Our Corporate Governance Structure

Wacoal's eight-member Board of Directors includes three outside directors, of whom one is female. Its role is to make decisions on important matters relating to business operations, such as management policies and strategies, as stipulated in laws, regulations, and the Articles of Incorporation. The term of office for directors has been set at one year with the aim of ensuring clear management accountability and creating a management structure capable of timely adaptation to changes in the business environment.

The role of the five-member Audit & Supervisory Board, which includes three outside members, is to monitor and supervise management. The Office of Corporate Auditors was created to oversee the appropriateness and efficiency of business processes and monitor operations, including the operations of associated companies.

The Group Management Meeting was established to discuss matters relating to group management strategies and important management issues. Other tasks include prior screening of matters submitted for deliberation at meetings of the Board of Directors.

1 Corporate Ethics and Risk Management Committee

The President and Representative Director is the officer responsible for the Corporate Ethics and Risk Management Committee. Members include a Director in charge of administration, internal directors, directors of business companies, and executive officers. In addition to its role in strengthening corporate ethics

compliance systems and ensuring their consistent implementation, this committee also monitors risks relating to all aspects of group management and works to develop management structures. The Corporate Ethics and Risk Management Committee was formed in April 2017 through the merger of the Corporate Ethics Committee and the Risk Management Committee.

2 Independent Outside Officers Meeting

These meetings are held at least once a year to provide a forum for independent deliberations. They are attended by outside directors and outside members of the Audit & Supervisory Board, while a Director in charge of administration provides secretarial support. The purpose of the meetings is to assess the performance of the Board of Directors and discuss approaches to the improvement of its operations, and to strengthen communications between outside directors and outside members of the Audit & Supervisory Board.

3 Executive Compensation Advisory Committee

In principle, this committee meets four times a year to provide advice to the President and Representative Director. It consists of a Director in charge of administration and external and internal directors. The committee's task is to consider and discuss the nomination, promotion, and remuneration of directors and report to the President.



FOCUS

Strengthening Corporate Governance

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

Analysis and Assessment through the Independent Outside Officers Meeting

The Independent Outside Officers Meeting reviews efficacy assessments in order to identify issues as the basis for continuous improvement.

Issues identified in FY2017	Initiatives in response to these issues
Inadequate reporting of medium- to long-term management priorities and progress under the medium-term management plan	Increased opportunities have been provided to report on deliberations about management priorities, progress under the medium-term management plan, and other matters.
Need for improvement of information sharing and collaboration between the internal audit organization (Office of Corporate Auditors) and outside directors and Audit & Supervisory Board members	The venue for reporting by the internal audit organization (Office of Corporate Auditors) has been changed to meetings of the Board of Directors.
Issues identified in FY2018	Initiatives in response to these issues
There should be increased sharing of information to outside directors and Audit & Supervisory Board members about important matters that are not subject to deliberations by the Board of Directors, such as matters submitted to the Group Management Meeting.	Administrative systems have been modified to ensure that information about important matters that are not subject to deliberations by the Board of Directors is distributed together with materials in advance of board meetings.

Training for Directors and Audit & Supervisory Board Members

Internal directors and Audit & Supervisory Board members undergo basic training in the requirements for directors and corporate auditors. They are also provided with knowledge about company law, governance, and other aspects, as well as useful information about management and compliance with laws and regulations.

After their appointment, external directors and Audit & Supervisory Board members attend briefings designed to improve their knowledge about Wacoal Group management strategies and general aspects of the business, and about the business environment for the innerwear industry and the Wacoal Group. Thereafter they are provided with continuing support, including opportunities to visit Wacoal business sites in Japan and overseas.

FY2018	FY2019
In August 2017, training was provided for internal directors with the aim of developing and reinforcing the Group's crisis management systems. A report on this training was later presented at a Group Management Meeting, and we also arranged for an outside organization to present a seminar on appropriate information disclosure during crisis situations.	In the year ending March 2019, we plan to provide opportunities for discussions and training with outside organizations on management strategies under the amended Corporate Governance Code, and measures to prevent or mitigate negative risks relating to social changes or the situation within the company.

Outside Directors and Audit & Supervisory Board Members

Reasons for Appointment of the Said Outside Directors*

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.
Tsunehiko Iwai	In addition to his extensive knowledge and experience as a business manager, Tsunehiko Iwai can also be expected to contribute to management using his specialist knowledge relating to research, production, and fields of technology.

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

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.
Minoru Shimada	Minoru Shimada can be expected to contribute to our audit and supervisory structure by using his long experience in the financial sector and his knowledge as a business manager, as well as his overseas experience.

*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.

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



Attendance of Outside Directors at Meetings of the Board of Directors

(April 2017–March 2018)

Atsushi Horiba	Attended	13 of 13
Madoka Mayuzumi	Attended	12 of 13
Shigeru Saito	Attended	7 of 9

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

(April 2017–March 2018)

	Board of Directors		Audit & Supervisory Board	
Akira Katayanagi	Attended	11 of 13	Attended	11 of 15
Hiroshi Shirai	Attended	12 of 13	Attended	14 of 15
Mitsuhiro Hamamoto	Attended	9 of 9	Attended	10 of 10

Dialogue with an Outside Director

Our task is to maintain and enhance trust in management, so that we can enhance corporate value over the medium- to long-term future.

The Wacoal Group is strengthening and enhancing its corporate governance systems, which are the foundation for its management structures, so that it can achieve sustainable development by providing value to society through products that help to fulfill women's desires to express their beauty.

The following is a dialogue between President and Representative Director Hironobu Yasuhara and Outside Director Shigeru Saito.

Shigeru Saito

Outside Director
Wacoal Holdings Corp.

On the importance of outside directors in achieving balance between the supervisory and executive functions of management.

— Effectiveness of the Board of Directors of Wacoal Holdings

Yasuhara: The Board of Directors makes decisions after a deliberation process that includes thorough canvassing of the views of outside directors and Audit and Supervisory Board members. Our founder warned against self-centered behavior when he said that Wacoal is sustained by society and should always heed the voice of society with humility. Our outside directors participate actively in discussions about important matters, and we reflect their views in our business decisions. Sometimes we identify and discuss unprofitable areas of our business, and then we may need to seek the understanding of our outside directors by explaining the nature of these business areas, including the fact that restructuring may take a certain amount of time. For example, our business in the United States has become a reliable source of income, but we recorded losses for many years after we first expanded into the U.S. market. We use examples like this to explain our activities from a long-term perspective, and we debate our strategies on that basis.

Saito: I made some quite critical comments about aspects of Wacoal's new accommodation business, including concerns about business viability and the stance on contribution to

local communities.

Yasuhara: You were quite forthright in putting forward objections from the perspective of stakeholders. It took an explanation about the significance of the initiative in terms of contribution to the local community in Kyoto, and about our commitment to optimize the distribution of value to all stakeholders to convince you. I am pleased to report that the business has been launched successfully.

Saito: I attend many meetings and committee sessions as a director of other companies, but I am impressed by the excellent atmosphere at meetings of Wacoal's Board of Directors, and by the Board's effectiveness as a forum for a lively exchange of views. This is my second year as an outside director, and I will continue to speak actively about several things that I see as issues from a medium- to long-term perspective. In the current year, we have transitioned to a new management team led by Mr. Yasuhara as President. I look forward to working with our new Chairman, Mr. Tsukamoto, to drive the evolution of our corporate governance structures, including the role and administration of the Board of Directors as a management supervisory body.

— On a recently passed resolution at the general meeting of shareholders to add another inside director, bringing the overall total to eight directors

Yasuhara: Since Audit and Supervisory Board members also attend Board meetings, there were actually six outside participants and seven inside participants at Board meetings.

"Outside directors play an important role by providing objective input from an independent perspective about how the company is being viewed by society, and the ideals toward which it should be working, thereby strengthening the supervisory role of the Board of Directors."

The outside directors and outside members of the Audit and Supervisory Board are able to express their views freely and frankly, and I believe that our current structure provides a good balance between management supervision and the exercise of executive authority. Moreover, our outside directors all come from different backgrounds and are able to contribute to important decision-making processes by offering advice based on a wide range of advanced knowledge and management perspectives, including expertise in areas in which we inside directors may lack experience.

Saito: My own background is as a game software creator. The key to success or failure in that field is the ability to come up with new ideas. The game industry operates in a rapidly changing environment, and survival depends on constant adaptation to those changes. I believe that this experience allows me to contribute to various decision-making processes about omni-channel services, which require rapid strategy development. Going forward, a company's growth potential will be determined by its ability to use customer information and other forms of big data. I aim to contribute to timely and effective business operations. For example, I will take the initiative in strengthening the provision of information to outside directors.

On strengthening Wacoal's corporate governance at all group business sites

— The implications for reinforcement and enhancement of corporate governance following the introduction of the revised Corporate Governance Code

Yasuhara: Transparency and fairness are the fundamental requirements in terms of maintaining and improving confidence in management and strengthening and enhancing corporate governance. Our goal must be to enhance our relationships of mutual trust with all stakeholders. We also need to ensure that Wacoal can fulfill its social responsibilities, by identifying management risks, and by taking prompt action to avoid or mitigate the impact of negative risks. Based on this approach, our policy is

to move forward according to priorities determined according to the importance and impact of each reform.

Saito: Compliance is obviously an important issue. Obviously some reforms may be inappropriate because of the scale, business field, or culture of a particular company, so we need to identify those aspects and adapt our approach accordingly.

Yasuhara: For example, we established the Executive Compensation Advisory Committee in 2007, and we have been working steadily to reduce strategic shareholdings. We have also discontinued our takeover defense measures. I believe that we need to continue our efforts to ensure full accountability. I wholeheartedly agree with the government's reform item calling for the formation of a board of directors consisting of inside and outside directors with a wide range of advanced skills. However, this reform could have unintended consequences if it encourages every company to adopt the "company with nominating committee" structure.

Saito: My impression is that Mr. Yasuhara is absolutely committed to the development of our corporate governance systems on an even higher level, and I see this as an excellent opportunity. I am determined to fulfill my responsibilities in relation to the improvement of corporate governance by helping to strengthen communication with the Audit and Supervisory Board through forums like the Independent Outside Officers Meeting and by creating opportunities to obtain input from appropriate advisors.

Yasuhara: When equity method affiliated companies are included, our overseas business operations far exceed the scale of our operations in Japan. We are developing corporate governance structures at overseas business sites as the basis for stronger systems. At the same time, we are encouraging the management teams of these businesses to take appropriate risks, while also identifying negative risks and taking steps to avoid or mitigate them. We will continue to build management infrastructure to support the sustainable growth and development of the entire Wacoal Group.

Hironobu Yasuhara

President and Representative Director
Wacoal Holdings Corp.

"The core requirements for corporate governance are transparency, fairness, and speed. Our goal is to ensure that Wacoal can earn the trust of all of its stakeholders."



Financial Section

Eleven-Year Financial Summary

Wacoal Holdings Corp.: Key Consolidated Financial Data

	2018	2017	2016
Performance			
Net sales	195,725	195,881	202,917
Cost of sales	91,909	92,950	95,901
% of net sales	47.0%	47.5%	47.3%
Selling, general and administrative expenses	91,282	91,866	93,151
% of net sales	46.6%	46.9%	45.9%
EBITDA	18,026	16,097	18,680
Operating income	12,534	11,065	13,865
% of net sales	6.4%	5.6%	6.8%
Income before income taxes and equity in net income of affiliated companies	14,286	16,569	14,957
Net income attributable to Wacoal Holdings Corp.	9,745	12,525	11,159
Return on equity (ROE)	4.2%	5.5%	4.9%
Return on assets (ROA)	4.8%	5.6%	5.0%
Financial Condition			
Total assets	298,534	294,958	292,854
Total shareholders' equity	232,712	227,568	224,374
Net property, plant and equipment	54,333	55,288	53,938
Inventories	42,676	43,822	44,445
Cash Flows			
Net cash provided by operating activities	15,493	16,351	12,635
Net cash provided by (used in) investment activities	(7,362)	(3,032)	(11,407)
Net cash provided by (used in) financing activities	(12,303)	(13,055)	(4,547)
Free cash flow	8,131	13,319	1,228
Cash and cash equivalents	29,487	33,995	34,059
Investment			
Capital expenditures	5,884	7,445	8,978
Depreciation and amortization	5,492	5,032	4,815
Per Share of Common Stock			
Shareholders' equity per share	3,454.40	1,658.53	1,592.90
Net income per share attributable to Wacoal Holdings Corp.	143.46	90.13	79.23
Dividends per share	72.00	36.00	33.00
Total dividend amount	4,871	4,225	4,648
Dividend yield	2.3%	2.6%	2.5%
Dividend payout ratio	50.2%	39.9%	41.7%
Price earnings ratio (Times)	21.47	15.24	16.95
Price book-value ratio (Times)	0.89	0.83	0.84
Operating Segment Information			
Net sales:			
Wacoal business (Domestic)	116,085	118,389	120,570
Wacoal business (Overseas)	51,888	48,423	51,869
Peach John business	10,795	11,107	11,190
Other	16,957	17,962	19,288
Operating income (loss):			
Wacoal business (Domestic)	7,885	6,959	8,810
Wacoal business (Overseas)	3,852	3,055	4,433
Peach John business	441	374	258
Other	356	677	364
Employees			
Employees within group (Persons)	20,904	21,139	20,655

*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.

