

INTEGRATED REPORT 2020



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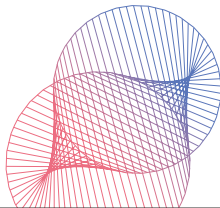
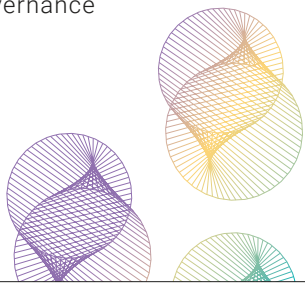
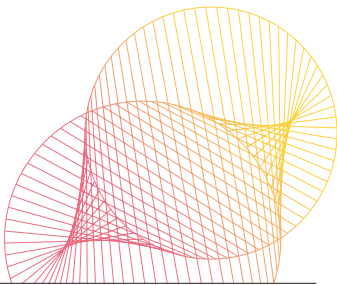
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Our Corporate Website

● Wacoal Holdings Corp.’s Website

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

● Investor Relations

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



Investor Relations

- Management Information
- Financial Indicators
- Monthly Sales Data
- IR Library
- Dividend and Share Repurchase
- Shareholder Benefits
- Stock Information

IR News

Editorial Policy

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.

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.

● Sustainability

 <https://www.wacoalholdings.jp/en/sustainability/>



Sustainability

- Sustainability Policy
- The Wacoal Group’s Basic Policies on CSR and Relations with Stakeholders
- Group Philosophy
- A Message from the President
- Material Issues in Wacoal’s Business Activities
- Integrated Report

Focus Areas of Our Initiatives (ESG Issues)

- CSR Procurement
- Corporate Governance
- Compliance
- Risk Management



Our Mission

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

Our Vision

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

Our Value

1. Create products loved by customers
2. Develop new products that meet the needs of the times
3. Conduct business in a fair manner with a forward focus
4. Build a better Wacoal through better human resources
5. Fear not failure and boast not of success

Viewing the COVID-19 crisis as providing a favorable
opportunity to move forward dramatically in a new era,
we will advance bold self-reform.

—Enabling Wacoal to create the value customers want in a new era—

Since the early months of 2020, the spread of COVID-19 has been wreaking havoc globally. As a corporate group with businesses worldwide, the Wacoal Group has been severely affected by the COVID-19 pandemic. Although the way out of the crisis and the direction in which the world will develop after the crisis remain unclear, we must convert these difficulties into a favorable opportunity to move forward dramatically in the coming new era.

Historically, Wacoal has overcome unprecedented crises through concerted Companywide efforts. After emerging in the United States in the 1960s, the women's liberation movement spread to Japan, taking the form of a no-bra movement in the 1970s. In response to the serious impact that this movement was having on Wacoal at the time, its founder Koichi Tsukamoto delivered a stirring message to employees, emphasizing that the Company would not be able to overcome the crisis unless all of its employees forged ahead with determination and solidarity. Further, to impart his sense of crisis to employees he had his hair cropped short and vowed to relaunch Wacoal. This urgency proved very persuasive and heightened employee solidarity, which then became a significant driver of growth. For example, the unification and mobilization of employees led to the creation of a seamless cup bra, a

major hit product that captured the hearts of women seeking greater expression of their identity in a new era.

In regard to self-reform, I believe we have reached a moment of truth that will show whether we can create the value needed in a new era and thereby remain a company society views as truly essential. Without fail, we will overcome the current challenges by scrutinizing existing business models and undertaking bold reform that is unconstrained by the past or by established practices. In conjunction with these efforts, anticipating the rapid change in values that is stemming from the COVID-19 crisis, we will foster personnel who are able to put the Group Philosophy into practice through the creation of products loved by customers and the development of new products that meet the needs of the times. Further, we will proactively develop a corporate culture that is conducive to bold risk-taking for growth.

By ensuring that Group employees worldwide have a shared sense of crisis and a common vision of the future and by building relationships of mutual trust with all stakeholders, we will become an entity that society needs more than ever. For this reason, I would like to ask all stakeholders for their continued support.

September 2020



Founder Koichi Tsukamoto (1970)

Yoshikata Tsukamoto
Chairman and Representative Director
Wacoal Holdings Corp.

COVID-19: Impact and Measures

Steps aimed at preventing the spread of COVID-19, such as the suspension of store operations and restrictions on going outdoors, are having an extremely significant effect on the Wacoal Group's business activities. While giving first priority to the health and safety of customers, business partners, and employees, we are increasing the pace of digital transformation initiatives launched before the pandemic and revising existing measures and expenditure plans. By objectively analyzing changes in consumer values and distribution channels and by undertaking selection and concentration of businesses Groupwide, we will reform ourselves into a business organization that generates stable profits.

The Wacoal Group's Monthly Sales and Measures in Japan and Overseas (2020)



The Impact and Developments of the COVID-19 Pandemic (2020)

	Jan.	Feb.	Mar.			Apr.	May	Jun.	Jul.
Developments Worldwide	Jan. 20: In China, new type of pneumonia is recognized as official disease. Jan. 23: Wuhan is locked down. Jan. 30: WHO declares global health emergency.	Feb. 11: WHO names the virus COVID-19. Feb. 25: Only 30% of small and medium-sized companies in China restart operations.	Mar. 11: WHO declares global pandemic. Mar. 24: IOC announces postponement of the Tokyo 2020 Olympic and Paralympic Games.			Apr. 3: Number of infected people worldwide surpasses 1 million. Apr. 8: Wuhan lifts lockdown.	May 21: Number of infected people worldwide surpasses 5 million.	Jun. 28: Number of infected people worldwide surpasses 10 million.	
Developments in Japan	Jan. 15: First infected person is recorded in Kanagawa Prefecture. Jan. 28: Japan classifies COVID-19 as designated infectious disease. Jan. 31: Ministry of Economy, Trade and Industry establishes taskforce.	Feb. 3: Diamond Princess berths at Yokohama. Feb. 13: In Kanagawa Prefecture, first COVID-19 death is confirmed. Feb. 25: Government approves Basic Policy for Novel Coronavirus (COVID-19) Control, calling for telecommuting and other measures.	Mar. 9: Japan restricts admission from all regions of China and South Korea. Mar. 14: Japan enforces revised New Influenza Special Measures Act. Mar. 19: Novel Coronavirus Expert Meeting is convened.			Apr. 7: State of emergency declaration is issued (seven prefectures). Apr. 8: Department stores and other businesses temporarily suspend operations. Apr. 16: Nationwide state of emergency declaration is issued.	May 1: The Ministry of Economy, Trade and Industry starts accepting requests for the Subsidy Program for Sustaining Businesses. May 3: Number of infected people in Japan surpasses 15,000. May 14: State of emergency declaration is lifted by 39 prefectures. May 21: State of emergency declaration is lifted by three prefectures in Kansai. May 25: State of emergency declaration is lifted by five prefectures.	Jun. 2: First Tokyo Alert calls on city's residents to be vigilant.	Jul. 7: Cumulative number of infected people in Japan surpasses 20,000 (excluding infected people from Diamond Princess). Jul. 17: PCR tests and other measures become available for people without symptoms.

Reforming Ourselves to Win Out during and after the COVID-19 Pandemic

Worldwide, Wacoal creates offerings with the aim of helping women to express their beauty. The most significant form of value that we provide is through the continued creation of products loved by customers and new products that meet current needs. Given that customers' behavior and values have changed in many different ways due to the COVID-19 pandemic, we are changing how we view our research and sales capabilities as value-creating assets. By leveraging digital transformation to realize customer-focused value chain reform, we will evolve our capabilities as an organization.

WITH / AFTER COVID-19

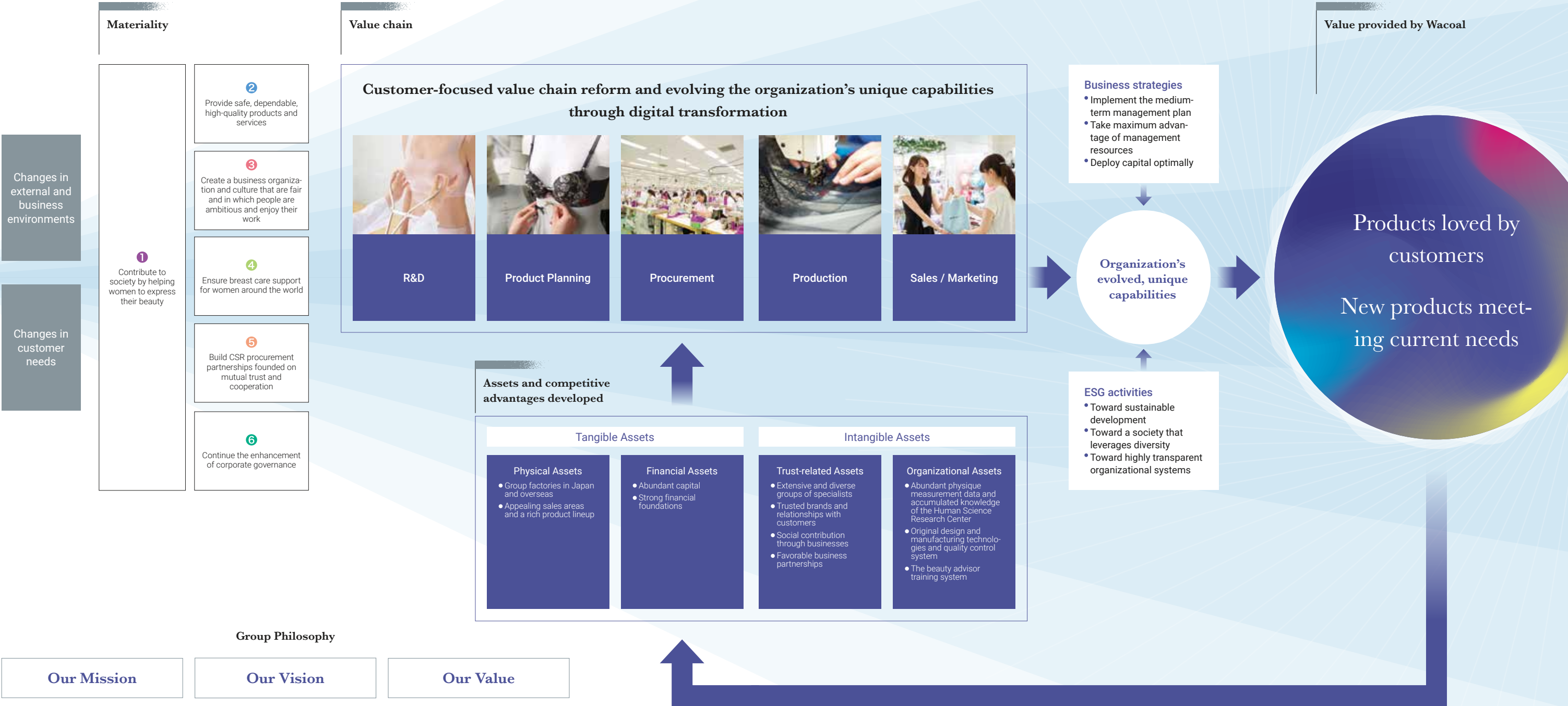
TRANSFORMATION



Evolving Our Value Creation Process during and after the COVID-19 Pandemic

The Group will maximize and optimize the various assets that it has developed—including physical, financial, trust-related,* and organizational assets—and advance medium- to long-term growth strategies to resolve material issues and enhance enterprise value even further. Through rigorous, customer-focused value chain reform as well as the evolution of our value creation process, we will continue bringing to market products and services that enrich society.

* Wacoal defines "trust-related assets" as assets that are comparable to human assets or customer assets because they increase or decrease depending on relationships of trust with the Company. Trust-related assets differ from organizational assets, which are entrenched in our organization and not dependent upon such relationships as employment or business transactions.



◆ Business management based on mutual trust ◆ Helping women to express their beauty




Specific Value Chain Reform Initiatives

Anticipating the changes in consumer society that are likely to stem from the COVID-19 pandemic, we are reforming our value chain to evolve our unique capabilities as an organization.



In advancing many different types of initiatives, the Wacoal Group is clearly establishing their connection to six material issues, which it identified in light of the Group Philosophy and mutual trust-based business management—a core management approach since the Group’s founding. As a result, the unique capabilities of our organization are evolving in ways that enhance enterprise value and contribute to the overall progress of society.

Six Material Issues

1 Contribute to society by helping women to express their beauty				
2 Provide safe, dependable, high-quality products and services	3 Create a business organization and culture that are fair and in which people are ambitious and enjoy their work	4 Ensure breast care support for women around the world	5 Build CSR procurement partnerships founded on mutual trust and cooperation	6 Continue the enhancement of corporate governance

Value Chain	Priority Tasks	Measures Going Forward	Details	Related Material Issues
	Evolve a customer-focused value chain	Step up innovation that resolves the issues of customers and heightens their satisfaction	● Use purchasing data and 3D measurement data as the basis for developing new products and services and hypothesis verification	1 2
		Develop new products catering to changes in customers’ purchasing behavior	● Develop new products catering to the demand resulting from telecommuting and other aspects of new lifestyles	
		Reorganize brands and optimize inventories to reflect changes in points of contact with customers	● Reduce brands and product groups by approximately 30% (Wacoal Corp.)	
		Introduce new high-value-added products that are borderless	● Utilize the findings of human science research globally and expand <i>amphi</i> in the Chinese market	
		Advance business activities and product development that reduce environmental burden	● Develop environment-friendly materials and incidental materials and take measures to eliminate plastic packaging	
		Strengthen quality assurance efforts continuously	● Strengthen management of the in-house system for the examination of labeling expressions with a view to eliminating serious quality problems	
	Establish a global production and procurement system Advance responsible procurement activities	Strengthen production planning and management systems that span the Group laterally	● Establish a highly efficient production system through capacity management that spans factories	1 2 5
		Coordinate the Group’s materials procurement capabilities	● Procure common materials for the Group and unify quality standards	
		Increase technical support to enhance the quality and technical levels of overseas Group factories	● Develop technicians and realize a flexible production system	
		Build a logistics system that can adapt to changes in the retail environment	● Expand logistics center with the aims of boosting the growth of the in-house e-commerce business and increasing the efficiency of shipping operations (scheduled to start up in autumn 2022)	
		Advance procurement activities that encourage the addressing of labor issues and respect for human rights	● Continue to conduct on-site audits and extend the coverage of CSR-focused procurement activities	
		Advance environment-friendly procurement activities	● Advance procurement of environment-friendly materials and analyze environmental activities throughout the supply chain	
	Utilize innovative technology to realize sustainable growth Strengthen measures in response to structural changes in distribution	Conduct relationship management that utilizes customer data	● Utilize customer data to increase the “lifetime value” of customers	1 2 4
		Utilize innovative technology to realize sustainable growth (strengthen measures for the health and safety of customers and employees)	● Accelerate the introduction of 3D body scanners and AI-enabled customer service systems ● Examine and advance new customer service systems, including remote customer services ● Advance contactless customer service formats through the introduction of the aforementioned	
		Strengthen measures in response to changes in distribution channels	● Increase in-house e-commerce sales and promote the transition to directly managed sales areas	
		Integrate and coordinate online and off-line operations	● Expand the network of customer-focused services and maximize store value	
		Conduct personalized marketing activities	● Strengthen efforts to build digital marketing strategy on a global basis	
		Advance activities that lower environmental burden and address social issues	● Reduce the discarding of unsold products and reduce shopping bags ● Promote breast care activities at operating bases worldwide	
		Strengthen the information security system even further	● Advance data security and the protection of privacy even further	

Foundations Underpinning Our Value Chain

	Shift to highly profitable business management	Shift to highly profitable business management and increase capital efficiency	● Reduce the fixed costs of Wacoal Corp. and reform the businesses of underperforming domestic subsidiaries, etc. ● Reduce working capital and reduce strategic shareholdings	1 2 3 6
		Realize highly effective corporate governance	● Develop compensation systems that increase the effectiveness of plans and develop succession plans further ● Continue to conduct effectiveness evaluations and improve evaluation methods and processes	
		Advance risk management and compliance activities even further	● Prepare business continuity plans ● Use the pandemic to prompt redevelopment of the risk management system ● Ensure widespread awareness of compliance and the management philosophy at subsidiaries in Japan and overseas	
		Strengthen disclosure and communication activities	● Create further opportunities for dialogue with stakeholders ● Increase and enhance disclosure in relation to ESG initiatives and hold meetings on ESG initiatives	
	Optimize human resources qualitatively and quantitatively Heighten productivity per employee Develop a corporate culture conducive to job satisfaction	Establish various types of systems suited to new work styles (telecommuting, etc.)	● Revise the personnel evaluation system in accordance with the increase in telecommuting ● Build a new compensation system based on clearly delineated job responsibilities	1 2 3
		Strengthen personnel management continuously	● Continue managing and verifying the effectiveness of a new personnel training system that emphasizes specialization, global viewpoints, and continuous career growth	
		Rebuild personnel recruitment methods (analyze and implement mid-career hiring and year-round hiring)	● Increase the use of mid-career hiring and introduce measures to secure diverse personnel through referral hiring	
		Increase productivity through the implementation of human resources planning	● Increase productivity per employee by optimizing human resources quantitatively and qualitatively and by conducting rigorous Companywide management of the number of new hires	
		Advance the empowerment of women and respect diverse work styles	● Establish telecommuting environments (increase the number of eligible employees)	
		Advance health and productivity management	● Promote health literacy and encourage healthy habits among all employees	

A Message from the President



Hironobu Yasuhara

Hironobu Yasuhara
Representative Director, President and
Corporate Officer; Representative Director
and Chairman of Wacoal Corp.
Wacoal Holdings Corp.

With our sights set on a “Global Wacoal,” we will move forward tirelessly to enhance enterprise value.

A Summary of Our Medium-Term Management Plan's
First Fiscal Year

In June 2019, the Wacoal Group announced a three-year medium-term management plan, ending in fiscal 2022, as well as long-term management targets for fiscal 2028. We established the current management plan to serve as a milestone for achieving these management targets. With this in mind, we will look squarely at reality, expedite bold reform, and get on track for robust growth in Japan and overseas during the plan's term.

Against this backdrop, in the plan's first fiscal year revenues declined while profit rose. Consolidated net sales decreased 3.8% year on year, to ¥186.8 billion, coming up short of our ¥200.0 billion target. Although operating income was up 35.9% year on year, if the previous fiscal year's recognition of impairment charges on intangible assets of approximately ¥5.8 billion (mainly impairment charges on goodwill for a subsidiary) are taken into account, effective operating income decreased year on year and was roughly ¥4.4 billion below our target of ¥11.0 billion.

The main reasons for nonachievement of the operating income target were a decrease in revenues that reflected stagnant consumer spending following a consumption tax hike in October 2019, the incorporation of an operating loss and the recognition of one-time expenses due to the acquisition of Intimates Online, Inc., and the recognition of an impairment loss on fixed assets accompanying the sluggish business performance of a materials company in Thailand. Moreover, in the fourth quarter the Group's business activities worldwide were significantly affected by curfews and the suspension of store operations that accompanied the spread of COVID-19.

COVID-19 Pandemic: Impact and Outlook

I believe that a little more time is required before we can reasonably assess the extent to which the COVID-19 pandemic is likely to affect our medium- to long-term performance. While I have been engaged in corporate

management for many years, this is the first time that I have experienced a situation in which all of the countries and regions around the world where our business operates have been impacted simultaneously. Furthermore, given the marked differences in the situations of each country and region, the manner in which some type of normality will return remains uncertain.

In such circumstances, analysis of how customers' awareness and values are likely to change is important. However, as things do not always go as predicted, we need to base decisions on somewhat longer time frames. Further, in respective countries and regions there are differences in the spread of COVID-19 as well as in patterns of consumption. Therefore, rather than focusing on hasty reactions to individual situations, I am currently developing a wide range of scenarios and proceeding with preparations so that we can respond quickly to whichever scenario eventually materializes.

Any consideration of long-term business conditions post-COVID-19 must be premised on an understanding that things will not “return to normal.” Consequently, the new business conditions will not only call for significant changes in products, marketing methods, and points of contact with customers but also in Wacoal as a corporate group. We must consider whether approaches once believed to be advantageous are now fit for purpose. For example, will sales through consultations with beauty advisors—which have been one of our differentiating strengths—be feasible in a post-COVID-19 world? The status of attributes that until now we have viewed as assets or as having value may be shifting. Therefore, we need to reassess our value chain exhaustively.

On the other hand, witnessing the dramatic changes resulting from COVID-19 has clarified what we should do and what we should stop doing, enabling us to step up the pace of reforms aimed at realizing our long-term vision. Rather than seeing the current situation in an exclusively negative light, I am committed to doing everything in my power to ensure that we can present a reborn Wacoal to all stakeholders in the aftermath of the crisis.

Our Policies for Coping with the Spread of COVID-19

Basic policy

Give top priority to the health and safety of customers, employees, and business partners. (We recognize that the balance between maintaining such services as trial fittings and consideration of health and safety is especially important.)

Short-term policy

Thoroughly reduce costs and ensure the stability of the Company's financial base with the deteriorating business conditions in mind

1. Carry out a review of the measures and expenditure plans that have been implemented so far across all business domains
2. Strengthen liquidity on hand in preparation for the prolongation of the COVID-19 pandemic
3. Adjust production to avoid excess inventory caused by a decline in sales

Medium- to long-term policies

Thoroughly inspect the value chain and implement reforms: A turning point toward a highly profitable management structure

1. Review the current cost structure (Promote initiatives to reduce fixed costs)
2. Accelerate our digital transformation efforts both in Japan and overseas
3. Review and reorganize points of contact with customers (to respond to the changes in major sales channels)
4. Develop products and services that customers expect in new lifestyles and strengthen our ability to respond to new customer needs and sales styles

Wacoal's Management Philosophy and Existential Value

The COVID-19 crisis has given me an opportunity to reevaluate Wacoal's management philosophy and the Company's value to society. Given that the post-COVID-19 era may see transformed lifestyles and values, we have to ask ourselves important questions. Where should we aim to go? What should we change? Also, what must not be changed?

Endeavoring to contribute to society by helping women to express their beauty expresses our founding spirit and is at the core of our management philosophy. No matter what type of social change or crisis occurs, this mission will never change. Wacoal has created a unique innerwear culture by adding new value to innerwear, an item once little more than a commodity. Through the development and marketing of pioneering products that garner the love of customers, we have helped create a society in which women are lively and radiant. The aforementioned achievements represent existential value that the Group must continue to protect.

That said, the definitions of female beauty, as well as the types of beauty women seek, change with the times. For this reason, our products and services will not earn endorsement if they stay the same. In particular, it is not difficult to envision a post-COVID-19 society in which changes in women's lifestyles lead to changes in the types of innerwear sought. Further, Wacoal might be able to support women's day-to-day beauty and vitality in fields beyond innerwear. In other words, we should steadily promote business development that is aimed at heightening our existential value by, for example, creating innerwear based on novel concepts or by developing businesses outside the innerwear field.

Our Vision of a "Global Wacoal"

- 1. The Wacoal Group's products and services and efforts to address social issues are highly trusted by customers and all other stakeholders in markets worldwide.
- 2. The number of countries and regions in which we operate continues to increase.
- 3. Under our Group network, we are operating businesses in a coordinated manner on a global scale.
- 4. We always provide pioneering products to the world and continue to lead the industry of innerwear culture.
- 5. The Group mission and philosophy are instilled in employees across the world.

Through business activities stretching back more than 70 years, Wacoal has accumulated many different types of intangible assets. By leveraging such assets, we will provide society and customers with value in the form of beauty, comfort, and health. With these facets as key themes, we will take on ambitious initiatives and new business fields, thereby providing women with new value.

Long-Term Vision and Growth Strategy

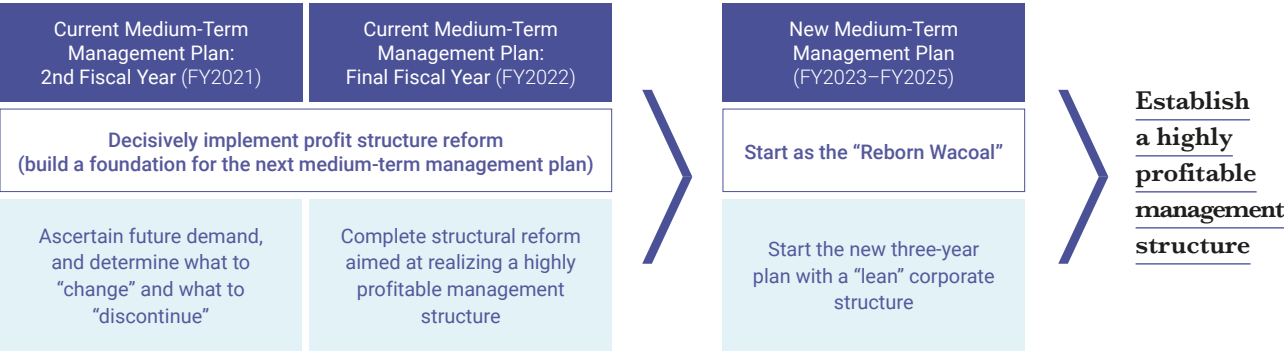
Last year, we prepared a long-term vision to coincide with the launch of our medium-term management plan. At the same time, we set out a new target profile by announcing our vision of a "Global Wacoal." This redefined target profile is based on the vision at the time of our founding, which called on us to continue forging ahead tirelessly toward a "Global Wacoal." As with the management philosophy mentioned earlier, our vision is something that will not change.

Even though business conditions remain highly uncertain due to COVID-19, Wacoal's Group companies worldwide have to carefully monitor their situations and then take timely, precise measures accordingly. With our vision providing them with both a guide going forward and a common Groupwide slogan, Group companies will redouble collaborative efforts to advance initiatives for growth. More specifically, they will learn from each other's experience and know-how and share examples of successful initiatives.

The overriding goal of our current management plan is to cater to the growing trend toward digitization and personalization. Post-COVID-19, this trend is expected to accelerate around the world. For several years, Wacoal has been advancing an omni-channel strategy that integrates online and off-line operations. For example, May 2019 saw the opening in Tokyo's fashionable Omotesando area of a store incorporating a leading-edge customer service system enabled by 3D measurement and AI technologies. This new store has established a positive reputation among customers. Subsequently, we introduced the system to five other stores (as of March 31, 2020). In spring 2020, we were just about to verify the benefits of the system and speed up investment when stores suspended operations due to COVID-19. As a result, we expect the progress of this initiative to be slightly delayed. Nonetheless, looking over the global innerwear industry, none of our peers have evolved digitization to the extent we have. In this field, we will continue steadily building our lead. Moreover, as companies look ahead to the

Current Medium-Term Management Plan: Initiative Going Forward

With an eye on the next three-year plan, decisively implement "profit structure reform" during the current medium-term management plan period



post-COVID-19 era, "contactless" is becoming a watchword. Consequently, we have been receiving inquiries from companies in an array of different industries that want to use our 3D measurement technology. Moreover, we will strengthen open innovation initiatives to develop new sources of profit.

Other initiatives include the bolstering of the e-commerce business through the 2019 acquisition of Intimates Online in the United States, our main overseas market. In recent years, the company has been growing rapidly in the country's innerwear sector thanks to the popularity of digitally native vertical brands (DNVBs) among millennials. Plans call for increasing the business scale of the new Group company and moving it into the black as soon as possible. Going forward, the Wacoal Group will introduce the company's business model to other Group companies worldwide. Surveying the global market, I believe differences among countries and regions will emerge in terms of the speed and nature of changes in the roles of off-line and online operations. However, the digitization trend itself is irreversible. By ensuring that we are strictly customer-oriented and by proactively leveraging digital technologies, we will realize the provision of new services and value.

Growth Scenario and Performance Forecast

At the end of July 2020, we announced a performance forecast for the fiscal year ending March 31, 2021. The forecast includes a 15.0% year-on-year decline in consolidated net sales to ¥158.0 billion and an operating loss of ¥5.0 billion. However, taking into consideration the extreme unpredictability of COVID-19's ultimate impact as well as concerns over a potential slump in consumer spending

and deterioration in the employment market and personal income, these performance forecast figures have inherently high levels of upside and downside risk.

In the current fiscal year, which is likely to be a very challenging 12 months, we will carefully analyze the effects of the COVID-19 pandemic and firm up measures in anticipation of the post-COVID-19 era. Allow me to repeat that we are already advancing initiatives in response to the emergence of a major trend toward digitization and personalization in the market. While we have extended the periods for verifying the benefits of several initiatives already introduced, we intend to steadily increase the speed of such initiatives. Further, in the post-COVID-19 era the lifestyles of women and the products and services that they seek are sure to change significantly. Therefore, based on anticipation and painstaking analysis of such changes, we will consider what types of added value and services we are best qualified to offer.

As for the Wacoal Group's profit structure, we are in the midst of reforming the businesses of underperforming subsidiaries. Due to the effects of COVID-19, however, more time is needed to verify the benefits of these efforts. Nonetheless, in cases where benefits are already clear, we will move forward with reforms decisively.

Upon completion of these reforms in the current fiscal year, in fiscal 2022, which is the final year of the current management plan, we will rapidly lay the foundations for our next three-year plan.

In closing, I would like to ask all of our stakeholders for their continued support and understanding, particularly with regard to the challenges we face in achieving near-term business results that fulfill their expectations.

September 2020

A Message from the Director in Charge of Finance

Anticipating the post-COVID-19 era, we will advance financial strategy with a strong sense of crisis.



Akira Miyagi
Director and Managing Corporate Officer
Wacoal Holdings Corp.

Fiscal 2020 Business Results Evaluation

In fiscal 2020, the year ended March 31, 2020, consolidated net sales and operating income did not reach our initial targets or the revised targets we announced in January 2020. The primary reason for missing these targets was a lackluster performance by the Wacoal Business (Domestic). A consumption tax hike in October 2019 entrenched a long-term slump in consumer spending, which was then compounded by a drop in store visits and a decrease in demand from visitors to Japan as the public refrained from going outdoors due to the spread of COVID-19 from March 2020 onward.

Thus, the external environment undoubtedly had a significant impact on our performance. However, I believe the performance revealed a more fundamental issue that stemmed from the delay in reforming the Wacoal Group's profit structure. Launched in fiscal 2020, our current medium-term management plan calls on the Wacoal Business (Domestic) to realize renewed growth. To this end, we worked to enhance the operating margin. I view our actual business results—which were a long way from renewed growth—as representing an extremely unfavorable performance that merits serious reflection.

Given that COVID-19 is wreaking havoc worldwide and the prospect of bringing it under control has yet to emerge, we will inevitably experience a significant impact on our performance in fiscal 2021, the year ending March 31, 2021. Thus, we face a challenging situation, the likes of which we have not experienced before. As the director in charge of finance, I have a weighty responsibility that obliges me not only to enable the Wacoal Group to overcome this unprecedented crisis but also to use it as a transition phase that fundamentally strengthens the Group's profitability.

Last year, the Group celebrated its 70th anniversary. After suffering many difficulties in establishing the Group's financial foundations, our founder Koichi Tsukamoto and his colleagues managed to build the robust financial position we enjoy today. Passing on the trust and innovation-focused mindset that our predecessors cultivated is one of our main duties. With this in mind, we will tackle reforms with a strong sense of crisis.

Fiscal 2021 Emergency Measures

While giving first priority to the health and safety of our customers, business partners, and employees, we will take emergency measures in response to the challenging

environment. Specifically, we will reduce advertising expenses and other business expenses as well as fixed costs and reschedule the implementation of new investments. Further, a meeting of the Board of Directors convened in May 2020 approved a resolution to lower the compensation of the directors and Audit & Supervisory Board members of Wacoal Holdings Corp. and Wacoal Corp., excluding that of outside directors. By drastically revising expenditure plans through such steps and by enlarging facilities for borrowing from financial institutions, we are securing liquidity on hand for Group companies. At the same time, we are adjusting production at all subsidiaries so that lower sales do not lead to excessive inventory levels.

Further, envisioning the post-COVID-19 era, we will clarify the things we should do, the things we should change, and the things we should stop doing. By eliminating excess and heightening productivity even further, we will raise the operating income that each employee produces and thereby restore profitability Groupwide. Meanwhile, for domestic subsidiaries that have been seeking rejuvenation through fundamental reform of their businesses, I believe that even more drastic measures are needed. Since last year, we have been reforming the business models of domestic subsidiaries. Partly due to COVID-19, it has become apparent that we have even less time left to reform these subsidiaries. During the current fiscal year, we will identify businesses whose surrounding environments have clearly changed as well as businesses that may be unable to maintain their independence amid a general slump in consumer spending, rigorously evaluate these businesses from the viewpoint of Groupwide optimization, and then set definite time limits for withdrawal and reform. Prepared and willing to recognize the one-time losses that such drastic reform will entail, we will complete

Consolidated Performance Overview			
	2020/3 results	FY2020 target (versus target)	FY2020 revised target* (versus target)
Net Sales	186.8	200.0 (−13.2)	191.0 (−4.2)
Operating Income (Operating Margin)	6.6 (3.6%)	11.0 (−4.4) (5.5%)	7.0 (−0.4) (3.7%)
Net Income Attributable to Wacoal Holdings Corp.	3.5	9.0 (−5.5)	6.5 (−3.0)
ROE	1.6%	—	—

* Announced in January 2020

the reform of domestic subsidiaries during fiscal 2022, the final year of the current management plan.

As we move forward with such measures, it is essential for the senior management team to cultivate a healthy sense of crisis in the Group through proactive communication with all employees. At the same time, we must return to our management philosophy and ensure that it is shared and internalized by all Group employees. Regarding the post-COVID-19 world, we are not expecting a return to our previous environment. We need to adopt a medium- to long-term perspective; anticipate changes in customers, markets, and our employees' work styles; and take measures accordingly. To facilitate these measures, moreover, the Group must make a concerted effort to revisit its spirit of mutual trust.

Progress in Relation to Capital Policy

Our current plan sets out the following three basic objectives of capital policy.

Basic Objectives of Capital Policy

1

Increase shareholder value by improving ROE

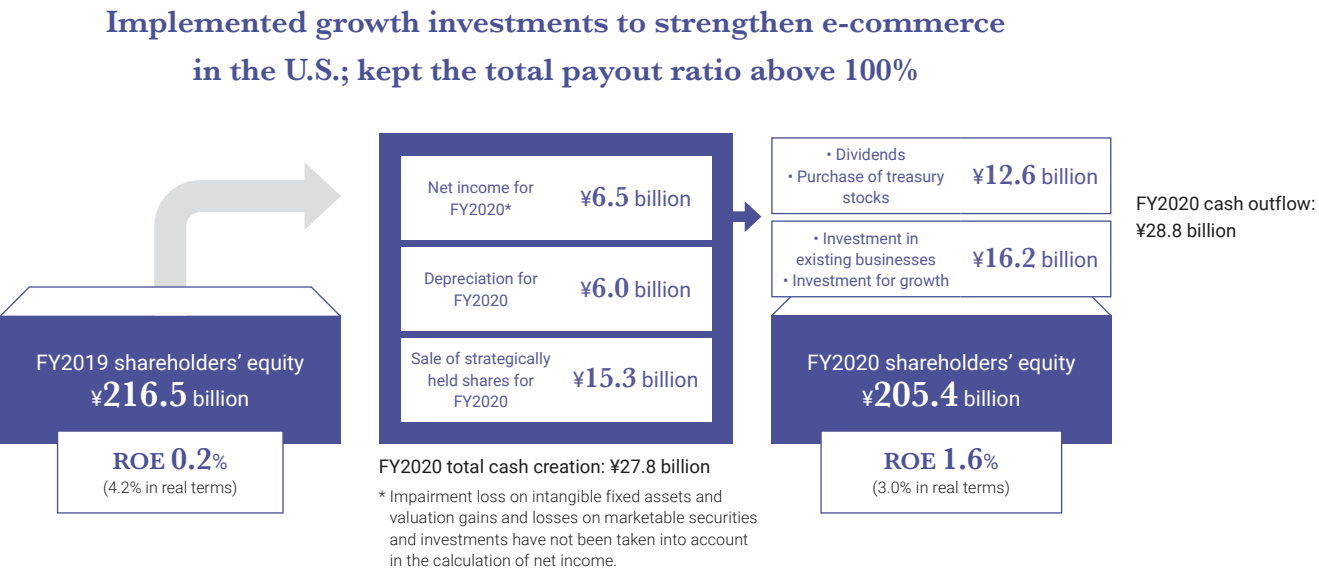
2

Maintain a sound balance sheet
(shareholders' equity levels)

3

Implement measures for enhanced shareholder returns

FY2020 progress in relation to financial policies



Medium-Term Management Plan (Fiscal 2020–Fiscal 2022)

Target Profile

A Globalized Wacoal Group

Medium- to Long-Term Targets
(Fiscal 2028 Targets)

Net Sales: ¥300.0 billion (including equity-method affiliated companies’ sales)
Operating Margin and ROE: Above 10%

Overview of the New Management Plan

Face reality, identify future demand, reform boldly, and focus on growth

Our Policies for Coping with the Spread of COVID-19

Basic policy	Give top priority to the health and safety of customers, employees, and business partners (We recognize that the balance between maintaining such services as trial fittings and consideration of health and safety is especially important.)
Short-term policy	<p>Thoroughly reduce costs and ensure the stability of the Company’s financial base with the deteriorating business conditions in mind</p> <p>① Carry out a review of the measures and expenditure plans that have been implemented so far across all business domains</p> <p>② Strengthen liquidity on hand in preparation for the prolongation of the COVID-19 pandemic</p> <p>③ Adjust production to avoid excess inventory caused by a decline in sales</p>
Medium- to long-term policies	<p>Thoroughly inspect the value chain and implement reforms: A turning point toward a highly profitable management structure</p> <p>① Review the current cost structure (promote initiatives to reduce fixed costs)</p> <p>② Accelerate our digital transformation efforts both in Japan and overseas</p> <p>③ Review and reorganize points of contact with customers (to respond to the changes in major sales channels)</p> <p>④ Develop products and services that customers expect in new lifestyles and strengthen our ability to respond to new customer needs and sales styles</p>

Segment Initiatives under the Current Medium-Term Management Plan

Reforming earnings structures decisively during the term of the current plan in preparation for the next three-year plan

	2021/3		2022/3
	Initiatives Already Underway	Initiatives About to Begin	Initiatives Planned
Wacoal Business (Domestic)	<p>Overall</p> <ul style="list-style-type: none">Revising expenditure plansAdjusting production to avoid surplus inventoriesDiscussing the future role of domestic factories Wacoal Corp.Verifying effectiveness at stores that have introduced 3D body scannersCoordinating the marketing of both directly managed stores and e-commerceAnalyzing personnel deployment and methods of managing the profit and loss of storesAdvancing human resources planning	<p>Overall</p> <ul style="list-style-type: none">Revise expenditure plansAnalyze the optimal role of domestic companiesStrengthen the competitiveness of domestic sewing factories Wacoal Corp.Reorganize to reflect environmental changesStrengthen initiatives to coordinate online and off-line operationsReview the sales area environments of department stores and transaction termsAdvance human resources planning	<p>Overall</p> <ul style="list-style-type: none">Prepare the next three-year plan and establish KPIsReorganize or withdraw underperforming businessesStrengthen the competitiveness of domestic sewing factories Wacoal Corp.Verify the new organization and adjust courseStrengthen initiatives aimed at coordinating online and off-line operationsBegin new strategies for brands and optimize inventoriesAdvance human resources planning and curb the number of new hires
Wacoal Business (Overseas)	<p>Overall</p> <ul style="list-style-type: none">Revising expenditure plans North America, Europe, and ChinaContinuing to strengthen e-commerce businessesIntegrating the logistics operations of Intimates Online (United States)Continuing to coordinate with Japan in relation to products (China)	<p>Asia (excluding China)</p> <ul style="list-style-type: none">Discuss and revise regional strategiesBegin developing an e-commerce business <p>Overseas factories</p> <ul style="list-style-type: none">Increase the percentage of products (for Japan) manufactured in the ASEAN region	<p>United States</p> <ul style="list-style-type: none">Maintain the strong growth of Intimates Online Europe <p>Europe</p> <ul style="list-style-type: none">Step up development in the eurozone <p>Asia (excluding China)</p> <ul style="list-style-type: none">Reorganize as required <p>Material companies (Thailand)</p> <ul style="list-style-type: none">Strengthen competitiveness and begin supply to the Group
Other Businesses	<p>Overall</p> <ul style="list-style-type: none">Revising expenditure plans Peach John and LecienVerifying the results of reforms implemented until the previous fiscal yearStrengthening coordination between online and off-line operations (Peach John)	<p>Underperforming subsidiaries</p> <ul style="list-style-type: none">Analyze future demand carefully from the viewpoint of overall optimizationAnalyze subsidiaries’ optimal roles in the Group <p>Overseas business and factories</p> <ul style="list-style-type: none">Analyze future demand and regional strategies carefully	<p>Underperforming subsidiaries</p> <ul style="list-style-type: none">Withdraw from, spin off, or reorganize <p>Overseas business and factories</p> <ul style="list-style-type: none">Reorganize as requiredStrengthen competitiveness and strengthen coordination within the Group

Fiscal 2020 Performance Overview

Consolidated

Net Sales	Operating Income	Net Income Attributable to Wacol Holdings Corp.	ROE
¥186.8 billion	¥6.6 billion	¥3.5 billion	1.6 %

By Segment

Net Sales	2020/3 results	FY2020 target (versus target)	FY2020 revised target* (versus target)
Wacoal Business (Domestic)	109.7	116.2 (−6.5)	112.8 (−3.1)
Wacoal Business (Overseas)	50.6	55.5 (−4.9)	51.5 (−0.9)
Peach John Business	10.5	11.6 (−1.1)	10.4 (+0.1)
Other Businesses	16.0	16.7 (−0.7)	16.3 (−0.3)
Total	186.8	200.0 (−13.2)	191.0 (−4.2)

* Announced in January 2020

Operating Income (Loss)	2020/3 results	FY2020 target (versus target)	FY2020 revised target* (versus target)
Wacoal Business (Domestic)	5.8	6.6 (−0.8)	6.1 (−0.3)
Wacoal Business (Overseas)	1.5	4.0 (−2.5)	1.3 (+0.2)
Peach John Business	(0.4)	0.2 (−0.6)	(0.3) (−0.1)
Other Businesses	(0.3)	0.2 (−0.5)	(0.1) (−0.2)
Total	6.6	11.0 (−4.4)	7.0 (−0.4)

* Announced in January 2020

Fiscal 2021 Full-Year Forecast

Consolidated

	2021/3 target	YoY
Net Sales	158.0	−28.8
Operating Loss	(5.0)	−11.6
Net Loss Attributable to Wacoal Holdings Corp.	(3.7)	−7.2

By Segment

Net Sales	2021/3 target	YoY
Wacoal Business (Domestic)	92.0	−14.1
Wacoal Business (Overseas)	41.5	−9.1
Other Businesses	24.5	−5.6
Total	158.0	−28.8

Operating Loss	2021/3 target	YoY
Wacoal Business (Domestic)	(2.1)	−8.2
Wacoal Business (Overseas)	(1.8)	−3.3
Other Businesses	(1.1)	−0.1
Total	(5.0)	−11.6

* Change in segmentation as of the fiscal year ending March 31, 2021



STRATEGY

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Anticipating a Post-COVID-19 Society
(1) The Wacoal Business (Domestic)

We will rigorously analyze the diversifying lifestyles of customers and consumers and create real value that meets the needs of a new era.