*The Company have conducted a share consolidation of common stock of the Company pursuant to which two shares were consolidated into one share effective as of October 1, 2017. Per share information is calculated as if the consolidation of shares (reverse stock split) had been carried out at the beginning of the fiscal year ended March 31, 2018.



For more details on our financial indicators, please see our website.

<https://www.wacoalholdings.jp/en/ir/financial/index.html>



(Millions of yen, except per share amounts)

2015	2014	2013	2012	2011	2010	2009	2008
191,765	193,781	180,230	171,897	165,548	163,548	170,960	165,201
90,722	91,008	84,548	81,891	81,659	80,101	83,879	82,943
47.3%	47.0%	46.9%	47.6%	49.3%	49.0%	49.1%	50.2%
87,940	88,913	84,331	79,629	77,716	78,524	77,248	68,921
45.9%	45.9%	46.8%	46.3%	46.9%	48.0%	45.2%	41.7%
12,156	18,896	13,387	15,037	9,086	8,594	14,377	17,229
7,082	13,860	8,499	10,377	4,401	3,829	9,833	13,337
3.7%	7.2%	4.7%	6.0%	2.7%	2.3%	5.8%	8.1%
11,342	15,033	10,940	10,207	3,927	3,155	7,329	14,153
8,444	10,106	7,880	6,913	2,785	2,475	5,062	4,845
3.9%	5.2%	4.4%	4.1%	1.6%	1.5%	2.9%	2.6%
4.0%	5.7%	4.6%	4.7%	1.8%	1.4%	3.2%	5.8%
300,272	271,988	254,536	221,098	215,276	222,889	213,827	240,053
228,857	205,106	186,646	171,496	167,480	171,860	166,767	184,128
49,188	48,978	49,665	49,078	49,734	51,804	49,165	51,185
42,893	40,211	37,807	32,847	30,956	32,103	31,153	30,020
14,337	8,949	12,309	10,060	10,441	9,463	8,202	14,249
164	1,658	(23,520)	(3,467)	(703)	(3,573)	(4,759)	3,709
(8,391)	(5,554)	5,379	(2,824)	(4,965)	(5,363)	(7,448)	(9,400)
14,501	10,607	(11,211)	6,593	9,738	5,890	3,443	17,958
38,410	30,658	24,514	29,985	26,316	22,328	21,954	27,069
4,478	3,464	3,330	3,554	3,323	5,736	4,216	2,788
5,074	5,036	4,888	4,660	4,685	4,765	4,544	3,892
1,624.93	1,456.32	1,325.19	1,217.57	1,189.08	1,215.17	1,187.37	1,284.54
59.95	71.75	55.95	49.08	19.73	17.51	35.57	34.29
30.00	33.00	28.00	28.00	20.00	20.00	25.00	25.00
3,944	3,944	2,817	2,824	3,511	3,584	3,093	2,878
2.2%	3.1%	2.8%	2.9%	1.9%	1.7%	2.2%	1.7%
50.0%	46.0%	50.0%	57.0%	101.4%	114.2%	70.3%	72.9%
22.55	14.68	18.11	19.99	53.12	66.70	32.05	42.96
0.83	0.72	0.76	0.81	0.88	0.96	0.96	1.15
112,203	118,085	115,657	115,870	110,856			
48,107	43,636	23,081	21,396	20,010			
11,626	12,482	11,972	13,836	11,575			
19,829	19,578	26,444	20,795	23,107			
8,444	9,284	8,423	8,172	5,620			
4,776	4,037	1,430	1,440	1,322			
(6,296)	83	(2,701)	529	(2,879)			
158	456	947	236	338			
18,986	18,912	18,650	16,524	16,013	15,686	14,382	13,562

Financial Section

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 consolidated subsidiaries, and eight equity-method 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 75.1% of our consolidated net sales for fiscal year 2018. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile goods, and provide several other services.

OVERVIEW OF STATUS OF BUSINESS PERFORMANCE ETC. STATUS OF FINANCIAL POSITION AND OPERATION RESULTS Status of Financial Position

Total assets as of the fiscal year ended March 31, 2018 (fiscal 2018) were ¥298,534 million, an increase of ¥3,576 million compared to the end of fiscal 2017, due to an increase in investment spurred on by rising market value.

Total liabilities at the end of fiscal year 2018 were ¥61,037 million, a decrease of ¥1,439 million compared to the end of the previous fiscal year, due to decreases in accrued taxes and deferred tax liabilities.

Total Wacoal Holdings Corp. shareholders' equity at the end of fiscal year 2018 was ¥232,712 million, an increase of ¥5,144 million compared to the end of fiscal 2017, due to an increase in retained earnings and a valuation gain on unrealized securities.

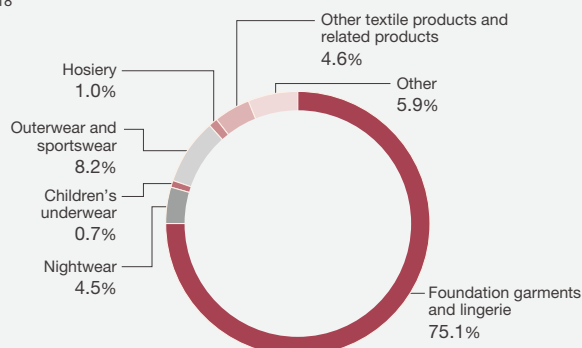
As a result of the above, the shareholders' equity ratio at the end of fiscal year 2018 was 78.0%, an increase of 0.8% compared to the end of fiscal 2017.

SUMMARY OF BUSINESS RESULTS

During the current fiscal year (from April 1, 2017 to March 31, 2018),

Share of Net Sales

2018



consumer spending in the domestic economy recovered to some extent as the employment environment improved. The environment surrounding the women's innerwear market in Japan, however, remained difficult, due to the slow recovery of consumer spending, inhibited by deep-rooted concern for the future, which continued to make consumers budget-conscious. Further, we continued to experience a series of general merchandise store closings, which precipitated inventory management issues. In the overseas markets, consumer spending was stable in Europe and the United States, as consumer sentiment remained strong in the United States, and the employment environment continued to improve in the Eurozone, despite the significant uncertainty underlying Brexit in Europe. In China, consumer spending was stable as a result of strong growth in the real per capita disposable income, and retail sales continued to achieve a high level of growth due to reduced employment uncertainty.

In such an environment, our Group moved forward with efforts to improve and strengthen our business structure toward achieving the objectives of our mid-term business plan. In our domestic business, we made efforts to improve business efficiency through restructuring and strengthening of our wholesale business structure. The objectives were to realize omni-channel services that will achieve synergies with our wholesale business and retail business, to form core IT systems that will improve inventory efficiency, and to improve profitability by updating each of our brands and product groups. In our overseas business, we focused on business collaboration initiatives among Europe and the United States and Asian countries, strengthening our ability to operate in the e-commerce market, and on

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

Millions of yen

	2018		2017		2016	
Innerwear						
Foundation garments and lingerie	¥146,970	75.1%	¥145,188	74.1%	¥151,166	74.5%
Nightwear	8,758	4.5%	9,154	4.7%	10,098	5.0%
Children's underwear	1,376	0.7%	1,429	0.7%	1,386	0.7%
Total innerwear	157,104	80.3%	155,771	79.5%	162,650	80.2%
Outerwear and sportswear	16,128	8.2%	17,189	8.8%	19,074	9.4%
Hosiery	1,983	1.0%	2,235	1.1%	2,178	1.1%
Textile products	8,907	4.6%	9,346	4.8%	7,161	3.5%
Other	11,603	5.9%	11,340	5.8%	11,854	5.8%
Total	¥195,725	100%	¥195,881	100.0%	¥202,917	100.0%

improving product quality and cost competitiveness in China and ASEAN-member countries, where our product supply bases are located.

Our consolidated sales for the current fiscal year fell slightly by 0.1% from sales for fiscal 2017. While consolidated sales from our domestic business for the current fiscal year fell by 2% from sales for fiscal 2017 due to the difficult environment for our wholesale business, our consolidated sales from our overseas business exceeded sales for fiscal 2017 by 7% as a result of strong e-commerce sales and steady sales at the existing stores in Europe, the United States, and China. On the other hand, revenue from our Peach John and other business segments decreased.

Consolidated operating income increased by 13.3% compared to fiscal 2017. In addition to our initiatives to improve profitability in the domestic business, higher profit on sales resulting from a rise in revenue from our overseas business contributed to the increase. Also, consolidated operating income increased as a result of recognition of compensation income from leaving a factory space occupied by our subsidiary and the absence of non-recurring expenses related to the liquidation proceedings for our French subsidiary that we recorded for the previous fiscal year.

Income before income taxes declined by 13.8% from fiscal 2017, due to substantial gains on sale of fixed assets (land) in fiscal 2017.

The key exchange rates used for the current fiscal year were: ¥110.85 to the U.S. dollar; ¥147.03 to the British pound; and ¥16.63 to the Chinese yuan.

Net sales:	¥195,725 million (a decrease of 0.1% compared to fiscal 2017)
Operating income:	¥12,534 million (an increase of 13.3% compared to fiscal 2017)
Income before income taxes and equity in net income of affiliated companies:	¥14,286 million (a decrease of 13.8% compared to fiscal 2017)
Net income attributable to Wacoal Holdings Corp.:	¥9,745 million (a decrease of 22.2% compared to fiscal 2017)

The following is a summary of operations by operating segment.

Wacoal Business (Domestic)

Wacoal Corp. reorganized two divisions, formerly called the Wacoal Brand Operation Division and the Wing Brand Operation Division, into the Wacoal Brand Operation Division and the Chain Store Operation Division. The Wacoal Brand Operation Division is responsible for planning and development of "Wacoal" brand products and wholesale business mainly with department stores and specialty store channels. And the Chain Store Operation Division is responsible for planning and development of "Wing" brand products and wholesale business with general merchandise stores.

Sales from our wholesale business, mainly composed of wholesale business from the Wacoal Brand Operation Division and the Chain Store Operation Division, decreased by 2% compared to sales for fiscal 2017. Over-the-counter sales at department stores remained at about the same level as the previous fiscal year due to weak sales in the non-metropolitan cities of the Kanto, Koshinetsu, and Hokuriku regions, although sales expanded significantly in Tokyo and the Osaka area as a result of consumption by inbound tourists. Although we have actively promoted renovations of our "Dual W" format shops that effectively brings together our Wacoal and Wing brands, and expanded our share in the market, over-the-counter sales at general

merchandise stores remained at about the same level as for fiscal 2017 due to poor sales of men's innerwear products and nightwear. With respect to over-the-counter sales of our core brassieres products, while sales of our Wacoal brand products increased by 6% from such sales for fiscal 2017 due to 290% growth in sales of "GOCOCi," our brassieres marketed for their comfort, sales of our Wing brand products only increased by 1%. Although the over-the-counter sales were stable, a series of closings, which prompted inventory adjustments at department stores, and general merchandise stores impacted sales from our wholesale business.

In our retail business, sales only increased by 1% compared to sales for fiscal 2017 as a result of prioritizing improvement of business profitability and closing 11 underperforming stores, while minimizing the number of new shop openings. Sales of our cross-store common products among directly managed retail stores, "BRAGENIC," have increased by 54% from such sales for the previous fiscal year, which accounts for approximately 20% of overall sales, and the number of registered shop members, mainly from our core directly managed retail stores, "AMPHI," has reached over 660 thousand. We focused on increasing sales per product, and reducing discount sales through strengthening of relationships with our important customers.

Sales from our wellness business fell by 5% compared to sales for fiscal 2017 due to a 9% decline in sales of our core "CW-X" brand products, which were impacted by the termination of business with certain sport specialty chain stores, despite the strong sales of "SUCCESS WALK."

In our e-commerce business (formerly catalog sales business), sales increased by 1% compared to sales for fiscal 2017. Sales from our own online store business increased by 14% compared to such sales for fiscal 2017. This result was driven by efforts to advise our registered shop members and to recapture our inactive customers, in collaboration with our retail business, as well as our efforts to strengthen our ability to respond to phone orders and launch of consulting services by beauty advisers. On the other hand, sales from our catalog sales business decreased by 4%, due to a gradual decrease in the number of users and purchasers from our winter and spring catalogs.