Tomoyasu Ito

Director, Vice President Corporate Officer
Wacoal Holdings Corp.
Representative Director, President and Corporate Officer
Wacoal Corp.



Looking Back at Our Plan's First Fiscal Year

Returning to a growth trajectory and improving profitability are the overriding goals of the current medium-term management plan, which we began in fiscal 2020, the year ended March 31, 2020. To these ends, Wacoal Corp. will enhance productivity to realize solid growth. Moreover, we will establish robust brand value by building deeper, broader, and longer relationships with individual customers.

In fiscal 2020, we concentrated on enhancing the customer experience through such initiatives as the introduction of 3D body scanners and AI-enabled customer service systems to six stores.

Further, we progressed steadily with the building of an original omni-channel strategy and a related “lifetime value” strategy. These efforts entailed coordinating and integrating online and off-line operations by utilizing customer databases more efficiently. Specifically, we completed the construction of a system that enables us to directly manage data on approximately 3.0 million customers held by directly managed stores, in-house e-commerce operations, and department stores.

As for business results, the operating income of the retail and online sales businesses surpassed targets. However, these performances were outweighed by a greater-than-expected decrease in the revenues of the wholesale business—particularly in the department store sales channel—due to sluggish consumer spending in the wake of a consumption tax hike.

Other downside factors included the effects of the COVID-19 pandemic and higher IT costs. Consequently, Wacoal’s net sales and operating income declined year on year.

Remaining Essential in a New Era

In such crises as the current COVID-19 pandemic, revisiting our management philosophy—our starting point in other words—becomes particularly important. I believe that rigorously discussing market characteristics and redefining Wacoal accordingly is extremely important if the Company is to achieve renewed growth. We must analyze the types of beauty and products that customers will want and love in the coming era. Also, with a view to providing such value in the new era, we must consider which aspects of Wacoal must and must not change.

The format of customer service in stores is a good example of how we must retain some elements while changing others. The painstaking customer service and consultations that beauty advisors provide will remain a major competitive advantage. However, in anticipation of a post-COVID-19 society, we have to ensure the safety of beauty advisors and customers. With this in mind, we can cater to the needs of customers while shortening the time they spend in stores by introducing a customer service format with a self-service component. More specifically, we can proactively introduce 3D body scanners and AI-enabled customer service systems and

Initiatives that should be implemented in an accelerated manner during the current medium-term management plan

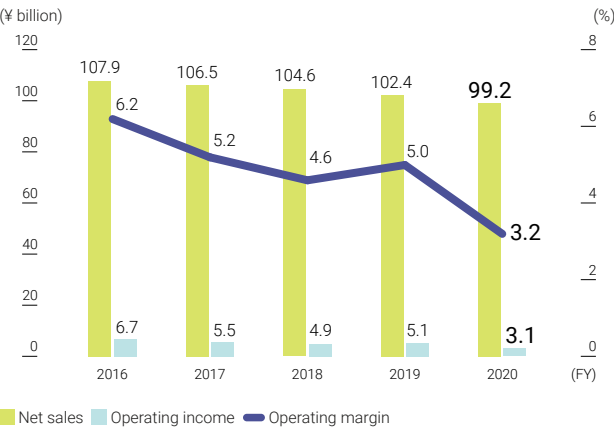
Preparing a foundation for a return to growth over the next three years and using the pandemic as an opportunity to accelerate business structural reform

- Ascertain future demand with an eye on the “with” and “after” coronavirus periods
- In line with channel reform, transition to a “self-managed business” (directly managed stores, own e-commerce)
- Fuse and blend store and e-commerce operations (improve customer experience)
- Develop and evolve a unique business model via efficient use of customer data
- Accelerate initiatives aimed at improving profitability (decrease the fixed cost ratio, which remains high)

Fiscal 2020 Performance

Net sales	¥99.2 billion (−3.1% YoY)
Operating income	¥3.1 billion (−38.4% YoY)
Operating margin	3.2% (−1.8pt YoY)

Net Sales, Operating Income, and Operating Margin



encourage customers to use them in combination with the services beauty advisors provide.

Further, changes in lifestyles and work styles, such as refraining from going outdoors and working from home, are changing consumption patterns. That is to say, people are gathering in completely different “places.” For example, if shopping near one’s home becomes more common than shopping downtown, our points of contact with consumers will change. As a consequence, product lineups will also have to change. Furthermore, as working from home becomes popular and opportunities for going out become fewer, values with respect to beauty may change. Setting its sights on the new era that such changes will bring about, Wacoal will take maximum advantage of the assets that it has developed both as a company and as a brand to provide customers in a wide range of life stages with new value focused on helping women to express their beauty.

Accelerating the Structural Reform of Businesses

Our operating environment remains challenging due to the public’s continued reluctance to visit downtown and a slump in consumer spending because of the COVID-19 pandemic. Given these conditions, in fiscal 2021, the year ending March 31, 2021, we will accelerate the measures of the current management plan in anticipation of a post-COVID-19 society while putting the safety of customers and employees first. Across the board, Wacoal will steadily advance priority strategies,

including revamping the brand portfolio to reflect the relationship between sales channels and brands, implementing an omni-channel strategy that leverages the characteristics of online and off-line operations, improving profitability through the relocation of sales areas and through the revision of transaction terms, and repositioning non-innerwear products. Also, we will enhance productivity by implementing strict inventory control and by promoting work-style reforms that allow each person to work in their own way.

As the roles of and relationships between online and off-line operations evolve rapidly, in implementing the aforementioned omni-channel strategy our top priority is to expedite the establishment of a service network that is based on the customer’s viewpoint. In these efforts, we will optimize our portfolio in terms of brands and points of contact with customers by analyzing customer behavior and determining which brands and product lineups should be carried by the online, retail, directly managed store, or department store sales channels. At the same time, we will leverage data on approximately 3.0 million customers to implement relationship marketing. Also, we will maximize the differentiated value that brick-and-mortar stores provide while stepping up the pace of measures to boost profitability by introducing digital tools and redeploying personnel. By decisively integrating and coordinating online and off-line operations, our measures will grow in-house e-commerce sales as a percentage of net sales from the current level of 5% to around 20% in three to five years’ time.

CHART A
Building a Transformative, Customer-Data-Driven Business Model

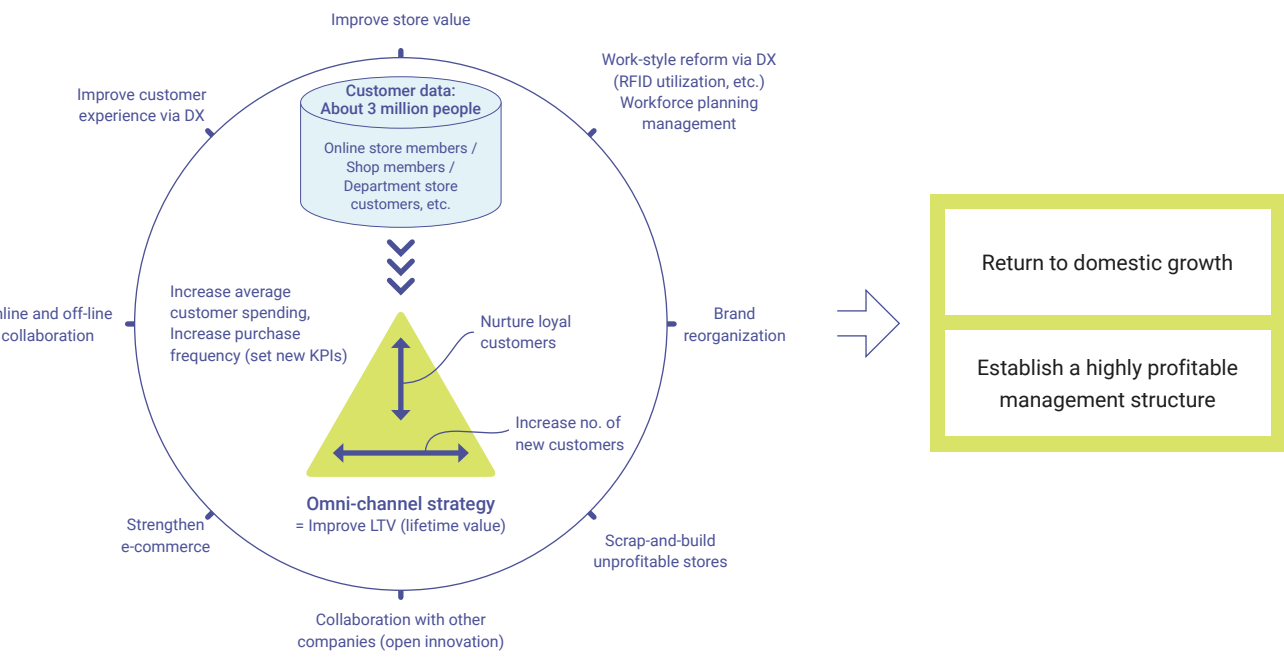
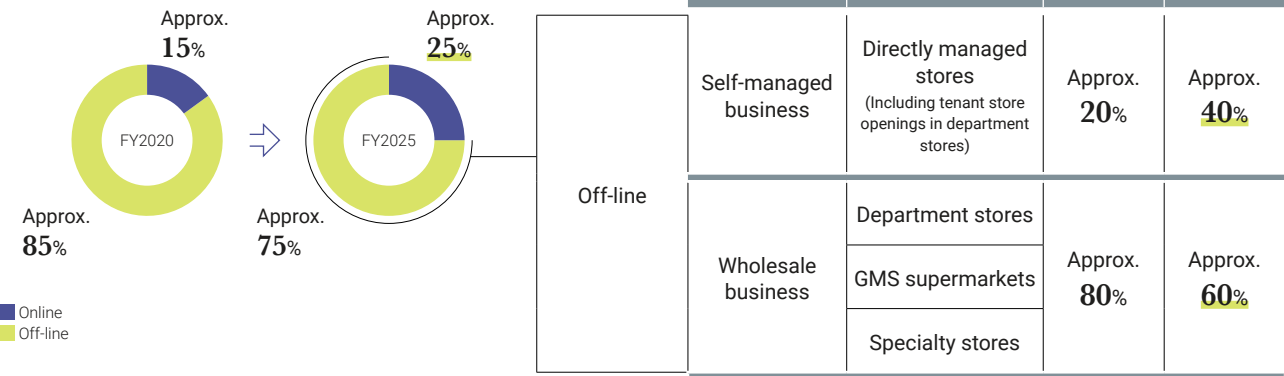


CHART B

Shifting Toward Directly Managed Retail Operations That Integrate and Coordinate Off-Line and Online Operations

Have online operations account for **25%** of net sales, and have directly managed stores account for **40%** of the off-line portion



Redeploying Personnel and Optimizing Organizations

As I mentioned, approximately 3,400 beauty advisors play a crucial role in our sales activities. Specialized knowledge and advanced skills in the provision of services that match customer needs make Wacoal’s beauty advisors indispensable for customers’ selection of products as well as for the cultivation of points of contact with customers. Nonetheless, we need to adapt the roles of beauty advisors to reflect changes in customer-service methods and the structural reform of businesses that are resulting from the COVID-19 pandemic.

Looking ahead, we will increase the efficiency of store operations by introducing digital tools. Further, we will rightsize our pool of beauty advisors to heighten the profits attributable to each person. That being said, we recognize that beauty advisors have the best understanding of customer needs. With the aims of extensively utilizing the experience and expertise of beauty advisors and enabling them to play even more important roles in our businesses, we are establishing and introducing human resources systems that encourage beauty advisors to realize diverse careers and work styles. The number of former beauty advisors engaged in fields other than in-store customer service is already increasing. For example, many former beauty advisors now work as managers in the sales division or respond to customer inquiries via the chat services of our online stores.

The aforementioned initiatives are making maximum use of beauty advisors’ experience and expertise while helping to improve cost structures through personnel redeployment. Naturally, our efforts are not just focused on beauty advisors. We are also reassessing a variety of other in-house jobs and redeploying personnel in pursuit of an optimal organizational structure.

Realizing Renewed Growth

As the operating environment remains particularly challenging, the term of the current management plan will have to be devoted to laying the foundations for the next three-year plan. However, we will use this period as a favorable opportunity to accelerate the structural reform of our businesses.

Since its establishment, Wacoal has provided consumers with added value suited to the needs of each era by partnering with clients, suppliers, and many other stakeholders to build a unique value chain that encompasses research, development, production, and sales. Further, the physique data that the Human Science Research Center has accumulated over its 55-year history has enabled the development of an array of different products. Moreover, new physique data obtained through 3D body scanner technology promises to be useful in a wide variety of ways. In addition to the relationships with customers we have cultivated through beauty advisors, the utilization of the purchasing data of roughly 3.0 million customers will enable us to develop these relationships even further. Thus, we are a real manufacturer and a genuine specialty store retailer of private label apparel (SPA) that conducts integrated management of operations from manufacturing to sales. Furthermore, Wacoal is a data-driven company. Taking pride in our status as a creative company, we will move toward a great future by accomplishing reform without fail. In tandem with these measures, we will rigorously analyze the diversifying lifestyles of customers and consumers and create real value that meets the needs of a new era without restricting ourselves to the fields of existing products and services.

As we transform, I would like to ask all of our stakeholders to continue their support in anticipation of a promising future for the Wacoal Group.

Anticipating a Post-COVID-19 Society
(1) The Wacoal Business (Domestic)

Wholesale Business



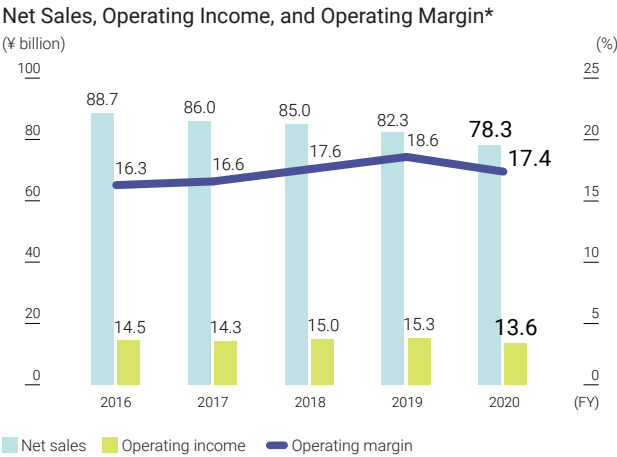
Viewing the irreversible changes resulting from the COVID-19 pandemic as an opportunity for renewed growth, we will achieve reforms with unwavering resolve.

Masaaki Yajima
Director, Managing Corporate Officer
General Manager of Wholesale Division
Wacoal Corp.

Fiscal 2020 Performance

Net sales	¥78.3 billion (−5.0% YoY)
Operating income*	¥13.6 billion (−11.1% YoY)
Operating margin	17.4% (−1.2pt YoY)

* Before transfer of company expenses



* The Wholesale Business Division was established through a reorganization in fiscal 2019. For ease of comparison, figures for fiscal 2016 through fiscal 2018 have been calculated based on the supposition that said reorganization was implemented in fiscal 2016.

Roles of the Wholesale Business

In addition to the core brands *Wacoal* and *Wing*, the Wholesale Business Division handles a portfolio of other brands, including the sportswear brand *CW-X*. The division is responsible for wholesale operations that supply mainstay sales channels, namely, department stores, general merchandise stores, specialty stores, and the operators of e-commerce malls. For many years, Wacoal Corp.'s organization comprised separate product planning and sales functions for each brand. By competing with each other almost as rivals, the departments in charge of each brand provided customers with high-value-added products and established large market shares.

However, inefficiencies emerged in our previous business model as changes in sales channels and consumer behavior forced many department and general merchandise stores to close

or change business formats. In responding to these changes and maintaining robust profitability amid a shrinking market, we needed to reform our vertical organization and make effective use of management resources across brand boundaries. With this in mind, we set out the measures of the previous medium-term management plan and reorganized multiple businesses to form the Wholesale Business Division in April 2018.



Fiscal 2020 Achievements and Issues

In the general merchandise store sales channel, sales benefited from the integration of the *Wacoal* and *Wing* sales systems, which entailed flexible redeployment of sales personnel. In addition, the sales margin improved steadily thanks to the timely delivery of products in appropriate volumes. Nonetheless, the current organization is not producing favorable results, reflecting the significant impact of a series of department store closures, particularly in regional cities. Further, non-innerwear product lineups for which department stores have been the primary sales channel, such as nightwear (pajamas), products for children, maternity products, and sportswear continue to face challenging conditions.

In fiscal 2020, the year ended March 31, 2020, the spread of COVID-19 from March onward coupled with the prolongation of a slump in consumer spending due to a consumption tax hike resulted in a significant year-on-year decrease of 5% in net sales, to ¥78.3 billion. The downward trend in net sales has been difficult to halt, with the CAGR (compound annual growth rate) declining 4% over the past two fiscal years. Consequently, in fiscal 2020 sales personnel expenses as a percentage of net sales* rose to the extremely high level of 26.3%, presenting the Wholesale Business Division with a major issue.

Also, changes in customer behavior accompanying the COVID-19 pandemic are proving to be an additional challenge for the

division. As of August 2020, a second wave of infection, over which there was concern, has caused downtown department store sales to flag once again. A prolonged pandemic is sure to change consumer sentiment and behavior. For this reason, we must take forward-looking measures to survive. We must accelerate existing initiatives, such as the maximization of store value by integrating and coordinating off-line and online operations and by introducing 3D body scanners to more stores. At the same time, we need to evolve value chain systems so that we can expedite the provision of products sought in a new era.

* Sales personnel expenses as a percentage of net sales at department stores (excluding discount sales)



Measures Going Forward in Anticipation of Post-COVID-19 Conditions

The COVID-19 pandemic has caused irreversible changes in the business environment. Adopting the attitude that there is no going back to the way things were, we will have to achieve renewed growth by revamping existing business models and adapting to the new environment with greater flexibility and speed. Until now, we have mainly provided the *Wacoal* and *Wing* brands to clients on a wholesale basis. However, increasing e-commerce as a percentage of net sales is imperative. Moreover, given the likelihood of further changes in department store business models and consumer behavior, plans call for strengthening our development of directly managed stores and other directly managed operations.

Additionally, measures for integrating and coordinating operations are set to become even more important. Since its previous medium-term management plan, Wacoal has been advancing an original omni-channel strategy with a view to catering to customers' diversifying purchasing behavior more flexibly and rapidly. As of July 31, 2020, 10 stores have introduced our new *3D smart & try* customer service system, which utilizes 3D body scanners and AI. We have also digitized information on approximately 700,000 customers who purchased our products at department stores. Other initiatives include unifying inventories and establishing links between Wacoal's e-commerce websites and clients. By maximizing store value and managing customer databases efficiently, we will provide a shopping environment where there are no barriers between off-line and online operations. Through the aforementioned initiatives, we will increase customer acquisition and retention and return to a growth trajectory.

Meanwhile, we will improve profitability by reforming the underperforming department store business. Through the rightsizing of our sales personnel workforce and adjustment of new hire intake, we will lower sales personnel expenses as a percentage of net sales from its persistently high current level to 20% or less by fiscal 2023. Further, we will strategically negotiate transaction terms with the aim of improving profitability by raising wholesale prices as a percentage of retail prices and changing over to *shoka* agreements whereby the manufacturer retains ownership of merchandise until its retail sale. We have already launched an in-house project tasked with deliberating transaction terms, and we will commence negotiations before the end of this year.

Although some may have misgivings about the ability of a historic business to achieve such reforms, we see the current pandemic as a favorable opportunity to reform ourselves, and we will tackle reforms with unwavering resolve.



Anticipating a Post-COVID-19 Society
(1) The Wacoal Business (Domestic)

Retail Business



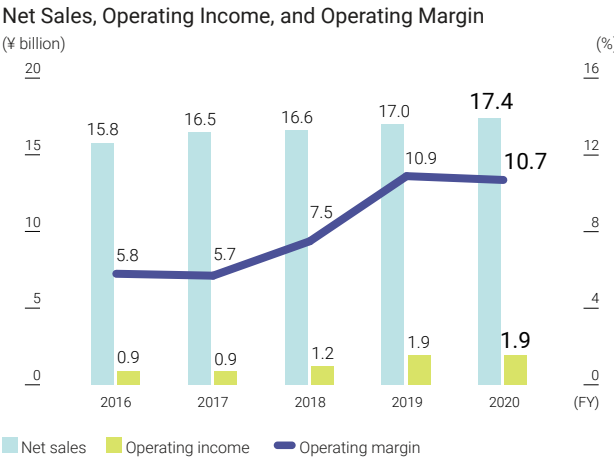
We will become the Group’s domestic growth engine by steadily improving customer retention through the continued creation of products that earn the endorsement of millennials and the utilization of stores as the bases for integrating and coordinating online and off-line operations.

Hidehiko Imaizumi
Director, Senior Managing Corporate Officer
General Manager of Retail Operation Division
Wacoal Corp.

Fiscal 2020 Performance

Net sales	¥17.4 billion (+2.6% YoY)
Operating income*	¥1.9 billion (+0.7% YoY)
Operating margin	10.7% (−0.2pt YoY)

* Before transfer of company expenses



Roles of the Retail Business

In 2001, when railway station buildings and fashion-themed commercial facilities were becoming increasingly prominent, we began opening directly managed stores to attract young customers, who were underrepresented in our customer mix. At present, we have a network of approximately 150 stores across Japan comprising four store formats: AMPHI, our mainstay store; WACOAL The Store; Brara; and Wacoal Factory Store, which operates in outlet malls.

Themed on reasonably priced lingerie, AMPHI stores offer the *amphi* brand, focused on providing “new and cute” value, as well as the BRAGENIC brand, which is carried by all of our directly managed stores and features brassieres with an average price of between ¥3,000 and ¥4,000—a more affordable price range than that of *Wacoal* brand products. Meanwhile, as boutiques featuring a selection of brands, WACOAL The Store

and Brara sell products developed by the Retail Operation Division as well as *Wacoal* brand offerings. Products developed by the division are also sold through Wacoal’s in-house e-commerce website, WACOAL WEB STORE. In fiscal 2020, the year ended March 31, 2020, e-commerce sales increased 1.7 percentage points year on year to account for 8.2% of the division’s net sales, excluding those of Wacoal Factory Store.

Low profitability was an issue for the retail business for many years. However, the value of brands has risen, and profitability has improved dramatically as a result of measures to reduce product varieties, roll out products common to all directly managed stores, and curb discount sales, which were implemented under the previous medium-term management plan between fiscal 2017 and fiscal 2019.

Fiscal 2020 Achievements and Issues

In fiscal 2020, despite the challenging environment produced by the spread of COVID-19 and lackluster consumer spending in the wake of a consumption tax hike, the Retail Operation Division continued achieving solid growth, posting a 2.6% year-on-year increase in net sales, to ¥17.4 billion. However, operating income rose only 1.0% year on year as an increase in sales personnel and the recognition of store opening and remodeling expenses outweighed sales margin improvements realized through a reduction in discount sales.

The most noteworthy achievement of the retail business in the fiscal year was the construction of a management system for efficient marketing to customers who belong to store membership programs. We have been stepping up efforts to acquire such members for some time. In fiscal 2020, we added 300,000 new members, giving a membership of 1.2 million at the end of March 2020. This large membership not only provides access to the profiles and purchase histories of customers but also enables us to analyze their purchasing behavior and provide each individual with timely, useful information accordingly. After the consumption tax hike in October 2019, new customers temporarily dipped. However, we were able to minimize the lull following last-minute demand through the successful strengthening of marketing to customers regis-

tered with our store membership programs.

Another achievement in fiscal 2020 was the beginning of efforts to lay the foundations for marketing that caters precisely to customer needs by transcending the boundaries of stores and in-house e-commerce. In providing convenient, comfortable shopping experiences that transcend sales channels, we must change the mindset of sales personnel. To this end, we began building a system that, when a store does not carry a product or it is not in stock, provides sales personnel with incentives for introducing customers to in-house e-commerce websites that are similar to incentives sales personnel receive for in-store sales. By continuing to build a sales style that integrates off-line and online operations and heightens customer satisfaction, we will realize top-line growth and increase profitability even further.



Measures Going Forward in Anticipation of Post-COVID-19 Conditions

Given the new lifestyles stemming from the COVID-19 pandemic, as mentioned earlier, we must reform the roles performed by off-line and online operations and combine them dynamically. With this in mind, in fiscal 2021, the year ending March 31, 2021, we will take on the challenge of seamlessly linking off-line and online operations by discarding the view of stores as simply places for selling merchandise and by beginning to develop them into information hubs. Through these initiatives, we will enhance customer experience. While heightening store capabilities and brand value, if we can create environments that allow customers to make purchases regardless of whether they are shopping off-line or online, in-house e-commerce will naturally grow to account for a larger share of net sales. The medium- to long-term goal of the Retail Operation Division is to have in-house e-commerce generate approximately half of net sales, excluding those of Wacoal Factory Store. As the first step toward this goal, we will raise in-house e-commerce sales to 15% of revenues in fiscal 2021. Also, in anticipation of the integration with online operations, we will revise the break-even points of brick-and-mortar stores. Other initiatives will continue enhancing our

ability to develop highly competitive products, analyze purchase data, and disseminate information. At the same time, we will establish environments that enable sales personnel and planning and development managers to communicate directly with customers through apps and SNS.

Due to the COVID-19 pandemic, the outlook is uncertain. Nonetheless, by revamping the retail business to better reflect the needs of customers and by building relationships with them that are deeper, broader, and longer, we will fulfill our role as the Group’s domestic growth engine.



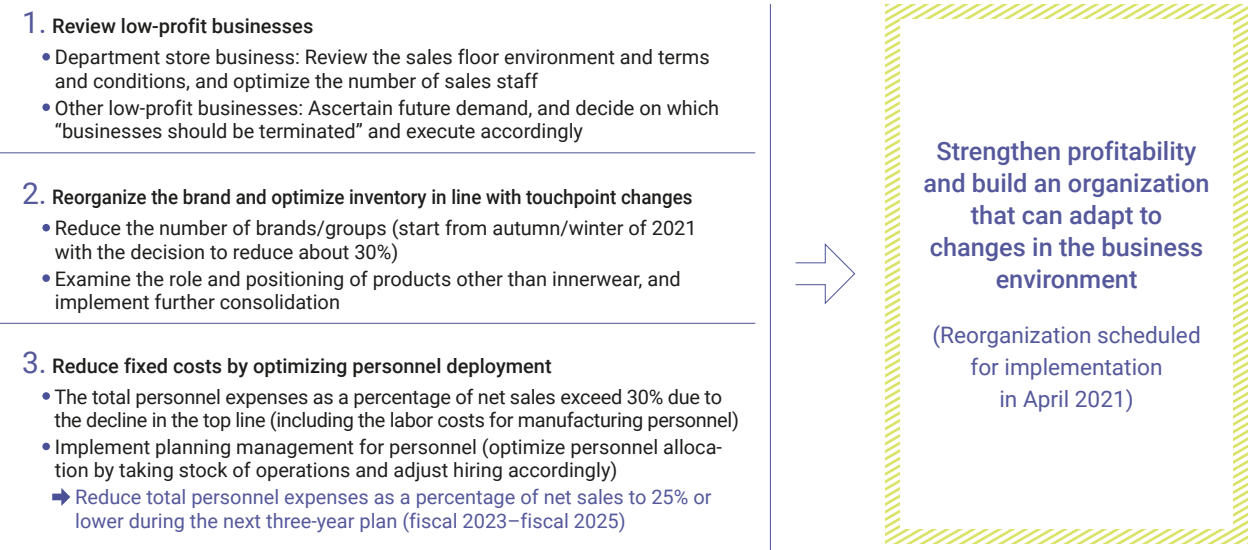
Anticipating a Post-COVID-19 Society
(1) The Wacoal Business (Domestic)

The Structural Reform of Wacoal Corp.

Given predictions that the effects of the COVID-19 pandemic may be prolonged, the business environment could not only remain challenging but also undergo major structural change. In response to this uncertain environment, Wacoal Corp. will sustain growth and ensure competitive superiority going forward by tackling fundamental structural reform. We will revamp underperforming businesses and rebuild sales channels to establish highly profitable business management and to realize the investment needed for our return to a growth trajectory. In conjunction with these efforts, we will heighten cost competitiveness and productivity through the rightsizing of our workforce.

Our structural reform initiatives will focus on three main goals: (1) revamping underperforming businesses, (2) reorganizing brands and optimizing inventories, and (3) reducing fixed costs by rightsizing our workforce. We will reflect these goals in operational plans and steadily advance initiatives accordingly.

Analyzing Our Value Chain Rigorously to Heighten Management Efficiency



Anticipating a Post-COVID-19 Society
(2) The Wacoal Business (Overseas)



Through concerted Groupwide initiatives, overseas businesses will expand and grow.

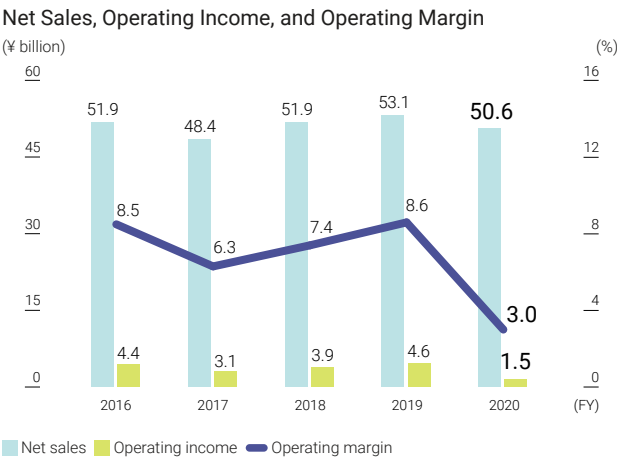
Mitsuru Sekiguchi
Corporate Officer in charge of Group International Business
Wacoal Holdings Corp.
Director and Corporate Officer and General Manager of Global Division Wacoal Corp.

Fiscal 2020 Performance

Net sales	¥50.6 billion (−4.8% YoY)
Operating income	¥1.5 billion (−67.4% YoY)
Operating margin	3.0% (−5.6pt YoY)

Achievements and Issues in Our Plan's First Fiscal Year and Initiatives Going Forward

In fiscal 2020, the year ended March 31, 2020, the overseas business recorded extremely disappointing results, I am afraid to say. Although its e-commerce businesses are growing steadily in countries worldwide, the overseas business is similar to domestic businesses in that it has a structure centered on department stores, general merchandise stores, specialty stores, and other brick-and-mortar stores. Consequently, in respective countries the management of the overseas business was severely impacted by a slump in its



mainstay department store sales channel—primarily in North America and Europe—and by stores being forced to suspend store operations due to lockdowns or equivalent restrictions that countries worldwide imposed in response to the spread of COVID-19.

This operating environment makes it necessary for the overseas business to shift further toward the e-commerce business. Accordingly, we will increase the speed of our efforts to strengthen the e-commerce business—one of the core tasks set out in the current medium-term management plan.

One particularly noteworthy achievement in fiscal 2020 was stable growth in the net sales and operating income of

businesses in China, attributable mainly to the e-commerce business. Going forward, we will target millennials and Generation Z customers in China by proactively introducing and increasing rollouts of product lineups available in Japan, such as *amphi*-brand products. In other parts of Asia, meanwhile, progress was unsatisfactory, even allowing for the issue of our late participation in the e-commerce business. Ultimately, the spread of COVID-19 significantly affected businesses in other parts of Asia, and I believe our performance in this region calls for serious reflection.

As for businesses in the United States, in July 2019 we acquired Intimates Online, Inc., with a view to further growth. This acquisition is enabling us to capture a share of the millennial and Generation Z market, which we were unable to access. Our first priority is to rapidly put the start-up company on a growth trajectory so that it breaks even on an operating basis in fiscal 2022. Specifically, we are increasing the company's management efficiency by integrating and consolidating logistics infrastructure and back-office operations. Looking slightly further ahead, plans call for the introduction to the company of such intangibles as the manufacturing and product-planning know-how that Wacoal America, Inc., has cultivated. At the same time, we will laterally introduce Intimates Online's digital marketing know-how across our organization with the aim of capturing demand from customers in younger generations, a market segment that has been challenging for us. In these ways, we will realize mutual synergy benefits, thereby lifting the basic level of businesses in the United States as a whole.

Regarding businesses in Europe, the United Kingdom accounts for the lion's share of sales. Amid a slowdown of existing sales channels in the country, we completed a renewal of our in-house e-commerce website and began operation of the renewed website in September 2019. With the exception of the U.K. market, we have yet to adequately penetrate the markets of European countries. In Europe alone, we will expand and enhance brand portfolios and marketing based on each region's characteristics rather than on sales channels. In this way, we will steadily expand our business in the region. In particular, we view Germany as a priority region due to the magnitude of the country's market. Therefore, we will build business foundations in the country by investing human, physical, and financial resources based on a time frame stretching between five and 10 years into the future.

Long-Term Global Strategy—2030 Vision and a "Global Wacoal"

The Global Division of Wacoal Corp. has set ¥150.0 billion as a target for overseas net sales in 10 years' time. To this end, we will realize discontinuous growth through a combination of effective growth investment in countries and regions with small-scale businesses and M&As with companies whose compatibility with our existing businesses has been rigorously analyzed. When envisioning the long-term growth of the

overseas business, it is important to formulate growth strategies for each region, each brand, and each sales channel. For example, in the United States—the world's largest and most advanced market—the achievement of growth will be determined by whether or not Wacoal America and Intimates Online can rapidly realize synergy benefits and combine their online and off-line operations to reach a broad customer group. If the companies can do this, I believe that the business can grow and increase net sales from the current level of around ¥20.0 billion to between ¥30.0 billion and ¥40.0 billion in fiscal 2028.

In countries and regions other than China and Europe, for which our approach is as stated earlier, we will continue to seek business growth, particularly in countries and regions such as India, which offer significant potential but where our businesses are small, as well as in promising countries where we have yet to establish a presence.

My Mission as the Corporate Officer in Charge of Group International Business

Since its foundation, the Wacoal Group has pursued the vision of a "Global Wacoal." Today, we are engaged in businesses worldwide, selling products in more than 50 countries and regions and operating local subsidiaries in 22 countries and regions. Due to the current COVID-19 pandemic, however, wisdom and practices that were valid until recently are no longer viable. Consequently, reform has become a matter of now or never. Nonetheless, looking ahead to a post-COVID-19 society, expansion of the overseas business will be indispensable to the growth of the Wacoal Group.

Until now, Group companies have conducted business development in a vertical manner based on discrete brands and countries. To accelerate growth and achieve results going forward, however, concerted business development on a Groupwide basis is essential. We will be able to realize significant growth if three categories of companies can act as one and increase coordination with one another. These three categories are overseas subsidiaries under the management of the Global Division of Wacoal Corp., Peach John Co., Ltd. and other Group companies in Japan, and the overseas subsidiaries under the management of these domestic Group companies. Under the corporate officer system, in fiscal 2020 I was appointed as the corporate officer in charge of Group international business. The mission I have been given is to forge ahead with unified, Groupwide business development. Revised and clarified last year, our vision of a "Global Wacoal" is a set of five tasks that indicate how we should expand and develop overseas businesses (please see page 14). By establishing and faithfully following a road map for the accomplishment of these five tasks, we will take on the challenge of achieving discontinuous growth.

Through concerted initiatives, the Group will become a "Global Wacoal" that is highly trusted by existing customers as well as by a constantly growing number of new customers.

Anticipating a Post-COVID-19 Society
(2) The Wacoal Business (Overseas)

Businesses in the United States (Wacoal America, Inc.)

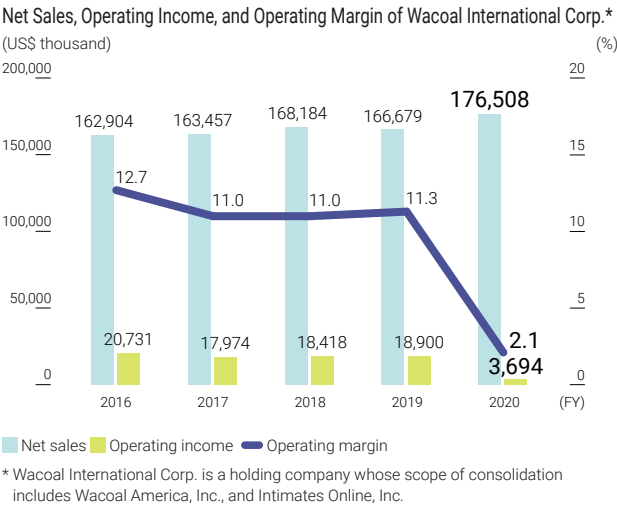
By aggressively advancing a “Digital First” strategy, we will accelerate growth of the e-commerce business, thereby contributing to the growth of the entire Group.

Mitch Kauffman
CEO
Wacoal America, Inc.



Fiscal 2020 Performance

Net sales	US\$168,685 thousand (−1.4% YoY)
Operating income	US\$14,830 thousand (−21.9% YoY)
Operating margin	8.8% (−2.3pt YoY)



- 1. What is the role of Wacoal America (WAI) in the Wacoal Group?**
Established 35 years ago, Wacoal America has grown to be the leading intimate apparel brand in better stores across North America. WAI’s success has been achieved through a dedication to quality, fit, service, and mutual trust. Moreover, WAI has greatly expanded and strengthened the Wacoal brand’s reputation worldwide.
WAI also contributes to other Group companies by excelling in key production processes and in online sales and marketing. Given online retail channels’ growth, this expertise has become even more important for the future. With sights set on increasing net sales in the North American market to US\$30.0 billion by fiscal 2028, WAI is advancing various initiatives based on priority strategies: grow e-commerce further, enhance product development capabilities, reform cost structures, and expand businesses in surrounding countries.
- 2. What were the company’s business results and issues in fiscal 2020?**
In fiscal 2020, U.S. consumer spending was strong overall but continued shifting away from such categories as apparel and toward experiential areas. Growth in online shopping also continued to accelerate. Consequently, the traffic and sales of our core department and specialty store distribution channels declined. The pandemic in March resulted in sudden store closures and order cancellations.
Despite the macro retail challenges, the *Wacoal* and *b.tempt’d* brands achieved solid retail sales gains primarily due to the successful introduction of new products. Retailers focused on inventory control and increasing turnover, leading to disappointing shipments overall. The strong growth of Wacoal Direct and the wholesale online business was not enough to offset declines in brick-and-mortar stores.
Expense savings did not offset the lost gross margin dollars from deficient sales, resulting in WAI only achieving 88% of budgeted operating profit. However, net income was 10% above budget.
- 3. In the current fiscal year, what are the challenges in relation to the COVID-19 pandemic?**
The COVID-19 pandemic in the Americas caused the closure of all WAI brick-and-mortar distribution points by late March 2020. Stores gradually

began reopening in mid-May. Some consumers shifted to online shopping but not enough to offset the decline in store sales. In the first quarter of fiscal 2021, our total retail sales trend was down 52% year on year.
Overall retail sales trends have recovered but remain down 37% year on year. First-quarter shipments decreased 50% year on year, reflecting retail trends and the financial challenges of some key customers. While stores reopened early in the second quarter, customer traffic was down significantly. The current expectation is for an uncertain, fluctuating retail environment in the current fiscal year. In the remaining three quarters, year-on-year decreases of 6% in revenue and 20% in brick-and-mortar revenue and a 20% increase in online revenue are expected.
Other significant challenges include the risk of closure of the Wacoal Dominican Republic factory due to the COVID-19 pandemic as well as excessive markdown costs resulting from order cancellations.
WAI’s multi-faceted strategy in 2020 entails cutting expenses significantly and accelerating the growth of e-commerce businesses.
Since April, it has been apparent that the COVID-19 pandemic is going to have a long-term impact on consumer spending. Over 15% of the department stores where WAI is distributed have closed or will close by 2022, and there is significant risk of additional store closings. Total e-commerce spending has increased, with the apparel e-commerce share doubling. Many new e-commerce consumers are expected to continue shopping online after the pandemic.
To address this new environment, WAI has created a “Digital First” strategy, which will continue aggressive growth of the Wacoal Direct and wholesale e-commerce businesses and focus on brand awareness, online experience, digital and virtual fittings, warehouse and distribution, and redeployment of our fit consultant team.
This strategy will enhance the Wacoal Direct experience, thereby attracting and retaining new customers in our highest-margin distribution channel. These initiatives will also benefit our wholesale online and store businesses by enhancing brand awareness and improving operational execution.
As a result, in terms of revenue growth we expect over 20% CAGR for Wacoal Direct and 8% CAGR for wholesale online over the next five or more years. This should offset an 8% CAGR decline expected in store businesses and allow WAI to continue to grow in 2021 and beyond.

Businesses in the United States (Intimates Online, Inc.)

We will leverage a strong customer base and balance marketing investment between customer acquisition and retention to heighten profitability and bolster our brand power even further.

Michelle Cordeiro Grant
CEO
Intimates Online, Inc.



Fiscal 2020 Performance

Net sales	US\$11,967 thousand
Operating loss	US\$(11,494) thousand
Operating margin	—



- 1.What is the role of *LIVELY* in the U.S. business, and how will the brand get on a growth trajectory in the medium to long term?**
In 2016, Michelle Cordeiro Grant launched *LIVELY* to create a new genre and point of view in the U.S. lingerie category. Our goal has always been to build a long-lasting, leading brand with strong equity through community, product excellence, experiences, and core values. Moreover, *LIVELY* is a brand and community that inspires women to live passionately, purposefully, and confidently.
Since our establishment, we have focused on digital excellence and acquisition marketing to build a strong, loyal community and customer base. While its core products are innerwear, *LIVELY* has expanded into additional categories. In addition, we have launched the “No Makeup Needed” podcast and fostered a thriving ambassador network across the U.S. Also, we have begun an omni-channel journey by launching a presence in retail and establishing a key wholesale partner, Nordstrom. Consequently, *LIVELY* is now poised to grow even more and make bigger and bolder strides toward the mission of inclusivity, community, physical retail, and experiences.
Having established a strong omni-channel strategy with a substantial customer and community base, we are ready for the next chapter of our growth. Our medium-term focus is on an optimal balance between acquisition to retention marketing, which will increase profitability and brand equity. Also, we are preparing for exponential e-commerce growth based on continued efficiencies, operational excellence through use of the Wacoal warehouse, superior customer service, and inventory management that meets customers’ needs.
While the physical environment is uncertain, in the long term the omni-channel approach is key. However, our near-term focus is on being a primarily digital entity supported by operational excellence. We will build a best-in-class customer experience by advancing a range of initiatives to tie together our digital and physical resources.
We will continue building the *LIVELY* brand through a long-term, three-pillar strategy comprising efficient growth in brand awareness, customers, and community; omni-channel connectivity; and product category expansion.

- 2. What were the company’s business results and issues in fiscal 2020?**
In fiscal 2020, overall growth was not as strong as expected. Nonetheless, net sales grew 44.3% year on year, to US\$19.4 million, and we acquired 295,000 more customers. This progress will allow us to continue building a strong customer base through a balanced approach toward customer acquisition and retention in fiscal 2021. Further, our ambassador community has expanded to more than 130,000 members.
We knew diversification of our marketing mix would be critical to success in fiscal 2020. From the second quarter onward, however, a greater-than-expected decline in Facebook efficiencies created a difficult digital marketing climate. To offset these inefficiencies, we leaned into building new channels; for example, our affiliate program grew from less than 2% to 14% of revenue, while email and text grew 13 percentage points year on year, to account for 20% of revenue. In addition, we increased our physical retail footprint to four stores, all of which are growing strongly. Meanwhile, wholesale flattened as we shifted our penetration at Nordstrom from brick-and-mortar stores to e-commerce to better align with growth opportunities. In March 2020, although we were able to pivot our digital experience quickly, we were unable to completely offset the rapid market declines accompanying the spread of COVID-19.
- 3. In the current fiscal year, what are the challenges in relation to the COVID-19 pandemic?**
In the current fiscal year, we have responded to the pandemic’s impact on the market through a major shift in strategic focus from retail and wholesale toward e-commerce. As a result, *LIVELY* has seen a rapid increase in revenue. In the new climate, digital marketing efficiencies have quickly improved; we have increased TV advertising; organic channels have become extremely effective; and we have leveraged the affiliate partners channel. Further, we have launched new digital experiences for customers. Additionally, we tested virtual styling and social content experiences for our ambassador community based on the theme of staying home.
Although the first half of fiscal 2021 has seen exponential growth, we are cautiously optimistic about full fiscal year performance given the approaching end of a government stimulus package and unemployment funding—which have supported customer sentiment—and uncertainty over the upcoming election.

Anticipating a Post-COVID-19 Society
(2) The Wacoal Business (Overseas)

Businesses in Europe

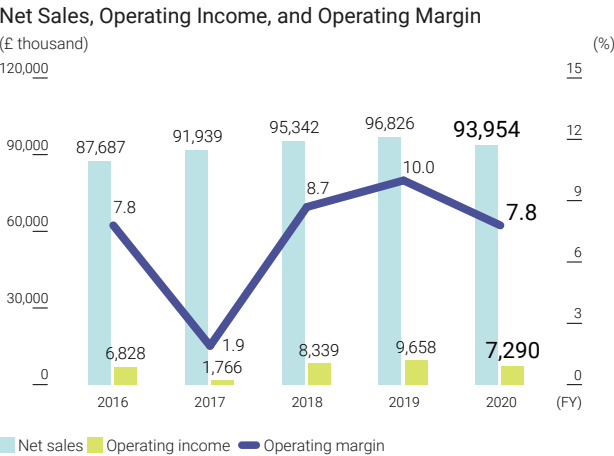
Wacoal Europe will expand its share of important markets by catering precisely to changes in purchasing behavior and by enhancing services at brick-and-mortar stores.

Geoff Embley
CEO
Wacoal Europe Ltd.



Fiscal 2020 Performance

Net sales	£93,954 thousand (−3.0% YoY)
Operating income	£7,290 thousand (−24.6% YoY)
Operating margin	7.8% (−2.2pt YoY)



1. What is the role of Wacoal Europe in the Wacoal Group, and what is the company's medium- to long-term vision?
In 1950, Wacoal's founder Koichi Tsukamoto, set out a 50-year plan to expand business overseas and become a true global leader in the industry. Subsequently, Wacoal expanded into Asia, North America, and Europe. The European business was enhanced through an acquisition in 2012 that provided a substantive base on the continent, but it was not until its recognition as 2018 Designer of the Year at the Salon de Lingerie in Paris that Wacoal was confirmed as a truly global brand. The Wacoal brand in the Wacoal Europe business is only part of the story, however. Wacoal Europe's business is unique as it has a portfolio of six brands, covering lingerie and swimwear, that are rolled out not just in the European markets but in over 30 countries across the world. As retail has reopened, we have restarted some of the projects that will help us in the future, and our development program has been adapted to suit the changing conditions. We are adapting our strategies to the changing marketplace, recognizing that digital has accelerated and that consumers are more cautious. However, we recognize that brick-and-mortar stores are still very important. We design and manufacture an engineered garment, and the best service is still provided by fit consultants. The more we enhance that process for the consumer, the more successful we will be. We also recognize that we have more to do on corporate sustainability and in many other areas. Just as the founder set out 10-year plans, we are pursuing a 10-year plan to continue growing market share through organic growth, new ventures, and acquisition.

2. What were the company's business results and issues in fiscal 2020?
It is important to understand results for fiscal 2020 in the context of the market. In most markets, the challenges have been similar worldwide. Corporate sustainability is emerging as a key issue, but the challenge of a changing retail market has been more problematic. Brick-and-mortar retailers are under increasing pressure due to the growth of e-commerce, which has led to reduced footfall along with cost pressures due to high rental values on property. Inevitably there have been some casualties, some short term, while others have been terminal.

I am delighted to report that we were successful in navigating our way to another year of solid growth until the COVID-19 pandemic hit world markets. We expanded our department store base, with new business added at El Corte Inglés, the largest European department store group in Europe. We expanded into Dillard's in the southern region of the United States and acquired new listings with David Jones in Australia. We were still growing in the independent sector as the brands gained recognition, and we were well positioned in the e-commerce market. We launched our own e-commerce branded websites in the fiscal year, which has proved to be fortuitous as they have exceeded expectations in 2020 due to the impact of lockdowns. Over the past three years, we have worked hard on forecasting, merchandising, and inventory management, and as a result, customer service levels are at record-high levels. We have invested in the physical and technological infrastructure, the development of the management group, and the strengthening of the organization's culture. We worked in collaboration with the Human Science Research Center in Japan on projects that we believe will give us competitive advantage in the future and develop our program for social sustainability. We have also worked with our sister companies to leverage synergies within our businesses.

3. In the current fiscal year, what are the challenges in relation to the COVID-19 pandemic?
COVID-19 has changed our priorities, but we have continued to follow the founder's principles of mutual trust and taken decisive action. We have adapted to ways of working that still ensure employee safety, thereby keeping the trust of our employees while servicing our customers. Service levels have been maintained, and we have delivered a development program for each season. During the lockdown period, we took 100% ownership of the Sri Lanka manufacturing operation, thereby securing manufacturing for the future and strategic capacity for other Wacoal companies.

Businesses in China

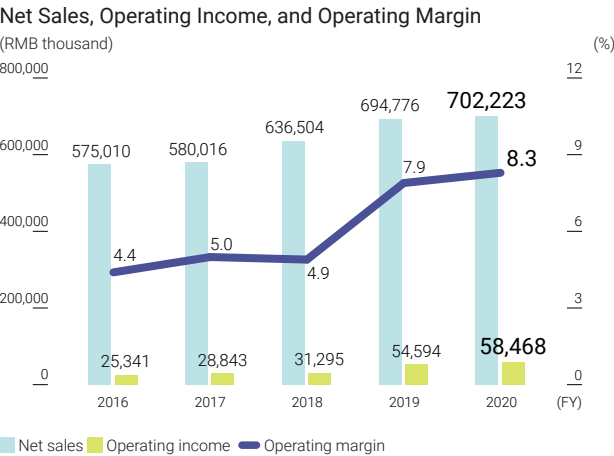
We will steadily advance business strategies and enhance profitability to fulfill our role as a growth driver.

Koji Tsujimoto
President and Representative Director
Wacoal China Co., Ltd.



Fiscal 2020 Performance

Net sales	RMB702,223 thousand (+1.1% YoY)
Operating income	RMB58,468 thousand (+7.1% YoY)
Operating margin	8.3% (+0.4pt YoY)



Roles and Fiscal 2020 Achievements
of Businesses in China

Aiming to play its part in a "Global Wacoal" alongside the Group's businesses in North America and Europe, Wacoal China Co., Ltd., is pursuing its priority strategies by increasing the company's share of department store sales and strengthening the e-commerce business. In fiscal 2020, the year ended March 31, 2020, thanks to the successful strengthening of collaboration with e-commerce mall operators, the revenues of the e-commerce business significantly surpassed targets and the previous fiscal year's revenues to account for 20% of net sales. Meanwhile, we decisively withdrew from underperforming brick-and-mortar stores. Further, Japan's *amphi* brand product lineup, which we rolled out to acquire young customers, met with a favorable reception from customers and made a strong start. Also, with a view to sustained growth, we reorganized and strengthened our business foundations by consolidating logistics bases.

Measures Going Forward in Anticipation of
Post-COVID-19 Conditions

Going forward, Wacoal China will increase its absolute customer numbers by building a relationship with each customer that is deeper, broader, and longer. In addition to the aforementioned *amphi* brand offerings, from the autumn and winter of 2020 the e-commerce business will begin marketing products that target the middle-class customer group. Further, in collaboration with Peach John Co., Ltd., we will begin in-house live commerce.* Meanwhile, we will further consolidate brick-and-mortar stores and strengthen the profit and loss management of stores. Also, Wacoal China will maximize store value by expanding and enhancing model stores, renewing the membership program, and improving store services. Other initiatives will include increasing the efficiency of product rollouts and conducting rigorous inventory control to boost earning power. In addition, plans call for strengthening personnel development through the operation of a new human resources system. Although the COVID-19 pandemic has greatly affected us, we will overcome the present difficulties by returning to basic management strategies, strengthening internal collaboration within the operation division, and proactively leveraging China's advanced digital infrastructure.

* A combination of livestreaming and e-commerce, which has become popular in Asia, particularly in China

Anticipating a Post-COVID-19 Society
(3) Other Businesses

Peach John

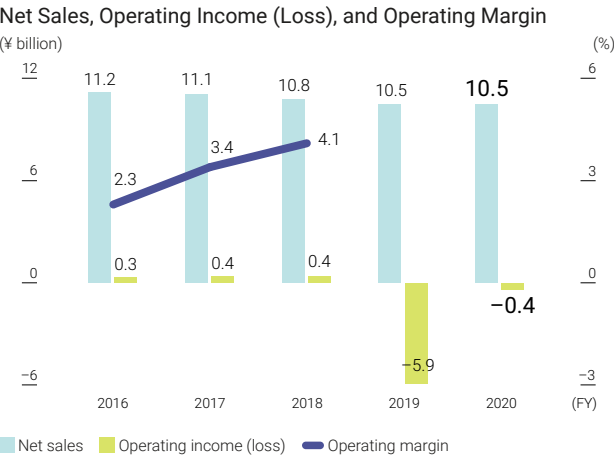
With the revitalization of Peach John as our mission, we will capitalize on the advantages of being a company focused on e-commerce and step up marketing to evolve into a company capable of sustaining profits and creating value.



Manabu Tochio
President and Representative Director
Peach John Co., Ltd.

Fiscal 2020 Performance

Net sales	¥10.5 billion (−0.1% YoY)
Operating loss	¥(0.4) billion
Operating margin	—



Fiscal 2020 Achievements

At Peach John Co., Ltd., in fiscal 2020, the year ended March 31, 2020, we implemented fundamental structural reform of businesses with a view to improving profitability in line with the priority strategies of the current medium-term management plan. Our first reform measure was to withdraw from underperforming businesses. As a result of the decision to close eight underperforming stores and reduce the number of directly managed stores to 36, business efficiency increased. The second reform measure entailed discontinuing the production of catalogs, which were not performing well. Immediately after the discontinuation of catalogs, sales dropped. Nonetheless, we have been able to offset this drop by successfully disseminating topical promotion initiatives via social media. In our third reform measure, we established a new lineup of low-priced products to attract customers aged 25 or under, one of our priority strategies. In aforementioned ways, by focusing strongly on growing in-house e-commerce in domestic operations while increasing product appeal and enhancing customer services in Japan, Peach John has prepared the way for a move into the black.

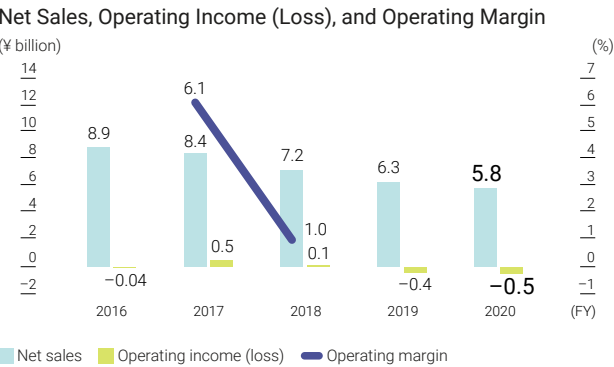
Measures Going Forward in Anticipation of Post-COVID-19 Conditions

We believe that our strengths will remain advantages in a post-COVID-19 world. Accordingly, in fiscal 2021, the year ending March 31, 2021, we will accelerate measures implemented up until fiscal 2020. While increasing the differentiation of each sales channel, we will establish a product lineup that reflects customer needs, conduct and implement product development, and increase management efficiency. Meanwhile, to increase in-house e-commerce sales—which is a priority measure—the development of points of contact with customers will be important. By applying to digital formats expertise garnered through the production of catalogs, we will create content competitors cannot match and thereby acquire new customers among the younger generation. Peach John's role is to contribute to earnings through the utilization of powerful brand equity for continued trend creation and the development of new points of contact with young customers. We will revitalize Peach John by marketing products and services that reflect changes both in society and in demand.

Lecien

Fiscal 2020 Performance

Net sales	¥5.8 billion (−8.3% YoY)
Operating loss	¥(0.5) billion
Operating margin	—



Fiscal 2020 Achievements and Measures Going Forward

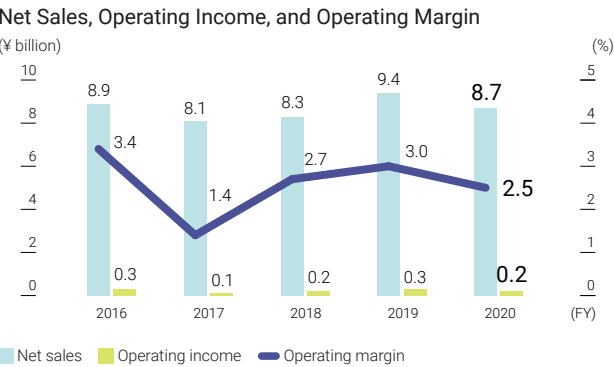
In accordance with the medium-term management plan, Lecien Corporation has adopted the selection and concentration of business fields as a priority strategy and is building business foundations that will enable the company to remain in the black permanently. In fiscal 2020, the year ended March 31, 2020, the company's net sales were 8% lower than those of the previous fiscal year because a year-on-year increase in the sales of private brand products for general merchandise stores and specialty stores was unable to completely offset a decline in the revenues of the material business. Due to the recognition of one-time expenses for a special voluntary retirement scheme that

accompanied withdrawal from the apparel business, Lecien recognized an operating loss. Challenging business conditions are expected to continue as orders decline due to the surplus inventories of the domestic clients that we supply as an original equipment manufacturer. We will proactively develop new clients and strengthen efforts to market solutions for suburban specialty stores, which have seen comparatively firm trends even amid the COVID-19 crisis. In conjunction with these efforts, Lecien will continue improving management efficiency by revising expenditure plans.

Nanasai

Fiscal 2020 Performance

Net sales	¥8.7 billion (−7.4% YoY)
Operating income	¥0.2 billion (−22.7% YoY)
Operating margin	2.5% (−0.5pt YoY)



Fiscal 2020 Achievements and Measures Going Forward

In line with the medium-term management plan, Nanasai Co., Ltd., is taking steps to build new platforms through the acquisition of new customers and the development of new products. At the same time, the company is conducting business management with a strong focus on profits. In fiscal 2020, the year ended March 31, 2020, reflecting the absence of the previous fiscal year's large-scale remodeling of department stores, net sales declined 7% year on year. Due to the lower net sales, operating income decreased 23% year on year. The COVID-19 pandemic is significantly affecting the business

management of Nanasai because its clients are postponing store remodeling and canceling various events. Premised on the unlikelihood of an early recovery in demand, we are undertaking a bold revision of expenditure plans that entails commencing sales of airborne droplet barriers, eliminating and consolidating underperforming sales bases, suspending the recruitment of new employees, and reorganizing properties rented from third parties. Further, we plan to examine next-stage measures for profitability improvement in light of careful analysis of future demand.

Anticipating a Post-COVID-19 Society
(4) Production System Realignment

Production System Realignment

We will help the Group sustain growth by building systems that enable global management of both production capacity and materials procurement, maintaining and enhancing Wacoal’s quality, increasing productivity, and reducing costs.

Kazuhiro Shibahara
Corporate Officer in charge of Group Technology and Production
Wacoal Holdings Corp.
Director, Corporate Officer
General Manager of Technology/Production Division
Wacoal Corp.



Roles of the Technology/Production Division

Over many years, Wacoal has built a production management system that integrates technologies and skills and realizes high-quality manufacturing. While in the present day many apparel companies have fabless business models and cannot manufacture their own products, we have always made a point of using in-house factories for production. In-house manufacturing enables us to pursue the wearing comfort and quality that Wacoal customers seek. Moreover, our current production system is best suited to realizing an uncompromising approach to manufacturing as well as to maintaining our competitive advantage as a manufacturer of high-quality underwear.

The Technology/Production Division is responsible for establishing sewing technologies and providing technological guidance. Also, from materials procurement through to delivery date management, we maintain Wacoal's quality levels, increase productivity, and reduce costs. Further, as with domestic operations, the operations of our overseas subsidiaries entail integrated manufacturing that covers product planning and development through to sales. For this reason, one of the division's main roles is the facilitation of a global production management system through coordination among countries and the provision of technological support.

Acceleration of the Shift of Production to the ASEAN Region in Response to the COVID-19 Pandemic

The worldwide spread of COVID-19 since the beginning of 2020 is having a serious impact on our production sites. In response to the crisis, Wacoal's first priority was to reduce production volume by between 20% and 30% so that decreasing sales did not lead to surplus inventories. Further, we decided to boldly shift to the ASEAN region the manufacture of products for Japan's market. In fiscal 2021, the year ending March 31, 2021, the percentage of such products manufactured overseas is expected to increase to approximately 70%, surpassing the 67% target set for fiscal 2022, the medium-term management plan's final fiscal year. Furthermore, even while significantly lowering production volume, we have been able to curb manufacturing costs. The ability to adjust production flexibly among bases and maintain stable supplies even in an emergency has given me a firsthand appreciation of the significant merits of in-house factories.

Meanwhile, domestic factories—which are facing challenges due to changes in business conditions and production structures—need to increase operational efficiency and further strengthen profitability. Through the further improvement of our differentiated capabilities with respect to advanced technology, small-lot manufacturing, and short-lead-time manufacturing and through the strengthening of cost competitiveness and sales capabilities, we will also seek orders for the manufacture of other companies’ sewn products. Further, between July and September 2020, at the request of the Japanese government, our domestic factories manufactured approximately half a million medical gowns as a contribution to COVID-19 infection countermeasures. Through the accumulation of such initiatives, we will further heighten the competitiveness of domestic factories.

Establishment of Global Production and Procurement and Promotion of ESG Initiatives

Under the current medium-term management plan, the division's most important mission is to strengthen future cost competitiveness by constructing a system that enables the global control and management of the Wacoal Group's entire production capacity and materials procurement.

At present, our factory in the Dominican Republic, which manufactures products for the North American and European markets, and our factory in Sri Lanka, which manufactures products for European markets, only receive technical guidance from Japan, with respective overseas subsidiaries managing the production capacity and materials procurement of these factories. From the viewpoints of heightening overall management efficiency and enabling the growth strategies of the overseas business going forward, however, being able to manage and adjust production capacity among factories will be important. Also, the Group needs to create a system for the efficient in-house procurement of high-value-added materials.

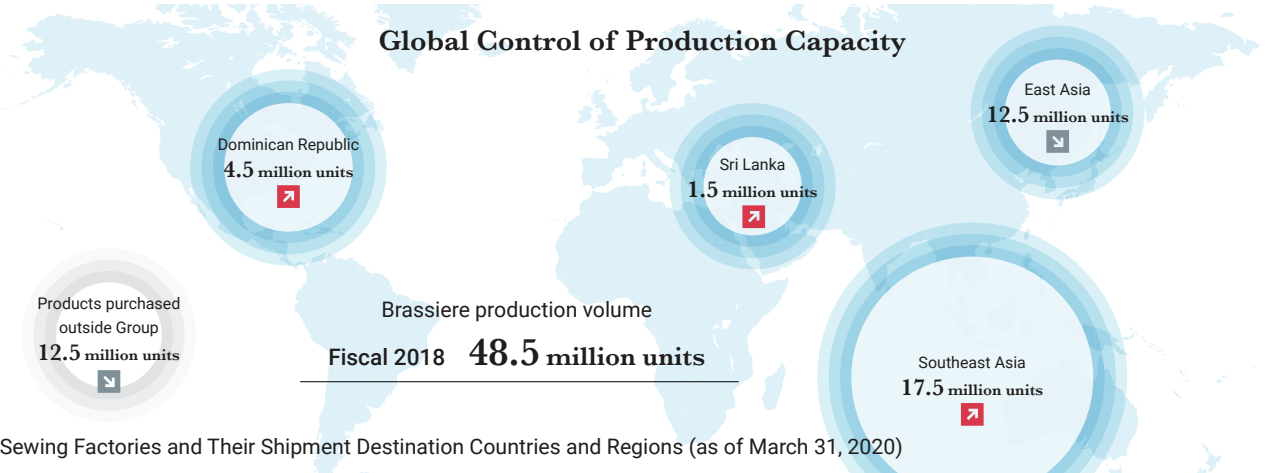
With aforementioned tasks in mind, we invited materials managers from respective countries to participate in the inaugural

Materials Managers Global Meeting in September 2019. Going forward, these managers will share information with each other continuously and, ultimately, establish common procurement of materials and unified quality standards. Other initiatives will include creating the new position of global production manager and taking a variety of measures to foster production engineers. Due to the COVID-19 pandemic, the establishment of a global production and procurement system is expected to be slightly delayed. Nonetheless, the Technology/Production Division will continue steadily building the system with the aim of contributing to the Group's sustained growth.

Another important mission of a “Global Wacoal” is to help realize a sustainable society by addressing social issues through mainstay businesses. Accordingly, we will continue collaborating closely with suppliers to ensure adherence to and respect for social norms related to human rights, labor practices, ethical matters, and other issues. Further, we will continue proactively promoting environmental preservation by advancing activities that lower environmental burden.

Fiscal 2018 Brassiere Production Volume and Expected Changes in Brassiere Production Capacity

▲ Production increase planned
▼ Production decrease planned



Sewing Factories and Their Shipment Destination Countries and Regions (as of March 31, 2020)

		Shipment Destination Countries and Regions					
		Japan (Wacoal Corp.)	Japan (Lecien, Ai)	United States	Europe	China	ASEAN region, etc.
East Asia	Hokuriku Wacoal Sewing	●					
	Niigata Wacoal Sewing	●	●				
	Kyushu Wacoal Manufacturing	●					
	Torica	●					
	Lecien Nagasaki	●	●				
	Guangdong Wacoal	●				●	●
	Dalian Wacoal	●				●	●
	Wacoal China (Beijing)					●	●
Southeast Asia	Dalian Lecien Fashion	●	●				
	Vietnam Wacoal	●			●	●	●
	Indonesia Wacoal	●		●			●
	Thai Wacoal	●		●		●	●
	Lecien (Vietnam)		●				
	Lecien (Cambodia)	●	●				
South Asia	Myanmar Wacoal						●
	Wacoal Timex (Sri Lanka)				●		
Latin America	Wacoal Dominicana (Dominican Republic)			●	●		

ESG

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Human Resources Management

Consistent with a management philosophy that emphasizes mutual trust, Wacoal manages employees’ health and safety, trains personnel, and is receptive to diversity in human resources and values in each workplace, thereby deepening mutual trust with employees and developing workplace systems conducive to the creation of environments where the talents of individual employees can be fully realized.

Our Basic Approach to Human Resources

The Wacoal Group has built value chains that comprise proprietary networks, which span all stages from product planning and development through to material procurement, production, and sales. In these value chains, human resources are the Group’s most important management resource. For this reason, we believe that creating an appealing corporate culture that is employee friendly and offers job satisfaction will lead to sustained growth.

A Human Resources Strategy Based on Diversity and Inclusion
Wacoal employs and recognizes the individual differences of a wide range of people, not just in terms of race, gender, age, or whether they have disabilities but also in terms of limitations on availability due to child-rearing or nursing care commitments or lifestyle factors. With this in mind, we have positioned diversity and inclusion at the center of our human resources strategy with the aim of creating new value by leveraging the individuality of employees and enabling them to fully realize their talents. In accordance with this strategy, we are promoting human resources development, work-style reform, health and productivity management, and other initiatives.

Focus Areas of Our Initiatives

Work-Style and Leave-Style Reform

Aiming to enhance productivity and job satisfaction, Wacoal Corp. launched the Work-Style and Leave-Style Reform Project in April 2017. Under this project, we are establishing employee-friendly working conditions by introducing a telecommuting system, a leave system for self-improvement, and a system that helps families take leave at the same time.

Further, we are advancing personnel management with the aim of optimizing human resources quantitatively and qualitatively and increasing the productivity of each employee. Also, given the need to ensure the safety of employees and the social responsibility to

prevent infection inside and outside the Company during the COVID-19 pandemic, from March 2020 the Company introduced staggered commuting, encouraged online meetings, restricted business trips, extended eligibility for telecommuting to include all office workers, and promoted working from home. In addition, we established an environment that enables personnel to operate computer-aided design software from home and perform planning and development duties as they would normally.

With telecommuting as a premise, we will advance work-style reform and revamp our personnel evaluation system.

Purpose of Telecommuting and Eligible Employees

Before pandemic

Purpose: Promote work–life balance
Eligible employees: Certain office workers (required application in advance and frequency per month restricted)

Number of eligible employees: Approximately **200**
(number of applicants as of January 31, 2020)

➡

Since pandemic

Purpose: Ensure safety, prevent infection inside and outside the Company, enhance productivity, promote work–life balance
Eligible employees: All office workers (frequency per month adjusted as required in light of pandemic status)
Number of eligible employees: Approximately **2,010**
(as of August 31, 2020)

The Advancement of Work–Life Balance

Wacoal Corp. is developing workplace environments that enable employees to lead fulfilling lives and to make the best use of their skills. For example, as part of our initiatives to help employees meet work and child-rearing commitments, we are establishing programs and norms with a view to creating environments that are convenient and fulfilling to work in not only for employees with child-rearing commitments but also for coworkers who support them.

Further, as a result of preparing an action plan based on Japan’s Act on Advancement of Measures to Support Raising Next-Generation Children and taking measures to implement the

plan, in 2018 we received Kurumin certification for the third time and Platinum Kurumin certification.

In addition, measures in response to the COVID-19 pandemic—such as an increase in the number of employees eligible for telecommuting, the introduction of staggered commuting, and an easing of the conditions of the flextime system—will also help to enhance productivity and work–life balance.



Platinum Kurumin
Certification received in 2018
Wacoal Corp.

The Empowerment of Women

Although women account for a high percentage of Wacoal Corp. employees, they are underrepresented in Wacoal Corp.’s management team. Therefore, we view empowering women and thereby reflecting a greater diversity of viewpoints in decision-making as an important management goal. To this end, we are cultivating workplace environments that are conducive to women utilizing their strengths and attributes to play professional roles of greater

importance. We will continue supporting the career development of women by expanding and improving a variety of systems and training programs.

Percentage of female employees 89.5% (+0.3pt YoY)	Percentage of female managers 23.7% (+1.1pt YoY)
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(As of the end of March 2020)

Human Resources Development

We believe that our development as a company is dependent upon efforts to enhance the qualifications of each employee. Based on this belief and with the aim of fostering personnel who can put our management philosophy into practice, we provide and conduct training programs that support the development of employees’ careers and professional skills. We also assist in career and personal development through programs supporting employees’ self-study.

In addition, we conduct human resources development based on the skills required in particular fields. For example, we provide training on maintaining and enhancing the quality of Wacoal products as well as programs aimed at promoting customer satisfaction by heightening employees’ consultative capabilities.

Introduction of the Wacoal Terakoya Personnel Development System

With the aims of fostering autonomous, innovative personnel who can put its management philosophy into practice and creating a culture conducive to employees’ growth as individuals, Wacoal Corp. introduced the Wacoal Terakoya personnel development system in April 2019. The new system helps employees take the initiative in building their careers and continue learning by offering a wider selection of training options beyond rank-based training as well as more opportunities to volunteer as a project participant. In addition to modifying our programs to increase the focus on productivity and practical training, we are conducting joint training with other companies to expose employees to diverse viewpoints. By fostering personnel who are able to create new value through the implementation of our management philosophy, we will sustain growth in a changing business environment.

Other key initiatives include passing on our highly competitive manufacturing techniques and enhancing quality and productivity on a global basis by providing support and direction through technical experts dispatched from Japan to overseas factories.

Highlights of Our Human Resources Development Programs

Program	Aim	Annual number of participants	Period/No. of hrs. of training per person
Rank-Based Training	Helps employees understand the roles and the mindset expected of them in new ranks or positions and gives employees an opportunity to consider their career plans in the context of the Company’s strategies	654	1–6 days*
Business Skills	Enables employees to learn the skills needed by businesspeople through exchanges with personnel inside and outside the Company and to acquire universal business skills usable inside and outside the Company	86	7.5 hours
Wacoal Academy	Shares in-house knowledge, passes on knowledge, and develops organizations through training and seminars conducted by in-house and external instructors	259	7 hours
Global Talent Development	Overseas job training	6	2 years
	Overseas language training	2	5 months
	Global mindset training	10	3.5 hours
Self-Study	Self-study support program	50	–
	Distance learning	422	–

* Differs according to employee rank

Health and Productivity Management

Viewing the health of employees as an important asset for sustained growth, Wacoal Corp. is advancing strategies for health and productivity management through close collaboration with health insurance associations and labor unions.

Covering the period through to 2020, the Wacoal GENKI Project 2020 (**TABLE A**) establishes medium-term targets and action plans for countermeasures to lifestyle diseases, cancer, and mental health issues. Moreover, these initiatives have received external recognition.

Aiming to alleviate shoulder stiffness and back pain and to encourage employees to incorporate regular exercise into their daily routines, in January 2020 we renewed an in-house exercise program that employees participate in before commencing duties. With increasing numbers of people refraining from going outdoors or working from home, we periodically distribute information aimed at helping employees maintain and improve their health. Further, we strengthened smoking countermeasures by prohibiting smoking during working hours in April 2020 and by establishing measures that offer smokers free participation in a quit-smoking support program for two years.