Sales from Ai Co., Ltd. were weak, falling by 8% compared to sales for the previous fiscal year. Sales from our core swimwear business decreased by 5% over the previous fiscal year despite our efforts to enhance revenue efficiency per store by reducing the number of our seasonal stores (opened only during a period of peak demand). Retaining temporary sales representatives also became difficult. Sales from the underwear business were also weak and decreased by 14% compared to sales for fiscal 2017 due to closure of underperforming stores, and a decline in the competitiveness of our products.

As a result, sales attributable to our "Wacoal Business (Domestic)" segment decreased by 1.9% compared to such sales for fiscal 2017.

Operating income increased by 13.3% compared to fiscal 2017. We focused on improving the gross profit margin and minimizing selling, general and administrative expenses with our efforts to improve business efficiency by reducing the amount of returned items in our wholesale business and to strengthen profitability of our retail business, while IT infrastructure related expenses and expenses related to changes in the health insurance premium rate increased. In addition, recognition of compensation income received after leaving a factory space occupied by our subsidiary during the first quarter of the current fiscal year contributed to the increase.

Net sales:	¥116,085 million (a decrease of 1.9% compared to fiscal 2017)
Operating income:	¥7,885 million (an increase of 13.3% compared to fiscal 2017)

Financial Section

Wacoal Business (Overseas)

Sales (on a local currency basis) from Wacoal International Corp. (the United States) increased by 3% compared to such sales for fiscal 2017. This was due to an increase in e-commerce sales through our own website and third-party online websites, which showed strong sales growth, as well as the positive impact of initial product delivery due to an increase in the number of department stores handling Wacoal brand products during the first quarter of fiscal 2018. However, although over-the-counter sales were steady at department stores (physical shops) throughout fiscal 2018, sales for the second half of the fiscal year fell by 3% compared to sales for the corresponding period of the previous fiscal year due to the management of inventories by certain department stores and companies specializing in e-commerce.

Operating income on a local currency basis increased by 2% (an operating margin of 11%) compared to fiscal 2017. While the gross profit on sales margin increased as a result of reducing discount sales and increasing the percentage of sales from our own e-commerce website, selling, general and administrative expenses as a percentage of sales increased due to costs related to product listing advertisements and website renewal to strengthen e-commerce sales, and an increase in medical insurance premiums. In addition, one-off expenses from restructuring our subsidiary, Wacoal Sports Science Corp., in the United States during the fourth quarter of fiscal 2018 impacted the results.

Sales on a local currency basis (British pound) for Wacoal Europe increased by 3% compared to the previous fiscal year. This was due to steady sales through third-party e-commerce websites that specialize in selling luxury lingerie and through specialty stores in the major markets in the United Kingdom and the United States, while sales in France fell below that of fiscal 2017 due to the effect of loss of sales that could have been recorded for the brands which were liquidated. In addition, sales in Germany and Spain achieved a double-digit increase from fiscal 2017 due to an expansion in the number of brands handled by our clients and the favorable effect of the appreciation of the Euro. In our underwear business, sales of our plus-size brand "elomi" products continued to show strong growth with an increase of 20% compared to such sales for the previous fiscal year, while sales of the swimwear brands "FANTASIE" and "Freya" both increased by 17%, contributing to sales growth in various countries.

Operating income as a percentage of sales for fiscal 2018 was 9%, compared to fiscal 2017, which recorded an operating loss due to the non-recurring expenses related to the liquidation proceedings for our French subsidiary. Also, operating income improved over budget as a result of improvement in the gross profit margin from a depreciation of the dollar and reduction in transportation costs, as well as minimizing selling, general and administrative expenses following the postponement of our website renewal for e-commerce sales.

In China, sales on a local currency basis increased by 10% compared to such sales for fiscal 2017. We captured consumers who are becoming more sensitive to fashion trends and enhanced sales initiatives, including the openings of special sales spaces during China's high-demand seasons such as the Chinese New Year, International Women's Day and China National Day. As a result, sales per department store increased by 8% compared to such sales for the previous fiscal year. In addition, e-commerce sales through third-party e-commerce websites increased by 29% compared to fiscal 2017 as a result of focusing on handling regular-priced products and of strong sales from the China Double 11 shopping festival sales. By brand, sales of our Wacoal brand products increased by 10%, and sales of our Peach John brand products, including our popular product "Cover Cleavage Strapless" bras, also increased by 51%, resulting from steady growth in the number of repeat users.

Operating income on a local currency basis increased by 9% (an

operating income margin of 5%) compared to the previous fiscal year. While we continued to minimize selling, general and administrative expenses through closure of underperforming stores, selling, general and administrative expenses as a percentage of sales increased during the fourth quarter of the current fiscal year due to commencement of operation of our centralized distribution warehouse to achieve effective distribution of bargain products, and costs related to advertisements to strengthen e-commerce sales.

As a result of the above, the overall sales attributable to our "Wacoal Business (Overseas)" segment on the Japanese yen basis increased by 7.2% compared to the previous fiscal year. The overall operating income attributable to "Wacoal Business (Overseas)" segment on the Japanese yen basis increased by 26.1% compared to fiscal 2017. This increase was affected by impairment charges of ¥206 million on goodwill related to our raw materials company, A Tech Textile Co., Ltd., in Thailand, which was recognized for the current fiscal year.

Net sales:	¥51,888 million (an increase of 7.2% compared to fiscal 2017)
Operating income:	¥3,852 million (an increase of 26.1% compared to fiscal 2017)

Peach John Business

Overall sales at Peach John Co. Ltd., which are attributable to our "Peach John Business" segment declined by 2.8% compared to fiscal 2017 due to weak sales from the Peach John domestic web sales business, while operating income attributable to our "Peach John Business" segment increased by 17.9% compared to such operating income for the previous fiscal year as a result of an improvement in the gross profit margin in Japan, as well as an improvement in profitability at Peach John's Chinese business.

Sales from Peach John's domestic business, specifically from retail stores, remained at about the same level as the previous fiscal year. Although sales from the premium themed "Salon by Peach John" increased by 31% as a result of a positive impact from new shop openings. Sales of our "Peach John" products decreased by 2%, impacted by a decrease in the number of shop visitors, despite the strong sales of the "Miracle Work Bra" launched in the fourth quarter of the current fiscal year. Sales from the web sales business decreased by 12% from fiscal 2017. While the average spending per customer increased, the sales decline was due to fewer visitors to the peachjohn.co.jp e-commerce website, as our products failed to attract consumers' attention. Sales from the wholesale business, particularly sales to third-party e-commerce websites increased by 4% from fiscal 2017 as a result of successful sales during the fourth quarter of the current fiscal year. Sales from our overseas business were strong as demonstrated by the sales from Taiwan Peach John Ltd., a subsidiary in Taiwan, which, after commencing operations in May 2017, achieved sales over budget by 56%, which were twice the sales budgeted for the e-commerce website.

Positive factors, including an improvement in the gross profit margin resulting from a reduction in discount sales of domestic innerwear products, efforts to reduce advertising expenses, and an improvement in profitability of our businesses resulting from sales expansion in China and Taiwan, contributed to the strong rise in operating income.

Net sales:	¥10,795 million (a decrease of 2.8% compared to fiscal 2017)
Operating income:	¥441 million (an increase of 17.9% compared to fiscal 2017)

Other

Sales from the business of Lecien Corporation ("Lecien") decreased by 16% from fiscal 2017. This was impacted by sales of the inner-wear business, its main business division, which decreased by 13% from the previous fiscal year, due to a decrease in the number of orders received for its private brand products sold at major general merchandise stores, a reduction in the number of products handled and weak shop sales. In addition, sales from the art & hobby business decreased by 4% from fiscal 2017, due to poor sales of sewing fabrics, despite steady sales of handcraft products. Sales of the material business were also weak, decreasing by 13% from fiscal 2017 due to a decline in demand for garment lace. Further, sales from the apparel business decreased significantly by 47% from the previous fiscal year due to the withdrawal from private brand sales at major general merchandise stores and the impact of weak sales from teleshopping.

Operating income for Lecien decreased by 86% from the previous fiscal year due to a drop in profit from sales resulting from decreased revenue, despite our efforts to reduce selling, general and administrative expenses, and the absence of the favorable effect of the exchange rate during fiscal 2017.

Sales from Nanasai Co., Ltd. ("Nanasai") fell by 2% compared to fiscal 2017. Although business confidence in the clothing industry continued to show only modest improvement, a sign of recovery was seen in demand for short-term leases for specialty stores within department stores and, as we entered the second half of the current fiscal year, this was reflected in demand for renovation projects in our construction business for department stores and specialty stores. As a result, we were able to maintain sales from both rental business and sales business at about the same level as the previous fiscal year. However, sales from construction business could not make up for the a higher number of large-scale orders received during fiscal 2017, and decreased by 2%, which impacted Nanasai's overall sales.

Operating income for Nanasai increased by 90% compared to fiscal 2017 due to an improvement in the gross profit margin from higher fees in our rental business and a decrease in the percentage of sales from our construction business.

As a result of the above, overall sales and operating income attributable to the "Other" segment decreased by 5.6% and 47.4%, respectively, compared to the previous fiscal year.

Net sales:	¥16,957 million (a decrease of 5.6% compared to fiscal 2017)
Operating income:	¥356 million (a decrease of 47.4% compared to fiscal 2017)

REVIEW, ANALYSIS AND DISCUSSION WITH RESPECT TO STATUS OF BUSINESS PERFORMANCE ETC. FOR FISCAL 2018

Our Group continues to move forward with efforts to improve and strengthen our business structure in line with the five elements of the basic policies in our three-year mid-term plan (from fiscal year 2017 to fiscal year 2019), which will end at the end of fiscal 2019.

During the current fiscal year, we continued to make efforts to ensure stable profits from our domestic business and to achieve further growth of our overseas business, while building on our Group management base. Also, we made efforts to improve profitability and business efficiency in the existing business domain by challenging ourselves to expand our business portfolio, while strengthening our competitiveness by achieving Group synergies through collaboration. In addition, we focused on improving capital efficiency by implementing effective financial strategy.

A review, analysis, and discussion of the business strategies in line with the five elements of the basic policies under our mid-term

plan follows:

In order to ensure profits from our domestic business, Wacoal Corp., our core business company, worked on the restructuring of our chain store operations and retail business, in particular. It prioritized the improvement of business profitability, to address the negative impact of the inevitable increase in selling, general and administrative expenses related to increased health insurance premiums, better working conditions for the sales representatives, and IT-related expenses. Our business was also impacted by shop closings and prolonged inventory controls in the distribution channel. We strengthened our efforts to increase the gross margin by expanding sales of high value-added products, reducing discounts and/or returns by prioritizing the achievement of proper shop inventory, and strengthening the handling of the same products sold at directly managed retail stores. We intend to get back on the growth path at an early stage, while enhancing business productivity in Japan.

With respect to our aim to "achieve further growth of our overseas business," our efforts through our core three business entities in Europe, the United State and China, focused on responding to the rapidly expanding e-commerce markets, enhancing user-friendliness of our own e-commerce website and reviewing our merchandise and distribution policies on third-party e-commerce websites. These initiatives have resulted in strong sales expansion, which also has facilitated further strengthening of our management practices. On the other hand, it is taking a considerable amount of time to restructure the businesses of A Tech Textile Co., Ltd., our material production company in Thailand, as it works to solve quality issues and to dispose of underperforming businesses after acquisition. We will continue to enhance our growth capability in the overseas by making growth investment.

In relation to the basic policy to "achieve Group synergies through collaboration and strengthen our competitiveness," Peach John, Lecien, Nanasai and Ai Co., Ltd. have not been able to keep up with changes in the distribution structure and consumer needs, and as a result, both sales and operating income from these four domestic subsidiaries were below target. Also, as the operating margin has remained low at around 2% in recent years, we will undertake reforms to ensure stable sales and revenue by working on initiatives to improve profitability, with a view toward radical change in the business structure.

To "expand our business portfolio," we carried out infrastructure development projects to start a lodging business in the Kyomachiya district of Kyoto to help preserve this traditional Japanese neighborhood and its classic wooden houses. Simultaneously with our efforts to improve profitability from our existing business, we will also explore the development of a new type of business portfolio that defies the traditional business model.

With respect to the aim of "establishing our Group management base," we are intensifying efforts to fulfill our responsibility toward social needs, including human rights, labor practices, and ethics, by building close partnerships with all suppliers in accordance with "Wacoal Group CSR Procurement Guidelines," established in October 2017. Also, we will continue to make efforts to improve our corporate governance, and are improving our business infrastructure by going further, not only to increase women's participation in society but also to nurture a corporate culture that respects diversity. We will aim to enhance the value of our "invisible assets" by further revitalizing our organization and human resources through the promotion of work-style reform, including the introduction of teleworking.