TABLE A Wacoal GENKI Project 2020				
Summary		Numerical target	2015/3 (Before project’s countermeasures)	2020/3 (Results)
Lifestyle disease countermeasures Reduce the percentage of employees with lifestyle disease-related conditions		25% or lower	29.2%	▶ 27.2%
Cancer countermeasures Increase the percentage of employees screened for five major cancers	Lung	100%	96.1%	▶ 96.3%
	Stomach		79.3%	▶ 84.0%
	Large intestine		90.5%	▶ 95.4%
	Breast		81.0%	▶ 84.0%
	Uterus		65.0%	▶ 71.6%
Increase the percentage of screened high-risk employees (those requiring secondary tests)		100%	67.0%	▶ 79.7%
Reduce the percentage of employees who smoke		15% or lower	20.4%	▶ 14.7%
Mental health issue countermeasures Reduce the number of employees absent long term due to mental health issues x The number of days absent		7,000 or lower	9,555	▶ 14,556




Health & Productivity Stock
Wacoal Holdings Corp.



Excellent Enterprise of Health & Productivity
Management 2020 (White 500)
Wacoal Holdings Corp.

Sustainability

In pursuing our mission, which calls on us to contribute to society by helping women to express their beauty, and in helping address social issues, we continuously conduct social contribution activities through our mainstay business and remain mindful of the effect of our business activities on the environment and society.

 Sustainability information and statistics are available on the Company's website.
<https://www.wacoalholdings.jp/en/sustainability/>

Our Basic Approach to Sustainability

We believe that meeting the needs and expectations of society and earning its trust are essential for the realization of sound corporate activities and sustained growth. Wacoal procures many different types of resources from society, including land, energy, personnel, and large amounts of raw materials. However, we would be denied access to such resources if we did not have a relationship of trust with society. Accordingly, as we conduct our business activities, we will keep firmly in mind the need to consider and benefit society, without which our markets would not exist.

Our Policy on CSR Activities

Wacoal's fundamental social responsibility is to manufacture products that customers love, develop products that meet current needs, and conduct business fairly to pave the way to a better future. In other words, we believe that our basic corporate social responsibility (CSR) is to build relationships of trust with customers and society through the development of businesses in an equitable manner and an uncompromising approach to manufacturing that provides customers with the products they seek.

We advance CSR initiatives based on seven basic principles and seven core subjects, all of which are in accordance with the ISO 26000 standards published in November 2010 (Japan Standards Association, 2010). Our seven basic principles are 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. The seven core subjects are organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Focus Areas of Our Initiatives

Environmental Activities

Wacoal shall promote environment-friendly business activities reflecting the view that protecting the environment is a corporate responsibility. Wacoal shall provide products that place minimal burden on the environment and prevent pollution by pursuing environment-friendly initiatives in a variety of processes related to its products, from design and materials development through to

manufacturing, distribution, and sales. Aiming to realize operations that are in greater harmony with the global environment and local communities, we will step up supply-chain environmental initiatives focused on such areas as promoting the elimination of plastic from packaging, reducing the disposal of unsold products, and introducing smart factories.

Environmental Initiatives for Supply Chains

With the potential to significantly affect the earth and corporate activities, climate change is both a risk and an opportunity to create new businesses for the Wacoal Group. In accordance with the belief that helping address environmental issues is fundamental to sound corporate development and to the realization of a sustainable society, in February 2020 Wacoal Corp. launched the Supply Chain Environmental Project, which will lower the overall environmental burden of the Company's supply chains.

Until now, our environmental initiatives have focused on reducing the environmental burden of operating bases in Japan. Our supply-chain initiatives have been limited to measures for individual issues, such as modal shift promotion and brassiere recycling activities. The recently launched Supply Chain Environmental

Project comprises three task forces, each of which is focused on the supply chain relevant to a specific goal, namely, the reduction of promotional materials, the reduction of waste, and the development of environment-friendly products and materials. The task forces are analyzing current situations, setting targets for improvement, and establishing action plans.

Further, with a view to helping realize a low-carbon society by reducing CO₂ emissions, members of the aforementioned project are discussing plans to set targets and disclose progress in relation to two overriding goals: the reduction of CO₂ emissions from the internal activities of operating bases and the reduction of CO₂ emissions from product life cycles.

CSR Procurement Based on Mutual Trust and Cooperation

Wacoal's 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 of our products are shipped to their respective markets after processing through international networks in which the production or procurement of raw materials and the mass production of finished products are carried out in factories in China or emerging countries in the ASEAN region.

Established in October 2017, the Wacoal Group CSR Procurement Guidelines declare that "in order to fulfill our social responsibilities, we must build close partnerships with all suppliers involved in our product manufacturing activities, and together with them we must comply with and respect society's requirements with regard to not only quality, pricing, and delivery but also human rights, labor practices, the environment, and ethics." Since February 2018, we have been conducting a management cycle that continuously amends and improves the guidelines in light of careful monitoring of compliance with the guidelines. Further, with the permission of its contract manufacturers, Wacoal has been disclosing their basic information on its website since May 2018.

Contract Manufacturers Covered by Disclosure

(As of the end of August 2020)

Name	Updated number of factories covered by disclosure	Manufacturing output of factories covered by disclosure as a percentage of products procured in value terms	Number of updates
Wacoal Corp.	129 factories	95% of innerwear, pajamas, roomwear, babywear, maternitywear, legwear, and sportswear procured	3
Peach John Co., Ltd.	26 factories	88% of innerwear, roomwear, and fashionwear procured	3
Lecien Corporation	11 factories	99% of fashionwear procured	3
Ai Co., Ltd.	16 factories	56% of swimwear and innerwear procured	2

Measures for Contract Manufacturers in Response to the COVID-19 Pandemic

The Wacoal Group is adjusting production to avoid surplus inventories, which could arise from the lackluster sales. The low level of sales reflects measures to prevent the spread of COVID-19, such as the suspension of store operations and restrictions on going outdoors. In adjusting production, we are engaged in sincere discussions with contract manufacturers regarding countermeasures. Our aim is to ensure that, as our suppliers, contract manufacturers are not put at a disadvantage. For example, we are paying appropriately for materials that contract manufacturers have procured but which have become surplus to requirements as a result of production suspension. Moreover, we are seeking a way to reuse such materials.

Fiscal 2020 Initiatives and Fiscal 2021 Plans

Fiscal 2020 Initiatives	<ul style="list-style-type: none">Continued on-site audits of contract manufacturers (conducted on-site audits at approximately 20% of target factories)Extended the coverage of CSR-focused procurement activities (added as survey targets the contract manufacturers of Wacoal Corp.'s Retail Business Department and operational areas beyond the innerwear-related operations of Wacoal Corp.'s Wholesale Business Division)Revised the management methods for self-evaluations and surveys of contract manufacturers
Fiscal 2021 Plans	<ul style="list-style-type: none">Continue the aforementioned on-site auditsExtend the coverage of CSR-based procurement activities (add as survey targets online sales business departments and suppliers of products to Unenana Cool Corp. and consolidated subsidiaries in the United States, Europe, and China)Begin utilizing the revised self-evaluations and surveys of contract manufacturersBegin requiring product suppliers to submit checklists and written pledges as operators of long-standing contract businesses

Overview of the Supply Chain Environmental Project

<p>(1) Promotional materials reduction task force</p> <p>Mission:</p> <p>Reduce the pamphlets, posters, direct mail, and shopping bags used in store operations</p>	<p>(2) Waste reduction task force</p> <p>Mission:</p> <p>Reduce the number of discarded products, implement recycling activities, and reduce leftover materials and cutting wastage at factories</p>	<p>(3) Development task force</p> <p>Mission:</p> <p>Establish Wacoal environmental standards and develop and roll out environment-friendly products and incidental materials</p>
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Conducting an on-site audit at Myanmar Wacoal



A safety measure for working with band knife cutting machines at the factory of a contract manufacturer in China

Management Team

As of June 26, 2020

Directors



Representative Director and Chairman
Yoshikata Tsukamoto
Apr. 1972 Joined the Company
Nov. 1977 Director of the Company
Nov. 1981 Managing Director of the Company
Sep. 1984 Executive Vice President of the Company
Sep. 1984 Representative Director of the Company
Jun. 1987 President and Director of the Company
Oct. 2005 Representative Director, President and Corporate Officer of Wacoal Corp.
Apr. 2011 Representative Director and Chairman of Wacoal Corp.
Jun. 2018 Representative Director and Chairman of the Company (present)



Representative Director, President and Corporate Officer
Hironobu Yasuhara
Mar. 1975 Joined the Company
Apr. 1997 Director and General Manager of Wacoal China Co., Ltd.
Apr. 2005 Corporate Officer/General Manager of Wing Brand Business Department of the Company
Jun. 2006 Director and Managing Corporate Officer, General Manager of Wing Brand Business Department, of Wacoal Corp.
Apr. 2010 Director and Senior Managing Corporate Officer, and General Manager of Wacoal Brand Business Department, of Wacoal Corp.
Apr. 2011 Representative Director, President and Corporate Officer of Wacoal Corp.
Jun. 2011 Director of the Company
Jun. 2013 Senior Managing Director of the Company
Jun. 2016 Vice President and Director of the Company
Apr. 2018 Representative Director and Chairman of Wacoal Corp. (present)
Jun. 2018 Representative Director and President of the Company
Apr. 2020 Representative Director, President and Corporate Officer (present)



Director and Vice President Corporate Officer
Masashi Yamaguchi
Apr. 1981 Joined the Company
Apr. 2011 Corporate Officer and Manager of Personnel Division of Wacoal Corp.
Apr. 2013 Director and Corporate Officer, and General Manager of Personnel and Administration Division of Wacoal Corp.
Apr. 2014 Director and Managing Corporate Officer, and General Manager of Personnel and Administration Division of Wacoal Corp.
Apr. 2015 Director and Senior Managing Corporate Officer in charge of Administration, and General Manager of Personnel and Administration Division of Wacoal Corp.
Jun. 2015 Director in charge of Personnel and Administration of the Company
Apr. 2017 Director, Vice President Corporate Officer in charge of Administration, and General Manager of Personnel and Administration Division of Wacoal Corp.
Jun. 2017 Managing Director and Supervisor of Personnel and Administration and Future Business of the Company
Apr. 2019 Appointed Director, Vice President and Corporate Officer in charge of Administration of Wacoal Corp.
Jun. 2019 Director and Vice President and Supervisor of Group Business Management of the Company
Apr. 2020 Director and Vice President Corporate Officer, and Supervisor of Group Business Management (present)



Director, Vice President Corporate Officer
Tomoyasu Ito
Apr. 1983 Joined the Company
Apr. 2006 General Manager of Sales Planning Division, Wacoal Brand Operations
Apr. 2007 President of Studio Five Corp.
Apr. 2011 General Manager of Innerwear Merchandising Division, Wacoal Brand Operations
Apr. 2014 Director, Corporate Officer, Head of Wacoal Brand Operations
Apr. 2015 Director, Managing Corporate Officer, Head of Wacoal Brand Operations
Apr. 2016 Director, Senior Managing Corporate Officer, Head of Wacoal Brand Operations
Apr. 2018 Representative Director, President and Corporate Officer of Wacoal Corp. (present)
Apr. 2020 Director, Vice President Corporate Officer of the Company
Jun. 2020 Director, Vice President Corporate Officer of the Company (present)



Director and Managing Corporate Officer
Akira Miyagi
Mar. 1984 Joined the Company
Oct. 2007 Manager of Business Management and Administration of Wacoal Brand Operation Division of Wacoal Corp.
Apr. 2011 Director and Deputy General Manager of Wacoal China Co., Ltd.
Apr. 2014 General Manager of Corporate Planning of the Company
Apr. 2017 Corporate Officer of Wacoal Corp.
Jun. 2018 Director and General Manager of Corporate Planning of the Company
Jun. 2019 Managing Director and General Manager of Corporate Planning of the Company
Apr. 2020 Director and Managing Corporate Officer in charge of Group Finance (present)



Director
Madoka Mayuzumi
Aug. 1996 Launched and organized monthly haiku magazine *Gekkan Hepburn*
Jan. 2001 Member of "National Language Subdivision" of Council for Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology
Dec. 2004 Member of "Council for the Promotion of Cultural Diplomacy," Cabinet Secretariat
Apr. 2010 Japan Cultural Envoy for Agency for Cultural Affairs
May 2013 Member of "Forum to Realize Culture and Arts-Oriented Nation" held by Minister of Education, Culture, Sports, Science and Technology
Apr. 2014 Member of "Cultural Policy Subdivision" of Council for Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology
Apr. 2014 Advisor of the Company
Jun. 2015 Director of the Company (present)



Director
Shigeru Saito
Nov. 1979 Joined TOSE CO., LTD.
General Manager of Development Department
Oct. 1985 Director of TOSE CO., LTD.
Feb. 1987 Representative Director and President of TOSE CO., LTD.
Sep. 2004 Representative Director and President, and CEO of TOSE CO., LTD.
Dec. 2015 Appointed Representative Director and Chairman, and CEO of TOSE CO., LTD. (present)
Jun. 2017 Director of the Company (present)



Director
Tsunehiko Iwai
Apr. 1979 Joined Shiseido Co., Ltd.
Apr. 2002 General Manager of Product Commercialization, Planning Department, Shiseido Co., Ltd.
Apr. 2008 Corporate Officer, General Manager of Technical Department, Shiseido Co., Ltd.
Jun. 2014 Director, Corporate Executive Officer in charge of Research & Development, Production and Technical Affairs, Shiseido Co., Ltd.
Jan. 2016 Representative Director, Executive Vice President, Chief Technology & Innovation Officer, Shiseido Co., Ltd.
Mar. 2018 Senior Advisor, Shiseido Co., Ltd.
Jun. 2018 Director of the Company (present)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member
Kiyotaka Hiroshima
Apr. 1981 Joined the Company
Apr. 2008 Materials Control Manager of Technology/Production Division of Wacoal Corp.
Apr. 2009 Production Control Manager of Technology/Production Division of Wacoal Corp.
Apr. 2010 Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp.
Apr. 2011 Director and Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp.
Apr. 2015 Director and Corporate Officer and Supervisor of Technology/Production of Wacoal Corp.
Jun. 2015 Audit & Supervisory Board Member of Wacoal Corp. (present)
Jun. 2015 Audit & Supervisory Board Member of the Company (present)



Audit & Supervisory Board Member
Shinichi Kitagawa
Mar. 1985 Joined the Company
Apr. 2008 Director, Manager of Accounting and General Affairs Department of Studio Five Corp.
Apr. 2009 Director, Manager of Business Management Department of Studio Five Corp.
Apr. 2013 General Manager of IR & Corporate PR Office of the Company
Apr. 2018 Accounting Manager of the Company
Jun. 2020 Audit & Supervisory Board Member of the Company (present)



Audit & Supervisory Board Member
Hiroshi Shirai
Nov. 1977 Joined Pricewaterhouse
Aug. 1982 Registered as Certified Public Accountant
Jul. 1992 Joined Aoyama Audit Corporation
Aug. 2007 Joined Deloitte Touche Tohmatsu
Jun. 2010 Vice Chairman of The Japanese Institute of Certified Public Accountants Kinki Chapter
Sep. 2011 Left Deloitte Touche Tohmatsu
Oct. 2011 Established Shirai Public Accounting Firm, Managing Partner (present)
Jun. 2012 Audit & Supervisory Board Member, ALTECO INC. (present)
Jun. 2015 Audit & Supervisory Board Member of the Company (present)
Mar. 2016 Audit & Supervisory Board Member, Noritz Corporation
Apr. 2016 Executive Director of Public University Corporation, Osaka City University
Apr. 2019 Inspector of University Public Corporation Osaka (present)



Audit & Supervisory Board Member
Mitsuhiro Hamamoto
Oct. 2000 Admitted to the Bar
Oct. 2000 Joined the Law Office of Tadashi Yamada
Oct. 2004 Joined the Kikkawa Law Office
Apr. 2008 Partner at the Kikkawa Law Office
Jun. 2017 Audit & Supervisory Board Member of the Company (present)
Feb. 2019 Managing Partner of Hamamoto Law Office (present)




Audit & Supervisory Board Member
Minoru Shimada
Apr. 1977 Joined The Bank of Tokyo, Ltd. (currently "MUFG Bank, Ltd.")
Jun. 2004 Corporate Officer, General Manager of Corporate Banking Group No. 1, Corporate Banking Division No. 4, The Bank of Tokyo Mitsubishi, Ltd. (currently "MUFG Bank, Ltd.")
May 2005 Corporate Officer, Manager of New York Branch
Apr. 2008 Managing Corporate Officer, General Manager of Corporate Banking Group, Nagoya Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently "MUFG Bank, Ltd.")
Jun. 2010 Representative Director and Vice President, SOTSU CORPORATION
Jun. 2011 Representative Director and President, NAIGAI Construction Co., Ltd.
Jun. 2012 Representative Director and President, SOTSU CORPORATION; Representative Director and President, Sotsu Amenity Service Corporation
Jun. 2018 Director and Chairman, SOTSU CORPORATION
Audit & Supervisory Board Member of the Company (present)
Jun. 2020 Executive Adviser, SOTSU CORPORATION (present)

Corporate Governance

Basic Policy and Purpose

The basic policy and purpose of the Wacoal Group’s corporate governance is to continuously enhance enterprise value by increasing transparency and ensuring the fairness and independence of corporate management in order to build “mutual trust” in relationships with every stakeholder, including shareholders, customers, employees, business partners, and local communities.

 **Corporate Governance Guidelines**
https://www.wacoalholdings.jp/group/files/governance_guideline_en.pdf

Corporate Governance Structure

Summary of the Corporate Governance System and the Reasons for Its Adoption

The Company has adopted a governance system based on a Board of Directors, comprising directors who are conversant with respective businesses and outside directors with diverse professional backgrounds, and an Audit & Supervisory Board, including outside Audit & Supervisory Board members. This governance system enables the holding company to effectively supervise and audit the execution of operations at Group companies and to realize and maintain high-quality business management.

Comprising eight directors, three of whom are outside directors and one of whom is a woman, the Board of Directors deliberates and makes decisions on such issues as important management policies and strategies and items stipulated by statutory laws and regulations or the Company’s articles of incorporation. To clarify management responsibility, directors are appointed for one year. Thus, we have built a business management system that enables rapid responses to changes in business conditions.

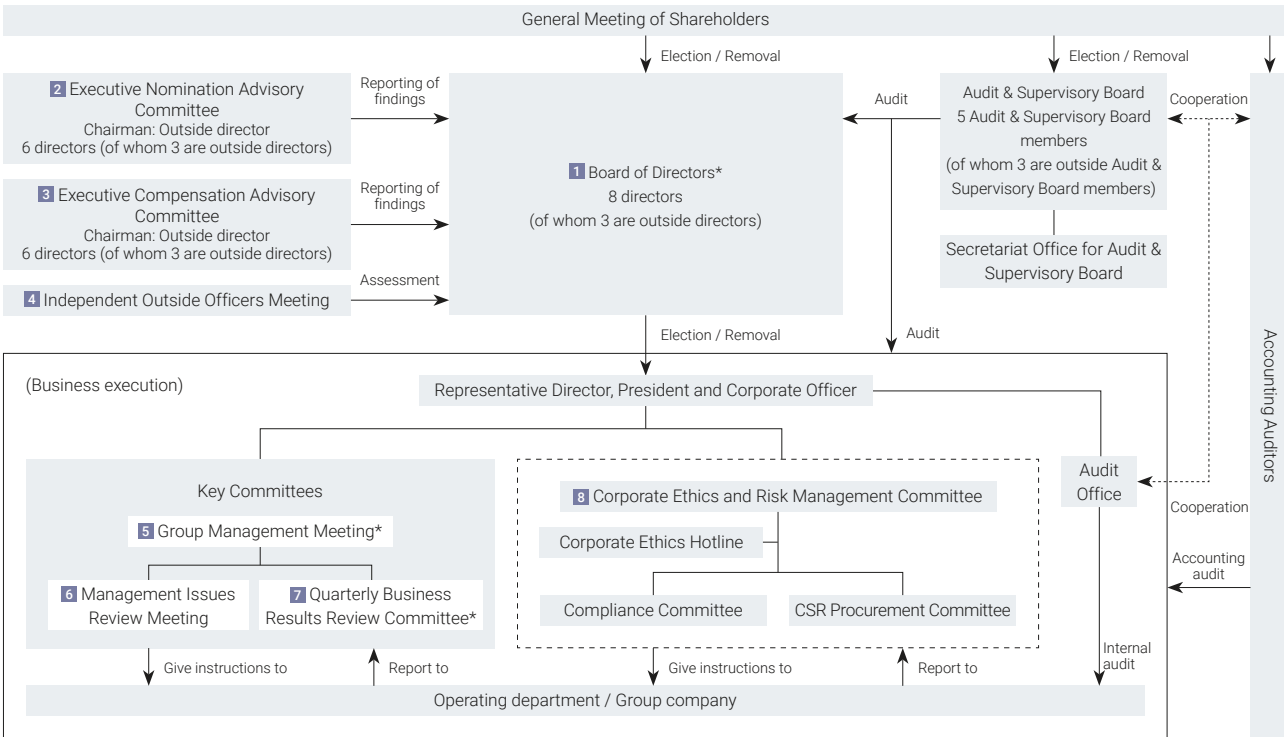
Comprising five Audit & Supervisory Board members, three of whom are outside members, the Audit & Supervisory Board supervises and audits business management. Also, the Group has established the Office of Corporate Auditors, which audits and monitors the appropriateness and efficiency of the operational processes of Group companies.

Further, the Group has established the Group Management Meeting, which considers Group management strategy and other important management issues and conducts prior deliberation of matters for consideration by the Board of Directors.

Overview of the Corporate Governance Structure (as of June 26, 2020)

Format	Audit & Supervisory Board system
Number of directors	8
Of whom, outside directors	3
Term of directors	1 year
Number of Audit & Supervisory Board members	5
Of whom, outside Audit & Supervisory Board members	3
Number of independent officers	6
Participation of outside directors in determination of remuneration	Yes
Organizations to assist in decision-making	Executive Nomination Advisory Committee, Executive Compensation Advisory Committee
Key committees	Independent Outside Officers Meeting, Group Management Meeting, Corporate Ethics and Risk Management Committee
Results-linked remuneration	Yes

Corporate Governance Structure



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

Overview and Composition of the Board of Directors, Advisory Committees, and Other Meetings

Name	Description	Number of meetings convened in FY2020
1 Board of Directors	Based on its regulations, the Board of Directors convenes regular meetings every month and convenes extraordinary meetings as required. It makes decisions on management policy and strategy and other important business-related matters as well as on matters stipulated by statutory laws and regulations or the Company's articles of incorporation.	13
2 Executive Nomination Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors and three internal directors. In principle, the committee convenes annually on the day of the January meeting of the Board of Directors, considers the nomination or promotion of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members are required to pass resolutions.	1
3 Executive Compensation Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors, two internal directors, and one other member. In principle, the committee convenes on the days of the April, July, and February meetings of the Board of Directors, considers the compensation of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members are required to pass resolutions.	4
4 Independent Outside Officers Meeting	Primarily comprising independent officers, this meeting evaluates the Board of Directors by exchanging opinions. Further, the details of these evaluations are reported to the Board of Directors and then disclosed through a corporate governance report.	1
5 Group Management Meeting	Comprising directors and key members of the management team, the meeting considers items related to the Group's management strategy and other important management issues and conducts prior examinations of agenda items to be discussed by the Board of Directors.	22
6 Management Issues Review Meeting	This meeting is convened as required to analyze medium- to long-term Companywide strategies and important management issues and to prepare drafts of management strategies and medium- to long-term plans.	8
7 Quarterly Business Results Review Committee	Convening three times a year, these committees check business results and the progress of measures. Also, if targets are not achieved, the committees consider improvement measures and revise targets as required.	3
8 Corporate Ethics and Risk Management Committee	With the president and representative director acting as supervisor, the committee comprises the director of the Administrative Department, internal directors, the directors of operating companies, corporate officers, and other members. The committee strengthens and ensures the rigorous enforcement of systems for compliance with corporate ethics, identifies risks related to the overall business management of the Group, and strengthens systems for managing such risks.	4

Diversity of the Board of Directors and the Audit & Supervisory Board Directors

	Name	Independence (outside directors only)	Expertise and experience beneficial to the Company					
			Corporate management, operational management	Finance, accounting	Law, compliance	International insight	Personnel development	Art, culture, and social insight
1	Yoshikata Tsukamoto		●			●		
2	Hironobu Yasuhara		●			●		
3	Masashi Yamaguchi		●	●			●	
4	Tomoyasu Ito		●			●		
5	Akira Miyagi		●	●	●	●		
6	Madoka Mayuzumi	●						●
7	Shigeru Saito	●	●			●		
8	Tsunehiko Iwai	●	●		●	●		

Note: The above overview does not represent the entirety of directors’ expertise and experience.

Audit & Supervisory Board Members

	Name	Independence (outside Audit & Supervisory Board members only)	Expertise and experience beneficial to the Company					
			Corporate management, operational management	Finance, accounting	Law, compliance	International insight	Personnel development	Art, culture, and social insight
1	Kiyotaka Hiroshima		●			●		
2	Shinichi Kitagawa		●	●				
3	Hiroshi Shirai	●		●				
4	Mitsuhiro Hamamoto	●			●			
5	Minoru Shimada	●	●	●		●		

Note: The above overview does not represent the entirety of Audit & Supervisory Board members’ expertise and experience.

Measures to Strengthen the Effectiveness of Corporate Governance

Analysis and Assessment through the Independent Outside Officers Meeting

The Independent Outside Officers Meeting assesses the effectiveness of the Board of Directors, identifies issues, and promotes continuous improvement.


Assessments of the Effectiveness of the Board of Directors and Improvement Measures

	FY2018	FY2019	FY2020
Issues identified	1. Need for increased sharing of information with 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	1. Need for revision of both the regulations of the Board of Directors and the establishment of agenda items in order to extend the scope of responsibilities entrusted to corporate officers and to increase the opportunities for reporting on agenda items that require continuous confirmation of progress 2. Need to consider making meeting documents paperless	1. Need to conduct on-site inspections of factories, stores, and other facilities to further understanding of the Group's businesses 2. Need to facilitate constructive discussions of growth strategies by providing opportunities that enable understanding of brand merchandising strategies
Improvement measures	1. Modified administrative systems 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	1. Revised regulations on the submission of agenda items to the Board of Directors and revised the establishment of agenda items 2. Made documents used by the Group Management Meeting and the Board of Directors paperless	1. Considered organizing on-site inspections of stores that have introduced 3D body scanners and other facilities 2. Considered the establishment of an inspection program for newly appointed outside directors with the aim of cultivating understanding of the Group's businesses

Outside Directors and Outside Audit & Supervisory Board Members

The Company has three outside directors and three outside Audit & Supervisory Board members. The Company appoints outside directors who have made wide-ranging contributions to the fields of art and culture in Japan and overseas or who have extensive experience and knowledge of corporate management. By providing objective, neutral advice based on their extensive business experience and specialized knowledge in a range of fields, outside directors enhance the appropriateness of directors' decision-making. Further, the Group appoints as outside Audit &

Supervisory Board members certified public accountants who have a high level of expertise with regard to finance and accounting, attorneys who are independent from the Company, and individuals who have many years of experience of working at financial institutions and extensive knowledge of corporate management. While retaining a high degree of independence, outside Audit & Supervisory Board members draw on their expertise to undertake strict auditing of the legality of directors' decision-making and operational execution.

 **Criteria to Ensure the Independence of Outside Officers**
https://www.wacoalholdings.jp/group/files/governance_outsidedirectors_en.pdf

Reasons for Election of Outside Directors and Outside Audit & Supervisory Board Members

Outside directors	Reason for election	Expected field of expertise and knowledge	Attendance at Board of Directors' meetings
Madoka Mayuzumi	As a haiku poet, Madoka Mayuzumi 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.	Art, culture, and social insight	13/13
Shigeru Saito	It is anticipated that Shigeru Saito 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.	Corporate management, operational management, and international insight	13/13
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 various fields of technology.	Corporate management, operational management, law and compliance, and international insight	13/13

Outside Audit & Supervisory Board members	Reason for election	Attendance at Board of Directors' meetings and Audit & Supervisory Board meetings	
		Board of Directors' meetings	Audit & Supervisory Board meetings
Hiroshi Shirai	Specialized knowledge of accounting and finance as a certified public accountant make Hiroshi Shirai an appropriate outside Audit & Supervisory Board member for the Group.	13/13	14/15
Mitsuhiro Hamamoto	Mitsuhiro Hamamoto's experience and specialized knowledge as an attorney make him an appropriate outside Audit & Supervisory Board member.	13/13	15/15
Minoru Shimada	Minoru Shimada can be expected to contribute to our audit and supervisory structure by using his extensive experience in the financial sector and his knowledge as a business manager, as well as his overseas experience.	13/13	15/15

Strengthening of the Functions of the Audit & Supervisory Board and Its Members

The Audit & Supervisory Board comprises two internal full-time Audit & Supervisory Board members and three outside Audit & Supervisory Board members. Convening monthly to coincide with the meetings of the Board of Directors, the Audit & Supervisory Board also holds extraordinary meetings as required. Pursuant to auditing standards that are stipulated by the Audit & Supervisory Board, Audit & Supervisory Board members audit the status of duty execution and property, receive reports and explanations from the independent auditor, and verify the appropriateness of financial statements and the relevance of the auditing of accounts. The Audit & Supervisory Board members also monitor and verify the establishment of internal control systems and their operational status. In addition, the Company provides an independent, dedicated secretariat to assist the Audit & Supervisory Board

Compensation of Officers

Under the Company's system for the compensation of officers, compensation comprises basic compensation, which is fixed; bonuses linked to the Company's performance in each fiscal year; and share-based stock options, which provide medium- to long-term incentives. Given that they are not involved in the execution of duties, independent outside directors and Audit & Supervisory Board members only receive fixed basic remuneration.

For fiscal 2020, a breakdown of the fixed basic compensation, performance-based bonuses, and share-based stock options as percentages of the compensation of officers is shown below. Further, this breakdown assumes calculation methods for performance-based bonuses that are in accordance with expectations.



• Basic Compensation

The amount of basic compensation is set according to the positions of officers. With respect to officers in the same position, however, the basic compensation of a particular officer can be higher than that of other officers as a result of an increase, within a certain range, in basic compensation that reflects the officer's degree of contribution to business results in the previous fiscal year.

With reference to the results of a compensation survey conducted by an external organization, every year the Company verifies the range of appropriate levels of compensation for companies in the same industry as well as for companies of a similar size and then sets a level of compensation commensurate with the Company's business results and size.

Further, a resolution of the Ordinary General Meeting of Shareholders convened on June 29, 2005, set upper limits of ¥350 million for the aggregate annual basic compensation of all directors (excluding employee salaries of directors who concurrently serve as employees) and ¥75 million for the aggregate annual basic compensation of all Audit & Supervisory Board members.

Compensation of Officers in FY2020

Classification	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc., by type (¥ million)			Number of eligible recipients
		Basic compensation	Performance-based bonuses	Share-based stock options	
Directors (excluding outside directors)	282	227	12	43	5
Audit & Supervisory Board members (excluding outside members)	39	39	—	—	2
Outside directors and outside Audit & Supervisory Board members	49	49	—	—	6

Note: As of March 31, 2020, there were four directors, two Audit & Supervisory Board members, and six outside officers. The number of directors differs from the number of directors in the above table because the number in the table includes one director who retired upon the conclusion of the 71st Ordinary General Meeting of Shareholders, convened on June 27, 2019.

and assigns one employee to operate the secretariat.

At meetings of the Audit & Supervisory Board, outside Audit & Supervisory Board members communicate and coordinate extensively with full-time Audit & Supervisory Board members.

For example, the latter provide the former with reports on the status of audits of operations and the details of discussions at important meetings. Outside Audit & Supervisory Board members also receive various types of reports from the independent auditor and departments engaged in internal control and audit internal control systems, including the appropriateness of financial reporting. With a view to heightening the effectiveness of audits, outside Audit & Supervisory Board members engage in a range of other activities. For example, they attend important meetings other than those of the Board of Directors in light of discussions of the Audit & Supervisory Board and visit subsidiaries to conduct audits and investigative interviews.

• Performance-Based Bonuses

To increase the degree of linkage between bonuses and consolidated business performance, the aggregate amount of performance-based bonuses is determined for each fiscal year based on the percentage achievement of a reference value of consolidated operating income and, to a lesser extent, based on certain other business results. With reference to past business results and other factors, the reference value of consolidated operating income has been set at ¥13.5 billion.

• Share-Based Stock Options

The amount of share-based stock options is determined by a resolution of the Board of Directors in consideration of the monthly amount of the basic compensation and the fair value of stocks, which are determined based on reports issued by the Executive Compensation Advisory Committee.

Further, a resolution of the Ordinary General Meeting of Shareholders convened on June 27, 2008, set an upper limit of ¥70 million for aggregate annual share-based stock options.

Policy on Reviewing the System for the Compensation of Officers with a View to Strengthening Its Effectiveness

The Executive Compensation Advisory Committee is engaged in an ongoing review of the entire system for the compensation of officers. Going forward, the committee will consider the following matters:

- Consideration and establishment of a basic policy on the compensation of officers
- The mix of basic compensation, performance-based bonuses, and medium- to long-term incentives (review of monetary amounts and percentages)
- The calculation method for performance-based bonuses (strengthening linkage with the numerical targets of the medium-term management plan)
- Medium- to long-term incentives (consideration of methods that could replace stock options)

Policy on Strategic Shareholdings and Standards for Exercising Voting Rights

The purpose of the Company's strategic shareholdings is to enhance enterprise value over the medium to long term by maintaining and strengthening transactional relationships; establishing, maintaining, and strengthening cooperative and transactional relationships with respect to business development; and maintaining stable financial transactions. The Company determines whether strategic shareholdings are appropriate from a medium-to-long-term perspective and whether the attendant benefits and risks of strategic shareholdings commensurate with equity cost are verified, and the findings are periodically reported to the Board of Directors. Based on the verification findings, the Board of Directors analyzes whether strategic shareholdings contribute to the enhancement of the Company's enterprise value over the medium to long term and decides whether to continue or dispose of strategic shareholdings. Taking into consideration the circumstances of its partner companies, the Company steadily disposes

Internal Control

The Office of Corporate Auditors reports directly to the president and representative director and conducts internal audits pursuant to internal audit regulations. The office audits compliance with laws and regulations and appropriateness of the execution of duties at the Company and subsidiaries in Japan and overseas, evaluates the effectiveness of internal control, and periodically reports the results of these activities to the president and representative director.

Compliance and Risk Management Structure

The Company's Corporate Ethics and Risk Management Committee has the representative director, president and corporate officer acting as supervisor and the director and supervisor of Group business management as its chairperson. The committee is tasked with developing the compliance structure, examining compliance issues that could significantly affect the Wacoal Group, and ensuring all employees understand and internalize corporate ethics. Further, the committee identifies risks in relation to overall business management and develops and strengthens the risk management structure.

Compliance Structure

Based on Group compliance and risk policies formulated by the Corporate Ethics and Risk Management Committee, the Company has established the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct to ensure that directors and

of or reduces strategic shareholdings whose significance has lessened.

Regarding the exercise of the voting rights of strategic shareholdings, the Company affords due respect to the management strategies of investee companies and decides whether or not to vote in favor of proposals based on comprehensive consideration of whether they contribute to the enhancement of the enterprise value of both said companies and the Company.

Reference: Shareholdings of Wacoal Corp.

	FY2018	FY2019	FY2020
Number of stocks	97	95	84
Monetary amount (¥ billion)	674	608	422
As a percentage of consolidated total assets	22.6%	21.6%	15.2%

Note: The shareholdings of Wacoal Corp. for which the largest monetary amount is recognized on the balance sheets in relation to investment in equity securities (the monetary amount of equity securities recognized) have been stated.

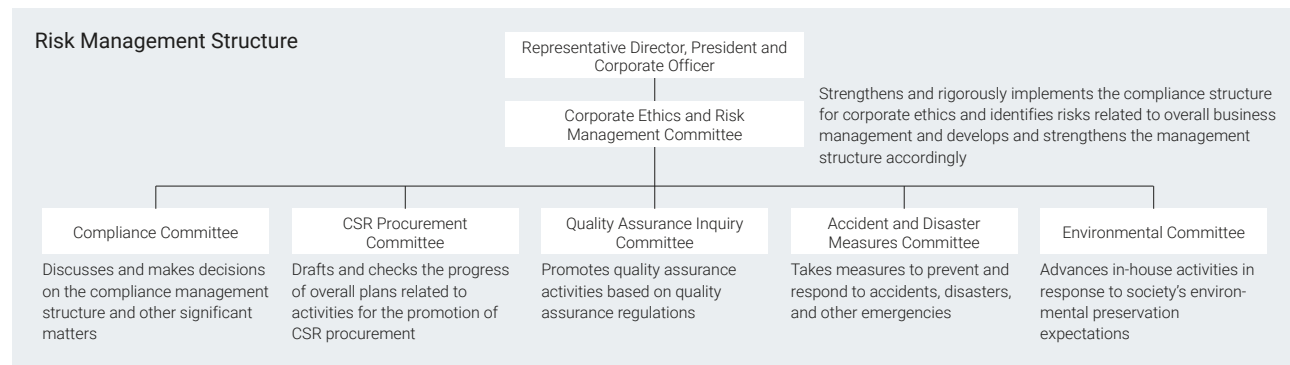
Further, the Office of Corporate Auditors comprises 11 personnel and holds monthly report verification meetings with Audit & Supervisory Board members. These meetings primarily verify reports on the main points of meetings that Audit & Supervisory Board members attend and report on the activities of the Office of Corporate Auditors. The Company has established a system for sharing documents and other information required for audits. To facilitate efficient, effective audits both parties coordinate through such measures as mutual exchanges and the verification of audit working papers.

employees perform their duties in compliance with laws, regulations, and the articles of incorporation and sound social norms.

Further, the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct stipulate resolute refusal of demands from antisocial forces. In addition, the Company has established an internal whistle-blowing system and other systems that enable directors and employees to report on any misconduct or inappropriate behavior.

Risk Management Structure

Subject to the approval of the Board of Directors, the Corporate Ethics and Risk Management Committee stipulates basic regulations for risk management. Pursuant to these regulations, the committee clarifies the responsibilities for each category of risk, advances the construction of a risk management system that comprehensively encompasses the Wacoal Group's overall risks, regularly shares information, and identifies and resolves issues.



Risk Management during the COVID-19 Pandemic

The worldwide COVID-19 pandemic is significantly affecting the Company's sales and production. Based on our determination to give first priority to the safety of customers, business partners, and employees and to the prevention of the further spread of COVID-19, in fiscal 2020 we established the COVID-19 Task Force, which is a subcommittee of the Corporate Ethics and Risk Management Committee and chaired by a director and vice president. The task force takes countermeasures in light of developments in relation to the COVID-19 pandemic.

Specifically, from April 1, 2020 until the middle of June, mainstay subsidiary Wacoal Corp. introduced an additional one-day holiday per week for all employees and encouraged office workers to work from home. Further, we put all store sales personnel on furlough as the state of emergency declaration issued nationwide on April 16 resulted in the suspension of operations at department stores and many other stores.

▷ For details on the Company's measures in response to the COVID-19 pandemic, please see pages 4 and 5.

Basic Policy on Information Disclosure

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

We have identified three basic requirements for information disclosure. First, important information must be disclosed accurately and in a timely manner, regardless of whether it is positive or negative. 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 information leakage before timely, appropriate disclosure.

Basic Policy on Constructive Dialogue with Shareholders and Other Stakeholders

We have adopted and published a basic policy on constructive dialogue with shareholders and other stakeholders. Dialogue with shareholders and other stakeholders is under the overall control of the director in charge of finance and is the responsibility of the division in charge of investor relations as well as the Group officers and employees that said division designates. Various factors are considered in relation to requests for meetings with directors, including the proposed subject matter of the meeting and the affiliations of the person seeking the meeting. In addition to fair, timely, and accurate disclosure about our business management and financial situation to shareholders and other investors in Japan and overseas, we help them gain a better understanding of our viewpoint and approach by actively distributing information about the market environment and our unique strengths.



Basic Policy on Constructive Dialogue with Shareholders
https://www.wacoalholdings.jp/en/sustainability/talk_with_stockholder/

Investor Relations Activities

The following investor relations activities were conducted in FY2020.

	Activity	Frequency	Details
Japan	Results briefings	Twice	Full-year and interim results briefings (held in Tokyo)
	Individual meetings with institutional investors and analysts	98 times (companies in total)	Interviews with the investor relations manager (including interviews with the president and representative director and directors)
	Business briefings (small meetings)	Once (eight companies)	Briefing conducted by the officer in charge
	Conferences	One day (seven companies)	Interviews with the president and representative director
	Study tours of a sewing factory	Twice	Interviews with the investor relations manager and a tour conducted by the factory manager (held in Nagasaki and Fukui)
	Seminars for individual investors	Three days	Seminars conducted by the investor relations manager (held in Kumamoto, Osaka, and Sendai)
Overseas	Individual meetings with analysts	Once	Meetings conducted by the president and the investor relations manager of an overseas subsidiary (Location: United States)
	Individual meetings with institutional investors	Two days (six companies)	Meetings conducted by the investor relations manager and the president and representative director (Location: United States)
In-house	Feedback	Provided each time that meetings for investors are held after full-year and interim results briefings	Report on the activities of the investor relations manager (Targets: the president and representative director, directors, managers of operating companies, outside Audit & Supervisory Board members, etc.)
	Briefings on the integrated report	Three times	Briefings conducted by the investor relations manager (Target: employees)

Dialogue

Aiming to benefit society and enhance enterprise value through the creation of a new innerwear culture



Naomi Yamazaki
Administration Manager
Institutional Investors Collective
Engagement Forum



Tsunehiko Iwai
Outside Director
Chairman of Executive Nomination
Advisory Committee
Chairman of Executive
Compensation Advisory Committee

The worldwide COVID-19 pandemic is significantly affecting the Wacoal Group’s business management. How should this turbulent era be viewed? What are the prospects for innerwear culture? What should an outside director’s role be in corporate decision-making?

Realizing Effective Governance in Emergencies

Yamazaki: In recent years, as the reform of Japanese companies’ governance has progressed, the balance between the advisory and supervisory roles of outside directors has become a focus of attention. Such attention has become even more pronounced with the series of issues arising from the COVID-19 pandemic. First, this is because the true value of outside directors is more evident when companies are dealing with emergencies than in ordinary times. Second, Japanese companies have come to an important fork in the road, a point

stressed by our forum’s April 10 Emergency Engagement Agenda. With many companies making great efforts to get reforms underway only to then abandon them in pursuit of near-term business results, I believe that now more than ever companies need the objective, broad perspectives that outside directors are uniquely qualified to provide. Today I would like to hear the views of Mr. Iwai, who has been an outside director of Wacoal Holdings since 2018, in regard to a variety of topics.

Let’s begin with the COVID-19 issue. When exactly did the Board of Directors grasp how the situation was unfolding, and what type of discussions did the Board hold?

Iwai: In addition to Wacoal Holdings’ Board of Directors, venues for discussing the Group’s management policies include meetings of the Board of Directors of Wacoal Corp. and the Group Management Meeting. Further, the minutes of meetings that outside directors do not attend are emailed to them. According to the minutes, in the second half of February the Group Management Meeting received a situation report from the Corporate Ethics and Risk Management Committee and discussed such countermeasures as transitioning to telecommuting. Discussions including outside directors began at the March meeting of the Company’s Board of Directors. This meeting heard reports on the effect of COVID-19’s spread on business results, the presence or absence of infected persons and those in close contact with infected persons, and the Group’s countermeasures. I was particularly impressed by measures to have Kyushu Wacoal Manufacturing Corp. produce masks for distribution to all Group employees worldwide. Outside directors praised such measures and pointed out the need to prevent infection in day-to-day activities by ensuring awareness is raised among employees. Executives replied to the effect that they were issuing information through the intranet and health insurance associations and actively urging caution through the posting of signs in stores and other measures.

Also, in the second half of April the Group Management Meeting held an in-depth discussion on management issues going forward. It seems that the specific medium- to long-term matters discussed included reducing business expenses and investments in the current fiscal year; issues related to changes in and responses to customer purchasing patterns post-COVID-19; things that the Company should discontinue, temporarily suspend, revise immediately, or continue unchanged; and the strategic focus of businesses, structural reforms, and organizations in the aftermath of COVID-19. However, regrettably the online Board of Directors’ meeting on the following day did not receive a report on these discussions. Of course, details of the discussions were included in the meeting’s minutes, which were provided later.

Yamazaki: Was this point about a report not being received made to the executives?

Iwai: The point I just mentioned and other relevant points were clearly communicated to the executives. The atmosphere at meetings of the Board of Directors lends itself to stating opinions, and outside directors, as needed, share their opinions frankly with the senior management team during prior briefings on agenda items and chats after meetings. When it comes to online meetings, however, inevitably there are fewer of these kinds of incidental opportunities for communication.

Yamazaki: What is your overall evaluation of the measures Wacoal has taken in response to the COVID-19 crisis?

Iwai: The senior management team’s response to the crisis showed a determination to protect employees and prevent them from becoming infected, and employees also seemed to share an appropriate sense of crisis. On the other hand, not

holding discussions on medium- to long-term management issues until the second half of April was perhaps a little late.

Yamazaki: While a sense of crisis with respect to the situation at hand is important, precisely such situations also call for taking a broader view of things.

Creating a New Innerwear Culture

Yamazaki: Looking back over history, on numerous occasions humanity has been exposed to the plague and other infectious diseases. At present, COVID-19 is having a similar effect as these diseases. Do you think that society will have to live “with COVID-19” for some time to come?

Iwai: Yes, I believe so. Our adversary is a virus, and viruses can repeatedly undergo sudden mutations. Even if a vaccine is developed, there is no guarantee that it will be a panacea for all issues resulting from COVID-19. We may not even get to a “post-COVID-19” situation. That is to say, we may be forced to coexist with the virus over a long period.

The impact of such a scenario would go far beyond that of the global recession triggered by the bankruptcy of Lehman Brothers and would turn conventional business wisdom on its head. Indeed, looking at the activities of companies, telecommuting and online meetings have already become commonplace. Moreover, some companies have begun reducing their office floor space.

Yamazaki: Business-to-consumer companies have suddenly been affected by changes in work styles and lifestyles, haven’t they?

Iwai: For example, in the cosmetics industry, which I previously worked in, these changes are affecting business models based on such sales techniques as consultative sales because they conspicuously meet the three conditions that facilitate the transmission of infectious diseases, namely closed spaces, crowds, and close contact. Meanwhile, digital transformation is accelerating, with the burgeoning demand for e-commerce being the most obvious sign of this trend.

Yamazaki: What effect do you think that this new situation will have on Wacoal’s strengths?

Iwai: I think the disappearance of demand for women’s innerwear is absolutely out of the question. For instance, *Night Up Bra*, designed to support the position of the bust so that even when wearers are lying on their side they can sleep comfortably, has proven extremely popular. This example and others suggest that the desire of women to maintain their physiques is perhaps universal.

Yamazaki: I agree that the market for innerwear is unlikely to vanish. However, changes in innerwear culture are possible. In the past 100 years, Japan’s apparel culture has been completely transformed. Previously, Japan did not have the

custom of wearing Western innerwear. After World War II, however, Wacoal was founded, and the country's innerwear culture changed significantly. Taking this history into consideration, a new innerwear culture might come into being.

Iwai: I think you are right. As the leader of Japan's innerwear culture, Wacoal must be in the vanguard of new changes, and it is a company with the ability to do just that.

Since I was engaged in the cosmetics industry, I have been interested in the huge volume of measurement data that the Human Science Research Center has accumulated. I believe data on approximately 45,000 women as well as data on the changes in the physiques of the same women over time are unique assets. This knowledge underpins such achievements as Wacoal's original *3D smart & try* 3D body scanner technology.

Yamazaki: Taking just one measurement seems as if it would require extensive knowledge of physique measurement. The combination of 3D body scanners with AI-enabled customer services is an approach that merits attention as it meets the current era's need for contactless services.

Iwai: In tandem with the introduction of these technologies to directly managed stores, Wacoal is exploring the possibility of selling the technologies externally. Regarding the latter activities, at meetings of the Board of Directors I have stressed the importance of rigorously analyzing the business formats of partners and proceeding strategically. As the first phase of such initiatives, Wacoal recently formed an alliance with the major department store Isetan Mitsukoshi Holdings Ltd. For a variety of reasons, I believe Isetan Mitsukoshi to be an ideal partner.



Accelerating and Decelerating as Needed



Yamazaki: Looking back over the two years since you became an outside director, how do you feel that Wacoal's governance has changed?

Iwai: Reform of Wacoal's governance is underway at this moment. The Audit & Supervisory Board's annual report commended the Board of Directors for having much livelier discussions. The fact that we are now given documents and minutes from the main in-house meetings has been a major step forward. Further, I chair the Executive Compensation Advisory Committee and the Executive Nomination Advisory Committee. With respect to the latter, I feel that more proactive provision of information is required. In deepening discussion on the short-listing and nomination of candidates for positions in the senior management team, we need to be apprised of the candidates' abilities, professional skills, and business experience.

On the other hand, the Independent Outside Officers Meeting, which was established in 2015, is functioning well. My impression is that the Company responds promptly to the findings of this committee. Also, I frequently communicate with investor relations managers, who receive valuable pointers from investors. This allows me to submit various recommendations to executives with the aim of ensuring that they are aware of issues investors raise.

Yamazaki: That is very encouraging to hear. Admittedly, outside directors are not in a position to issue orders; however, they can submit recommendations on major strategies and ideas. I believe that it is important to facilitate this kind of communication at meetings of the Board of Directors and other meetings.



I believe that the role of an outside director is to be ready and willing to “step on the gas” or “the brake” as appropriate in each situation.



As outside directors can submit recommendations on major strategies and ideas, I believe that it is important to facilitate this kind of communication at meetings of the Board of Directors and other meetings.

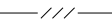
Iwai: I believe that the role of an outside director is to be ready and willing to “step on the gas” or “the brake” as appropriate in each situation. I will work unstintingly to assist the reforms that Wacoal is advancing in response to the current unprecedented situation. Further, if I ever feel that we are running out of control, I will step on the brake without hesitation.

Yamazaki: When deciding to step on the gas, what kind of things do you focus on?

Iwai: First, I make a point of stating opinions with reference to data and based on my own research. Also, rather than accepting executives' proposals unquestioningly, I enumerate my reasons for concern with the aim of having them eliminated one by one. This has been my philosophy since I was engaged in corporate management. To arrive at the correct decision, we need to listen not just to one side's opinion but also to the opposing argument.

Before meetings of the Board of Directors, I carefully read and absorb the relevant documents. If there is anything that I do not understand, I ask questions. If something does not seem right, I state my doubts frankly. For example, when the acquisition of the *LIVELY* brand in the United States was under consideration, we received a prior briefing on the details of the proposal directly from members of the U.S. company's senior management team. At this time, I posed a variety of questions and expressed several concerns. Ultimately, as I had received convincing replies and explanations, I stepped on the gas at the subsequent Board of Directors' meeting and agreed with the proposal.

Building a More Robust Corporate Structure



Yamazaki: Have you shared the various issues that you discussed today with President Yasuhara?

Iwai: President Yasuhara and I are of similar ages and have a great deal of mutual understanding. Of course, I tell him what needs to be said directly, and I feel that all of his words and

actions demonstrate that he seriously considers the issues raised. This is his third year as president, and my guess is that he has a strong desire to deliver solid results during the term of the current medium-term management plan.

Yamazaki: Lastly, what type of measures are needed if Wacoal is to grow into a company with a stronger corporate structure?

Iwai: The top priority is to survive the shakeout that is underway at present. The current medium-term management plan's first basic policy calls on the Group to achieve strong growth in Japan and overseas. Although the premise of this policy has been undermined, Wacoal's response must be to accelerate efforts focused on the plan's second basic policy, which is to *review and reform the structures of the Group's businesses without making any special exceptions*. At the same time, the Group must *heighten enterprise value by enhancing both economic and social value* in accordance with the third basic policy.

Enhancing “social value” means the pursuit of integrated value creation that takes into account environmental, social, and governance (ESG) factors. This is exactly the type of value creation that the vision of a “Global Wacoal” refers to by describing a future in which *we always provide pioneering products to the world and continue to lead the field of innerwear culture*. Wacoal should maintain this commitment to social value and use it to identify which aspects of businesses require reform.

Wacoal's operations span all value creation processes, including consumer surveys and product planning through to development, manufacturing, marketing, and sales. This vertically integrated value chain opens the way for the creation of customer-oriented businesses based on completely new concepts. The first step toward reform is to ensure that all Group employees are fully aware of such unique strengths and the medium- to long-term business targets for fiscal 2028. I will continue encouraging executives to discuss themes of a more forward-looking nature so that Wacoal remains essential to society.

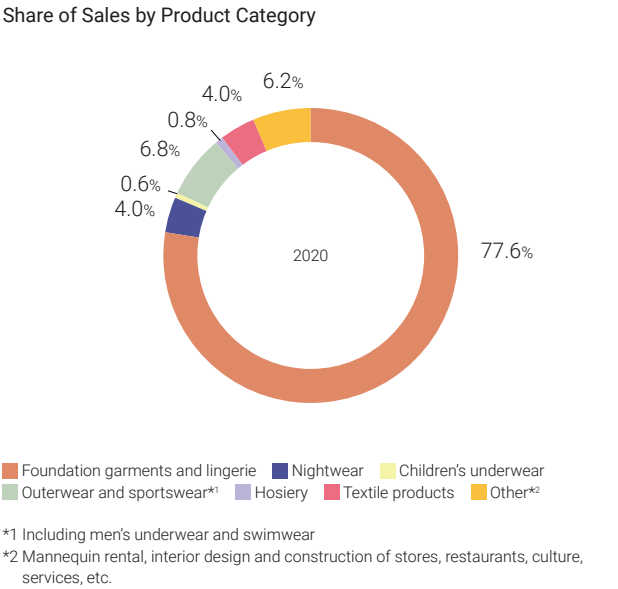
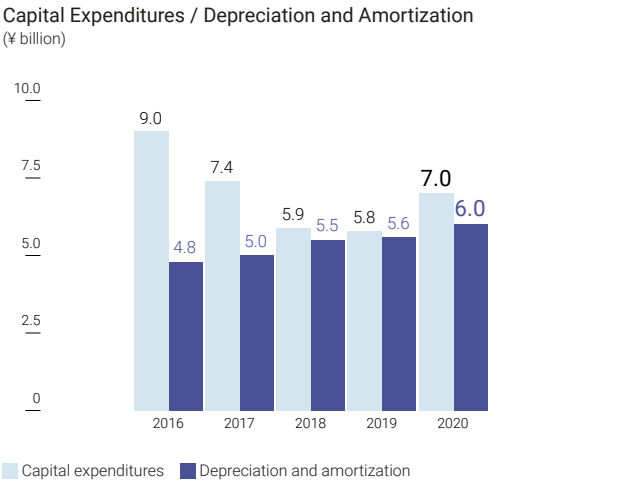
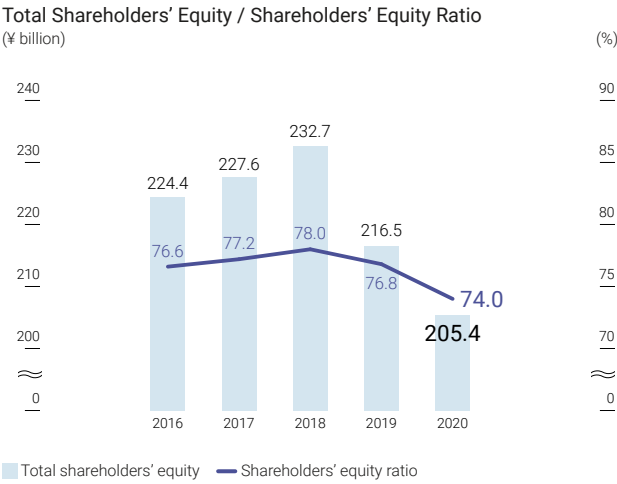
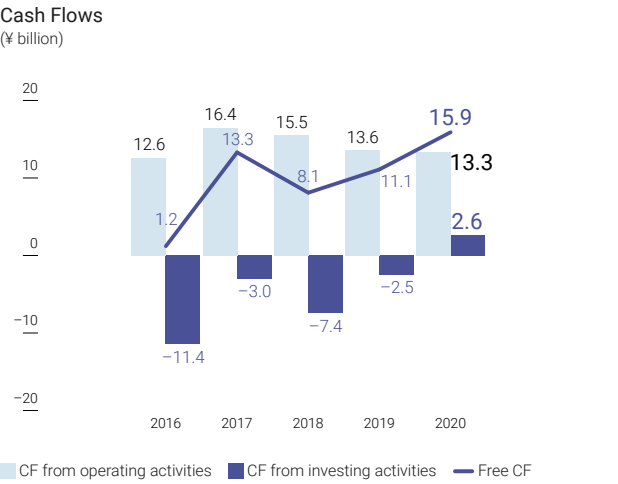
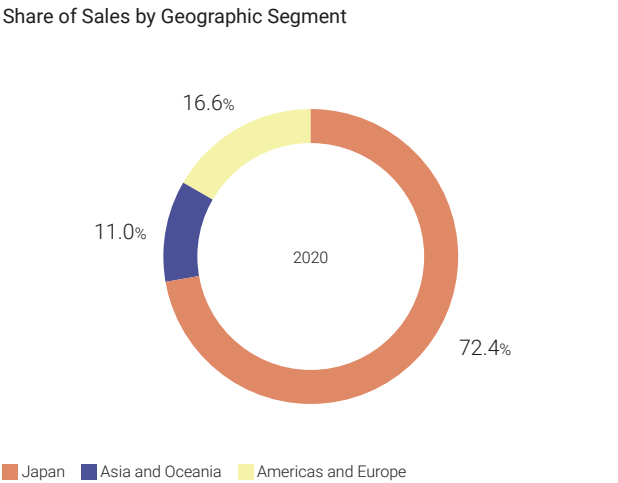
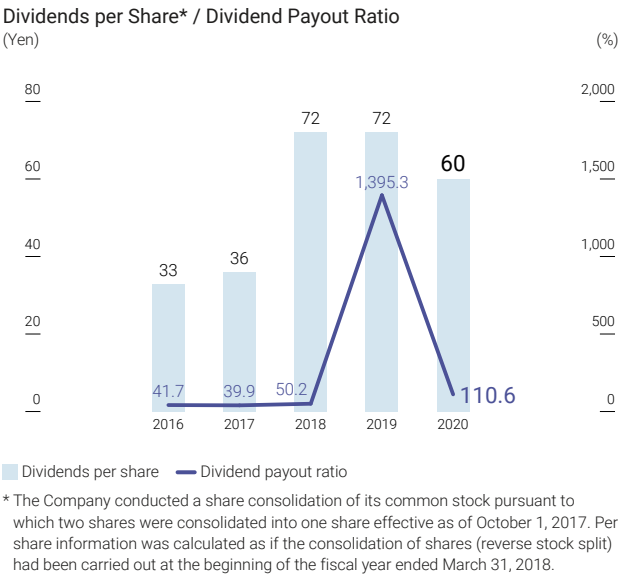
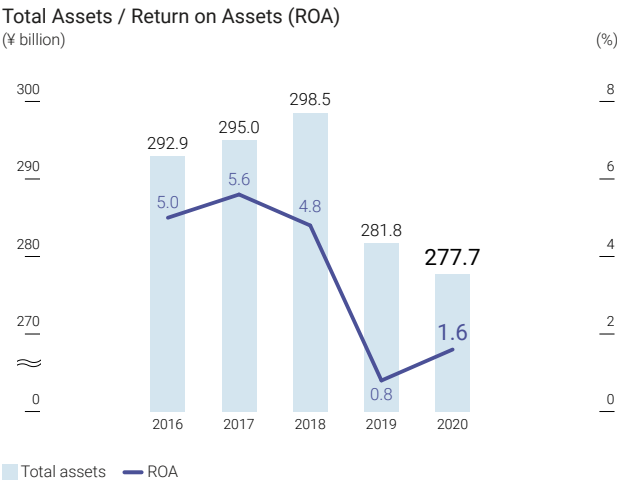
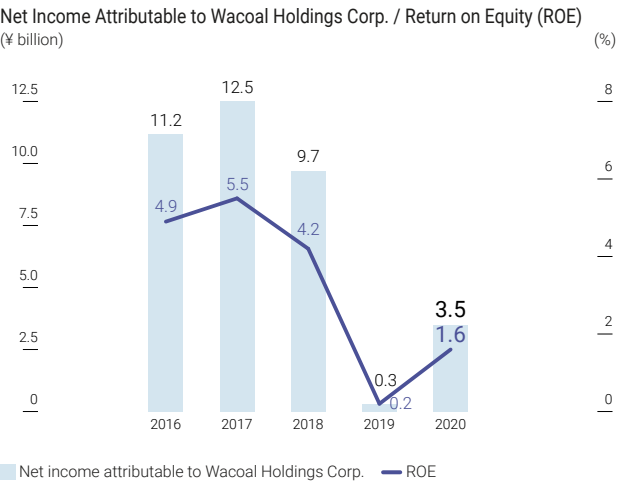
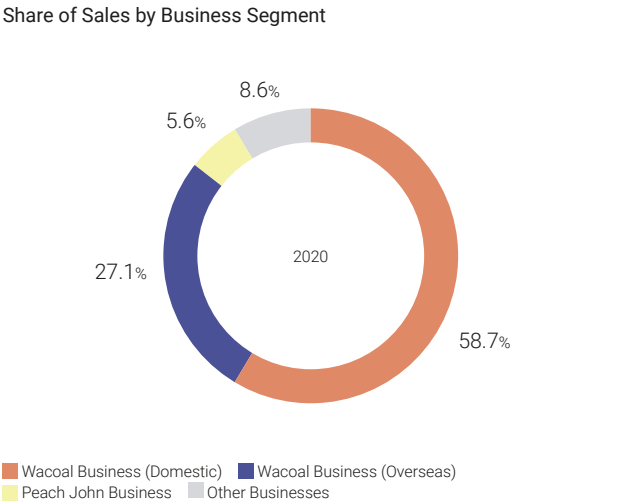
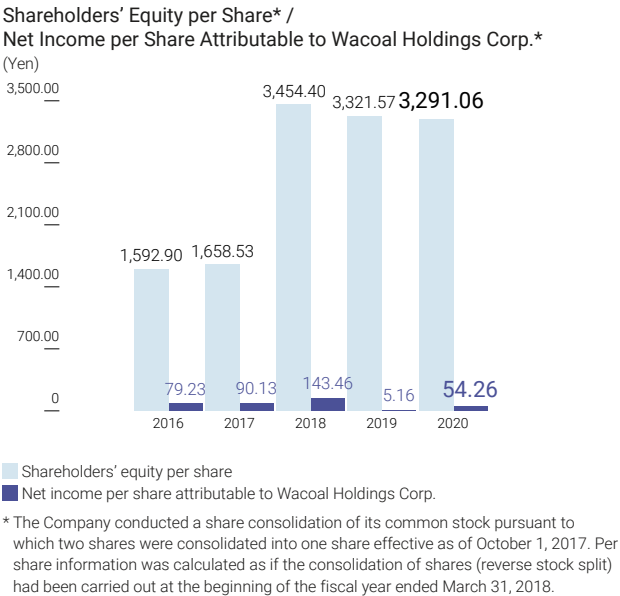
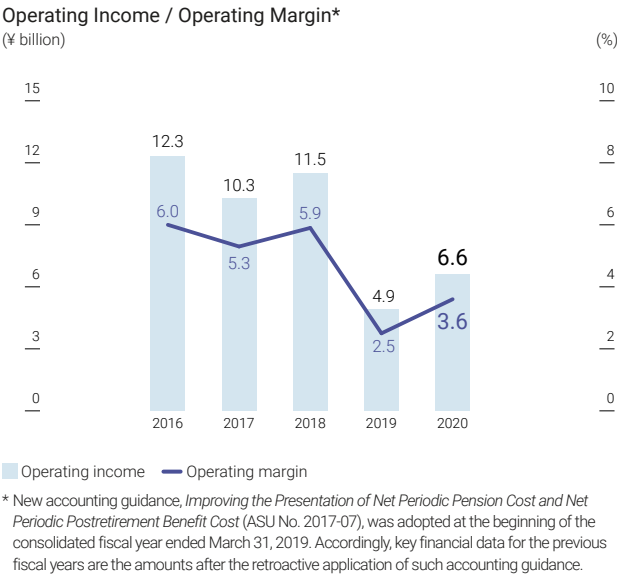
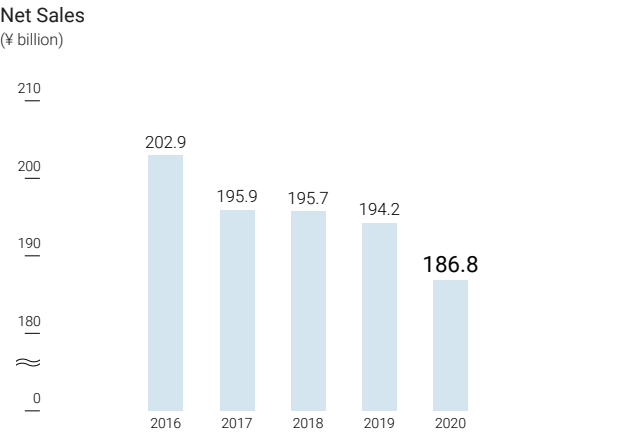


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Consolidated Financial Highlights

For the fiscal years as of/ended March 31

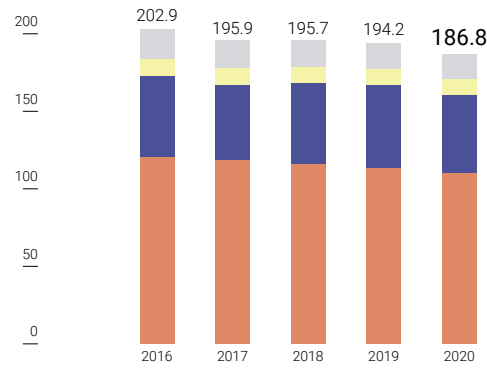


Financial Highlights by Segment

For the fiscal years as of/ended March 31

Net Sales

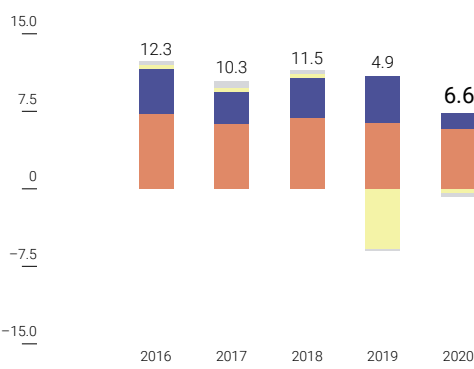
(¥ billion)



	2016	2017	2018	2019	2020
Wacoal Business (Domestic)	120.6	118.4	116.1	113.4	109.7
Wacoal Business (Overseas)	51.8	48.4	51.9	53.1	50.6
Peach John Business	11.2	11.1	10.8	10.5	10.5
Other Businesses	19.3	18.0	16.9	17.2	16.0

Operating Income (Loss)*

(¥ billion)

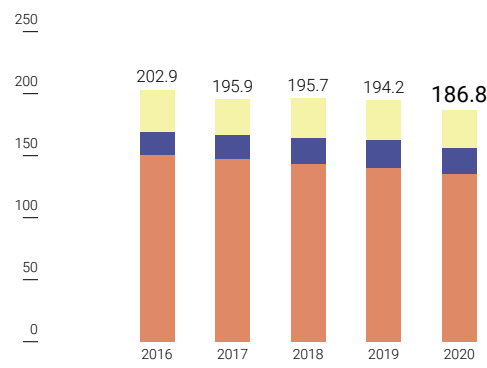


	2016	2017	2018	2019	2020
Wacoal Business (Domestic)	7.2	6.2	6.8	6.3	5.8
Wacoal Business (Overseas)	4.4	3.1	3.9	4.6	1.5
Peach John Business	0.3	0.4	0.4	-5.8	-0.4
Other Businesses	0.4	0.6	0.4	-0.2	-0.3

* New accounting guidance, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU No. 2017-07), was adopted at the beginning of the consolidated fiscal year ended March 31, 2019. Accordingly, key financial data for the previous fiscal years are the amounts after the retroactive application of such accounting guidance.

Share of Sales by Geographic Segment

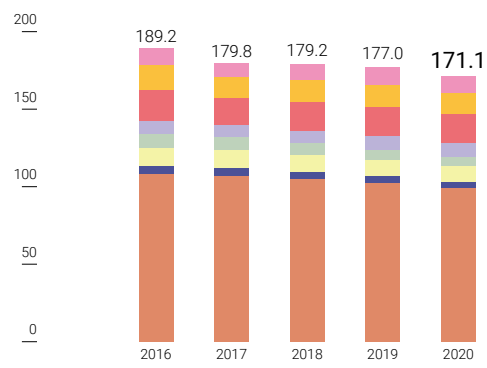
(¥ billion)



	2016	2017	2018	2019	2020
Japan	150.7	147.1	143.2	140.2	135.3
Asia and Oceania	17.9	19.2	21.1	22.5	20.6
Americas and Europe	34.3	29.6	31.5	31.5	30.9

Share of Sales by Principal Subsidiaries*

(¥ billion)



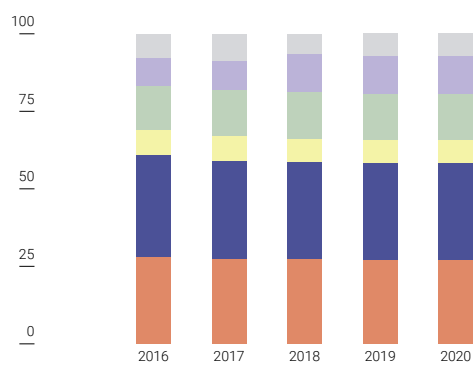
	2016	2017	2018	2019	2020
Wacoal	107.9	106.5	104.6	102.4	99.2
Ai	5.7	5.5	5.1	4.2	3.6
Peach John	11.2	11.1	10.8	10.5	10.5
Lecien	8.9	8.4	7.2	6.3	5.8
Nanasai	8.9	8.1	8.3	9.4	8.7
Wacoal International (U.S.)	19.6	17.7	18.6	18.5	19.2
Wacoal Europe	15.9	13.0	14.0	14.1	13.0
Wacoal China	11.1	9.5	10.6	11.6	11.1

* Calculated based on net sales to external customers

Share of Sales by Channel (Principal Subsidiaries)

Wacoal

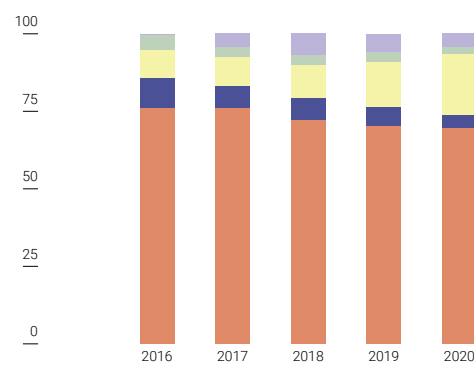
(%)



	2016	2017	2018	2019	2020
Department Stores	27.8	27.4	27.2	26.8	25.0
General Merchandise Stores	32.9	31.6	31.3	31.4	31.7
Specialty Stores	8.3	8.1	7.6	7.5	7.3
Directly Managed Stores	13.9	14.6	15.1	14.9	15.3
EC and Catalog Mail-order	9.1	9.4	12.2	12.2	13.1
Others	8.0	8.9	6.6	7.2	7.6

Wacoal China

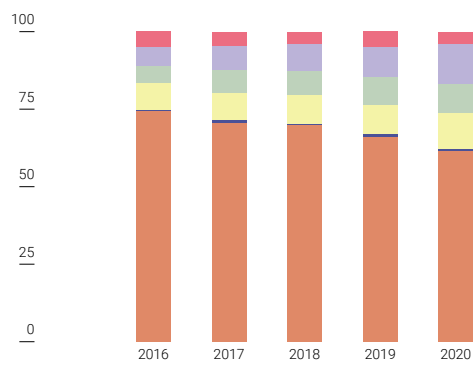
(%)



	2016	2017	2018	2019	2020
Department Stores	76.1	75.9	72.2	70.0	69.5
Agent (Specialty Stores)	9.4	7.4	6.9	6.4	4.3
Third-Party EC Site	9.1	9.3	10.8	14.5	19.5
Peach John (Directly Managed Stores)	5.1	3.1	3.2	3.1	2.4
Peach John (EC Site)	0.3	4.3	6.9	6.0	4.3

Wacoal International (U.S.)

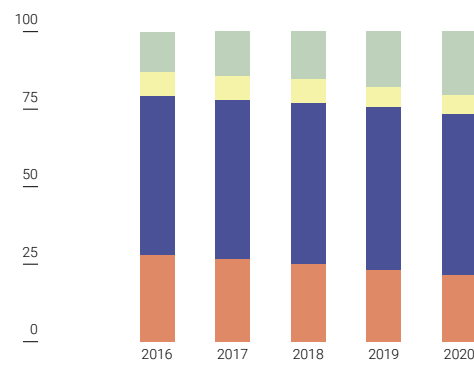
(%)



	2016	2017	2018	2019	2020
Department Stores	74.2	70.6	69.7	66.0	61.6
Directly Managed Stores and Outlet	0.6	0.7	0.5	0.7	0.6
Department Store EC	8.4	8.9	9.2	9.5	11.4
Third-Party EC Site	5.8	7.4	7.8	9.1	9.6
Own EC Site	6.0	7.6	8.7	9.8	12.7
Export (excluding Canada)	5.0	4.8	4.1	4.9	4.1

Wacoal Europe

(%)



	2016	2017	2018	2019	2020
Department Stores	28.0	26.6	25.1	23.0	21.3
Specialty Stores	51.0	51.4	51.7	52.7	52.2
Directly Managed Stores	7.8	7.6	8.0	6.2	6.0
EC Site	13.2	14.4	15.2	18.1	20.5

11-Year Financial Summary

Wacoal Holdings Corp. and Subsidiaries
For the fiscal years as of/ended March 31

	(Millions of Yen)										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Performance											
Net sales	186,760	194,201	195,725	195,881	202,917	191,765	193,781	180,230	171,897	165,548	163,548
Cost of sales	84,959	89,804	92,032	93,073	96,094	90,804	91,008	84,548	81,891	81,659	80,101
% of net sales	45.5%	46.2%	47.0%	47.5%	47.4%	47.4%	47.0%	46.9%	47.6%	49.3%	49.0%
Selling, general and administrative expenses	94,696	93,684	91,993	92,526	94,549	88,563	88,956	83,844	79,144	77,198	77,342
% of net sales	50.7%	48.2%	47.0%	47.2%	46.6%	46.2%	45.9%	46.5%	46.0%	46.6%	47.3%
Impairment charges on goodwill and other intangible assets	473	5,834	206	0	0	6,021	0	2,852	0	1,772	1,094
EBITDA	12,661	10,526	16,986	15,314	17,089	11,451	18,853	13,874	15,522	9,604	9,776
Operating income	6,632	4,879	11,494	10,282	12,274	6,377	13,817	8,986	10,862	4,919	5,011
% of net sales	3.6%	2.5%	5.9%	5.3%	6.0%	3.3%	7.1%	5.0%	6.3%	3.0%	3.1%
Income before income taxes and equity in net income of affiliated companies	4,359	2,203	14,286	16,569	14,957	11,342	15,033	10,940	10,207	3,927	3,155
Net income attributable to Wacoal Holdings Corp.	3,472	341	9,745	12,525	11,159	8,444	10,106	7,880	6,913	2,785	2,475
Return on equity (ROE)	1.6%	0.2%	4.2%	5.5%	4.9%	3.9%	5.2%	4.4%	4.1%	1.6%	1.5%
Return on assets (ROA)	1.6%	0.8%	4.8%	5.6%	5.0%	4.0%	5.7%	4.6%	4.7%	1.8%	1.4%
Financial Condition											
Total assets	277,688	281,767	298,534	294,958	292,854	300,272	271,988	254,536	221,098	215,276	222,889
Total shareholders' equity	205,371	216,494	232,712	227,568	224,374	228,857	205,106	186,646	171,496	167,480	171,860
Net property, plant and equipment	52,083	53,270	54,333	55,288	53,938	49,188	48,978	49,665	49,078	49,734	51,804
Inventories	43,427	42,508	42,676	43,822	44,445	42,893	40,211	37,807	32,847	30,956	32,103
Cash Flows											
Net cash provided by operating activities	13,325	13,620	15,493	16,351	12,635	14,337	8,949	12,309	10,060	10,441	9,463
Net cash provided by (used in) investing activities	2,569	(2,474)	(7,362)	(3,032)	(11,407)	164	1,658	(23,520)	(3,467)	(703)	(3,573)
Net cash provided by (used in) financing activities	(17,471)	(10,872)	(12,303)	(13,055)	(4,547)	(8,391)	(5,554)	5,379	(2,824)	(4,965)	(5,363)
Free cash flow	15,894	11,146	8,131	13,319	1,228	14,501	10,607	(11,211)	6,593	9,738	5,890
Cash and cash equivalents	27,905	30,133	29,487	33,995	34,059	38,410	30,658	24,514	29,985	26,316	22,328
Investment											
Capital expenditures	6,981	5,783	5,884	7,445	8,978	4,478	3,464	3,330	3,554	3,323	5,736
Depreciation and amortization	6,029	5,647	5,492	5,032	4,815	5,074	5,036	4,888	4,660	4,685	4,765
Per Share of Common Stock											
Shareholders' equity per share (Yen)	3,291.06	3,321.57	3,454.40	1,658.53	1,592.90	1,624.93	1,456.32	1,325.19	1,217.57	1,189.08	1,215.17
Net income per share attributable to Wacoal Holdings Corp. (Yen)	54.26	5.16	143.46	90.13	79.23	59.95	71.75	55.95	49.08	19.73	17.51
Dividends per share (Yen)	60	72	72	36	33	30	33	28	28	20	20
Total dividend amount	3,808	4,732	4,871	4,940	4,648	4,225	4,648	3,944	3,944	2,817	2,824
Dividend yield	2.6%	2.6%	2.3%	2.6%	2.5%	2.2%	3.1%	2.8%	2.9%	1.9%	1.7%
Dividend payout ratio	110.6%	1,395.3%	50.2%	39.9%	41.7%	50.0%	46.0%	50.0%	57.0%	101.4%	114.2%
Price earnings ratio (Times)	43.25	533.33	21.47	15.24	16.95	22.55	14.68	18.11	19.99	53.12	66.70
Price book-value ratio (Times)	0.71	0.83	0.89	0.83	0.84	0.83	0.72	0.76	0.81	0.88	0.96
Operating Segment Information											
Net sales:											
Wacoal Business (Domestic)	109,709	113,400	116,085	118,389	120,570	112,203	118,085				
Wacoal Business (Overseas)	50,552	53,100	51,888	48,423	51,869	48,107	43,636				
Peach John Business	10,480	10,491	10,795	11,107	11,190	11,626	12,482				
Other	16,019	17,210	16,957	17,962	19,288	19,829	19,578				
Operating income (loss):											
Wacoal Business (Domestic)	5,782	6,325	6,845	6,176	7,219	7,739	9,241				
Wacoal Business (Overseas)	1,493	4,581	3,852	3,055	4,433	4,776	4,037				
Peach John Business	(351)	(5,859)	441	374	258	(6,296)	83				
Other	(292)	(168)	356	677	364	158	456				
Employees											
Employees within Group (Persons)	20,984	20,662	20,904	21,139	20,655	18,986	18,912	18,650	16,524	16,013	15,686

Notes: 1. Consolidated financial statements for the fiscal year ended March 31, 2013, 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, 2014, in order to present in the consolidated financial statements periodic profit or loss that is more appropriate.