As a result, Wacoal Holdings Corp. consolidated results for fiscal 2018 exceeded the forecast for operating income, pre-tax net income, and net income by ¥1,034 million, ¥1,786 million and ¥745 million, respectively.

Capital efficiency has also been impacted by implementation of our financial strategies and initiatives on shareholder returns. While net income attributable to Wacoal Holdings Corp. exceeded the

Financial Section

forecast of the consolidated results for the current fiscal year, it was below the consolidated results for fiscal 2017 due to the absence of proceeds from sale of unused land, which was recorded for the previous fiscal year.

Our basic policy on profit distributions to shareholders is to provide stable distributions based on our consolidated results, while seeking to increase our enterprise value through active investment to improve profitability, and to increase net income per share attributable to Wacoal Holdings Corp.

With respect to retained earnings, in addition to actively investing to expand customer contacts in domestic business and grow our overseas businesses, from the viewpoint of enhancing our enterprise value, we will make strategic investments to maintain competitiveness and strengthen our growth potential. With these efforts, we hope to deliver returns to our shareholders in the form of improved future earnings.

In addition, we will acquire treasury shares flexibly while taking into account the free cash flow level and the market environment, and seek to improve capital efficiency and returns to our shareholders.

The amount of capital investment for fiscal 2018 was ¥5,884 million. Our capital investment was used in IT infrastructure for omni-channel services in Japan, creation of a platform for our e-commerce business overseas and renewal of construction facilities. The amount of profits returned to our shareholders will be ¥11,393 million, the sum of ¥7,386 million, in the form of dividends, and ¥4,007 million, in the form of repurchases.

However, total shareholders' equity increased ¥5,144 million to ¥232,712 million due to the impact of unrealized gain on securities, and as a result, the consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for fiscal 2018) was 4.2%.

To achieve future growth, we will continue to make efforts to improve business profitability, while also actively and strategically seeking investment opportunities.

Objective indices for judging whether management policy and management strategy, as well as management targets, have been achieved are as follows.

Our target is to achieve consolidated operating margin of 7% and a consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for the current fiscal year) of 5% or higher as our mid-term financial data.

Our operating margin increased 0.8% from 5.6% for fiscal 2017 to 6.4% for fiscal 2018. This increase was mainly due to improvement in cost of sales as a percentage of net sales as a result of a different mix of products in Japan, greater appreciation of the British

pound against the U.S. dollar, and the absence of the impact of impairment of inventories for fiscal 2017. Other factors included recognition of subsidy revenue from leaving a factory space occupied by our subsidiary, as well as reduction in selling, general and administrative expenses as a percentage of sales as a result of the absence of non-recurring expenses related to the liquidation proceedings for our French subsidiary that we recorded for fiscal 2017. Consolidated ROE decreased 1.3% from 5.5% for fiscal 2017 to 4.2%. This decrease was due to a decline in net income attributable to Wacoal Holdings Corp. resulting from the absence of gain on sales of property (land) that we recorded for fiscal 2017, although we recorded increased operating income for fiscal 2018.

We will continue to endeavor to improve these financial indicators.

CAPITAL RESOURCES AND LIQUIDITY

Our current policy is to fund our cash needs from cash flows from operating activities, which allows us to secure most of 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, 2018, we had credit facilities at financial institutions totaling ¥30,965 million, and the balance of short-term financing, which established line of credit, amounted to ¥7,291 million. Of this credit, ¥2,500 million is available to Wacoal Holdings Corp., ¥1,988 million is available to Wacoal Europe Ltd., ¥2,616 million is available to Wacoal Service Co., Ltd., and ¥187 million is available to Nanasai.

In general, most of our credit facilities have automatically renewing 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.

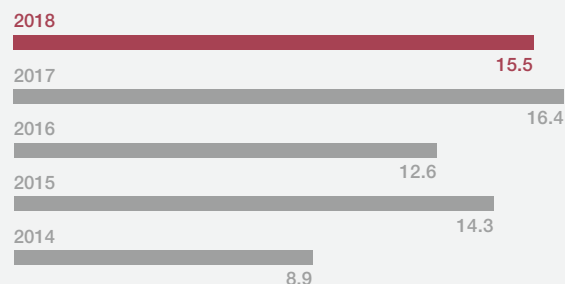
We are not aware of any restrictions on the transfers of funds from a subsidiary to a parent company in the form of a cash dividend. We believe our working capital is adequate for our present requirements and for our business operations in the short to long term.

CASH FLOW STATUS

The balance of cash and cash equivalents at the end of fiscal 2018 was ¥29,487 million, a decrease of ¥4,508 million compared to the end of fiscal 2017.

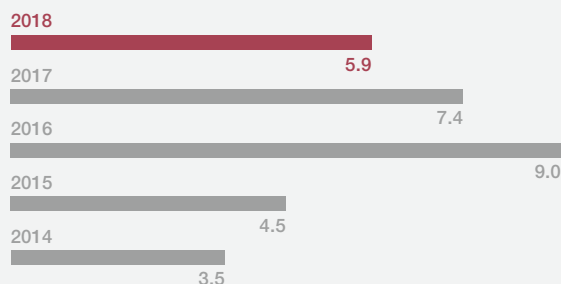
Net Cash Provided by Operating Activities

(¥ billion)



Capital Investment

(¥ billion)



• **Cash flow provided by operating activities**

Cash flow provided by operating activities during fiscal 2018 was ¥15,493 million, a decrease of ¥858 million compared to fiscal 2017. It is the result after the net income of ¥9,660 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 fiscal 2018 was ¥7,362 million, an increase of ¥4,330 million compared to fiscal 2017, due to an increase in time deposits and capital expenditures.

• **Net cash used in financing activities**

Cash flow used in financing activities during fiscal 2018 was ¥12,303 million, a decrease of ¥752 million compared to fiscal 2017, 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, 2018, was ¥5,884 million. A majority of our capital investment was used in the information system investment for our subsidiaries and maintenance and repair work implemented for the real properties held by the Company.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were ¥3,649 million, ¥1,752 million, ¥365 million, and ¥118 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.

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 distribution of earnings.

Based on such policy, we plan to distribute a year-end dividend of ¥36.00 per share as a distribution of earnings for the current fiscal year. As a result, the annual cash dividend per share, including an interim dividend of ¥18.00 per share, will be ¥54.00 for the current fiscal year.

Please note that we have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. As such, the annual cash dividend is a total of the interim dividend, before such share consolidation, and the year-end dividend, after such share consolidation. Without taking into consideration the share consolidation, the year-end dividend per share will be ¥18.00, and the annual dividend amount per share will be ¥36.0.

As for retained earnings, with the aim of improving our corporate value, we have actively invested in expanding new points of contact with consumers at our domestic business and 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 acquire treasury stock in a flexible manner taking into account the level of free cash flow as well as the market environment, and will make efforts to improve capital efficiency and return profits to our shareholders.

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 the 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 fundamental 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 of products, which support the creation of a healthy and beautiful body by transforming the idea of everyday walking into walking for exercise. In 2010, we conducted an analysis and announced principles on the physiological changes associated with the aging between one's 20s and 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, which is based on a survey analysis of the body shapes and needs of young customers, including customers at the age when the products are first introduced, and the senior generation.

During the fiscal year ended March 31, 2018, we worked on research and development focusing on "physical sensation" to target the market for comfort products and on research and development of high value-added products, responding to the needs for "beauty" and "health."

As a result of the above, we recorded ¥781 million for our research and development during the fiscal year ended March 2018.

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 such activities to a specific segment, and thus, we do not provide information regarding such 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.

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Consolidated Balance Sheets

Wacoal Holdings Corp. and Subsidiaries

March 31, 2018 and 2017	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 29,487	¥ 33,995	\$ 277,655
Time deposits	4,296	2,722	40,452
Marketable securities (Notes 3, 18 and 19)	1,567	1,457	14,755
Notes and accounts receivable (Note 6)	25,873	25,563	243,625
Allowance for returns and doubtful receivables (Note 4)	(2,459)	(2,477)	(23,154)
Inventories (Note 5)	42,676	43,822	401,846
Deferred income taxes (Note 16)		4,049	
Other current assets (Notes 6, 19, 20 and 22)	4,372	4,683	41,168
Total current assets	105,812	113,814	996,347
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 9 and 19)	21,561	21,555	203,023
Buildings and structures (Notes 9, 11 and 19)	73,618	72,664	693,201
Machinery and equipment (Note 19)	18,268	17,722	172,015
Construction in progress	254	274	2,392
Total	113,701	112,215	1,070,631
Accumulated depreciation	(59,368)	(56,927)	(559,021)
Net property, plant and equipment	54,333	55,288	511,610
OTHER ASSETS:			
Investments in affiliated companies (Note 6)	22,512	20,868	211,977
Investments (Notes 3, 18 and 19)	69,318	59,847	652,712
Goodwill (Notes 7 and 8)	16,594	16,071	156,252
Other intangible assets (Note 8)	12,859	11,849	121,083
Prepaid pension expense (Note 12)	10,178	10,287	95,838
Deferred income taxes (Note 16)	1,194	1,060	11,243
Other	5,734	5,874	53,993
Total other assets	138,389	125,856	1,303,098
TOTAL	¥298,534	¥294,958	\$2,811,055

As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split. The number of ordinary shares, outstanding shares and treasury stock are calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 9)	¥ 7,104	¥ 7,716	\$ 66,893
Notes and accounts payable:			
Trade notes payable	1,174	1,438	11,054
Trade accounts payable (Note 6)	11,393	11,605	107,279
Other payables	7,053	6,185	66,412
Accrued payroll and bonuses	7,213	7,093	67,919
Income taxes payable (Note 16)	1,979	2,964	18,635
Current portion of long-term debt (Notes 9 and 18)	50	50	471
Other current liabilities (Notes 19 and 20)	3,666	4,008	34,520
Total current liabilities	39,632	41,059	373,183
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 18)	138	185	1,300
Liability for termination and retirement benefits (Note 12)	1,852	1,956	17,439
Deferred income taxes (Note 16)	17,231	17,862	162,250
Other long-term liabilities (Notes 11, 12 and 16)	2,184	1,414	20,565
Total long-term liabilities	21,405	21,417	201,554
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)			
EQUITY:			
WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY (Note 14):			
Common stock, no par value – authorized, 250,000,000 shares in 2018 and 2017; issued 71,689,042 shares in 2018 and 2017	13,260	13,260	124,859
Additional paid-in capital (Note 14)	29,765	29,707	280,273
Retained earnings	172,418	170,062	1,623,522
Accumulated other comprehensive income (Note 15):			
Foreign currency translation adjustments	2,274	1,212	21,412
Unrealized gain on securities	27,424	21,075	258,230
Pension liability adjustments (Note 12)	(1,101)	(414)	(10,367)
Total accumulated other comprehensive income	28,597	21,873	269,275
Treasury stock, at cost – 4,322,121 shares and 3,083,605 shares in 2018 and 2017, respectively	(11,328)	(7,334)	(106,667)
Total Wacoal Holdings Corp. shareholders' equity	232,712	227,568	2,191,262
NONCONTROLLING INTERESTS	4,785	4,914	45,056
Total equity	237,497	232,482	2,236,318
TOTAL	¥298,534	¥294,958	\$2,811,055

Financial Section

Consolidated Statements of Income

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 2)
Years Ended March 31, 2018, 2017 and 2016	2018	2017	2016	2018
NET SALES (Note 6)	¥195,725	¥195,881	¥202,917	\$1,842,985
OPERATING COSTS AND EXPENSES (REVENUE):				
Cost of sales (Notes 12 and 6)	91,909	92,950	95,901	865,433
Selling, general and administrative expenses (Notes 1, 10, 11, 12, 13, 19 and 21)	91,784	91,866	93,151	864,256
Compensation income	(708)			(6,667)
Impairment charges on goodwill (Notes 8 and 19)	206			1,940
Total operating costs and expenses	183,191	184,816	189,052	1,724,962
OPERATING INCOME	12,534	11,065	13,865	118,023
OTHER INCOME (EXPENSES):				
Interest income	194	157	161	1,827
Interest expense	(10)	(27)	(65)	(94)
Dividend income	1,329	1,176	1,057	12,514
Gain (loss) on sale or exchange of marketable securities and investments – net (Note 3)	203	441	90	1,911
Valuation gain (loss) on marketable securities and investments – net (Note 3)	3	1	(20)	28
Gain on sale of property, plant and equipment		3,770		
Gain on bargain purchase (Note 7)			173	
Other – net (Notes 1, 15 and 20)	33	(14)	(304)	311
Total other income (expenses) – net	1,752	5,504	1,092	16,497
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	14,286	16,569	14,957	134,520
INCOME TAXES (Note 16):				
Current	4,880	4,830	3,442	45,951
Deferred	662	450	1,288	6,234
Total income taxes	5,542	5,280	4,730	52,185
INCOME BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	8,744	11,289	10,227	82,335
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	916	1,359	1,245	8,625
NET INCOME	9,660	12,648	11,472	90,960
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	85	(123)	(313)	801
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥9,745	¥12,525	¥11,159	\$91,761

	Yen			U.S. dollars (Note 2)
Years Ended March 31, 2018, 2017 and 2016	2018	2017	2016	2018
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 17):				
Basic	¥143.46	¥180.26	¥158.46	\$1.35
Diluted	¥142.98	¥179.71	¥158.00	\$1.35
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 17):				
Basic	¥717.30	¥901.30	¥792.30	\$6.75
Diluted	¥714.89	¥898.55	¥789.99	\$6.73

As of October 1, 2017, the Company effected a one-for-two ordinary share reverse stock split. Net income attributable to Wacoal Holdings Corp. per share is calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 2)
Years Ended March 31, 2018, 2017 and 2016	2018	2017	2016	2018
NET INCOME	¥ 9,660	¥12,648	¥ 11,472	\$ 90,960
OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 15):				
Foreign currency translation adjustments:				
Amounts arising during the year	1,113	(4,079)	(5,670)	10,480
Total foreign currency translation adjustments	1,113	(4,079)	(5,670)	10,480
Unrealized gain (loss) on securities:				
Amounts arising during the year	6,494	3,413	(2,833)	61,149
Reclassification adjustments	(139)	(304)	(47)	(1,309)
Total unrealized gain (loss) on securities	6,355	3,109	(2,880)	59,840
Pension liability adjustments:				
Amounts arising during the year	(487)	619	(2,327)	(4,586)
Reclassification adjustments	(193)	(1)	(644)	(1,817)
Total pension liability adjustments	(680)	618	(2,971)	(6,403)
OTHER COMPREHENSIVE INCOME (LOSS)	6,788	(352)	(11,521)	63,917
COMPREHENSIVE INCOME (LOSS)	16,448	12,296	(49)	154,877
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	21	(6)	(270)	198
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥16,469	¥12,290	¥ (319)	\$155,075

See notes to consolidated financial statements.

Consolidated Statements of Equity

Wacoal Holdings Corp. and Subsidiaries

Millions of yen

Years Ended March 31, 2018, 2017 and 2016	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, 2015	70,420	¥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	(3)					(7)	(7)		(7)
Disposal of treasury stock	1					1	1		1
Share-based compensation granted (exercised) (Note 13)	11		44	(2)		25	67		67
Increase due to establishment of subsidiaries (Note 7)								2,252	2,252
BALANCE, MARCH 31, 2016	70,429	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	(1,851)					(4,522)	(4,522)		(4,522)
Share-based compensation granted (exercised) (Note 13)	27		21	(11)		64	74		74
Equity transactions with noncontrolling interests								48	48
BALANCE, MARCH 31, 2017	68,605	13,260	29,707	170,062	21,873	(7,334)	227,568	4,914	232,482
Net income				9,745			9,745	(85)	9,660
Foreign currency translation adjustments					1,062		1,062	51	1,113
Unrealized gain on securities					6,349		6,349	6	6,355
Pension liability adjustments					(687)		(687)	7	(680)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥270 per 5 shares of common stock				(7,386)			(7,386)		(7,386)
Cash dividends paid to noncontrolling interests								(194)	(194)
Purchase of treasury stock	(1,243)					(4,007)	(4,007)		(4,007)
Disposal of treasury stock	0					0	0		0
Share-based compensation granted (exercised) (Note 13)	5		58	(3)		13	68		68
Equity transactions with noncontrolling interests								86	86
BALANCE, MARCH 31, 2018	67,367	¥13,260	¥29,765	¥172,418	¥28,597	¥(11,328)	¥232,712	¥4,785	¥237,497

As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split. The number of outstanding shares is calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

Thousands of U.S. dollars (Note 2)

Year Ended March 31, 2018	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, 2017	\$124,859	\$279,707	\$1,601,337	\$205,961	\$ (69,058)	\$2,142,826	\$46,271	\$2,189,097
Net income			91,761			91,761	(801)	90,960
Foreign currency translation adjustments				10,000		10,000	480	10,480
Unrealized gain on securities				59,783		59,783	57	59,840
Pension liability adjustments				(6,469)		(6,469)	66	(6,403)
Cash dividends paid to Wacoal Holdings Corp. shareholders, \$2 per 5 shares of common stock			(69,548)			(69,548)		(69,548)
Cash dividends paid to noncontrolling interests							(1,827)	(1,827)
Purchase of treasury stock					(37,731)	(37,731)		(37,731)
Disposal of treasury stock					0	0		0
Share-based compensation granted (exercised) (Note 13)		546	(28)		122	640		640
Equity transactions with noncontrolling interests							810	810
BALANCE, MARCH 31, 2018	\$124,859	\$280,273	\$1,623,522	\$269,275	\$(106,667)	\$2,191,262	\$45,056	\$2,236,318

See notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2018, 2017 and 2016	Millions of yen			Thousands of U.S. dollars (Note 2)
	2018	2017	2016	2018
OPERATING ACTIVITIES:				
Net income	¥ 9,660	¥ 12,648	¥ 11,472	\$ 90,960
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,492	5,032	4,815	51,714
Share-based compensation (Note 13)	68	74	67	640
Allowance for returns and doubtful receivables – net	18	264	(117)	169
Deferred income taxes	662	450	1,288	6,234
Loss (gain) on sales or disposal of property, plant and equipment – net	250	(3,374)	59	2,354
Compensation income	(708)			(6,667)
Impairment charges on goodwill (Notes 8 and 19)	206			1,940
Impairment charges on long-lived assets			256	
(Gain) loss on sale or exchange of marketable securities and investments – net (Note 3)	(3)	(441)	(90)	(28)
Valuation (gain) loss on marketable securities and investments – net (Note 3)	(203)	(1)	20	(1,911)
Gain on bargain purchase (Note 7)			(173)	
Equity in net income of affiliated companies, less dividends received	(397)	(837)	(482)	(3,738)
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	(232)	882	(195)	(2,185)
Decrease (increase) in inventories	1,012	(378)	(1,008)	9,529
Decrease (increase) in other current assets	270	475	(1,111)	2,542
Increase (decrease) in notes and accounts payable	676	(95)	(45)	6,365
Decrease in liability for termination and retirement benefit	(833)	(417)	(2,101)	(7,844)
(Decrease) increase in accrued expenses, income taxes payable and other current liabilities	(518)	1,615	(261)	(4,877)
Other	73	454	241	688
Net cash provided by operating activities	15,493	16,351	12,635	145,885
INVESTING ACTIVITIES:				
Increase in time deposits	(5,129)	(4,336)	(2,459)	(48,296)
Decrease in time deposits	3,368	3,717	2,889	31,714
Proceeds from sales and redemption of available-for-sale securities (Note 3)	394	1,968	602	3,710
Payments to acquire available-for-sale securities	(489)	(313)	(420)	(4,605)
Proceeds from redemption of held-to-maturity debt securities	554	109	739	5,217
Payments to acquire held-to-maturity debt securities	(1,138)	(330)	(629)	(10,715)
Proceeds from sales of property, plant and equipment	159	3,585	775	1,497
Compensation income	708			6,667
Capital expenditures	(3,429)	(5,504)	(7,546)	(32,288)
Payments to acquire intangible assets (Note 8)	(2,455)	(1,941)	(1,432)	(23,117)
Proceeds from sales and redemption of other investments	13	15	12	122
Payments to acquire other investments		(39)		
Proceeds from sales of shares of affiliated companies		4	6	
Payments associated with the acquisition of a business (net of cash and cash equivalents acquired) (Note 7)			(3,822)	
Other	82	33	(122)	772
Net cash used in investing activities	(7,362)	(3,032)	(11,407)	(69,322)
FINANCING ACTIVITIES:				
(Decrease) increase in short-term bank loans with original maturities of three months or less – net	(755)	(3,613)	2,101	(7,109)
Proceeds from issuance of long-term debt		250		
Repayments of long-term debt	(47)	(403)	(4,463)	(442)
Purchase of treasury stock	(4,007)	(4,522)	(7)	(37,731)
Disposal of treasury stock	0			0
Proceeds from sales of treasury stock			1	
Dividends paid on common stock	(7,386)	(4,648)	(4,225)	(69,548)
Dividends paid to noncontrolling interests	(194)	(167)	(206)	(1,827)
Other	86	48	2,252	810
Net cash used in financing activities	(12,303)	(13,055)	(4,547)	(115,847)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(336)	(328)	(1,032)	(3,164)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,508)	(64)	(4,351)	(42,448)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,995	34,059	38,410	320,103
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 29,487	¥ 33,995	¥ 34,059	\$ 277,655
ADDITIONAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	¥ 11	¥ 27	¥ 67	\$ 104
Income taxes	5,853	2,812	5,756	55,113
NONCASH INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment by assuming payment obligation	¥ 583	¥ 795	¥ 736	\$ 5,490

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 countries in Asia.

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, 2018, 2017 and 2016 were ¥(189) million, ¥(175) million and ¥(519) 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 marketable securities and 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 product 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 the creditworthiness of each applicable customer.

INVENTORIES—Inventories are stated at the lower of cost or net realizable value, 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 to 50 years (mainly 38 years)

Machinery and equipment (except for the part of the painting)

2 to 20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2018, 2017 and 2016 are ¥3,681 million, ¥3,443 million and ¥3,278 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

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asset exceeds its fair value. Impairment charges of ¥256 million on long-lived assets were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2016. The Companies recorded no impairment charges on long-lived assets for the years ended March 31, 2018 and 2017.

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 to 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 estimates because the Companies' lease contracts generally have automatic renewal provisions. 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.

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, 2018, 2017 and 2016 were ¥5,185 million, ¥5,249 million and ¥5,560 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, 2018, 2017 and 2016 were ¥12,719 million, ¥12,694 million and ¥13,167 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, 2018, 2017 and 2016 were ¥781 million, ¥810 million and ¥839 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 28, 2018.

RECLASSIFICATIONS—Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year's presentation. And as of October 1, 2017, the Company effected a one-for-two ordinary share reverse stock split. The number of ordinary shares, outstanding shares, treasury stock and net income attributable to Wacoal Holdings Corp. per share are calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

**RECENT ACCOUNTING PRONOUNCEMENTS:
RECENTLY ADOPTED ACCOUNTING GUIDANCE**

MEASUREMENT OF INVENTORY—In July 2015, the Financial Accounting Standards Board (the "FASB") issued a new guidance related to simplifying the measurement of inventory. Previously, an entity was 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. In applying this provision, the Company has not retroactively revised past consolidated financial statements. The adoption of this guidance did not have a material 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 non-current on the consolidated financial position. This guidance is effective for fiscal years beginning after December 15, 2016. The Company has applied this provision from the first quarter commencing on April 1, 2017. In applying this provision, the Company has not retroactively revised past consolidated financial statements. 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.

RECENT ACCOUNTING GUIDANCE NOT YET ADOPTED

REVENUE RECOGNITION—In May 2014, the FASB issued 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 upon initial application and the cost and complexity of applying the new guidance both upon 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 adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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 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. In February 2018, the FASB issued new accounting guidance related to recognition and measurement of financial assets and financial liabilities. This guidance requires the cumulative effect of non-marketable equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to reflect their fair values to be adjusted to the beginning retained earnings. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company will adopt the guidance in the first quarter of 2019. Adoption of the guidance will require the Company to recognize unrealized gains of ¥27,320 million (net of tax) on available-for-sale securities as a cumulative-effect adjustment from accumulated other comprehensive income (loss) to retained earnings at the beginning of the fiscal year ending March 31, 2019. Further, the Company will measure non-marketable equity securities at fair value and recognize unrealized gains of ¥515 million (net of tax) as a cumulative-effect adjustment.

LEASES—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 under the new lease standard ("ASC842"), with a few exceptions, those leases classified as operating leases under current U.S. GAAP ("ASC840").

In January 2018, the FASB also issued a new accounting guidance related to land easements. This guidance clarifies that land easements are within the scope of ASC 842 and introduces a transition practical expedient allowing the Company to forgo assessment as to whether existing expired land easements that were not previously accounted for as leases under ASC 840 are or contain leases under ASC 842. The guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is currently evaluating the impact of adoptions on the Company's consolidated financial position, results of operations or cash flows.

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 adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or 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 adoption of this guidance is evaluated to have no material impact on the Company's consolidated financial position, results of operations or cash flows.

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,

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2020 and interim periods within that annual period. The Company is currently evaluating the potential impact of adoption on its 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 will adopt this guidance in the first quarter of the year ending March 31, 2019. The guidance will be applied retrospectively for the presentation of the service cost and the other components of net periodic pension costs. The adoption of the guidance is expected to increase operating expenses by ¥1,040 million and ¥783 million in the fiscal years ended March 31, 2018 and 2017, respectively, and to decrease non-operating expenses by the same amounts.