2. The Company conducted a share consolidation of its common stock pursuant to which two shares were consolidated into one share effective as of October 1, 2017. Per share information was 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.

3. New accounting guidance, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU No. 2017-07), was adopted at the beginning of the consolidated fiscal year ended March 31, 2019. Accordingly, key financial data for the previous fiscal years are the amounts after the retroactive application of such accounting guidance.

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), 58 consolidated subsidiaries, and seven 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 77.6% of our consolidated net sales for fiscal 2020. 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 at the end of fiscal 2020 was ¥277,688 million, a decrease of ¥4,079 million as compared to the end of the previous fiscal year, mainly due to a decrease in investments resulting from decrease in market value.

Total liabilities at the end of fiscal 2020 was ¥68,240 million, an increase of ¥7,617 million as compared to the end of the previous fiscal year, due to the recognition of operating lease liabilities following the changes in the accounting policy, as well as increases in contingent consideration liability.

Total Wacoal Holdings Corp. shareholders' equity at the end of fiscal 2020 was ¥205,371 million, a decrease of ¥11,123 million as compared to the end of the previous fiscal year, due to decreases in retained earnings and foreign currency translation adjustments.

As a result of the above, shareholders' equity ratio at the end of fiscal year 2020 was 74.0%, an decrease of 2.8% as compared to the end of the previous fiscal year.

the implementation of self-isolation measures since March after the spread of the outbreak. Our overseas business was negatively impacted by the weak sales at department stores in the United Kingdom and United States, poor sales from our raw materials factory in Thailand and the impact of the appreciation of the Japanese yen (¥1,780 million), as well as the suspension of economic activities due to lockdown measures implemented at major cities since March, despite the positive impact of the consolidation of Intimates Online results. Accordingly, revenue from our domestic and overseas businesses both decreased.

Consolidated operating income was ¥6,632 million, an increase of 35.9% as compared to such consolidated operating income for the previous fiscal year. Both our domestic and overseas businesses recorded a decrease in profit, due to decreased revenue from the wholesale business of Wacoal Corp. and an increase in IT-related expenses with respect to our domestic business, and due to the impact of inclusion of operating loss from Intimates Online, non-recurrence expenses incurred for the acquisition of Intimates Online, as well as the recognition of impairment charges on property, plant and equipment (¥769 million) related to the raw material factory in Thailand with respect to our overseas business. Although we also recorded ¥473 million as impairment charges on goodwill and other intangible assets for the current fiscal year, we recorded an increase in operating income because

the amount of such impairment charges was less than that for the previous fiscal year (¥5,834 million).

Consolidated income before income taxes and equity in net income of affiliated companies was ¥4,359 million, an increase of 97.9% as compared to such consolidated income for the previous fiscal year. Although we recorded valuation loss on marketable securities and investments (net) for both the previous fiscal year and the current fiscal year, we recorded an increase in the consolidated income since the amount of such valuation loss was less than that for the previous fiscal year. (We have been using U.S. accounting standards, under which equity securities held by the Company and consolidated subsidiaries are measured at fair value, and any change from the beginning of the period is recognized as other income (expenses).)

As a result of the above, net income attributable to Wacoal Holdings Corp., the ratio of operating income to net sales and the ratio of net income attributable to Wacoal Holdings Corp. to shareholders' equity for the current fiscal year were, ¥3,472 million, 3.6% and 1.6%, respectively.

The exchange rates used for the current fiscal year were: ¥108.74 to the U.S. dollar; ¥138.24 to the Sterling pound; and ¥15.78 to the Chinese yuan.

The following is a summary of operations by operating segment.

Results of Operation

(Millions of Yen)				
	2019	2020	YoY Change	
			Amount	%
Net sales	194,201	186,760	(7,441)	(3.8%)
Cost of sales	89,804	84,959	(4,845)	(5.4%)
Sales profit	104,397	101,801	(2,596)	(2.5%)
Selling, general and administrative expenses	93,517	93,927	+410	+0.4%
Impairment charges on property, plant and equipment	167	769	+602	+360.5%
A: Impairment charges on goodwill and other intangible assets	5,834	473	(5,361)	(91.9%)
Operating income	4,879	6,632	+1,753	+35.9%
Other income/expenses	2,894	1,487	(1,407)	(48.6%)
B: Valuation loss on marketable securities and investments - net	(5,570)	(3,760)	+1,810	—
Income before income taxes and equity in net income of affiliated companies	2,203	4,359	+2,156	+97.9%
Net income attributable to Wacoal Holdings Corp.	341	3,472	+3,131	+918.2%

Summary of Business Results

Our group entered the first year (from April 1, 2019 to March 31, 2020) of our mid-term business plan and continues to implement various initiatives based on our basic policy to understand the actual situation, estimate future demand and implement drastic reform, while emphasizing growth. Wacoal Corp., which aims to return its business to growth and improve profitability, made efforts to improve CX (customer experience) by innovation through the introduction of 3D body scanning and an AI (artificial intelligence)-based customer service system in stores (six shops), and creating an environment for effective use of our customer database to coordinate and merge the physical stores and e-commerce channels. In the overseas markets, we have made efforts to create growth opportunities and strengthen our competitiveness in e-commerce, which is one of our business challenges, and as part of such initiative, we acquired all of the issued and outstanding shares of Intimates Online, Inc. ("Intimates Online"), a women's LIVELY brand innerwear design and sales company in the U.S., at the end of July 2019,

making Intimates Online our wholly-owned subsidiary (the operating results of our acquired subsidiary, Intimates Online, have been included in our consolidated results from the second quarter of the current consolidated fiscal year and are disclosed along with Wacoal International Corp. (U.S.) under the "Wacoal Business (Overseas)" segment). Although we implemented these initiatives, the business environment surrounding our group has become extremely difficult due to the effects of a slowdown in global economic activities resulting from the COVID-19 outbreak (the "outbreak") during the fourth quarter of the current fiscal year, in addition to the impact of the slowdown in consumer spending after consumption tax increase in October 2019.

As a result of the above, our consolidated sales for the current fiscal year were ¥186,760 million, a decrease of 3.8% as compared to such consolidated sales for the previous fiscal year. In addition to the prolonged effect of the slowdown in demand after the consumption tax increase, our domestic business activities were impacted by a decrease in the number of customers visiting our domestic retail stores following

(Millions of Yen)						
	2019		2020		YoY Change	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Total Net Sales	194,201	100.0%	186,760	100.0%	(7,441)	(3.8%)
Wacoal Business (Domestic)	113,400	58.4%	109,709	58.7%	(3,691)	(3.3%)
Wacoal Business (Overseas)	53,100	27.3%	50,552	27.1%	(2,548)	(4.8%)
Peach John Business	10,491	5.4%	10,480	5.6%	(11)	(0.1%)
Other	17,210	8.9%	16,019	8.6%	(1,191)	(6.9%)
Operating Income (Loss)	4,879	2.5%	6,632	3.6%	+1,753	+35.9%
Wacoal Business (Domestic)	6,325	5.6%	5,782	5.3%	(543)	(8.6%)
Wacoal Business (Overseas)	4,581	8.6%	1,493	3.0%	(3,088)	(67.4%)
Peach John Business	(5,859)	—	(351)	—	+5,508	—
Other	(168)	—	(292)	—	(124)	—

Wacoal Business (Domestic)

Sales attributable to our "Wacoal Business (Domestic)" segment decreased by 3.3% as compared to such sales for the previous fiscal year. While we recorded an increase of 3.0% in revenue for the first half of the current fiscal year (from April to September) due to the positive impact of the last-minute rise in demand before the consumption tax increase, we recorded a decrease of 10.0% in revenue for the second half of the current fiscal year (from October to March) due to self-isolation measures implemented against the spread of the outbreak. Operating income decreased by 8.6% due to the impact of decreased revenue from our wholesale business of Wacoal Corp. and the operating loss that we recorded with respect to Ai Co., Ltd., which distributes resort wear and undergarments.

Wacoal Corp.:

Sales from Wacoal Corp. decreased by 3.1% as compared to such sales for the previous fiscal year. Sales from our products under the Wing brand which are mainly sold at general merchandise stores exceeded the sales for the previous fiscal year due to strong sales of our regular products, as well as the successful sales promotion of our wireless "Synchro Bra" products. Sales from our products under the Wacoal brand fell below the sales for the previous fiscal year due to a decrease in the

number of customers visiting our retail stores following the spread of the outbreak and the weak sales from our key sales channels such as department stores resulting from the slowdown in demand after the consumption tax increase, despite growth in sales of certain products such as "Night Up Bra". In addition, sales from products other than innerwear, such as nightwear and sportswear also fell significantly below such sales for the previous fiscal year as a result of weak sales from our key sales channels. Although sales from our retail business were also poor during March due to the spread of the outbreak, sales exceeded the sales for the previous fiscal year as a result of initiatives that we implemented to minimize the decline in demand after the consumption tax increase as well as our successful marketing to the shop members, the number of which reached 1.2 million. In addition, sales from our e-commerce website maintained high growth resulting from strengthened communication with our customers attributable to marketing automation.

Operating income decreased by 38.4% as compared to operating income for the previous fiscal year. While gross profit rate from our wholesale and retail businesses continued to improve, operating income was significantly impacted by a drastic sales decline in March in the wholesale business, in addition to an increase in IT related expenses incurred for the implementation of our omni-channel strategies.

Wacoal Business (Overseas)

Sales attributable to our "Wacoal Business (Overseas)" segment on a Japanese yen basis decreased by 4.8% as compared to such sales for the previous fiscal year due to the impact of the appreciation of the Japanese yen (¥1,781 million), as well as weak sales from our raw materials factory in Thailand attributable to a decrease in the number of orders received and a drastic sales decline in Europe and North America due to the spread of the outbreak since mid-March. Operating income decreased by 67.4% as compared to operating income for the previous fiscal year due to the impact of decreased profit of Wacoal International Corp. (U.S.) resulting from the acquisition of Intimates Online, as well as the recognition of impairment charges of ¥769 million on property, plant and equipment with respect to our raw materials factory in Thailand.

Wacoal International Corp. (U.S.):

Sales from Wacoal International Corp. (U.S.) on a local currency basis increased by 5.9% as compared to such sales for the previous fiscal year, while sales on a Japanese yen basis increased by 3.8%. This increase was due to the inclusion of sales of \$11.9 million (approximately ¥1,300 million) from Intimates Online, which has been consolidated into our business results since August. Revenue from Wacoal America Inc., which distributes "Wacoal" and "b.tempt'd" brand products, decreased due to the weak over-the-counter sales at department stores (physical stores), while sales from our e-commerce website and third-party e-commerce websites were strong.

Operating income on a local currency basis decreased by 80.5% (80.9% on a Japanese yen basis) as compared to such operating income for the previous fiscal year. This significant decrease was due to lower gross profit rate resulting from the higher percentage of sales subject to discounts, the impact of decreased profit from Wacoal America Inc. resulting from higher labor costs and office lease expenses, the impact of inclusion of operating loss of 11.5 million dollars (approximately ¥1,250 million) from Intimates Online, as well as non-recurring expenses incurred for the acquisition.

Wacoal Europe Ltd.:

Sales from Wacoal Europe Ltd. on a local currency basis decreased by 3.0% (7.9% on a Japanese yen basis) as compared to such sales for the previous fiscal year. While sales were weak in the United Kingdom due to poor sales at department stores, sales exceeded such sales for the previous fiscal year resulting from the expansion of sales in the North America, France and other European countries up until the third quarter of the current fiscal year. Revenue, however, decreased as a result of weak sales recorded during March which was impacted by the spread of the outbreak.

Operating income on a local currency basis decreased by 24.6% (28.4% on a Japanese yen basis) as compared to such operating income for the previous fiscal year due to a more aggressive advertising campaign to expand our brand awareness, recognition of expenses incurred for the redesign of our own e-commerce website, and increases in labor costs incurred in connection with the launch of business with department stores in Spain.

Wacoal China Co., Ltd.:

Sales from Wacoal China Co., Ltd. on a local currency basis increased by 1.1% as compared to such sales for the previous fiscal year, while sales on a Japanese yen basis decreased by 4.6% due to the impact of the appreciation of the Japanese yen. We maintained high growth from our e-commerce sales by strengthening our alliance with online mall providers through initiatives including the active sales promotion of "Wacoal" brand products during the high demand season, and launch of Japanese "Amphi" brand products targeting a new customer segment. As the fiscal year-end for Wacoal China Co., Ltd. is December, the spread of the outbreak did not affect its results for the current fiscal year.

Operating income on a local currency basis increased by 7.1% (1.1% on a Japanese yen basis) as compared to such operating income for the previous fiscal year. Despite increases in advertising expenses and recognition of non-recurring expenses incurred in connection with the relocation of a warehouse, we recorded an increase in profit due to improvement in the gross profit rate resulting from a lower percentage of products with low profit margins, and reduction of labor costs and office lease expenses resulting from the closing of certain underperforming stores.

Peach John Business

Overall sales attributable to our "Peach John Business" segment remained at about the same level as such sales for the previous fiscal year. While revenue from the mail-order business decreased as we ceased distribution of catalogues in an effort to improve business efficiency, we recorded an increase in revenue from our domestic retail stores, which closed certain underperforming stores in Japan, due to steady sales of our regular products, as well as strong sales subject to discounts.

We recorded an operating loss of ¥351 million (an operating loss of ¥5,859 million recorded for the previous fiscal year). While we recorded income for our business in Japan due to various efforts including reduction of selling, general and administrative expenses, as well as improvement in gross profit rate, we recorded an operating loss due to recognition of impairment charges of ¥191 million on intangible assets (trademark), in addition to the operating loss recorded from our Chinese business.

Other

Overall sales attributable to our "Other" business segment decreased by 6.9% as compared to such sales for the previous fiscal year, while we recorded an operating loss of ¥292 million (an operating loss of ¥168 million recorded for the previous fiscal year).

Lecien Corporation:

While sales of our private products handled at general merchandise stores and specialty stores exceeded such sales for the previous fiscal year, sales from Lecien Corporation decreased by 8.3% as compared to such sales for the previous fiscal year due to the impact of decreased revenue in our material business. We recorded an operating loss due to recognition of one-time expenses incurred for the withdrawal from certain businesses including the apparel business.

Nanasai Co., Ltd.:

Sales from Nanasai Co., Ltd. decreased by 7.4% as compared to such sales for the previous fiscal year due to the absence of the one-time increase in revenue (large-scale construction for renovation such as department stores) in the previous fiscal year. Operating income decreased by 22.7% as compared to operating income for the previous fiscal year due to decreased revenue.

UNDERSTANDING, ANALYSIS AND CONSIDERATION WITH RESPECT TO STATUS OF BUSINESS PERFORMANCE, ETC., FOR FISCAL 2020

The management's understanding, analysis and consideration with respect to our group's business performance etc. are as follows. Any forward-looking statements contained below are based on our judgment as of the end of the current fiscal year.

Our group entered the first year (from April 1, 2019 to March 31, 2020) of our mid-term business plan and continues to implement various initiatives based on our basic policy to understand the actual situation, estimate future demand and implement drastic reform, while emphasizing growth. Wacoal Corp., which aims to return its business to growth and improve profitability, made efforts to improve CX (customer experience) by innovation through the introduction of 3D body scanning and an AI (artificial intelligence)-based customer service system in stores (six

shops), and creating an environment for effective use of our customer database to coordinate and merge the physical stores and e-commerce channels. In the overseas markets, we have made efforts to create growth opportunities and strengthen our competitiveness in e-commerce, which is one of our business challenges, and as part of such initiative, we acquired all of the issued and outstanding shares of Intimates Online, Inc. ("Intimates Online"), a women's LIVELY brand innerwear design and sales company in the U.S., at the end of July 2019, making Intimates Online our wholly-owned subsidiary. Although we implemented these initiatives, the business environment surrounding our group has become extremely difficult due to the effects of a slowdown in global economic activities resulting from the COVID-19 outbreak (the "outbreak") during the fourth quarter of the current fiscal year, in addition to the impact of the slowdown in consumer spending after consumption tax increase in October 2019.

Our view of the management achievements and issues for the current consolidated fiscal year, the first year of our mid-term business plan, is as follows.

Our achievement in "Wacoal Business (Domestic)" was that we realized stable growth in our retail and e-commerce businesses after we constructed a mechanism to efficiently use our members' data. On the other hand, the average annual growth rate of our wholesale business, our core business, was -4% for the recent two years, and growth in other businesses was not enough to offset such decrease. In our wholesale business, we introduced a new customer service system using 3D body scanning and organized customer data, but challenges remained in operation. In addition, because our fixed cost ratio remains high while sales are decreasing, our urgent priority is to control costs and expenses.

In "Wacoal Business (Overseas)", we expanded our brand portfolio to gain new millennial customers after we acquired Intimates Online, which operates the LIVELY brand. We also succeeded in achieving strong growth of our e-commerce business, which has been our core challenge, in various countries. We are facing challenges in dealing with the continued slowdown in sales from the physical stores, mainly in Europe and North America. It is essential that we accelerate the speed of growth of our e-commerce business to offset the negative performance of the physical stores. It is also necessary to stabilize production capacity and improve our product development capability at our raw materials factory in Thailand where the number of orders received continues to decrease.

In our "Peach John Business" and "Other" segments, our achievements include our decisions to close certain underperforming stores and cease distribution of catalogues at Peach John, and to withdraw from certain underperforming businesses at Lecien, in an effort to improve business efficiency. The issue resides in the fact that operating loss was recorded for both segments. We continue to implement measures to improve profitability.

Our view of the impact of the COVID-19 outbreak and future policies is as follows.

We believe that the COVID-19 outbreak will adversely and significantly impact our group's management. As business us pensions, lockdown measures and requests for self-isolation in response to the COVID-19 outbreak have gradually been eased, economic activities have resumed and shown some positive signs in many countries and regions. We believe, however, that it will take a certain amount of time for the world to return to normal and for consumers to be able to enjoy shopping. Also, there is concern that consumer spending will remain weak due to the deterioration of employment and income environment, and if we suffer from another outbreak, consumer activity may further slow down.

In addition, the most significant impact of the outbreak has been to cause drastic changes in the sales channels, consumer value and purchasing behavior. While there is no significant change to our direction to promote evolution of digital technology and to focus on consumer-based business models, we will calmly assess the changes in the consumer values and distribution.

Below are our policies for regrowth within three timeframes.

Basic Policies

Basic policies in all aspects are to prioritize the health and safety of our customers, employees and partner companies. Although we have been providing customer service including close-to-customer support such as fitting, it is important to maintain such service while considering the health and safety of our employees and customers in the interest of balance.

Short-Term Policies

Firstly, we aim to boldly reassess our current initiatives and spending plans in all business fields. We will reassess our existing business activities from scratch, decrease costs such as advertising expenses, take further steps toward reforming working styles, make efforts to lower business travel expenses, and review the timing of new investments.

Secondly, to strengthen liquidity on hand in preparation for the prolonged impact of the COVID-19 outbreak, we have already expanded our borrowing facilities with financial institutions, and are moving to ensure liquidity on hand for our group companies. We expect that we will temporarily have excess inventory following the weak sales resulting from the outbreak. We plan to lower our inventory level to the March 31, 2020 level by adjusting production of autumn/winter products and the following spring/summer season products at all subsidiaries.

Mid- and Long-Term Policies

Due to decreasing sales during the past few years, expenses of our group have been rising to a very high level, exceeding 50% for the current consolidated fiscal year. It is our urgent priority to review our cost structure, and to inspect to ensure that our cost structure is tailored to our business. At the same time, we will identify future demand in all businesses, and clarify which business to end, which business to start anew and which business to maintain after making some adjustments.

Secondly, we will accelerate our initiatives on digital transformation domestically and globally under our initiatives toward growth, deepen connection with our customers, and make efforts to promote efficiency in business operation. Domestically, we will continue to strengthen our omni-channel strategies, which we promote to establish deeper, broader, and longer relationships. We will carefully assess changes in the purchasing behavior and make adjustments as needed, in the recognition that digital transformation is essential to growth. We will aim to achieve regrowth by providing services and values that are responsive to changes in the customers including by promoting coordination and merger between the physical stores and e-commerce channels, establishing efficient operation structure for our customer database, and making adjustments to 3D body scanning and AI (artificial intelligence) tailored to the new lifestyle. In addition, we will work to strengthen our e-commerce business and conduct a thorough inspection of our business by emphasizing customer experience overseas as we have done in Japan.

Further, we will review and rebuild customer touchpoints. Domestically, we will consider responses appropriate for the transformation of the business model of department stores whose sales continue to remain weak. While transition of the wholesale business to self-managed business (i.e. fixed-term leasehold business) is one of the options we have, our focus will be on building a store management system that emphasizes profitability, including efficient allocation of human resources and a method profit/loss management at stores.

The last part of the mid- and long-term policies is to develop products and services that our customers want to buy for their new lifestyle and to strengthen our capability to address new customer service and sale styles. Sales channels may change significantly as the values of the customers may change. In addition, decreasing income may change the customers to be more predisposed toward lower price. We will review our brand portfolio developed in various countries, and recombine our brands based on those

new values. In addition, we will consider and conduct test marketing for a new service style to replace close-contact customer service. We will carefully observe how the women's values regarding beauty around the world will change after experiencing the pandemic, and make a practical judgement on the direction we should take.

Our view, analysis and consideration with respect to improvement of capital efficiency through implementation of our financial strategies and initiatives on shareholder returns are as follows: Under the new medium-term management plan, which started from the current fiscal year, our target is to reduce shareholders' equity to between ¥200,000 million to¥210,000 million and to increase the consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for the current fiscal year) to 6% or higher by March 31, 2022, following the last year of the plan. During the current fiscal year, however, we were impacted by the inclusion of operating loss from Intimates Online, a U.S. company which we acquired to create growth opportunities in the e-commerce market and to strengthen our competitiveness, and the recognition of valuation loss of ¥3,800 million on marketable securities and investments, as well as negative factors including the prolonged decline in consumer spending attributable to a consumption tax increase and weak sales impacted by the spread of the COVID-19 outbreak. Accordingly, as in the previous fiscal year, net income attributable to Wacoal Holdings Corp. and the consolidated ROE for the current fiscal year were low, at ¥3,470 million and 1.6%, respectively. The net income attributable to Wacoal Holdings Corp. not taking into account the impact of the impairment charges on goodwill and other intangible assets and valuation loss decreased by approximately ¥3,100 million. It is a fact that profitability, as a business entity, is declining rapidly and we view the recovery of the profitability to be a critical issue.

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 for improving profitability, and to increase net income per share attributable to Wacoal Holdings Corp. With respect to retained earnings, in addition to actively investing in expanding customer contacts in domestic business and expanding overseas business, from the viewpoint of enhancing our enterprise value, we will make strategic investments to maintain our competitiveness and strengthen our growth potential. With these efforts, we aim to return to our shareholders through improved earnings. In addition, we will acquire treasury shares flexibly while taking into account the free cash flow level and market environment, and improve capital efficiency and returns to our shareholders.

For the fiscal year ended March 31, 2020, we actively made investment for our future growth, including in IT infrastructure for omni-channel services in Japan and acquisition of Intimates Online to strengthen e-commerce in the U.S. We will return profits to our shareholders in the amount of ¥12,600 million in total, ¥4,900 million, in the form of dividends, and ¥7,700 million, in the form of repurchases. In late March, we announced suspension of stock repurchases that had been scheduled before April 30, 2020 partly because of the spread of the COVID-19 outbreak, while we maintain the total return ratio of 100% through this year.

Though our basic policies on capital or profit distributions to shareholders have not been amended at this time, we may consider revising our basic policies if needed after examination of trends in the results of operation and capital needs resulting from the spread of the outbreak.

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, 2020, we had credit facilities at financial institutions totaling ¥32,259 million, and the balance of loan which established line of credit amounted to ¥3,449 million. Of these loan, ¥985 million is available to Wacoal Europe Ltd., ¥2,379 million is available to Wacoal Service Co., Ltd., and ¥85 million is available to Nanasai.

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

We are not aware of any restrictions on the transfers of funds from a subsidiary to a parent company in the form of a cash dividend.

Our group's business activities have been impacted by the COVID-19 outbreak and our cash flows from operating activities may significantly decrease on a short-term basis. For this reason, we have set up new borrowing facilities with financial institutions after April 2020 to ensure liquidity on hand. We will reduce the cash outflow that had been planned for operating activities by reassessing it from scratch, and review the timing of new investments in order to ensure liquidity.

CASH FLOW STATUS

The balance of cash and cash equivalents at the end of fiscal year 2020 was ¥27,905 million, an decrease of ¥2,228 million as compared to the end of the previous fiscal year.

(Cash flow from operating activities)

Cash flow provided by operating activities was ¥13,325 million, a decrease of ¥295 million as compared to the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of ¥2,968 million plus adjustments for depreciation expenses and deferred taxes.

(Cash flow from investing activities)

Cash flow provided by investing activities was ¥2,569 million, as compared to cash flow used in investing activities in the amount of ¥2,474 million for the previous fiscal year, due to proceeds from sales and redemption of equity securities and decreases in time deposits, despite payments made in connection with acquisition of new subsidiaries (net of cash acquired) and payments made to acquire tangible and intangible assets.

(Net cash used in financing activities)

Cash flow used in financing activities was ¥17,471 million, an increase of ¥6,599 million as compared to the previous fiscal year, due to a decrease in short-term bank loans, repurchase of treasury stock and cash dividend payments.

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2020, was ¥6,981 million. A majority of our capital investment was used in the information system investment of 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 ¥4,619 million, ¥2,106 million, ¥129 million, and ¥127 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 ¥20.00 (including special anniversary dividend of ¥4.00) 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 ¥40.00 per share, is ¥60.00 for the current fiscal year.

As for retained earnings, with the aim of improving our corporate value, we have actively invested in expanding new points of contact with consumers for our domestic business and 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 our Human Science Research Center to achieve harmony between the human body and clothing and to support better product making.

Since 1964, we have been conducting research into the female body in order to accurately understand the Japanese woman's physique. In particular, we have developed a silhouette analysis system and introduced a three-dimensional measuring system. We are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological, and mental aspects of garment design. One of our most important research results was the enrichment of our research on sensory comfort through our participation in a project led by the Ministry

of Trade and Industry (presently the Ministry of Economy, Trade and Industry) from 1995 to 1998. Based on this research, we have been focusing on developing new products that are not only comfortable for the wearer, but also have a positive physiological effect based on the basic study from three factors, which are pressure, heat, and touch. In 2005, we developed and created a new market for our breakthrough Style Science series products, which support the creation of a healthy and beautiful body by changing the idea of everyday walking to walking for exercise. In 2010, we conducted an analysis and announced principles on the physiological changes associated with the aging period from a person's 20s to their 50s. We also strengthened the development of new products coping with aging and have been working on developing new functional products based on the lifestyle habits of people as they undergo small physical changes associated with aging.

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

During the fiscal year ended March 31, 2020, we worked on research and development focused on measurement technology pursuant to our omni-channel strategies. We also made efforts to expand our body care products by releasing a study on breast movement caused by gravity and skin, to protect breasts from gravity, as part of our study of daily life situations and breast movement. We also launched a breast care bra that keeps breasts at near-zero gravity.

As a result of the above, we recorded ¥508 million for our research and development during the fiscal year ended March 2020.

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 developments by segment.

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

Consolidated Balance Sheets

Wacoal Holdings Corp. and Subsidiaries
March 31, 2020 and 2019

March 31, 2020 and 2019	2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 27,905	¥ 30,133	\$ 259,509
Time deposits	797	4,004	7,412
Marketable securities (Notes 3, 20 and 21)	656	446	6,101
Notes and accounts receivable (Note 6)	20,062	24,989	186,571
Allowance for doubtful receivables (Note 4)	(489)	(229)	(4,548)
Inventories (Note 5)	43,427	42,508	403,860
Return assets	868	1,180	8,072
Other current assets (Notes 6, 21 and 22)	4,964	4,985	46,164
Total current assets	98,190	108,016	913,141
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 9)	21,460	21,549	199,572
Buildings and structures (Notes 9, 11 and 21)	74,039	74,033	688,543
Machinery and equipment (Note 21)	18,782	18,914	174,668
Construction in progress	1,090	478	10,137
Total	115,371	114,974	1,072,920
Accumulated depreciation	(63,288)	(61,704)	(588,562)
Net property, plant and equipment	52,083	53,270	484,358
OTHER ASSETS:			
Operating leases right-of-use assets (Notes 1 and 10)	13,540		125,918
Investments in affiliated companies (Note 6)	21,595	21,859	200,828
Investments (Notes 3, 20 and 21)	43,904	63,372	408,296
Goodwill (Notes 7, 8 and 21)	22,371	11,954	208,044
Other intangible assets (Notes 7, 8 and 21)	14,547	12,297	135,283
Prepaid pension expense (Note 12)	4,974	3,990	46,257
Deferred income taxes (Note 17)	1,118	1,362	10,397
Other	5,366	5,647	49,902
Total other assets	127,415	120,481	1,184,925
TOTAL	¥277,688	¥281,767	\$2,582,424

See notes to consolidated financial statements.

	2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 9)	¥ 3,364	¥ 8,116	\$ 31,284
Notes and accounts payable:			
Trade notes payable	1,112	1,155	10,341
Trade accounts payable (Note 6)	9,588	10,638	89,166
Other payables	7,107	6,548	66,093
Accrued payroll and bonuses	6,734	7,209	62,624
Income taxes payable (Note 17)	4,878	2,759	45,364
Refund liabilities	2,645	3,482	24,598
Short-term operating lease liabilities (Notes 1 and 10)	4,600		42,779
Other current liabilities (Notes 9, 12, 18, 20, 21 and 22)	4,079	3,955	37,934
Total current liabilities	44,107	43,862	410,183
LONG-TERM LIABILITIES:			
Liability for termination and retirement benefits (Note 12)	2,069	1,828	19,241
Deferred income taxes (Note 17)	7,911	12,567	73,570
Long-term operating lease liabilities (Notes 1 and 10)	9,101		84,637
Contingent consideration (Notes 7 and 21)	2,786		25,909
Other long-term liabilities (Notes 9, 11, 12, 20 and 21)	2,266	2,366	21,073
Total long-term liabilities	24,133	16,761	224,430
COMMITMENTS AND CONTINGENCIES (Notes 9, 10 and 13)			
EQUITY:			
WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY:			
Common stock, no par value – authorized, 250,000,000 shares in 2020 and 2019; issued 68,589,042 shares and 70,689,042 shares in 2020 and 2019, respectively	13,260	13,260	123,314
Additional paid-in capital (Note 14)	29,836	29,807	277,467
Retained earnings	185,233	193,139	1,722,618
Accumulated other comprehensive (loss) income (Note 16):			
Foreign currency translation adjustments	(1,033)	1,551	(9,607)
Pension liability adjustments (Note 12)	(4,594)	(5,679)	(42,723)
Total accumulated other comprehensive loss	(5,627)	(4,128)	(52,330)
Treasury stock, at cost – 6,186,410 shares and 5,510,891 shares in 2020 and 2019, respectively	(17,331)	(15,584)	(161,174)
Total Wacoal Holdings Corp. shareholders' equity (Note 15)	205,371	216,494	1,909,895
NONCONTROLLING INTERESTS	4,077	4,650	37,916
Total equity	209,448	221,144	1,947,811
TOTAL	¥277,688	¥281,767	\$2,582,424

Consolidated Statements of Income

Wacoal Holdings Corp. and Subsidiaries
Years Ended March 31, 2020, 2019 and 2018

Millions of Yen				Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2020, 2019 and 2018	2020	2019	2018	2020
NET SALES (Notes 6, 10 and 18)	¥186,760	¥194,201	¥195,725	\$1,736,818
OPERATING COSTS AND EXPENSES (REVENUE):				
Cost of sales (Notes 6, 10 and 12)	84,959	89,804	92,032	790,096
Selling, general and administrative expenses (Notes 10, 11, 12 and 14)	93,927	93,517	92,701	873,496
Impairment charges on property, plant and equipment (Note 21)	769	167		7,151
Compensation income			(708)	
Impairment charges on goodwill (Notes 8 and 21)	217	4,325	206	2,018
Impairment charges on other intangible assets (Notes 8 and 21)	256	1,509		2,381
Total operating costs and expenses	180,128	189,322	184,231	1,675,142
OPERATING INCOME	6,632	4,879	11,494	61,676
OTHER (EXPENSES) INCOME:				
Interest income	177	289	194	1,646
Interest expense	(19)	(11)	(10)	(177)
Dividend income (Note 6)	1,506	1,429	1,329	14,005
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net (Note 3)	(3,760)	(5,430)	206	(34,967)
Other – net (Notes 10, 12, 16 and 22)	(177)	1,047	1,073	(1,646)
Total other (expenses) income – net	(2,273)	(2,676)	2,792	(21,138)
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	4,359	2,203	14,286	40,538
INCOME TAXES (Note 17):				
Current	7,126	5,350	4,880	66,270
Deferred	(5,673)	(2,817)	662	(52,757)
Total income taxes	1,453	2,533	5,542	13,513
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	2,906	(330)	8,744	27,025
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	62	725	916	577
NET INCOME	2,968	395	9,660	27,602
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	504	(54)	85	4,687
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 3,472	¥ 341	¥ 9,745	\$ 32,289

Yen				U.S. Dollars (Note 2)
Years Ended March 31, 2020, 2019 and 2018	2020	2019	2018	2020
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 19):				
Basic	¥ 54.26	¥ 5.16	¥143.46	\$ 0.5
Diluted	¥ 54.05	¥ 5.14	¥142.98	\$ 0.5
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 19):				
Basic	¥271.29	¥25.78	¥717.30	\$2.52
Diluted	¥270.25	¥25.68	¥714.89	\$2.51

As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split. The number of outstanding shares was calculated assuming that the reverse stock split had 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
Years Ended March 31, 2020, 2019 and 2018

Millions of Yen				Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2020, 2019 and 2018	2020	2019	2018	2020
NET INCOME	¥ 2,968	¥ 395	¥ 9,660	\$ 27,602
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX (Note 16):				
Foreign currency translation adjustments:				
Amounts arising during the year	(2,532)	(750)	1,113	(23,547)
Total foreign currency translation adjustments	(2,532)	(750)	1,113	(23,547)
Unrealized gain (loss) on securities:				
Amounts arising during the year		(7)	6,494	
Reclassification adjustments		(97)	(139)	
Total unrealized gain (loss) on securities		(104)	6,355	
Pension liability adjustments:				
Amounts arising during the year	125	(4,787)	(487)	1,162
Reclassification adjustments	960	200	(193)	8,928
Total pension liability adjustments	1,085	(4,587)	(680)	10,090
OTHER COMPREHENSIVE (LOSS) INCOME	(1,447)	(5,441)	6,788	(13,457)
COMPREHENSIVE INCOME (LOSS)	1,521	(5,046)	16,448	14,145
COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	452	(18)	21	4,203
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 1,973	¥(5,064)	¥16,469	\$ 18,348

See notes to consolidated financial statements.