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 ¥106.2 to \$1, the noon

buying rate for yen in New York City as of March 31, 2018. 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, 2018 and 2017. The cost, gross unrealized gain and loss and the fair value of available-for-sale and held-to-maturity securities by major security type were as follows:

Millions of yen				
2018	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
Municipal bonds	¥ 10	¥ 0		¥ 10
Mutual funds	575	15		590
Total	¥ 585	¥ 15		¥ 600
Noncurrent:				
Corporate debt securities	¥ 464	¥ 150		¥ 614
Equity securities	23,106	43,645	¥ 0	66,751
Total	¥23,570	¥43,795	¥ 0	¥67,365
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥ 967		¥ 8	¥ 959
Noncurrent:				
Corporate debt securities	¥ 646		¥12	¥ 634

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

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, 2018 and 2017, were as follows:

	2018		2017	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥424	¥3	¥340	¥3
Noncurrent:				
Corporate debt securities	¥105	¥2		

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, 2018 and 2017, were as follows:

	2018		2017	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale securities:				
Current:				
Mutual funds			¥ 8	¥ 1
Noncurrent:				
Equity securities	¥ 10	¥ 0	¥172	¥10
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥535	¥ 5	¥224	¥ 0
Noncurrent:				
Corporate debt securities	¥529	¥10	¥562	¥ 4

As of March 31, 2018 and 2017, available-for-sale securities in a continuous unrealized loss position were composed of one equity security, and three equity securities and one mutual fund, respectively. The percentage of decline from acquisition cost was 1.1% and 11.5% as of March 31, 2018 and 2017, respectively. 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 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 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, 2018 and 2017.

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, 2018, were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥ 10	¥ 10
Due after one year through five years	295	300
Due within ten years	464	614
More than ten years	280	290
Total	¥1,049	¥1,214

Future maturities of debt securities classified as held-to-maturity as of March 31, 2018 were as follows:

	Millions of yen	
	Cost	Fair Value
Due within one year	¥ 967	¥ 959
Due after one year through five years	646	634
Total	¥1,613	¥1,593

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, 2018, 2017 and 2016 were as follows:

	Millions of yen		
	2018	2017	2016
Proceeds from sales of available-for-sale securities	¥394	¥1,573	¥102
Gross realized gain on sales of available-for-sale securities	203	458	90
Gross realized loss on sales of available-for-sale securities		17	

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 and investments for the years ended March 31, 2018 and 2016.

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 ¥2 million, ¥3 million and ¥20 million for the years ended March 31, 2018, 2017 and 2016, respectively.

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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 ¥46 million and ¥44 million as of March 31, 2018 and 2017, respectively. There were no trading securities as of March 31, 2016. The Companies recorded a gain of ¥5 million and ¥4 million for the years ended March 31, 2018 and 2017, respectively. There was no gain or loss related to trading securities for the year ended March 31, 2016.

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 ¥1,261 million and ¥1,273 million as of March 31, 2018 and 2017, 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 years ended March 31, 2018 and 2017, respectively. The Companies recognized impairment charges on investments in nonmarketable equity securities of ¥0 million for the year ended March 31, 2016.

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES AND SALES RETURNS

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

	2018	2017	2016
Balance at the beginning of the year	¥219	¥196	¥ 198
Charged to costs and expenses	28	68	110
Balances written-off/reversed	(40)	(45)	(112)
Balance at the end of the year	¥207	¥219	¥ 196

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

	2018	2017	2016
Balance at the beginning of the year	¥ 2,258	¥ 2,033	¥ 2,211
Charged to costs and expenses	2,252	2,258	2,033
Balances utilized	(2,258)	(2,033)	(2,211)
Balance at the end of the year	¥ 2,252	¥ 2,258	¥ 2,033

5. INVENTORIES

The components of inventories as of March 31, 2018 and 2017 were as follows:

	2018	2017
Finished products	¥36,635	¥37,586
Work in process	3,678	3,743
Raw materials	2,363	2,493
Total	¥42,676	¥43,822

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 company's income or loss based on the most recently available financial statements.

The primary affiliated companies and percentage of ownership as of March 31, 2018 and 2017 were as follows:

Name of investee	Percentage of ownership (%)	
	2018	2017
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, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Carrying amount	¥15,191	¥13,556
Aggregate value of quoted market price	11,445	11,754

The following tables represent the affiliated companies' summarized information from the balance sheet as of March 31, 2017 and statement of income for the year ended March 31, 2017. Summarized information of the balance sheet and statements of income of affiliated companies for the years ended March 31, 2018 and 2016 were not disclosed as they were 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
Net sales	¥59,172
Gross profit	30,200
Income before income taxes	5,105
Net income	4,089

The balance of receivables and payables to affiliated companies as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Accounts receivable	¥598	¥513
Accounts payable	472	237
Other receivable	272	226

The amounts of transaction with affiliated companies as of March 31, 2018, 2017 and 2016 were follows:

	Millions of yen		
	2018	2017	2016
Sales	¥2,700	¥1,898	¥ 335
Cost of sales corresponding to sales of material and products	2,675	1,753	159
Purchases	5,744	2,646	2,468
Royalties	300	263	266

Dividends received from affiliated companies were ¥519 million, ¥522 million and ¥763 million for the years ended March 31, 2018, 2017 and 2016, respectively.

Retained earnings includes net undistributed earnings of affiliated companies of ¥16,411 million and ¥15,689 million as of March 31, 2018 and 2017, respectively.

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7. ACQUISITIONS

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 Companies will build a worldwide system to supply materials and products in the ASEAN region, which has the potential to further develop, grow and improve the manufacturing quality and cost competitiveness of the Wacoal 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 as of 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. During the year ended March 31, 2017, 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, 2018, 2017 and 2016 were as follows. For information about the Companies' operating segments, see Note 23.

	Millions of yen		
	2018		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Goodwill	¥11,746	¥11,203	¥22,949
Accumulated impairment charges		(6,878)	(6,878)
Total	11,746	4,325	16,071
Impairment charges	(206)		(206)
Foreign currency translation adjustments	736		736
Balance at the end of the year:			
Goodwill	12,482	11,203	23,685
Accumulated impairment charges	(213)	(6,878)	(7,091)
Total	¥12,269	¥ 4,325	¥16,594

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

The Company recorded "Impairment charges on goodwill" of ¥206 million of A Tech in the fiscal year ended March 31, 2018, which is included in operating expenses of Wacoal Business (overseas). During the years ended March 31, 2017 and 2016, the Companies recorded no impairment charge on goodwill. See Note 19 for further information.

OTHER INTANGIBLE ASSETS—The components of intangible assets excluding goodwill as of March 31, 2018 and 2017 were as follows:

Millions of yen				
Year Ended March 31	2018		2017	
	Gross Carrying Amount	Accumulated Amortization and Impairment Charge	Gross Carrying Amount	Accumulated Amortization and Impairment Charge
Amortized intangible assets:				
Brands	¥ 6,219	¥1,671	¥ 5,853	¥1,311
Software	11,777	6,434	9,692	5,434
Others	1,703	805	1,601	660
Total	¥19,699	¥8,910	¥17,146	¥7,405
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥3,322	¥ 5,316	¥3,322
Other	76		114	
Total	¥ 5,392	¥3,322	¥ 5,430	¥3,322

Other intangible assets acquired during the years ended March 31, 2018, 2017 and 2016 totaled ¥2,569 million, ¥1,941 million and ¥1,432 million, respectively, 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 years ended March 31, 2018, 2017 and 2016, the Companies recorded no impairment charge on other intangible assets. See Note 19 for further information.

Aggregate amortization expenses for the years ended March 31, 2018, 2017 and 2016 related to other intangible assets were ¥1,811 million, ¥1,589 million and ¥1,537 million, respectively. Future estimated amortization expenses as of March 31, 2018 were as follows:

Year Ending March 31	Millions of yen
Estimated amortization expense	
2019	¥1,791
2020	1,591
2021	1,308
2022	1,099
2023	808
Total	¥6,597

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

Short-term bank loans as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Unsecured bank loans	¥7,104	¥7,716

The weighted-average annual interest rate on short-term bank loans as of March 31, 2018 and 2017 were 0.3% and 0.4%, respectively.

Unused lines of credit for short-term financing as of March 31, 2018 and 2017 aggregated ¥23,511 million and ¥26,830 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, 2018 and 2017.

Long-term debt as of March 31, 2018 and 2017 is summarized below. The interest rates and maturities are for loans as of March 31, 2018.

	Millions of yen	
	2018	2017
Collateralized bank loans, with fixed interest at 0.6%, maturing through 2022	¥ 75	¥ 95
Unsecured bank loans, with fixed interest at 0.4%, maturing through 2022	113	140
Total	188	235
Less current portion	(50)	(50)
Long-term debt, less current portion	¥138	¥185

The annual maturities of long-term debt as of March 31, 2018 were as follows:

Year Ending March 31	Millions of yen
2019	¥ 50
2020	50
2021	50
2022	38
Total	¥188

A subsidiary has pledged assets as security for loans. As of March 31, 2018 and 2017, assets pledged as collateral for bank loans were as follows:

	Millions of yen	
	2018	2017
Land	¥150	¥150
Buildings	191	213
Total	¥341	¥363

As is customary in Japan, both short-term and long-term loans are made under general agreements which provide for security and guarantees for future and present indebtedness to be given upon request of the bank. The bank has the right to offset cash deposits against obligations that have come 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, 2018 are presented below:

Year Ending March 31	Millions of yen
2019	¥ 738
2020	434
2021	212
2022	91
2023	54
Thereafter	167
Total	¥1,696

Rental expenses were ¥7,830 million, ¥7,862 million and ¥7,902 million for the years ended March 31, 2018, 2017 and 2016, 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 is as follows:

	Millions of yen		
	2018	2017	2016
Balance at the beginning of the year	¥855	¥ 878	¥777
Accretion expense	1	2	20
Liabilities incurred	62	84	157
Liabilities settled	(91)	(111)	(74)
Change due to translation of foreign currencies	(2)	2	(2)
Balance at the end of the year	¥825	¥ 855	¥878

12. TERMINATION AND RETIREMENT PLANS

EMPLOYEE RETIREMENT PLANS—Certain subsidiaries of the Company 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 contributory defined retirement benefit plans 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		
	2018	2017	2016
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥34,935	¥35,777	¥34,085
Service cost	1,086	1,103	1,074
Interest cost	205	183	321
Participants' contributions	63	65	66
Actuarial (gain) loss	432	(509)	1,893
Prior service cost arising during the year		271	
Benefits paid from plan assets	(1,007)	(958)	(950)
Settlement paid from plan assets	(1,003)	(865)	(850)
Settlement paid by the Company and certain subsidiaries	(138)	(125)	(100)
Changes in foreign currency exchange rates	7	(7)	(6)
Change in the scope of consolidation			244
Benefit obligations at the end of the year	34,580	34,935	35,777
Change in plan assets:			
Fair value of plan assets at the beginning of the year	43,203	42,156	43,137
Actual return on plan assets	878	2,176	(516)
Employer contributions	612	633	1,275
Participants' contributions	63	65	66
Benefit payments	(1,007)	(958)	(950)
Settlement payments	(1,003)	(865)	(850)
Changes in foreign currency exchange rates	(10)	(4)	(6)
Fair value of plan assets at the end of the year	42,736	43,203	42,156
Funded status at the end of the year	¥ 8,156	¥ 8,268	¥ 6,379

Amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017 consist of:

	Millions of yen	
	2018	2017
Prepaid pension expense	¥10,178	¥10,287
Other current liabilities	(170)	(63)
Liability for termination and retirement benefits	(1,852)	(1,956)
Total	¥ 8,156	¥ 8,268

Amounts recognized in accumulated other comprehensive income, pre-tax, as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Actuarial loss (gain)	¥(35)	¥667
Prior service benefit		121
Total	¥(35)	¥788

The accumulated benefit obligation for all defined retirement benefit plans as of March 31, 2018 and 2017 was as follows:

	Millions of yen	
	2018	2017
Accumulated benefit obligations	¥34,580	¥34,935

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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's and certain subsidiaries' pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of yen	
	2018	2017
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,838	¥2,905
Fair value of plan assets	815	886
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,838	2,905
Fair value of plan assets	815	886

Net periodic benefit costs for the Company and certain subsidiaries' plans consisted of the following for the years ended March 31, 2018, 2017 and 2016:

	Millions of yen		
	2018	2017	2016
Service cost	¥1,086	¥1,103	¥1,074
Interest cost	205	183	321
Expected return on plan assets	(991)	(967)	(967)
Amortization of actuarial loss (gain)	(157)	213	(461)
Amortization of prior service benefits	(121)	(215)	(491)
	¥ 22	¥ 317	¥ (524)

The unrecognized net actuarial gain or loss and prior service benefits are 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, 2018, 2017 and 2016 were as follows:

	Millions of yen		
	2018	2017	2016
Actuarial (loss) gain	¥(545)	¥1,718	¥(3,376)
Amortization of actuarial (gain) loss	(157)	213	(461)
Prior service cost arising during the year		(271)	
Amortization of prior service benefits	(121)	(215)	(491)
	¥(823)	¥1,445	¥(4,328)

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

	Millions of yen
Actuarial loss	¥4

The Company and certain subsidiaries use a measurement date of March 31 for their plans. The weighted-average assumptions used as of March 31, 2018 and 2017 in computing the benefit obligations shown above were as follows:

	2018	2017
Discount rate	0.5%	0.6%

The weighted-average assumptions used as of March 31, 2018, 2017 and 2016 in computing the net periodic benefit costs shown above were as follows:

	2018	2017	2016
Discount rate	0.6%	0.5%	1.0%
Rate of increase in future compensation	5.3%	5.3%	5.3%
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 effective yields as of March 31, 2018 on the corporate bond indices for which maturity dates approximate the timing of the expected future benefit payments.

The retirement benefit plan 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 plan investment strategy of the Company and certain subsidiaries is to maintain actual asset weightings within a preset range of target allocations. The plan investment strategy of the Company and certain subsidiaries is 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, 2018 and 2017 was as follows:

	2018	2017
Equity securities	41.1%	48.3%
Debt securities	37.2%	26.3%
Life insurance company general accounts	10.3%	11.1%
Real estate	3.2%	3.9%
Other short-term investments	8.2%	10.4%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2018 and 2017 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 plan assets of the Company and certain subsidiaries using the fair value hierarchy as of March 31, 2018 and 2017. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value. For references to each level, see Note 19.

	Millions of yen			
2018	Level 1	Level 2	Level 3	Total
Assets evaluated by other than net asset value per share				
Equity securities:				
Japanese companies	¥9,423			¥9,423
Foreign companies	17			17
Debt securities:				
Foreign government bonds	69			69
Life insurance company general accounts		¥4,403		4,403
Other types of investments:				
Other short-term investments		2,403		2,403
Assets evaluated by net asset value per share (a)				
Equity securities:				
Pooled funds (b)				6,030
Debt securities:				
Pooled funds (c)				11,095
Other types of investments:				
Hedge funds (d)				3,870
Pooled funds (e)				5,426
Total	¥9,509	¥6,806		¥42,736

	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

- (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 52% Japanese companies and 48% foreign companies as of March 31, 2018 and 34% and 66%, respectively, as of March 31, 2017.
- (c) This class includes approximately 55% of foreign government bonds, 45% of corporate bonds investments as of March 31, 2018. 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.
- (d) This class consists of hedge funds that invest in both long- and short-term debt securities as of March 31, 2018 and 2017.
- (e) This class includes approximately 34% of corporate bonds, 4% of common stock of Japanese companies, 16% of common stock of foreign companies, 26% of real estate and 20% of other short-term investments as of March 31, 2018. 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.

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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. Life insurance company general accounts categorized in Level 2 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 funding policy for the funded plans of the Company and certain subsidiaries is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. The Company and certain subsidiaries expect to contribute ¥597 million to their plans in the year ending March 31, 2019.

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

Year Ending March 31	Millions of yen
2019	¥2,062
2020	2,025
2021	1,928
2022	1,894
2023	2,049
Thereafter	9,495

DEFINED CONTRIBUTION PLAN—Certain subsidiaries have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥327 million, ¥249 million and ¥219 million for the years ended March 31, 2018, 2017 and 2016, 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 ¥210 million, ¥143 million and ¥125 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2018, 2017 and 2016, 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 benefits for each individual was fixed as of June 29, 2005 and will remain frozen until the retirement of each respective director. Outstanding liabilities of ¥348 million and ¥340 million as of March 31, 2018 and 2017, respectively, were recorded in other long-term liabilities. A certain subsidiary has plans for its directors and recorded a liability for termination benefits for directors at the amount that would be needed if all directors were to resign at each balance sheet date in accordance with the guidance for determination of vested benefit obligations 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, 2018, 2017 and 2016. 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 corporate value. Each stock option is exercisable to acquire 500 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.

	2018	2017	2016
Expected dividend yield	2.3%	2.9%	2.0%
Expected volatility	23.7%	25.1%	20.9%
Risk-free interest rate	(0.2)%	(0.2)%	0.0%
Expected term	3.4 years	2.5 years	2.6 years

A summary of stock option activities under the plan for the year ended March 31, 2018 and 2017 was as follows:

	Shares	Yen Weighted-Average Exercise Price	Years Weighted-Average Remaining Contractual Term	Millions of yen Aggregate Intrinsic Value
Outstanding as of April 1, 2017	222,500	¥1		
Granted	23,000	1		
Exercised	5,000	1		
Outstanding as of March 31, 2018	240,500	1	14.39 years	¥740
Exercisable as of March 31, 2018	21,000	1	2.30 years	65

	Shares	Yen Weighted-Average Exercise Price	Years Weighted-Average Remaining Contractual Term	Millions of yen Aggregate Intrinsic Value
Outstanding as of April 1, 2016	215,500	¥1		
Granted	34,500	1		
Exercised	27,500	1		
Outstanding as of March 31, 2017	222,500	1	14.58 years	¥611
Exercisable as of March 31, 2017	26,000	1	3.10 years	71

The total intrinsic value of options exercised was ¥16 million, ¥69 million and ¥31 million as of the years ended March 31, 2018, 2017 and 2016, respectively.

The total compensation costs recognized for the years ended March 31, 2018, 2017 and 2016 were ¥68 million, ¥74 million and ¥67 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2018, 2017 and 2016 were ¥21 million, ¥23 million and ¥21 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2018, 2017 and 2016 were ¥2,918,

¥2,088 and ¥2,838, respectively.

As of March 31, 2018, there was ¥10 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.

*As of October 1, 2017, the Company effected a one-for-two ordinary share reverse stock split. The number of shares to be granted for exercise of stock option is calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

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 the 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.

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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						
	2018			2017		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥1,212	¥21,075	¥ (414)	¥ 5,177	¥17,966	¥(1,035)
Amount arising during the year:						
Pre-tax amount	1,158	9,309	(655)	(4,109)	4,905	1,062
Tax credit	(45)	(2,815)	168	30	(1,492)	(443)
Net amount	1,113	6,494	(487)	(4,079)	3,413	619
Reclassification adjustments:						
Pre-tax amount		(201)	(278)		(438)	(2)
Tax credit		62	85		134	1
Net amount		(139)	(193)		(304)	(1)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	(51)	(6)	(7)	114	(0)	3
Balance at the end of the year (after-tax)	¥2,274	¥27,424	¥1,101	¥ 1,212	¥21,075	¥ (414)

Millions of yen			
	2016		
	Foreign Currency Translation Adjustments	Unrealized Loss on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥10,831	¥20,821	¥ 1,934
Amount arising during the year:			
Pre-tax amount	(5,890)	(4,169)	(3,418)
Tax credit	220	1,336	1,091
Net amount	(5,670)	(2,833)	(2,327)
Reclassification adjustments:			
Pre-tax amount		(70)	(952)
Tax credit		23	308
Net amount		(47)	(644)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	16	25	2
Balance at the end of the year (after-tax)	¥ 5,177	¥17,966	¥(1,035)

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in "Gain (Loss) 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, 2018, 2017 and 2016 were summarized as follows:

Millions of yen			
	2018	2017	2016
Japan	¥ 25,139	¥ 27,487	¥24,002
Foreign	(10,853)	(10,918)	(9,045)
Total	¥ 14,286	¥ 16,569	¥14,957

Domestic and foreign components of income taxes for the years ended March 31, 2018, 2017 and 2016 consist of:

Millions of yen			
	2018	2017	2016
Current:			
Japan	¥3,289	¥3,230	¥1,666
Foreign	1,591	1,600	1,776
	¥4,880	¥4,830	¥3,442
Deferred:			
Japan	¥ 394	¥ 690	¥1,483
Foreign	268	(240)	(195)
	¥ 662	¥ 450	¥1,288
Total income taxes	¥5,542	¥5,280	¥4,730

Income taxes in Japan applicable to the Companies imposed by the national, prefectural and municipal governments in the aggregate resulted in normal effective statutory tax rates of approximately 30.9%, 30.9% and 33.1% for the fiscal years ended March 31, 2018, 2017 and 2016, 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, 2018, 2017 and 2016:

	2018	2017	2016
Normal Japanese effective statutory tax rates	30.9%	30.9%	33.1%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	3.0	2.4	2.8
Change in valuation allowance	2.8	3.1	1.1
Undistributed earnings of associated companies	0.7	(2.1)	0.1
Differences in foreign subsidiaries' tax rate	(1.3)	(0.5)	(1.2)
Tax exemption	(0.9)	(0.4)	(0.2)
Unrecognized tax benefits	(0.1)	(1.8)	(0.1)
Changes in Japanese income tax rates	2.0	0.2	(3.0)
Other – net	1.7	0.1	(1.0)
Effective tax rates	38.8%	31.9%	31.6%

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJA”) was enacted into law, which significantly reduced corporate tax rates in the United States. As a result of the TCJA, deferred tax assets of foreign subsidiaries in the United States decreased and income tax expense increased by ¥290 million.

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2018 and 2017 were as follows:

	2018		2017	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for returns	¥ 600		¥ 713	
Allowance for doubtful receivables	15		14	
Accruals not currently deductible	213		221	
Inventory valuation	840		830	
Accrued bonuses	999		963	
Impairment charges on marketable securities and investments	449		972	
Advanced depreciation on property, plant and equipment		¥ 1,981		¥ 1,992
Undistributed earnings of associated companies		2,355		2,209
Net unrealized gain on marketable securities and investments		12,266		10,738
Net realized gain on exchange of investments		818		818
Capitalized supplies	175		162	
Enterprise taxes	216		298	
Accrued vacation	727		761	
Asset retirement obligation	255		267	
Prepaid pension expense		2,402		2,462
Liability for termination and retirement benefit	479		478	
Tangible fixed assets	1,005		1,472	
Tax loss carryforwards	1,861		1,491	
Intangible assets		1,762		1,761
Other temporary differences	92	42	525	95
Total	7,926	21,626	9,167	20,075
Valuation allowance	(2,337)		(1,845)	
Total	¥ 5,589	¥21,626	¥ 7,322	¥20,075

The valuation allowance decreased by ¥492 million and ¥515 million for the years ended March 31, 2018 and 2017, 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 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., including deferred tax assets for which a full valuation allowance had been established due to the poor operating results of Lecien. However, as a result of considering the restructuring, there was a change in assessment of the realizability of deferred tax assets, and the Company reversed ¥1,398 million of the valuation allowance and recognized the same amount of income tax benefit for the year ended March 31, 2015.

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The Companies also reversed a part of the valuation allowance and utilized ¥333 million and ¥257 million of tax loss carryforwards, and recognized tax benefits of ¥87 million and ¥77 million for the years ended March 31, 2018 and 2017, respectively.

As of March 31, 2018, certain subsidiaries had tax loss carryforwards which are available to offset future taxable income of such subsidiaries and expire as follows:

Year Ending March 31	Millions of yen
2019	¥ 483
2020	812
2021	228
2022	440
2023	1,069
2024	42
2025	71
2026	662
2027	502
Thereafter	2,419
Total	¥6,728

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 is as follows:

	2018	2017	2016
Balance at the beginning of the year	¥4	¥ 300	¥312
Additions based on tax positions related to the current year	1	1	1
Reductions for tax positions of prior years		(297)	(13)
Balance at the end of the year	¥5	¥ 4	¥300

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥5 million, ¥4 million and ¥300 million as of March 31, 2018, 2017 and 2016, 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, 2018, 2017 and 2016 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. For certain subsidiaries in Japan, the United States, and Asia, the transfer pricing examinations for the fiscal years ended March 31, 2017, 2011 and 2008 were completed.

17. 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 67,928,557 shares, 69,483,315 shares and 70,421,092 shares for the years ended March 31, 2018, 2017 and 2016, 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 68,157,430 shares, 69,696,631 shares and 70,627,620 shares for the years ended March 31, 2018, 2017 and 2016, respectively.

*As of October 1, 2017, the Company effected a one-for-two ordinary share reverse stock split. Net income attributable to Wacoal Holdings Corp. per share is calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

18. 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, 2018 and 2017 were as follows:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Notes 3 and 20)	¥ 1,567	¥ 1,559	¥ 1,445	¥ 1,442
Investments (Notes 3 and 20)	68,057	68,045	58,586	58,582
Total assets	¥69,624	¥69,604	¥60,031	¥60,024
Liabilities:				
Long-term debt including current portion	¥ 188	¥ 188	¥ 235	¥ 235
Total liabilities	¥ 188	¥ 188	¥ 235	¥ 235

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 19.