Consolidated Statements of Equity

Wacoal Holdings Corp. and Subsidiaries

Millions of Yen									
Years Ended March 31, 2020, 2019 and 2018	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 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 14)	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
Cumulative effects (net of tax) of adoption of new account standards				27,834	(27,320)		514		514
Net income				341			341	54	395
Foreign currency translation adjustments					(723)		(723)	(27)	(750)
Unrealized loss on securities					(104)		(104)		(104)
Pension liability adjustments					(4,578)		(4,578)	(9)	(4,587)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥360 per 5 shares of common stock				(4,811)			(4,811)		(4,811)
Cash dividends paid to noncontrolling interests								(191)	(191)
Purchase of treasury stock	(2,200)					(6,919)	(6,919)		(6,919)
Disposal of treasury stock	0					0	0		0
Cancellation of treasury stock				(2,631)		2,631			
Share-based compensation granted (exercised) (Note 14)	11		42	(12)		32	62		62
Equity transactions with noncontrolling interests								38	38
BALANCE, MARCH 31, 2019	65,178	13,260	29,807	193,139	(4,128)	(15,584)	216,494	4,650	221,144
Cumulative effects (net of tax) of adoption of new accounting standards (Note 1)				(515)			(515)		(515)
Net income				3,472			3,472	(504)	2,968
Foreign currency translation adjustments					(2,584)		(2,584)	52	(2,532)
Pension liability adjustments					1,085		1,085		1,085
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥300 per 5 shares of common stock				(4,907)			(4,907)		(4,907)
Cash dividends paid to noncontrolling interests								(237)	(237)
Purchase of treasury stock	(2,798)					(7,745)	(7,745)		(7,745)
Disposal of treasury stock	0			(0)		0	0		0
Cancellation of treasury stock				(5,935)		5,935			
Share-based compensation granted (exercised) (Note 14)	23		29	(21)		63	71		71
Equity transactions with noncontrolling interests								116	116

BALANCE, MARCH 31, 2020	62,403	¥13,260	¥29,836	¥185,233	¥ (5,627)	¥(17,331)	¥205,371	¥4,077	¥209,448
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As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split. The number of outstanding shares was calculated assuming that the reverse stock split had occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

Thousands of U.S. Dollars (Note 2)								
Years Ended March 31, 2020, 2019 and 2018	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equi-
BALANCE, MARCH 31, 2019	\$123,314	\$277,197	\$1,796,141	\$(38,389)	\$(144,927)	\$2,013,336	\$43,244	\$2,056,580
Cumulative effects (net of tax) of adoption of new accounting standards (Note 1)			(4,789)			(4,789)		(4,789)
Net income			32,289			32,289	(4,687)	27,602
Foreign currency translation adjustments				(24,031)		(24,031)	484	(23,547)
Pension liability adjustments				10,090		10,090		10,090
Cash dividends paid to Wacoal Holdings Corp. shareholders, \$2.79 per 5 shares of common stock			(45,634)			(45,634)		(45,634)
Cash dividends paid to noncontrolling interests							(2,204)	(2,204)
Purchase of treasury stock					(72,027)	(72,027)		(72,027)
Disposal of treasury stock			(0)		0	0		0
Cancellation of treasury stock			(55,194)		55,194			
Share-based compensation granted (exercised) (Note 14)		270	(195)		586	661		661
Equity transactions with noncontrolling interests							1,079	1,079
BALANCE, MARCH 31, 2020	\$123,314	\$277,467	\$1,722,618	\$(52,330)	\$(161,174)	\$1,909,895	\$37,916	\$1,947,811

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Wacoal Holdings Corp. and Subsidiaries
Years Ended March 31, 2020, 2019 and 2018

Years Ended March 31, 2020, 2019 and 2018	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2020	2019	2018	2020
OPERATING ACTIVITIES:				
Net income	¥ 2,968	¥ 395	¥ 9,660	\$ 27,602
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,029	5,647	5,492	56,068
Share-based compensation (Note 14)	71	62	68	670
Allowance for returns and doubtful receivables – net	299	(2,263)	18	2,781
Deferred income taxes	(5,673)	(2,817)	662	(52,757)
Loss on sales or disposal of property, plant and equipment – net	103	48	250	958
Impairment charges on property, plant and equipment (Note 21)	769	167		7,151
Compensation income			(708)	
Impairment charges on goodwill (Notes 8 and 21)	217	4,325	206	2,018
Impairment charges on other intangible assets (Notes 8 and 21)	256	1,509		2,381
Loss (gain) on sale, exchange and valuation of marketable securities and investments – net (Note 3)	3,760	5,430	(206)	34,967
Equity in net loss (income) of affiliated companies, less dividends received	480	(211)	(397)	4,464
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	4,685	822	(232)	43,569
(Increase) decrease in inventories	(1,350)	(76)	1,012	(12,556)
Decrease (increase) in return assets	312	(1,180)		2,902
(Increase) decrease in other current assets	(29)	(653)	270	(270)
(Decrease) increase in notes and accounts payable	(373)	(1,640)	676	(3,469)
Decrease (increase) in refund liabilities	(837)	3,482		(7,784)
Increase (decrease) in liability for termination and retirement benefits	776	(620)	(833)	7,217
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	665	1,075	(518)	6,184
Other	197	118	73	1,823
Net cash provided by operating activities	13,325	13,620	15,493	123,919
INVESTING ACTIVITIES:				
Increase in time deposits	(438)	(4,783)	(5,129)	(4,073)
Decrease in time deposits	3,576	5,226	3,368	33,256
Proceeds from sales and redemption of equity securities	15,252	2,497	394	141,839
Payments to acquire equity securities	(339)	(323)	(22)	(3,153)
Proceeds from redemption of debt securities	544	1,008	567	5,060
Payments to acquire debt securities		(900)	(1,605)	
Compensation income			708	
Proceeds from sales of property, plant and equipment	104	276	159	967
Payments to acquire property, plant and equipment	(3,442)	(2,603)	(3,429)	(32,010)
Payments to acquire intangible assets (Note 8)	(3,539)	(3,180)	(2,455)	(32,912)
Acquisition of a subsidiary (net of cash acquired) (Note 7)	(9,181)			(85,381)
Proceeds from sales of shares of affiliated companies		270		
Other	32	38	82	298
Net cash provided by (used in) investing activities	2,569	(2,474)	(7,362)	23,891
FINANCING ACTIVITIES:				
Decrease (increase) in short-term bank loans with original maturities of three months or less – net	(4,645)	1,061	(755)	(43,197)
Repayments of long-term debt	(53)	(50)	(47)	(493)
Purchase of treasury stock	(7,745)	(6,919)	(4,007)	(72,026)
Disposal of treasury stock	0	0	0	0
Dividends paid on common stock	(4,907)	(4,811)	(7,386)	(45,635)
Dividends paid to noncontrolling interests	(237)	(191)	(194)	(2,204)
Proceeds from share issuance of noncontrolling interests	116	38	86	1,079
Net cash used in financing activities	(17,471)	(10,872)	(12,303)	(162,476)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(651)	372	(336)	(6,054)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,228)	646	(4,508)	(20,720)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,133	29,487	33,995	280,229
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 27,905	¥ 30,133	¥ 29,487	\$ 259,509
ADDITIONAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	¥ 20	¥ 1	¥ 11	\$ 186
Income taxes	4,758	5,068	5,853	44,248
NONCASH INVESTING ACTIVITIES:				
Acquisition of a subsidiary (contingent consideration) (Note 7)	4,172			38,798
Acquisition of property, plant and equipment by assuming payment obligation	¥ 751	¥ 954	¥ 583	\$ 6,984

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 manufacturing 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.

The Companies reflected the impact of the COVID-19 outbreak in such estimates. The official views of when the outbreak will be contained have not been announced by public institutions. The Companies are estimating that COVID-19 will have an impact on their business results until September 2020, and that their results in October 2020 will recover to the level before the outbreak. The Companies developed future business plans and used them for the estimates of impairment charges on property, plant and equipment, goodwill and other intangible assets based on this assumption. However, COVID-19’s impact on impairment charges on property, plant and equipment, goodwill and other intangible assets recorded for the year ended March 31, 2020 were immaterial.

Note that when the outbreak will be settled is not easy to predict and there is a possibility that these impairment charges would increase if the assumptions were different from actual results.

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 (loss) 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 (expenses) income in the consolidated statements of income.

Foreign currency translation gains (losses) for the years ended March 31, 2020, 2019 and 2018 were ¥36 million, ¥76 million and ¥(189) million, respectively. They have been included in other – net of other (expenses) income.

Marketable Securities and Investments—The Companies classify their marketable securities and investments in debt securities into one of two categories: available-for-sale or held-to-maturity. 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 (loss) income, 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. Gains and losses on sales of debt securities are computed based on cost determined using the average cost method. The Company periodically determines whether any decline in the value of debt securities is temporary, based on the period and extent of the decline, the issuer’s financial position and prospects, and the intention to hold it for a sufficient period of expected recovery of fair value. If it is determined that the decline is not temporary, the difference between the carrying amount and its fair value is recognized as a valuation loss.

Equity securities are measured at fair value and unrealized holding gain or loss is recorded in net profit or loss.

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 impairment charges. Property, plant and equipment are amortized over their estimated useful lives mainly using the straight-line method. 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 paintings)	2 to 20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2020, 2019 and 2018 were ¥3,545 million, ¥3,538 million and ¥3,681 million, respectively.

Impairment of Property, Plant and Equipment—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 property, plant and equipment 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 property, plant and equipment exceeds its fair value.

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 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, 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 finite useful lives consist primarily of brands and software are amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Brands	10, 20 and 25 years (mainly 25 years)
Customer relationships	5 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. For some lease contracts that are automatically renewed at the end of the contract, asset retirement obligations are calculated based on a reasonable estimate of the end of the contract.

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—As for lessor accounting, the Companies recognized revenue mainly from contracts consisted of leasing mannequins, display furniture and real estate owned by the Companies to our customers. These lease arrangements are classified as operating leases and related revenue is recognized ratably over the lease term. Options to extend or terminate the leases are included in some of the contracts. The Companies take such options into account to determine the lease term when it is probable that these options will be exercised. Moreover, almost all of the contracts do not contain variable consideration and purchase options for their customers. Some of the contracts contain lease and non-lease components and the consideration in the contracts are allocated based upon estimated standalone selling prices of the lease and non-lease components.

As for lessee accounting, the Companies have leases for assets such as retail stores, warehouses, offices, corporate housing, vehicles, machinery, and equipment, which are classified as an operating lease. The Companies determine whether a contract is, or contains a lease at the inception of the contract. Options to extend or terminate the leases contracts are included in some of the contracts. The Companies take such options into account in order to determine the lease term when it is probable that these options will be exercised. Some of the contracts contain variable lease payments. Most of the variable lease payments are for our retail stores, which depend on their sales. Material residual value guarantees and restriction or covenants imposed by leases do not exist in the contracts.

Some of the contracts contain lease and non-lease components. Considerations in the contracts for which underlying assets are land and buildings and structures are allocated based upon the estimated standalone selling prices of the lease and non-lease components, which are accounted for separately. On the other hand, the Companies elects the practical expedient and did not separate lease components from

non-lease components for leases for which underlying assets are machinery and equipment. The Companies uses the incremental borrowing rate based on the information available at commencement date to determine the present values of lease payments, unless the implicit rate is readily determinable. The Companies also elects the practical expedient which allows entities to expense leases with a term of 12 months or less at the commencement date as incurred. Operating lease cost is recognized on a straight-line basis over the lease term.

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. The Companies measure contingent consideration classified as liabilities at the fair value as of the date of acquisition and remeasure them to fair values at each reporting date until the contingencies are resolved. Fluctuations of the fair values due to the remeasurement are recognized in income or expenses as incurred.

Revenue Recognition—The Companies recognize revenue when control of promised products are transferred to customers and performance obligations are satisfied. The Group’s revenue is recognized for transactions, net of any trade discounts or rebates given. In addition, provision for expected returns is deducted from revenue based on historical return.

Shipping and Handling Costs—Shipping and handling costs are expensed as incurred.

Advertising Expenses—Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2020, 2019 and 2018 were ¥13,169 million, ¥12,329 million and ¥12,719 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, 2020, 2019 and 2018 were ¥508 million, ¥739 million and ¥781 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. Interest and penalties related to income taxes are included in the consolidated statements of income.

Share-Based Compensation—Share-based compensation is accounted for in accordance with Accounting Standard Codification 718,

"Compensation – Stock Compensation" ("ASC 718"). 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 26, 2020.

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

Leases—In February 2016, the FASB issued new accounting guidance related to leases, Accounting Standard Codification 842, "Leases" ("ASC 842"). This guidance requires an entity to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current U.S. GAAP ("ASC 840") with a few exceptions.

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 or 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.

In July 2018, the FASB issued ASU No. 2018-11, "Leases." This ASU provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, entities initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

This guidance is effective for annual reporting periods beginning after December 15, 2018 and quarter periods within those fiscal year. The Companies has adopted the guidance from the quarter beginning April 1, 2019. The Companies has adopted the modified retrospective approach, and applied the transition requirements at the effective date with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, and prior periods were not restated. The Companies elected to apply the package of practical expedients permitted under the transition guidance which does not require entities to reassess whether any expired or existing contracts are leases, lease classification and initial direct costs. The Companies also elected to apply the practical expedient which allows entities to not assess whether existing or expired land easements that were not previously accounted for as leases are leases. As a result of this adoption, operating leases right-of-use assets and operating leases liabilities of ¥14,550 million were recorded in the consolidated balance sheet as of April 1, 2019. In addition, the application of deferred tax accounting resulted in the recording of deferred tax liabilities of ¥515 million and a related decrease in the opening balance of retained earnings as a cumulative-effect adjustment for the same amount. The adoption of this guidance is not expected to have a material impact on our group’s cash flows.

Recent Accounting Guidance Not Yet Adopted

Internal-Use Software— In August 2018, the FASB issued guidance related to internal-use software. This guidance clarifies the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within that annual period. The adoption of this guidance is not expected to have a material impacts on the Company’s balance sheets and statements of income.

Disclosure on Fair Value Measurement— In August 2018, the FASB issued guidance related to the fair value measurement disclosure. This guidance removes, modifies, and adds some of the disclosure requirements on fair value. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within that annual period. The adoption of this guidance is not expected to have a material impact on the Company’s balance sheets and statements of income.

Disclosure on Defined Benefit Plans— In August 2018, the FASB issued guidance related to disclosure on defined benefit plans. This guidance removes, modifies, and adds the disclosure requirements on defined benefit pension. This guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within that annual period. The adoption of this guidance did not have a material impact on the Company’s balance sheets and statements of income.

Measurement of Credit Losses on Financial Instruments— In June 2016, the FASB issued a new accounting guidance related to measurement of credit losses on financial instruments. This guidance introduces a new impairment model based on expected losses rather than incurred losses. Using this model will result in more timely recognition of losses than under current incurred approach. In November 2019, the FASB issued an additional guidance related to changing the effective date of the above guidance. As a result, the guidance is effective for fiscal years beginning after December 15, 2022 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.

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 ¥107.53 to \$1, the noon buying rate for yen in New York City as of March 31, 2020. 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

Debt Securities—The fair value of debt securities is based on quoted market prices as of March 31, 2020 and 2019. The cost, gross unrealized gain and loss, and the fair value by major security type were as follows:

Millions of Yen				
2020	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥656	¥2	¥1	¥657
Noncurrent:				
Corporate debt securities	¥329	¥4		¥333
Millions of Yen				
2019	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥ 446	¥0	¥1	¥ 445
Noncurrent:				
Corporate debt securities	¥1,124	¥1	¥4	¥1,121

Gross unrealized losses and fair values of debt securities, for those that have been in a continuous unrealized loss position for more than 12 months as of March 31, 2020 and 2019, were as follows:

Millions of Yen				
	2020		2019	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities	¥109	¥1	¥332	¥1
Investment:				
Corporate debt securities			¥446	¥3

Gross unrealized losses and fair values of debt securities, for those that have been in a continuous unrealized loss position for less than 12 months as of March 31, 2020 and 2019, were as follows:

Millions of Yen				
	2020		2019	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities	¥220	¥0		
Investment:				
Corporate debt securities			¥228	¥1

The Companies periodically determine whether a decline in the fair value of debt 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 held-to-maturity securities for a sufficient period of time for anticipated recovery in fair value. No debt securities were identified that meet the Companies' criteria for recognition of an impairment charge on debt 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, 2020 and 2019.

Future maturities of debt securities classified as held-to-maturity securities as of March 31, 2020, were as follows:

Millions of Yen		
	Cost	Fair Value
Due within one year	¥656	¥657
Due after one year through five years	329	333
Total	¥985	¥990

As a result of the conversion of convertible bonds into equity securities, the Company recorded gains on exchange of marketable securities of ¥140 million for the fiscal year ended March 31, 2019. There were no exchange of marketable securities and investments during the year ended March 31, 2020.

Equity Securities—Realized and unrealized gains and losses on equity securities during the year ended March 31, 2020 and 2019, were as follows:

Millions of Yen		
	2020	2019
Realized gain (losses) recognized during the period on equity securities sold during the period	¥ 1,620	¥ (77)
Unrealized losses recognized during the period on equity securities still held at March 31	(5,380)	(5,493)
Net (gains) losses recognized during the period on equity securities	¥(3,760)	¥(5,570)

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES

Information related to the Companies' allowance for doubtful receivables as of March 31, 2020, 2019 and 2018 was as follows:

Millions of Yen			
	2020	2019	2018
Balance at the beginning of the year	¥229	¥207	¥219
Charged to expenses	270	36	28
Balances written off/reversed	(10)	(14)	(40)
Balance at the end of the year	¥489	¥229	¥207

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

Millions of Yen	
	2018
Balance at the beginning of the year	¥ 2,258
Charged to cost	2,252
Balances utilized	(2,258)
Balance at the end of the year	¥ 2,252

5. INVENTORIES

The components of inventories as of March 31, 2020 and 2019 were as follows:

Millions of Yen		
	2020	2019
Finished products	¥37,224	¥36,358
Work in process	3,938	3,793
Raw materials	2,265	2,357
Total	¥43,427	¥42,508

6. INVESTMENTS IN AFFILIATED COMPANIES

Certain investments are accounted for using the equity method if the Companies have 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, 2020 and 2019 were as follows:

Name of Investee	Percentage of Ownership (%)	
	2020	2019
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.	21	21

Aggregate carrying amounts and fair values of investments in affiliated companies which have a quoted market price as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Carrying amount	¥14,431	¥14,523
Aggregate value of quoted market price	9,421	11,075

The following tables represent the affiliated companies’ summarized balance sheets and statements of income as of and for the years ended March 31, 2020 and 2019. Such information as of and for the year ended March 31, 2018 were not disclosed as they were immaterial.

	Millions of Yen	
	2020	2019
Current assets	¥43,974	¥41,929
Noncurrent assets	42,161	44,635
Total	¥86,135	¥86,564
Current liabilities	¥ 9,048	¥ 8,569
Long-term liabilities	7,583	7,145
Equity	69,504	70,850
Total	¥86,135	¥86,564

	Millions of Yen	
	2020	2019
Net sales	¥62,676	¥63,066
Gross profit	32,455	32,105
Income before income taxes	1,654	3,458
Net income	860	2,714

The balance of receivables and payables to affiliated companies as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Accounts receivable	¥618	¥927
Accounts payable	509	665
Other receivable	329	286

The amounts for transactions with affiliated companies for the years ended March 31, 2020, 2019 and 2018 were as follows:

	Millions of Yen		
	2020	2019	2018
Sales	¥2,838	¥3,257	¥2,700
Cost of sales corresponding to sales of material and products	2,826	3,175	2,675
Purchases	5,302	5,612	5,744
Royalties	330	299	300

Dividends received from affiliated companies were ¥542 million, ¥514 million and ¥519 million for the years ended March 31, 2020, 2019 and 2018, respectively.

7. ACQUISITIONS

The Company decided to enter into a share purchase agreement pursuant to which the Companies acquired through our U.S. subsidiary Wacoal International Corp. ("Wacoal International") all of the issued and outstanding shares of Intimates Online, Inc. ("Intimates Online"), a women's innerwear design and sales company in the U.S. at the meeting of our board of directors held on July 30, 2019. Wacoal International entered into the share purchase agreement on the same day (U.S. time) and acquired all of the issued and outstanding shares of Intimates Online on July 31, 2019 (U.S. time).

Intimates Online designs and sells women's innerwear products under its "LIVELY" brand in the U.S. through its e-commerce website and directly managed retail stores. The Companies expect discontinuous growth in the U.S. by acquiring its customer base mainly for millennials and its unique marketing method to spread its reputation and online reviews by organizing its customers as its ambassador.

Consideration for the acquisition was ¥13,520 million and is consisted of ¥9,348 million (USD86 million) of cash and ¥4,172 million (USD38 million) of contingent consideration.

The contingent consideration was agreed with previous shareholders upon the share purchase agreement and will be paid to them over a period of four fiscal years. Payment is contingent on Intimate Online's performance achieving certain goals such as sales targets. The total contingent payment amount will be within the range of USD20 million and USD55 million.

The fair value of the contingent consideration was ¥3,874 million (USD36 million) as of March 31, 2020. The changes in fair value were recognized in selling, general and administrative expenses. The contingent consideration of ¥1,088 million (USD10 million), for which the consideration has been fixed, was recognized in accounts payable.

For the year ended March 31, 2020, acquisition-related costs were ¥245 million and had been included in selling, general and administrative expenses.

As a result of the purchase price allocation, the Company recognized ¥11,551 million of goodwill and ¥1,923 million of other intangible assets in Wacoal Business (Overseas). The goodwill arising from the acquisition consists largely of the expected growth of Intimates Online, synergies and economies of scale expected from combining the operations with Wacoal International. Other intangible assets were composed of ¥1,097 million brands, ¥793 million customer relationships, and ¥33 million of noncompetition agreements, respectively. Goodwill is not deductive for tax purposes. The amount of brands, customer relationships and noncompetition agreements are amortized based on the estimated useful lives of 10 and 5 years, respectively.

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

The fair values of assets acquired and liabilities assumed as of the acquisition date were as follows:

	Millions of Yen	
	July 31, 2019	
	Before Adjustment	After Adjustment
Cash and cash equivalents	¥ 167	¥ 167
Notes and accounts receivable	14	14
Inventories	341	383
Other current assets	16	12
Property, plant and equipment	14	17
Operating leases right-of-use assets	295	290
Goodwill	13,505	11,551
Other intangible assets		1,923
Other assets	18	18
Total assets	14,370	14,375
Notes and accounts payables	222	228
Short-term operating lease liabilities	47	47
Other current liabilities	42	43
Deferred income taxes		288
Long-term operating lease liabilities	249	249
Total liabilities	560	855
Total equity	¥13,810	¥13,520

Pro Forma Financial Information (Unaudited)

Unaudited supplemental pro forma information for the combined result of operation of the Company and its subsidiary as though the acquisition had occurred as of April 1, 2018 were as follows:

	Millions of Yen	
	2020	2019
Net sales	¥187,482	¥195,684
Operating income	6,338	4,346
Net income (loss) attributable to Wacoal Holdings Corp.	3,172	(193)

Net sales and operating loss of Intimates Online included in the Company's consolidated statements of income for the year ended March 31, 2020 are ¥1,301 million and ¥1,250 million, respectively.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill—Changes in the carrying amount of goodwill by operating segments for the years ended March 31, 2020, 2019 and 2018 were as follows.

Millions of Yen			
	2020		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Acquisition cost	¥11,954		¥11,954
Accumulated impairment charges			
Carrying amount	11,954		11,954
Acquisition during the year	11,551		11,551
Impairment charges	(217)		(217)
Foreign currency translation adjustments	(917)		(917)
Balance at the end of the year:			
Acquisition cost	22,594		22,594
Accumulated impairment charges	(223)		(223)
Carrying amount	¥22,371		¥22,371

Millions of Yen			
	2019		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Acquisition cost	¥12,269	¥ 11,203	¥ 23,472
Accumulated impairment charges		(6,878)	(6,878)
Carrying amount	12,269	4,325	16,594
Impairment charges		(4,325)	(4,325)
Foreign currency translation adjustments	(315)		(315)
Balance at the end of the year:			
Acquisition cost	11,954	11,203	23,157
Accumulated impairment charges		¥(11,203)	(11,203)
Carrying amount	¥11,954		¥ 11,954

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

The Company recorded impairment charges on goodwill of ¥217 million for the G Tech in the year ended March 31, 2020, which was included in operating costs and expenses of Wacoal Business (Overseas). The Company recorded impairment charges on goodwill of ¥4,325 million for the Peach John Business in the year ended March 31, 2019, which was included in operating costs and expenses of the Peach John Business. The Company recorded impairment charges on goodwill of ¥206 million for the A Tech in the year ended March 31, 2018, which was included in operating costs and expenses of Wacoal Business (Overseas). See Note 21 for further information about measurement of fair value.

Other Intangible Assets—The components of intangible assets excluding goodwill as of March 31, 2020 and 2019 were as follows:

Millions of Yen				
Years Ended March 31	2020		2019	
	Gross Carrying Amount	Accumulated Amortization and Impairment Charges	Gross Carrying Amount	Accumulated Amortization and Impairment Charges
Amortized intangible assets:				
Brands	¥ 6,670	¥ 2,076	¥ 6,058	¥ 1,899
Software	16,039	8,163	14,060	7,542
Others	2,534	1,022	1,732	868
Total	¥25,243	¥11,261	¥21,850	¥10,309
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥ 4,827	¥ 5,316	¥ 4,636
Other	76		76	
Total	¥ 5,392	¥ 4,827	¥ 5,392	¥ 4,636

Other intangible assets acquired during the year ended March 31, 2020 totaled ¥5,313 million, which primarily consist of brands and software. Other intangible assets acquired during the years ended March 31, 2019 and 2018 totaled ¥3,266 million and ¥2,569 million, which primarily consist of software. Estimated useful life brands and software are ten and five years, respectively.

During the years ended March 31, 2020 and 2019, the Companies recorded impairment charges on the trademark of Peach John of ¥191 million and ¥1,314 million, which was included in operating costs and expenses of the Peach John Business. During the year ended March 31, 2020, the Companies also recorded ¥65 million of impairment charges on software of the A Tech, which was included in operating expenses of the Wacoal Business (Overseas). During the year ended March 31, 2019, the Companies recorded ¥195 million of impairment charges on software of Ai, which was included in operating expenses of the Wacoal Business (Domestic). See Note 21 for further information.

Aggregate amortization expenses for the years ended March 31, 2020, 2019 and 2018 related to other intangible assets were ¥2,484 million, ¥2,109 million and ¥1,811 million, respectively. Future estimated amortization expenses as of March 31, 2020 were as follows:

Millions of Yen	
Years Ending March 31	
Estimated amortization expenses	
2021	¥ 2,640
2022	2,497
2023	2,267
2024	1,815
2025	1,169
Total	¥10,388

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

Short-term bank loans as of March 31, 2020 and 2019 consisted of the following:

Millions of Yen		
	2020	2019
Unsecured bank loans	¥3,364	¥8,116

The weighted-average annual interest rates on short-term bank loans as of March 31, 2020 and 2019 were 0.3% and 0.2%, respectively.

Unused lines of credit for short-term financing as of March 31, 2020 and 2019 aggregated to ¥28,657 million and ¥22,935 million, respectively.

Long-term debt as of March 31, 2020 and 2019 was summarized below. The interest rates and maturities were for loans as of March 31, 2020.

Millions of Yen		
	2020	2019
Collateralized bank loans, with fixed interest at 0.6%, maturing through 2022	¥ 35	¥ 55
Unsecured bank loans, with fixed interest at 0.4%, maturing through 2022	50	83
Total	85	138
Less current portion of long-term portion	(50)	(50)
Long-term debt, less current portion	¥ 35	¥ 88

The annual maturities of long-term debt as of March 31, 2020 were as follows:

Millions of Yen	
Years Ending March 31	
2021	¥50
2022	35
Total	¥85

A subsidiary has pledged assets as security for loans. As of March 31, 2020 and 2019, assets pledged as collateral for bank loans were as follows:

Millions of Yen		
	2020	2019
Land	¥150	¥150
Buildings	146	169
Total	¥296	¥319

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

Lessor Accounting
Operating lease income for the year ended March 31, 2020 was as follows.
Lease income was included in net sales and other net income.

	Millions of Yen
	2020
Operating lease income	¥2,392

The acquisition costs of equipment leased to customers under operating leases were ¥2,756 million of land and ¥516 million of building and building improvements. Accumulated depreciation on these equipment was ¥413 million as of March 31, 2020. These are included in net property, plant and equipment.

Future minimum lease income classified as operating leases as of March 31, 2020 were as follows. Note that lease payments related to mannequins and display furniture which were mainly part of the Companies' lease income were not included in the below table because the contracts terms were not material.

Years Ending March 31	Millions of Yen
2021	¥ 245
2022	201
2023	173
2024	172
2025	112
Thereafter	1,287
Total	¥2,190

Lessee accounting
Operating lease costs for the year ended March 31, 2020 were as follows. Lease expenses were included in cost of sales and selling, general and administrative expenses.

	Millions of Yen
	2020
Operating lease costs	¥4,945
Short-term lease costs	635
Variable lease costs	1,295
Total	¥6,875

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		
	2020	2019	2018
Balance at the beginning of the year	¥813	¥ 825	¥855
Accretion expense	3	2	1
Liabilities incurred	63	92	62
Liabilities settled	(52)	(106)	(91)
Change due to foreign currency translation	0	0	(2)
Balance at the end of the year	¥827	¥ 813	¥825

Supplemental cash flow information related to operating leases for the year ended March 31, 2020 was as follows:

	Millions of Yen
	2020
Cash paid for amounts included in the measurement of lease liabilities	¥4,798
Non-cash activities concerning right-of-use assets obtained in exchanged for new operating lease liabilities	5,483

Weighted-average remaining lease term and discount rate for operating leases were as follows:

	2020
Weighted-average remaining lease term	63.0 months
Weighted-average discount rate	1.7%

Future minimum lease payments classified as operating leases as of March 31, 2020 were as follows:

Years Ending March 31	Millions of Yen
2021	¥ 4,805
2022	3,075
2023	1,719
2024	1,148
2025	909
Thereafter	2,899
Total minimum lease payments	14,555
Less interest cost	(854)
Total lease liabilities	¥13,701

Any material leases commenced after April 1, 2020 were not recognized as of March 31, 2020.

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.

Certain subsidiaries of the Company have contributory defined retirement benefit plans and several unfunded termination plans administered by certain subsidiaries of the Company. 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		
	2020	2019	2018
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥38,681	¥34,580	¥34,935
Service cost	1,243	1,196	1,086
Interest cost	176	178	205
Participants' contributions	60	62	63
Actuarial (gain) loss	(217)	4,937	432
Loss based on prior service benefits	253		
Benefits paid from plan assets	(961)	(961)	(1,007)
Settlement paid from plan assets	(1,275)	(976)	(1,003)
Settlement paid by the Company and certain subsidiaries	(289)	(339)	(138)
Changes in foreign currency exchange rates	3	4	7
Benefit obligations at the end of the year	37,674	38,681	34,580
Change in plan assets:			
Fair value of plan assets at the beginning of the year	¥40,680	¥42,736	¥43,203
Actual return on plan assets	1,375	(846)	878
Employer contributions	579	657	612
Participants' contributions	60	62	63
Benefit payments	(961)	(961)	(1,007)
Settlement payments	(1,275)	(976)	(1,003)
Changes in foreign currency exchange rates	6	8	(10)
Fair value of plan assets at the end of the year	40,464	40,680	42,736
Funded status at the end of the year	¥ 2,790	¥ 1,999	¥ 8,156

Amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2019 consisted of:

	Millions of Yen	
	2020	2019
Prepaid pension expense	¥ 4,974	¥ 3,990
Other current liabilities	(115)	(163)
Liability for termination and retirement benefits	(2,069)	(1,828)
Total	¥ 2,790	¥ 1,999

Amounts recognized in accumulated other comprehensive income as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Actuarial loss	¥(5,048)	¥(6,820)
Prior service cost	(253)	
Total	¥(5,301)	¥(6,820)

The accumulated benefit obligations for all defined retirement benefit plans as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Accumulated benefit obligations	¥37,532	¥38,531

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

	Millions of Yen	
	2020	2019
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥3,075	¥2,856
Fair value of plan assets	738	865
Plans with accumulated benefit obligations in excess of the fair value of plan assets:		
Accumulated benefit obligations	3,075	2,856
Fair value of plan assets	738	865

Net periodic benefit costs for certain subsidiaries’ of the Company plans consisted of the following for the years ended March 31, 2020, 2019 and 2018:

	Millions of Yen		
	2020	2019	2018
Service cost	¥ 1,243	¥ 1,196	¥1,086
Interest cost	176	178	205
Expected return on plan assets	(1,006)	(1,007)	(991)
Amortization of actuarial loss (gain)	1,186	5	(157)
Amortization of prior service benefits			(121)
	¥ 1,599	¥ 372	¥ 22

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, 2020, 2019 and 2018 were as follows:

	Millions of Yen		
	2020	2019	2018
Actuarial gain (loss)	¥ 586	¥(6,790)	¥(545)
Amortization of actuarial loss (gain)	1,186	5	(157)
Prior service benefits	(253)		
Amortization of prior service benefits			(121)
	¥1,519	¥(6,785)	¥(823)

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

	Millions of Yen
Actuarial loss	¥875
Prior service cost	21

Certain subsidiaries of the Company use a measurement date of March 31 for their plans. The weighted-average assumptions used as of March 31, 2020 and 2019 in computing the benefit obligations shown above were as follows:

	2020	2019
Discount rate	0.5%	0.5%

The weighted-average assumptions used as of March 31, 2020, 2019 and 2018 in computing the net periodic benefit costs shown above were as follows:

	2020	2019	2018
Discount rate	0.5%	0.5%	0.6%
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%

Certain subsidiaries’ of the Company 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, 2020 on the corporate bond indices for which maturity dates approximate the timing of the expected future benefit payments.

The retirement benefit plan of certain subsidiaries of the Company 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 certain subsidiaries of the Company is to maintain actual asset weightings within a preset range of target allocations. The plan investment strategy of certain subsidiaries of the Company is broadly diversified, consisting primarily of equity and debt securities. Certain subsidiaries of the Company 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, 2020 and 2019 was as follows:

	2020	2019
Equity securities	44.7%	42.3%
Debt securities	31.1%	34.9%
Life insurance company general accounts	9.3%	9.7%
Real estate	3.2%	3.4%
Other short-term investments	11.7%	9.7%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2020 and 2019 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 certain subsidiaries of the Company using the fair value hierarchy as of March 31, 2020 and 2019. 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 21.

	Millions of Yen			
2020	Level 1	Level 2	Level 3	Total
Assets evaluated by other than net asset value per share				
Equity securities:				
Japanese companies	¥9,707			¥ 9,707
Foreign companies	43			43
Debt securities:				
Foreign government bonds	216			216
Life insurance company general accounts		¥3,773		3,773
Other types of investments:				
Other short-term investments		2,209		2,209
Assets evaluated by net asset value per share (a)				
Equity securities:				
Pooled funds (b)				5,227
Debt securities:				
Pooled funds (c)				8,145
Other types of investments:				
Hedge funds (d)				3,634
Pooled funds (e)				7,510
Total	¥9,966	¥5,982		¥40,464

	Millions of Yen			
2019	Level 1	Level 2	Level 3	Total
Assets evaluated by other than net asset value per share				
Equity securities:				
Japanese companies	¥8,138			¥ 8,138
Foreign companies	58			58
Debt securities:				
Foreign government bonds	152			152
Life insurance company general accounts		¥3,928		3,928
Other types of investments:				
Other short-term investments		2,943		2,943
Assets evaluated by net asset value per share (a)				
Equity securities:				
Pooled funds (b)				5,955
Debt securities:				
Pooled funds (c)				8,912
Other types of investments:				
Hedge funds (d)				3,832
Pooled funds (e)				6,762
Total	¥8,348	¥6,871		¥40,680

(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, 2020 and 50% and 50%, respectively, as of March 31, 2019.

(c) This class includes approximately 83% of foreign government bonds and 17% of corporate bonds investments as of March 31, 2020 and 79% and 21%, respectively, as of March 31, 2019.

(d) This class consists of hedge funds that invest in both securities and equity securities as of March 31, 2020 and 2019.

(e) This class includes approximately 20% corporate bonds, 0% common stock of Japanese companies, 29% common stock of foreign companies, 17% real estate and 34% other short-term investments as of March 31, 2020. This class includes approximately 34% corporate bonds, 1% common stock of Japanese companies, 30% common stock of foreign companies, 20% real estate and 15% other short-term investments as of March 31, 2019.

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 principal amount 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 certain subsidiaries of the Company is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. Certain subsidiaries of the Company expect to contribute ¥564 million to their plans in the fiscal year ending March 31, 2021.

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

Years Ending March 31	Millions of Yen
2021	¥2,198
2022	2,152
2023	2,358
2024	2,113
2025	2,163
Thereafter	10,757

13. COMMITMENT AND CONTINGENT LIABILITIES

The Company entered into a construction supervision and construction contract in the amount of ¥4,290 million, in connection with a new logistics center that will be established next to the Moriyama Distribution Center in Moriyama, Shiga on March 16, 2020.

The Company had contractual obligation of ¥4,290 million as of March 31, 2020.

Defined Contribution Plan—Certain subsidiaries of the Company have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥407 million, ¥394 million and ¥327 million for the years ended March 31, 2020, 2019 and 2018, respectively.

Termination Plan for Directors—The Company previously had, and a certain subsidiaries of the Company 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 ¥344 million and ¥349 million as of March 31, 2020 and 2019, 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.

The annual payments of contractual obligation as of March 31, 2020 were as follows:

Years Ending March 31	Millions of Yen
2021	¥ 900
2022	3,200
2023	190
Total	¥4,290

14. SHARE-BASED COMPENSATION

The Company adopted an annual stock option plan in the fiscal 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 fiscal years ended March 31, 2020, 2019 and 2018. 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 100 shares of the Company's common stock at ¥1 per share (for stock option granted prior to September 1, 2017, it is exercisable to acquire 500 shares of the Company's common stock). 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 and they will exercise options immediately after their retirement.

	2020	2019	2018
Expected dividend yield	2.6%	2.2%	2.3%
Expected volatility	25.0%	24.6%	23.7%
Risk-free interest rate	(0.2)%	(0.1)%	(0.2)%
Expected term	4.0 years	3.7 years	3.4 years

A summary of stock option activities under the plan for the years ended March 31, 2020 and 2019 is as follows:

	Yen		Years	Millions of Yen
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of April 1, 2019	249,900	¥1		
Granted	28,500	1		
Exercised	22,500	1		
Outstanding as of March 31, 2020	255,900	1	12.95 years	¥600
Exercisable as of March 31, 2020	36,800	1	3.23 years	86

	Yen		Years	Millions of Yen
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of April 1, 2018	240,500	¥1		
Granted	20,900	1		
Exercised	11,500	1		
Outstanding as of March 31, 2019	249,900	1	13.09 years	¥687
Exercisable as of March 31, 2019	40,500	1	3.68 years	111

The total intrinsic value of options exercised was ¥62 million, ¥33 million and ¥16 million as of the years ended March 31, 2020, 2019 and 2018, respectively.

The total compensation costs recognized for the years ended March 31, 2020, 2019 and 2018 were ¥71 million, ¥62 million and ¥68 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2020, 2019 and 2018 were ¥22 million, ¥19 million and ¥21 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2020, 2019 and 2018 were ¥2,516, ¥3,005 and ¥2,918, respectively.

As of March 31, 2020, there was ¥11 million in total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plan. That cost is expected to be recognized over three months.

15. 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.

16. OTHER COMPREHENSIVE (LOSS) INCOME

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

Millions of Yen						
	2020			2019		
	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)	¥ 1,551		¥(5,679)	¥2,274	¥ 27,424	¥(1,101)
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03					(27,320)	
Amount arising during the year:						
Pre-tax amount	(2,529)		265	(795)	(10)	(6,866)
Tax credit	(3)		(140)	45	3	2,079
Net amount	(2,532)		125	(750)	(7)	(4,787)
Reclassification adjustments:						
Pre-tax amount			1,357		(140)	202
Tax credit			(397)		43	(2)
Net amount			960		¥ (97)	200
Other comprehensive (income) loss attributable to noncontrolling interests (after-tax)	(52)			27		9
Balance at the end of the year (after-tax)	¥(1,033)		¥(4,594)	¥1,551		¥(5,679)

Millions of Yen			
2018			
	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)
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03			
Amount arising during the year:			
Pre-tax amount	1,158	9,309	(655)
Tax credit	(45)	(2,815)	168
Net amount	1,113	6,494	(487)
Reclassification adjustments:			
Pre-tax amount		(201)	(278)
Tax credit		62	85
Net amount		(139)	(193)
Other comprehensive (income) loss attributable to noncontrolling interests (after-tax)	(51)	(6)	(7)
Balance at the end of the year (after-tax)	¥2,274	¥27,424	¥1,101

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in “(Loss) gain on sales, exchange and valuation of marketable securities and investments – net” in the consolidated statements of income.

Reclassification adjustments (pre-tax) of pension liability adjustments are included in “Other – net” in the consolidated statements of income as the net periodic benefit costs.

17. INCOME TAXES

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, 2020, 2019 and 2018:

	2020	2019	2018
Normal Japanese effective statutory tax rates	30.6%	30.6%	30.9%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	7.3	22.9	3.0
Change in valuation allowance	10.3	25.5	2.8
Undistributed earnings of associated companies	2.3	3.9	0.7
Differences in foreign subsidiaries' tax rate	(7.2)	(27.3)	(1.3)
Tax exemption	(2.0)	(2.9)	(0.9)
Unrecognized tax benefits	(1.0)	1.4	(0.1)
Impairment losses on goodwill	1.3	60.1	0.1
Changes in Japanese income tax rates	(0.1)	(0.4)	2.0
Other – net	(8.2)	1.2	1.6
Effective tax rates	33.3%	115.0%	38.8%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2020 and 2019 were as follows:

Millions of Yen				
	2020		2019	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Refund liabilities	¥ 734		¥ 963	
Allowance for doubtful receivables	15		9	
Accruals not currently deductible	205		226	
Inventory valuation	1,089		837	
Accrued bonuses	882		990	
Advanced depreciation on property, plant and equipment		¥ 1,839		¥ 1,912
Undistributed earnings of associated companies		2,485		2,400
Net unrealized gain on marketable securities and investments		5,848		10,394
Net realized gain on exchange of investments		416		792
Capitalized supplies	137		172	
Enterprise taxes	352		245	
Accrued vacation	741		739	
Operating leases right-of-use assets		3,580		
Operating lease liabilities	3,616			
Asset retirement obligation	250		250	
Prepaid pension expense		720		357
Liability for termination and retirement benefit	611		430	
Return assets		266		361
Property, plant and equipment	1,591		1,393	
Tax loss carryforwards	2,388		1,838	
Intangible assets		1,151		1,261
Other temporary differences	36	277	602	245
Total	12,647	16,582	8,694	17,722
Valuation allowance	(2,858)		(2,177)	
Total	¥ 9,789	¥16,582	¥ 6,517	¥17,722

The valuation allowance decreased by ¥681 million and increased by ¥160 million for the years ended March 31, 2020 and 2019, respectively.

The Companies also utilized ¥245 million and ¥661 million of tax loss carryforwards, and recognized tax benefits of ¥29 million and ¥215 million for the years ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, certain subsidiaries had tax loss carryforwards which are available to offset future taxable income of such subsidiaries and expire as follows:

Years Ending March 31	Millions of Yen
2021	¥ 186
2022	421
2023	554
2024	390
2025	818
2026	656
2027	577
2028	164
2029	1,047
2030	1,033
Thereafter	3,215
Total	¥9,061

There was no portion of undistributed earnings of foreign subsidiaries and foreign corporate joint ventures which was deemed to be permanently reinvested as of March 31, 2020 and 2019.

18. REVENUE

The Group focuses on sales of innerwear (women's foundation garments and lingerie, nightwear and children's underwear), sportswear, and other textile products and related products ("Products"), and our customers include retail and wholesale distributors and consumers in Japan and overseas. See Note "23. Segment Information" for revenue information for each segment, by each product and service, and by geographic area.

Revenue from sales of our products is recognized when performance obligations are satisfied, which is upon delivery of the products. We invoice when we satisfy the performance obligation and receive cash payment shortly thereafter.

The Group's revenue is recognized for transactions, net of any trade discounts or rebates given. We generally provide a right of return to our customers. In order to estimate the transaction price, provision for expected returns is deducted from revenue based on historical returns.

Contract liabilities from contracts with customers consists mainly of customer loyalty points. Some of subsidiaries have customer loyalty programs as part of the promotion and provide loyalty points to

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

	Millions of Yen		
	2020	2019	2018
Balance at the beginning of the year	¥ 101	¥ 5	¥4
Additions based on tax positions related to the current year	1	60	1
Additions based on tax positions related to the previous years		36	
Reductions for tax positions of previous years	(100)		
Balance at the end of the year	¥ 2	¥101	¥5

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥2 million, ¥101 million and ¥5 million as of March 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018 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 2017, 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 years ended March 31, 2007, 2010 and 2016 were completed respectively.

customers when they purchase the products. The points provided to customers are identified as performance obligations, which are satisfied when the points are redeemed for the products. The unredeemed points as of the end of years are recorded as contract liabilities, which are estimated based on actual redemption amounts from previous fiscal year. Contract liability is included in other current liabilities, and the amount of contract liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen	
	2020	2019
Contract liabilities	¥917	¥873

Revenue recognized for the years ended March 31, 2020 and 2019, which had been included in the contract liabilities balance at beginning of year were ¥494 million and ¥324 million.

19. EARNINGS PER SHARE

Basic net income attributable to Wacoal Holdings Corp. per share has been computed by dividing net income attributable to Wacoal Holdings Corp. by the weighted-average number of common shares outstanding during each year. Diluted net income attributable to Wacoal Holdings Corp. per share assumes the dilution that 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 63,989,561 shares, 66,143,405 shares and

67,928,557 shares for the years ended March 31, 2020, 2019 and 2018, 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 64,242,244 shares, 66,393,127 shares and 68,157,430 shares for the years ended March 31, 2020, 2019 and 2018, respectively.

Note: 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 was calculated assuming that the reverse stock split had occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

20. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments as of March 31, 2020 and 2019 were as follows:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities	¥ 656	¥ 657	¥ 446	¥ 445
Investments	43,904	43,908	63,372	63,369
Total assets	¥44,560	¥44,565	¥63,818	¥63,814
Liabilities:				
Long-term debt including current portion	¥ 85	¥ 85	¥ 138	¥ 138
Total liabilities	¥ 85	¥ 85	¥ 138	¥ 138

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 and currency swaps, see Note 21.

Marketable Securities and Investments—The fair value of these held-to-maturity debt securities are based on Level 1 inputs. For all other investments included in marketable securities and investments, see Notes 3 and 21.

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

21. FAIR VALUE MEASUREMENTS

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

- Level 1—Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 and 2019 were as follows:

2020	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Equity securities	¥40,920		¥2,561	¥43,481
Mutual funds	94			94
Total	41,014		2,561	43,575
Derivative instruments:				
Foreign exchange contracts		¥57		57
Total assets	¥41,014	¥57	¥2,561	¥43,632
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥24		¥ 24
Currency swap		72		72
Total		96		96
Contingent consideration			¥3,874	3,874
Total liabilities		¥96	¥3,874	¥ 3,970

2019	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Equity securities	¥59,911		¥2,287	¥62,198
Mutual funds	50			50
Total	59,961		2,287	62,248
Derivative instruments:				
Foreign exchange contracts		¥27		27
Total assets	¥59,961	¥27	¥2,287	¥62,275
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥18		¥ 18
Currency swap		36		36
Total liabilities		¥54		¥ 54

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 debt securities if a decline in fair value of debt securities 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.

Equity securities in Level 3 are non-marketable equity securities and are valued by the comparable multiple valuation method using financial indicators as inputs or other appropriate valuation methods. Contingent consideration are valued by the Monte Carlo simulation using unobservable inputs.

The tables below show the change in assets presented in Level 3 that are continuously assessed at fair value as of March 31, 2020 and 2019:

Millions of Yen		
	2020	
	Investment	Contingent Consideration
Balance at the beginning of the year	¥2,287	
Purchase/assumed in acquisition	276	¥4,172
Total gains or losses for the period:		
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net	(2)	
Selling, general and administrative expenses		(304)
Foreign currency translation adjustments		6
Balance at the end of the year	¥2,561	¥3,874
Unrealized (loss) gain included in earnings for assets and liabilities still held as of March 31, 2020	¥ (2)	¥ (304)

Millions of Yen		
	2019	
	Investment	
Balance at the beginning of the year		¥2,002
Purchase		201
Total gains or losses for the period:		
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net		84
Balance at the end of the year		¥2,287
Unrealized gains included in earnings for assets still held as of March 31, 2019		¥ 84

Assets Measured at Fair Value on a Non-recurring Basis

Assets measured at fair value on a non-recurring basis as of March 31, 2020 and 2019 were as follows:

2020	Millions of Yen				
	Level 1	Level 2	Level 3	Total	Impairment Losses
Buildings and structures			¥109	¥109	¥ (162)
Machinery and equipment			324	324	(607)
Goodwill (Note 8)					(217)
Trademarks (Note 8)			489	489	(191)
Software (Note 8)			14	14	(65)
					¥(1,242)

2019	Millions of Yen				
	Level 1	Level 2	Level 3	Total	Impairment Losses
Buildings and structures					¥ (43)
Machinery and equipment					(124)
Goodwill (Note 8)					(4,325)
Trademarks (Note 8)			¥680	¥680	(1,314)
Software (Note 8)					(195)
					¥(6,001)

As of March 31, 2019, the carrying amount of G Tech's machinery was fully written off, resulting in an impairment charge of ¥105 million, which is included as a charge to earnings for the year ended March 31, 2019. The impairment arose due to the close of the unprofitable business and the assets associated with it are considered to be non-recoverable. In addition, all the carrying amounts of Ai's buildings, equipment, and software were written off resulting in impairment charges of ¥43 million, ¥19 million, and ¥195 million, respectively. To measure their fair values, 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, and the prices calculated based on market data for comparable assets 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.

As of the end of March 31, 2019, the carrying amount of goodwill in Peach John Business was fully written off, resulting in an impairment charge of ¥4,325 million, which is included in earnings for the year ended March 31, 2019. The impairment arose due to the decline in its fair value, which was caused by a downturn in consumption due to general market conditions. To measure the fair values of the reporting units, the Companies used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

Peach John's trademarks with a carrying amount of ¥1,994 million as of March 31, 2019, were written down to their fair values of ¥680 million, resulting in recognition of an impairment charge of ¥1,314 million for the year ended March 31, 2019. The impairment arose due to the decline in their fair value, which was caused by a downturn in consumption due to general market conditions. To measure the fair value of the trademarks, the Companies used the relief-from-royalty method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the rate of royalty, and appropriately risk-adjusted discount rate, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on management's cash flow projections for the future three years, and after three years, future cash flows were estimated using a perpetuity growth rate from 0% to 3.0%. Management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The rate of royalty used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents a weighted-average cost of capital (WACC) adjusted for inherent risk spread.

As of the end of March 31, 2020, the carrying amount of A Tech's buildings, machinery and equipment, and software under the Wacoal Business (Overseas) were written down to their fair values, resulting in the recognition of an impairment charge of ¥162 million, ¥607 million, and ¥65 million, respectively. The impairment arose due to the revision of the future business plan made in response to a decrease in sales. To measure the fair values of A Tech's reporting units, the Companies used the discounted cash flows method and incorporated relevant unobservable inputs, such as management's assumptions about future cash flows

and an appropriately risk-adjusted discount rate, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on management's cash flow projections for the future five years, and after five years, future cash flows were estimated using a growth rate of 2.0%. Management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The risk-adjusted discount rate represents the weighted-average cost of capital (WACC).

As of the end of March 31, 2020, the carrying amount of G Tech's goodwill under the Wacoal Business (Overseas) was fully written off, resulting in an impairment charge of ¥217 million. The impairment is due to the revision of the future business plan made in response to a decrease in sales. To measure the fair values of G Tech's reporting units, the Companies used discounted cash flows method 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.

As of the end of March 31, 2020, Peach John's trademarks with a carrying amount of ¥680 million were written down to their fair values of ¥489 million, resulting in the recognition of an impairment charge of ¥191 million for the year ended March 31, 2020. The impairment is due to the decline in their fair value, which was caused by a downturn in consumption due to general market conditions. To measure the fair value of the trademarks, the Companies used the relief-from-royalty method and incorporated relevant unobservable inputs, such as management's assumptions about future cash flows, the rate of royalty, and an appropriately risk-adjusted discount rate, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on management's cash flow projections for the future three years, and after three years, future cash flows were estimated using a perpetuity growth rate from 0% to 3.0%. Management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The royalty rate used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents the weighted-average cost of capital (WACC) adjusted for an inherent risk spread.

Valuation process:

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

Quantitative information regarding Level 3 fair value measurements:

Information about valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value for the years ended March 31, 2020 and 2019 is as follows:

	Millions of Yen			
March 31, 2020	Fair Value	Valuation Technique	Principal Unobservable Input	Range
Buildings and structures	¥ 109	Expected present value method	Discount rate	10.0%
Machinery and equipment	324		Short-term revenue growth rates (within five years)	(31.1)%–102.5%
Software	14		Growth rate (over five years)	2.0%
Trademarks	¥ 489	Relief-from-royalty method	Discount rate	10.3%–13.9%
			Royalty rate	3.0%
			Short-term revenue growth rates (within three years)	(14.8)%–24.3%
			Perpetuity growth rate (over three years)	0%–3.0%
Contingent consideration	¥3,874		Monte Carlo simulation	Discount rate
			Volatility	15%

	Millions of Yen			
March 31, 2019	Fair Value	Valuation Technique	Principal Unobservable Input	Range
Trademarks	¥680	Relief-from-royalty method	Discount rate	9.9%–13.4%
			Royalty rate	3.0%
			Short-term revenue growth rates (within three years)	2.3%–7.0%
			Perpetuity growth rate (over three years)	0%–3.0%

22. 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 and currency swaps are used to mitigate such risk. **Derivative Instruments Not Designated as a Hedge**—Foreign exchange contracts and currency swaps 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 derivative instruments that are not designated as hedges as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Foreign currency exchange	¥2,786	¥1,837
Currency swaps	695	653

The amounts of derivative instruments at fair value in the consolidated balance sheets as of March 31, 2020 and 2019 were as follows:

		Millions of Yen	
Balance Sheets Location		2020	2019
Assets:			
Foreign currency exchange	Other current assets	¥57	¥27
Liabilities:			
Foreign currency exchange	Other current liabilities	¥24	¥18
Currency swaps	Other current liabilities	72	36

The effect of derivative instruments in consolidated statements of income for the years ended March 31, 2020, 2019 and 2018 were as follows:

		Millions of Yen		
Statements of Income Location		2020	2019	2018
Foreign currency exchange	Other – net	¥ 57	¥45	¥ 60
Currency swaps	Other – net	(36)	(5)	(31)

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, and other textile-related products. The "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, and 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, 2020, 2019 and 2018 is as follows:

Millions of Yen						
2020	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥109,709	¥50,552	¥10,480	¥16,019	¥(17,360)	¥186,760
Intersegment	860	10,570	694	5,236	(17,360)	
Total	110,569	61,122	11,174	21,255		186,760
Operating costs and expenses:					(17,360)	
Operating costs and expenses	101,203	56,656	10,951	21,407		172,857
Depreciation and amortization	3,584	1,922	383	140		6,029
Impairment charges on property, plant and equipment		769				769
Impairment charges on goodwill		217				217
Impairment charges on other intangible assets		65	191		(17,360)	256
Total	104,787	59,629	11,525	21,547		180,128
Operating income (loss)	5,782	1,493	(351)	(292)		6,632
Total assets and capital expenditures:						
Total assets	236,961	86,292	9,751	16,708	(72,024)	277,688
Capital expenditures	4,619	2,106	129	127		6,981

Millions of Yen						
2019	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥113,400	¥53,100	¥10,491	¥17,210		¥194,201
Intersegment	905	10,121	1,083	5,543	¥(17,652)	
Total	114,305	63,221	11,574	22,753	(17,652)	194,201
Operating costs and expenses:						
Operating costs and expenses	104,224	56,950	11,400	22,752	(17,652)	177,674
Depreciation and amortization	3,499	1,585	394	169		5,647
Impairment charges on property, plant and equipment	62	105				167
Impairment charges on goodwill			4,325			4,325
Impairment charges on other intangible assets	195		1,314			1,509
Total	107,980	58,640	17,433	22,921	(17,652)	189,322
Operating income (loss)	6,325	4,581	(5,859)	(168)		4,879
Total assets and capital expenditures:						
Total assets	249,141	78,912	8,038	17,395	(71,719)	281,767
Capital expenditures	3,382	1,837	494	70		5,783

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	106,822	56,504	11,290	21,712	(17,795)	178,533
Depreciation and amortization	3,469	1,506	345	172		5,492
Impairment charges on goodwill		206				206
Total	110,291	58,216	11,635	21,884	(17,795)	184,231
Operating income	6,845	3,852	441	356		11,494
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

The sum of the operating income (loss) of the reportable segments agrees to 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 expenses (income) 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 Services Information

Net sales information by product and service for the years ended March 31, 2020, 2019 and 2018 is as follows:

Millions of Yen			
	2020	2019	2018
Innerwear:			
Foundation and lingerie	¥144,933	¥146,525	¥146,970
Nightwear	7,459	8,296	8,758
Children's underwear	1,014	1,213	1,376
Subtotal	153,406	156,034	157,104
Outerwear/sportswear and others	¥ 12,746	¥ 14,733	¥ 16,128
Hosiery	1,563	1,881	1,983
Other textile goods and related products	7,545	9,428	8,907
Others	11,500	12,125	11,603
Total	¥186,760	¥194,201	¥195,725

Geographic Information

Information by major geographic area as of and for the years ended March 31, 2020, 2019 and 2018 is as follows:

Millions of Yen			
	2020	2019	2018
Net sales:			
Japan	¥135,273	¥140,189	¥143,196
Asia and Oceania	20,596	22,509	21,057
Americas and Europe	30,891	31,503	31,472
Consolidated	¥186,760	¥194,201	¥195,725
Long-lived assets:			
Japan	¥ 44,014	¥ 45,257	¥ 46,367
Asia and Oceania	4,034	4,810	4,916
Americas and Europe	4,035	3,203	3,050
Consolidated	¥ 52,083	¥ 53,270	¥ 54,333

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.

24. SUBSEQUENT EVENTS

(Cancellation of Treasury Stock)

On May 15, 2020, the Board of Directors resolved to retire treasury stock 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:
3,000,000 shares
- c. Date for Retirement:
May 25, 2020

(Dividend Declaration)

On May 15, 2020, the Board of Directors resolved to pay a cash dividend of ¥100 per 5 shares of common stock to holders of record as of March 31, 2020 (aggregate amount of ¥1,248 million).

(Bank Loans)

On May 25, 2020, The Company received bank loans as working capital from MUFG Bank, Ltd., The Bank of Kyoto, Ltd. and The Shiga Bank, Ltd., as follows.

Bank	Transaction Method	Borrowing Amount	Interest Rate	Repayment Term
MUFG Bank, Ltd.	Loan by bill	¥10,000 million	Spread	May 25, 2021
The Bank of Kyoto, Ltd.	Overdraft	¥6,000 million	Base rate + spread	Within a month
The Shiga Bank, Ltd.	Overdraft	¥4,000 million	Base rate + spread	Within a month

Independent Auditors’ Report

Deloitte.

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

We have audited the accompanying consolidated financial statements of Wacoal Holdings Corp. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of March 31, 2020 and 2019, 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, 2020 (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, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audit for the year ended March 31, 2020 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 the 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 LCC

June 26, 2020

Member of
Deloitte Touche Tohmatsu Limited

Management’s Annual Report On Internal Control Over Financial Reporting
(Translation)

NOTE TO READERS

Following is an English translation of management’s report on internal control over financial 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 Masashi Yamaguchi, 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 frame-work 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, 2020. 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 as-sessed 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 manage-ment’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, 2020.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable

Independent Auditors’ Report



NOTE TO READERS:

Following is an English translation of the Independent Auditors’ Report filed under the Financial Instruments and Exchange Act (“FIEA”) 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 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 units 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 process, we used a measure of approximately 70% of total assets on a consolidated basis and income before income taxes on a consolidated basis for the selection of significant business units.

(TRANSLATION)

INDEPENDENT AUDITORS’ REPORT

June 26, 2020

Deloitte Touche Tohmatsu LLC
Kyoto office

Designated Engagement Partner,
Certified Public Accountant:

Wakyu Shinmen

Designated Engagement Partner,
Certified Public Accountant:

Hiroaki Sakai

Designated Engagement Partner,
Certified Public Accountant:

Tomomi Tsuji

To the Board of Directors of Wacoal Holdings Corp.

Audit of Financial Statements
Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Wacoal Holdings Corp. and its consolidated subsidiaries (the “Group”) included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America pursuant to the provisions of Article 95 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the

Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in the United States of America.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors’ execution of duties relating to the design and operating effectiveness of the controls over the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

- As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor’s judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
 - Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group’s internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Audit of Internal Control
Opinion**

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 Wacoal Holdings Corp. as of March 31, 2020.

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. as of March 31, 2020, 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.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for 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.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor’s Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management’s report on internal control over financial reporting is free from material misstatement and to issue an auditor’s report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor’s judgment, including the significance of effects on reliability of financial reporting.
- Examine 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.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Principal Subsidiaries

As of August 31, 2020

Wacoal Business (Domestic)

Wacoal Corp. Manufacturing and sales company
29 Nakajima-cho, Kisshoin, Minami-ku,
Kyoto 601-8530, Japan
R&D, product design and distribution of innerwear, etc.

Unenana Cool Corp. Sales company
Wacoal New Kyoto Bldg. 5F, 6 Kitanouchi-cho,
Nishikujo, Minami-ku, Kyoto 601-8506, Japan
Product design and distribution of innerwear, etc.

Wacoal Minette Co., Ltd. Sales company
Wacoal Sapporo Branch 1F, 27-1-20 Minami Ichijo-
Nishi Chuo-ku, Sapporo, Hokkaido 064-0801, Japan
Distribution of innerwear, etc.

Linge Noel Co., Ltd. Sales company
Wacoal New Kyoto Bldg. 5F, 6 Kitanouchi-cho,
Nishikujo, Minami-ku, Kyoto 601-8506, Japan
Distribution of innerwear, etc.

Kyusyu Wacoal Manufacturing Corp. Manufacturing company
1572, Saigoshin, Mizuho-cho, Unzen-shi, Nagasaki
859-1206, Japan
Contract manufacturing of innerwear

Niigata Wacoal Sewing Corp. Manufacturing company
263, Hataya, Niigata-shi, Niigata 959-0423, Japan
Contract manufacturing of innerwear

Hokuriku Wacoal Sewing Corp. Manufacturing company
254-31-1 Shimoyogo, Sakai-cho, Sakai-shi,
Fukui 919-0527, Japan
Contract manufacturing of innerwear

Torica Inc. Manufacturing company
3-2-10 Higashi-Oota, Ibaraki-shi,
Osaka 567-0012, Japan
Contract manufacturing of innerwear

Wacoal Distribution Corp. Other company
1-1 Chishiro-cho, Moriyama-shi,
Shiga 524-0034, Japan
Logistics

Wacoal Art Center Co., Ltd. Other company
5-6-23 Minami-Aoyama, Minato-ku,
Tokyo 107-0062, Japan
Food service, culture, service business

Wacoal I Next Corp. Other company
29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto
601-8530, Japan
Office service business

Wacoal Business (Overseas)

Wacoal America, Inc. Manufacturing and sales company
136 Madison Avenue, New York, N.Y. 10016, U.S.A.
Product design and distribution of innerwear

Wacoal China Co., Ltd. Manufacturing and sales company
Jia 16 Tongji North Road, Beijing, Economic &
Technological Development Area Beijing 100176,
P.R. of China
Product design, manufacturing and distribution
of innerwear

Wacoal EMEA Ltd. Manufacturing and sales company
The Corsetry Factory, Rothwell Road, Desborough,
Northamptonshire, NN14 2PG, UK
Product design and distribution of innerwear

Vietnam Wacoal Corp. Manufacturing and sales company
110 Amata Road, Amata Modern Industrial Park,
Long Binh Ward, Bien Hoa City, Dong Nai Province,
Socialist Republic of Vietnam
Contract manufacturing and distribution
of innerwear

Wacoal Hong Kong Co., Ltd. Sales company
8th Floor, EGL Tower, No. 83 Hung To Road,
Kwun Tong, Kowloon, Hong Kong
Distribution of innerwear

Wacoal Singapore Private Limited Sales company
215 Henderson Road, #01-08
Henderson Industrial Park, Singapore 159554
Distribution of innerwear

Philippine Wacoal Corp. Sales company
3F, 6788 Ayala Avenue, Oledan Square,
Makati City 1226, Philippines
Distribution of innerwear

Wacoal Direct Corp. Sales company
136 Madison Avenue, New York, N.Y. 10016, U.S.A.
Distribution of innerwear

Wacoal Canada Inc. Sales company
1000 de la Gauchetiere Street West,
Suite 2400 Montreal, QC, Canada, H3B 4W5
Distribution of innerwear

Adden Limited Sales company
The Corsetry Factory, Rothwell Road, Desborough,
Northamptonshire, NN14 2PG, UK
Distribution of innerwear

Wacoal Europe SAS Sales company
81 Rue Saint Lazare, 75009 Paris, France
Distribution of innerwear

Wacoal Australia Pty Ltd. Sales company
Suite 3, 169 Pascoe Vale Road, Moonee Ponds,
VIC 3039, Australia
Distribution of innerwear

Eveden Israel Limited Sales company
11 Kehilat Saloniki St., Tel Aviv 69513, Israel
Distribution of innerwear

Eveden Inc. Sales company
65 Sprague Street, Hyde Park, MA 02136, U.S.A.
Distribution of innerwear

Eveden Canada Ltd. Sales company
181 Bay Street, Suite #4400, Toronto, Ontario,
Canada, M5J 2T3
Distribution of innerwear

Wacoal India Private Limited Sales company
403/4th Floor, Ackruti Star Building, Central Road,
MIDC, Andheri (East), Mumbai, Maharashtra,
400093, India
Distribution of innerwear

Intimates Online, Inc. Sales company
48 West 38th Street 10th Floor, New York, N.Y.
U.S.A.
Distribution of innerwear

Guangdong Wacoal Inc. Manufacturing company
Huahai Industrial District, Xinhua Town, Huadu Qu,
Guangzhou City, Guangdong, P.R. of China
Contract manufacturing of innerwear

Dalian Wacoal Co., Ltd. Manufacturing company
No. 6 Fu An Street Economic and Technical
Development Zone, Dalian, Liaoning,
P.R. of China 116600
Contract manufacturing of innerwear

Wacoal Dominicana Corp. Manufacturing company
Las Americas Industrial Free Zone,
KM. 22, aut. Las Americas Santo Domingo,
Dominican Republic
Contract manufacturing of innerwear

Myanmar Wacoal Company Limited Manufacturing company
Lot No. B2, Thilawa SEZ Zone A, Yangon,
Republic of the Union of Myanmar
Contract manufacturing of innerwear

Wacoal Lanka (Private) Limited Manufacturing company
"Wepz" Nittambuwa Wathupitiwela Sri Lanka
Contract manufacturing of innerwear

A Tech Textile Co., Ltd. Manufacturing company
241, 243, 245, 247, Soi Charoenrat 7, Bangkok,
Bangkholaem, Bangkok 10120, Thailand
Manufacturing of raw materials

G Tech Material Co., Ltd. Manufacturing company
241, 243, 245, 247, Soi Charoenrat 7, Bangkok,
Bangkholaem, Bangkok 10120, Thailand
Manufacturing of raw materials

Wacoal International Hong Kong Co., Ltd. Procurement company
8th Floor, EGL Tower, No. 83 Hung To Road,
Kwun Tong, Kowloon, Hong Kong
Procurement of products and raw materials of
innerwear, subsidiary management

Wacoal International Corp. Other company
One Wacoal Plaza, Lyndhurst, N.J. 07071, U.S.A.
Investment and funding in U.S. affiliates

Wacoal Investment Co., Ltd. Other company
8F, No. 2 Fusing N. Rd., Zhongshan Dist., Taipei,
Taiwan R.O.C.
Investment in Taiwan affiliates

Wacoal Europe Ltd. Other company
The Corsetry Factory, Rothwell Road, Desborough,
Northamptonshire, NN14 2PG, UK
Investment in affiliates

WACOAL VENTURES LIMITED
Investment in affiliates

OPTIONHUNT LIMITED
Management services of pension assets

Other Business

Peach John Co., Ltd. Sales company
AOYAMA ST. SHION BLDG., 3-1-2 Kitaaooyama,
Minato-ku, Tokyo 107-0061, Japan
Product design and retail sales of innerwear

Peach John Shanghai Co., Ltd. Sales company
#2306 Jiangnan Bldg., No. 600 Luban Road,
Huangpu District, Shanghai, P.R. of China, 200023
Distribution of innerwear

Taiwan Peach John Ltd. Sales company
3F, No. 2 Fusing N. Rd., Zhongshan Dist., Taipei,
Taiwan R.O.C.
Distribution of innerwear

Peach John Hong Kong Company Limited Procurement company Sales company
8th Floor, EGL Tower, No. 83 Hung To Road,
Kwun Tong, Kowloon, Hong Kong
Procurement and distribution of innerwear

Lecien Corp. Manufacturing and sales company
1-7-51 6F, 7F, Nishimiyahara, Yodogawa-ku,
Osaka-shi, Osaka 532-0004, Japan
Product design and wholesale distribution
of innerwear

Lecien Nagasaki Corporation Manufacturing company
1588 Nakagumi-go, Kawatana-cho,
Higashisonogi-gun, Nagasaki-ken, Japan
Manufacturing and wholesale distribution
of innerwear

Dalian Lecien Fashion Co., Ltd. Manufacturing company
Dalian Hai Na Chuang Ye Yuan, No. 75 Double D2
Street, Double D Port, Dalian Economic and
Technological Development Zone
Contract manufacturing of innerwear

Zhe Jiang Jiaxing Lecien Co., Ltd. Manufacturing company
361 Heping St. Xiuzhou, Jiaxing, Zhejiang
Contract manufacturing and distribution
of lace

Lecien (Cambodia) Co., Ltd. Manufacturing company
PLOT P1-021, 022, Phnom Penh Special Economic
Zone (Sangkat Kantouk, Sangkat Phleung Chhes
Rotes and Sangkat Beung Thom), National Road
No. 4, Khan Posenchey, Phnom Penh, Cambodia
Contract manufacturing of innerwear

Lecien (Vietnam) Co., Ltd. Manufacturing company
(TAN THUAN EXPORT PZ) TAN THUAN DONG
WARD, District 7 Ho Chi Minh City,
Socialist Republic of Vietnam
Contract manufacturing of innerwear

Shanghai Lecien Co., Ltd. Procurement company
#2407 Jiangnan Bldg., No. 600 Luban Road,
Huangpu District, Shanghai, P.R. of China, 200023
Procurement of innerwear

Nanasai Co., Ltd. Other company
1-7-51 2F, Nishimiyahara, Yodogawa-ku,
Osaka-shi, Osaka 532-0004, Japan
Manufacture and sale of mannequins and display
fixtures & interior design and construction of stores

Nanasai Shanghai Co., Ltd. Other company
#808 8th Floor Jiangnan Bldg., No. 600 Luban Road,
Huangpu District, Shanghai, P.R. of China, 200023
Rental of mannequins, design and construction
of stores

Ai Co., Ltd. Sales company
Wacoal Asakusabashi Bldg. 8F, 1-23-6 Yanagibashi,
Taito-ku, Tokyo 111-8540, Japan
Product design and distribution of swimwear
and innerwear

Wacoal Service Co., Ltd. Other company
29 Nakajima-cho, Kisshoin, Minami-ku,
Kyoto 601-8530, Japan
Sale of products, travel agency, real estate business,
insurance agency

Wacoal Career Service Corp. Other company
Sumitomoseimei Bldg. 8F, 62 Shijodori Shin-machi,
Higashiiru Tsukihokocho, Shimogyo-ku,
Kyoto 600-8492, Japan
Temporary employment agency

Equity-method Affiliates

Shinyoung Wacoal Inc. Manufacturing and sales company
104, Gasandigital 1-ro, Geumcheon-gu,
Seoul, South Korea 08590
Manufacturing and wholesale distribution
of innerwear

Taiwan Wacoal Co., Ltd. Manufacturing and sales company
15, Ching Kuo Road, Taoyian, Taiwan R.O.C.
Manufacturing and wholesale distribution
of innerwear

Thai Wacoal Public Company Limited Manufacturing and sales company
132 soi Charoenrat 7, Bangklo, Bangkholaem,
Bangkok, Thailand
Manufacturing and wholesale distribution
of innerwear

PT. Indonesia Wacoal Manufacturing and sales company
Jl. Tarikolot Rt. 01/Rk. 001 No. 59 Citeureup-Bogor,
16810 Indonesia
Manufacturing and wholesale distribution
of innerwear

House of Rose Co., Ltd. Other company
2-21-7 Akasaka, Minato-ku, Tokyo 107-8625, Japan
Development and sales of cosmetics,
hair-care products

Wacoal Malaysia Sdn. Bhd. Sales company
5th Floor, Plaza Hamodal, Lot 15, Jalan 13/2,
(Section 13) 46200 Petaling Jaya, Selangor,
Malaysia
Distribution of innerwear

Pattaya Myanmar Co. Ltd. Manufacturing company
16 Panchatun U Shwe Road,
Hlaing Tharyar Industrial Zone 2 Hlaing Tharyar
Township Yangon, Republic of the Union
of Myanmar
Contract manufacturing of innerwear

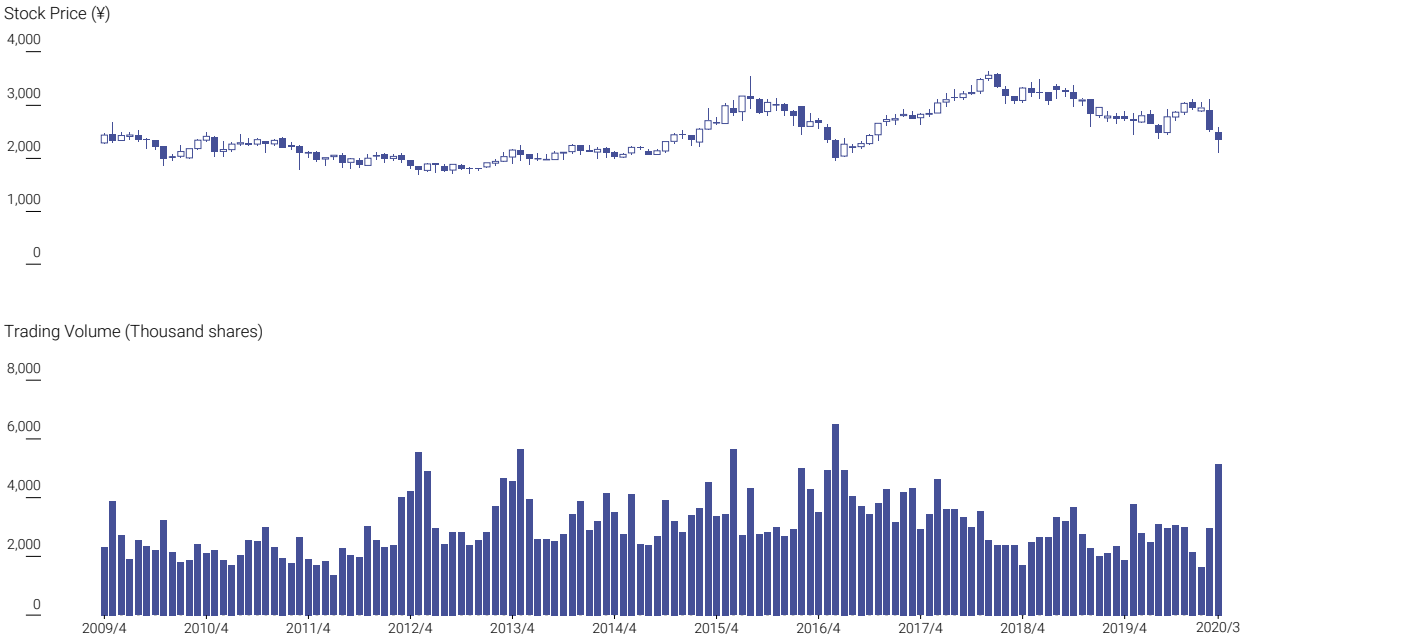
Note: Beginning from fiscal 2020, information on Ai Co., Ltd., which was previously presented in our "Wacoal Business (Domestic)" segment and "Peach John Business" segment, is now reflected and presented in our "Other" segment following review of certain management classification of performance within our Group.

Corporate Information

As of March 31, 2020

Company Name	Wacoal Holdings Corp.
Head Office	29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan
Founding	June 15, 1946
Establishment	November 1, 1949
Capital	¥13,260 million
Representative Director and Chairman	Yoshikata Tsukamoto
Representative Director and President	Hironobu Yasuhara
Line of Business	Wacoal's mainstay business is the manufacture, wholesale, and direct sales to consumers (for some products) of intimate apparel (mainly women's foundation garments, lingerie, nightwear, and children's underwear), outerwear, sportswear, and other textile products and accessories. In addition, Wacoal operates other business related to food, culture, services, and interior furnishing of shops.
Number of Employees	20,984 (Consolidated)

Stock Price / Trading Volume

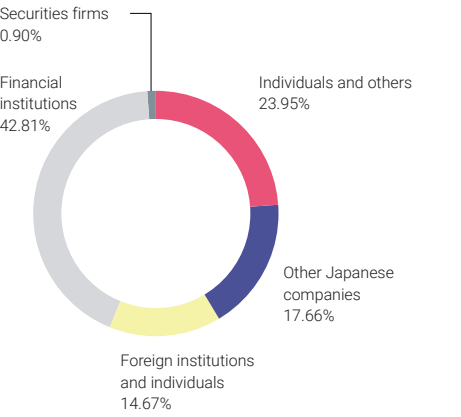


Investor Information

As of March 31, 2020

Stock Listing	Tokyo Stock Exchange
Fiscal Year-end	March 31
Securities Code	3591
Fiscal Year	From April 1 to March 31
Number of Shares Issued	68,589,042 (Treasury Stock: 6,186,410)
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: WACLX
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) https://www.adrbnymellon.com/
Number of Shareholders	15,121

Ownership and Distribution of Shares



Major Shareholders

	Number of shares held (Thousand shares)	Percentage of shares out-standing (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,447	5.52
The Bank of Mitsubishi UFJ, Ltd.	3,195	5.12
Japan Trustee Services Bank, Ltd. (Trust Account)	3,081	4.94
Meiji Yasuda Life Insurance Company	3,050	4.89
The Bank of Kyoto, Ltd.	2,352	3.77
Nippon Life Insurance Company	1,836	2.94
The Shiga Bank, Ltd.	1,775	2.84
Mitsubishi UFJ Trust and Banking Corporation	1,525	2.44
The Dai-ichi Life Insurance Company, Ltd.	1,366	2.19
Asahi Kasei Corp.	1,241	1.99

Note: The percentages exclude treasury stock.