MARKETABLE SECURITIES AND INVESTMENTS—Held-to-maturity debt securities are classified as marketable securities and investments as of March 31, 2018 and 2017. 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 19.

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.

19. 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, 2018 and 2017 were as follows:

	Level 1	Level 2	Level 3	Total
2018				
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Mutual funds		590		590
Total marketable securities		600		600
Investments:				
Equity securities	¥66,751			66,751
Corporate debt securities		614		614
Mutual funds	46			46
Total investments	66,797	614		67,411
Derivative instruments:				
Foreign exchange contracts		6		6
Total assets	¥66,797	¥1,220		¥68,017
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ 13		¥ 13
Currency swap		31		31
Total liabilities		¥ 44		¥ 44

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2017	Millions of yen			
	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

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 record 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 and currency swaps presented in Level 2 are valued by financial institutions based on market data in both active and inactive markets.

ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

Assets measured at fair value on a nonrecurring basis as of March 31, 2018 were as follows:

2018	Millions of yen				
	Level 1	Level 2	Level 3	Total	Impairment Losses
Goodwill (Note 8)					¥(206)
					¥(206)

As of March 31, 2018, all the carrying amount of A Tech's goodwill was written down resulting in an impairment charges of ¥206 million, which is included as a charge to earnings for the year ended March 31, 2018. The impairment arose mainly due to the revision of the future business plan made in response to a slump in sales. To measure the fair values of A Tech's 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.

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

20. 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 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 were ¥1,598 million and ¥1,313 million as of March 31, 2018 and 2017, 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 ¥29 million, a gain of ¥295 million and a loss of ¥(506) million in other – net of other income (expenses) for the years ended March 31, 2018, 2017 and 2016, respectively.

The Companies recorded derivative instruments at fair value in the consolidated balance sheets as other current assets and other current liabilities in the amount of ¥6 million and ¥44 million, respectively, as of March 31, 2018, and as other current assets and other current liabilities in the amount of ¥2 million and ¥4 million, respectively, as of March 31, 2017.

21. 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 ¥805 million were recognized during the year ended March 31, 2017.

The changes in the amount of related liabilities for the years ended March 31, 2018 and 2017 were as follows:

Millions of yen				
2018	Retirement Cost	Depreciation and Loss on Disposal of Assets without Cash Payment – net	Other Related Expenses	Total
Balance at the beginning of the year:			¥ 87	¥ 87
Reorganization expenses				
Expenses without cash payment				
Cash payments made			(91)	(91)
Foreign currency translation adjustments			4	4
Balance at the end of the year				

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 no reorganization expenses in the fiscal year ended March 31, 2018 and recorded reorganization expenses of ¥211 million and ¥539 million 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.

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22. ASSETS CLASSIFIED AS HELD FOR SALE

The Companies sold 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.

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.

23. 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, and mannequins and also engages in construction of stores and interior design.

Information about operating results and assets for each segment as of and for the years ended March 31, 2018, 2017 and 2016 is as follows:

	Millions of yen					
2018	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥116,085	¥51,888	¥10,795	¥16,957		¥195,725
Intersegment	1,051	10,180	1,281	5,283	¥(17,795)	
Total	117,136	62,068	12,076	22,240	(17,795)	195,725
Operating costs and expenses:						
Operating costs and expenses	105,782	56,504	11,290	21,712	(17,795)	177,493
Depreciation and amortization	3,469	1,506	345	172		5,492
Impairment charges on goodwill		206				206
Total	109,251	58,216	11,635	21,884	(17,795)	183,191
Operating income	7,885	3,852	441	356		12,534
Total assets and capital expenditures:						
Total assets	260,582	77,374	13,825	18,261	(71,508)	298,534
Capital expenditures	3,649	1,752	365	118		5,884

	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

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, 2018, 2017 and 2016 is as follows:

	Millions of yen		
	2018	2017	2016
Innerwear:			
Foundation and lingerie	¥146,970	¥145,188	¥151,166
Nightwear	8,758	9,154	10,098
Children's underwear	1,376	1,429	1,386
Subtotal	157,104	155,771	162,650
Outerwear/Sportswear and others	¥ 16,128	¥ 17,189	¥ 19,074
Hosiery	1,983	2,235	2,178
Other textile goods and related products	8,907	9,346	7,161
Others	11,603	11,340	11,854
Total	¥195,725	¥195,881	¥202,917

GEOGRAPHIC INFORMATION

Information by major geographic area as of and for the years ended March 31, 2018, 2017 and 2016 is as follows:

	Millions of yen		
	2018	2017	2016
Net sales:			
Japan	¥143,196	¥147,061	¥150,673
Asia and Oceania	21,057	19,187	17,906
Americas and Europe	31,472	29,633	34,338
Consolidated	¥195,725	¥195,881	¥202,917
Long-lived assets:			
Japan	¥ 46,367	¥ 47,452	¥ 46,136
Asia and Oceania	4,916	4,661	4,490
Americas and Europe	3,050	3,175	3,312
Consolidated	¥ 54,333	¥ 55,288	¥ 53,938

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.

Financial Section

24. SUBSEQUENT EVENTS

(Purchase of Treasury Stock)

On May 15, 2018, the Board of Directors resolved to purchase treasury stock based on a 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 capital policy tailored to the business environment with increased flexibility

b. Type of Shares to Be Purchased:

Common stock of the Company

c. Total Number of Shares to Be Purchased:

2,200,000 shares (at maximum)

d. Total Amount to Be Purchased:

¥7,000 million (at maximum)

e. Purchase Period:

From May 21, 2018 through December 31, 2018

(Retirement of Treasury Stock)

On May 15, 2018, the Board of Directors resolved to retire treasury stock based on a specific purchasing method as described below pursuant to the provisions of Article 178 of the Companies Act as follows.

a. Type of Shares to Be Retired:

Common stock of the Company

b. Total Number of Shares to Be Retired:

1,000,000 shares

c. Date for Retirement

May 25, 2018

(Dividend Declaration)

On May 15, 2018, 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, 2018 (aggregate amount of ¥2,425 million).

Independent Auditors' Report



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

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

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, 2018 and 2017, 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, 2018 (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, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audit for the year ended March 31, 2018 also comprehended the translation of 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 28, 2018

Member of
Deloitte Touche Tohmatsu Limited

Financial Section

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

NOTE TO READERS

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

There are differences between management's 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 management's assessment of ICFR under FIEA, there is detailed guidance on the scope of management's assessment of ICFR, such as quantitative guidance on business unit selection and/or account selection. In management's 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 of the scope of the 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 management's assessment of the process-level controls.

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

Hironobu Yasuhara, President and Representative Director, and Masaya Wakabayashi, Director and Vice President, are responsible for designing and operating effective ICFR of Wacoal Holdings Corp. (the "Company"), and have designed and operated ICFR in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

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

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

The assessment of ICFR was performed as of March 31, 2018. The assessment was performed in accordance with assessment standards for ICFR 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 the internal controls.

We determined the required scope of the assessment of ICFR 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. We determined the materiality that may affect the reliability of the financial reporting 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 the assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity method affiliated companies. We did not include those consolidated subsidiaries and equity method affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of the assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected business units for testing as "significant business units," whose combined sales were at least two-thirds of total consolidated sales for the prior year on a consolidated basis.

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 the following as business processes with 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 with high-risk transactions.

3. Matters Relating to the Results of Assessment

As a result of the assessment above, we concluded that our ICFR was effective as of March 31, 2018.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.

Hironobu Yasuhara
President and Representative Director
WACOAL HOLDINGS CORP.

Masaya Wakabayashi
Director and Vice President
WACOAL HOLDINGS CORP.

Financial Section

Independent Auditors' Report



NOTE TO READERS:

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

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under 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:

Wakyu Shinmen

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, 2018 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, 2017 to March 31, 2018, 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, 2018, 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, 2018.

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, 2018 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 28, 2018

Member of
Deloitte Touche Tohmatsu Limited

Investor Information

As of March 31, 2018

Stock Listing

Tokyo

Fiscal Year-end

March 31

Securities Code

3591

Common Stock

Issued: 71,689,042 shares

Outstanding: 67,366,921 shares

Trading Unit

100 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

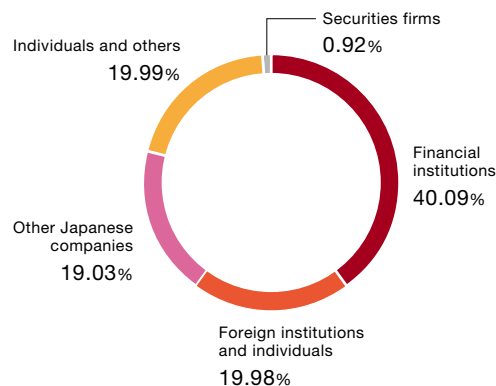
Depository

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

13,808

Ownership and Distribution of Shares



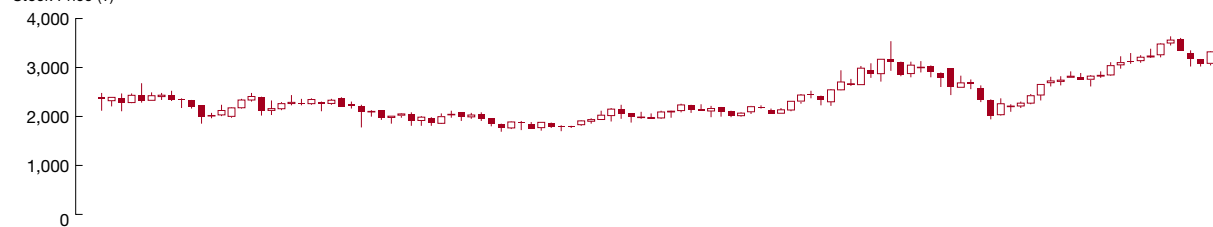
Major Shareholders*

	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.89
Meiji Yasuda Life Insurance Company	4.53
Japan Trustee Services Bank Ltd. (Trust Account)	4.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.58
The Bank of Kyoto, Ltd.	3.49
Nippon Life Insurance Company	2.73
The Shiga Bank, Ltd.	2.71
Mitsubishi UFJ Trust and Banking Corporation	2.26
The Dai-ichi Life Insurance Company, Ltd.	2.03
Asahi Kasei Fibers Corp.	1.84

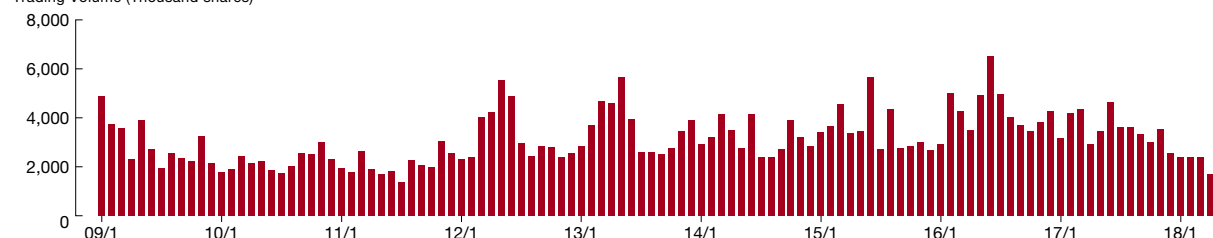
*The percentages exclude treasury stock.

Stock Price/Trading Volume

Stock Price (¥)



Trading Volume (Thousand shares)



Notes: As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split. For relative comparison, periods prior to the split have been adjusted in the graphs above.

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.

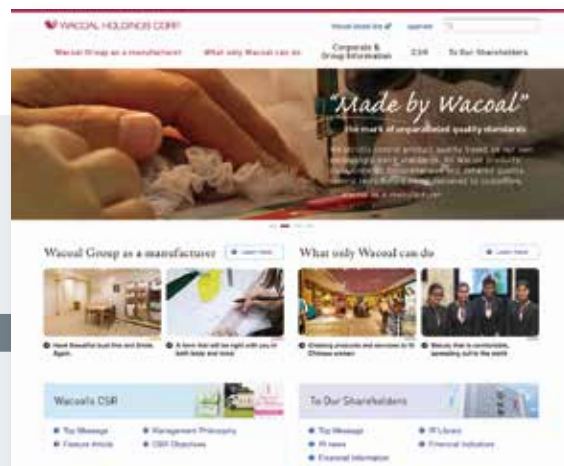
Our Website



Please find more information on our website.

Top page

→ <https://www.wacoalholdings.jp/en>



To Our Shareholders

→ <https://www.wacoalholdings.jp/en/ir>



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



CSR

→ <https://www.wacoalholdings.jp/en/csr>



- ▶ CSR Objectives
- ▶ Relations with Stakeholders
- ▶ CSR Procurement based on Mutual Trust and Cooperation
- ▶ 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



