



# **INTEGRATED REPORT** 2021

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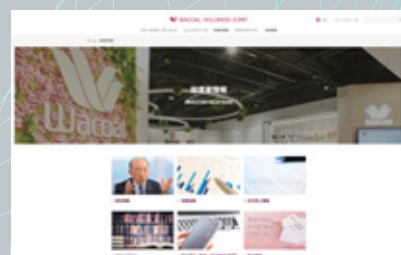
## Our Corporate Website

## ● Wacoal Holdings Corp.'s Website

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

## ● Investor Relations


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



## Investor Relations

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

## ● Sustainability

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



## Sustainable 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
- ESG Data Book

## Focus Areas of Our Initiatives (ESG Issues)

- CSR Procurement
- Corporate Governance
- Compliance
- Risk Management

## Editorial Policy

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

Further, the 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.





## Opening Remarks from the Chairman and President

Faced with the greatest change in the business environment since our founding, we will demonstrate a high level of resilience and evolve into a sustainable company.

The global COVID-19 pandemic brought about significant changes in the values, attitudes toward health, and behavior of consumers. Moreover, the pandemic has added momentum to initiatives focused on realizing a sustainable society, and the shift in consumers' attitudes toward sustainability seems likely to continue gathering pace.

Based on "a strong desire to devote the life bestowed upon me to work for society," Koichi Tsukamoto decided he would contribute to society through the provision of beauty and founded Wacoal shortly after the end of World War II, in 1946. As each era has further diversified the norms of beauty, Wacoal has earned the long-term trust of customers precisely because each of its employees exemplifies the Company's founding spirit by constantly taking on the challenge of reforming themselves in response to an evolving external environment. This mindset has enabled us to develop and market products that exceed customer expectations and thereby help create a society in which everyone feels vital and radiant.

The Wacoal Group's business environment is rapidly transforming and becoming more complex. To adapt to the changes we face and achieve renewed growth, each employee must return to the Group Philosophy as a starting point, reaffirm their understanding of our purpose

and mission, and be prepared to identify and solve issues. In addition, we must reform all manner of operations so that we can adapt to realignments in markets and sales channels, trends in technological innovation, and changes among our customers and swiftly create new value that earns customer endorsement.

To demonstrate a high degree of resilience and evolve into a sustainable company, we will steadily move forward with existing structural reform initiatives. In conjunction with these efforts, we will continue fostering personnel who can 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. We will also continue developing an organizational culture in which people enjoy their work.

In addition, we will step up efforts to address environmental and social issues. By sincerely listening to stakeholders' opinions and utilizing them in business management, we will work with stakeholders both to grow as a corporate group and to help create a sustainable society where people worldwide have opportunities to shine. As we evolve, I would like to ask for your continued support.

September 2021



*Yoshikata Tsukamoto*

Yoshikata Tsukamoto  
Representative Director and Chairman  
Wacoal Holdings Corp.

By combining employees' savvy with the advantages of digital technologies, we will contribute to the day-to-day health and well-being of each and every one of our customers and create the value sought by society in a new era.

The COVID-19 pandemic has transformed society. Even in the new normal, post-pandemic era, consumer behavior is likely to continue evolving. In adapting to the dramatic changes in the business environment and achieving renewed growth, we have positioned the two-year period ending March 31, 2022 as a phase for accomplishing structural reform to restore robust profitability. Accordingly, we have been accelerating existing initiatives to advance digital transformation and revamp underperforming businesses.

With respect to digital transformation, we are focusing on a strategy of enhancing the customer experience by integrating and coordinating online and off-line operations, utilizing customer data, and rolling out a new customer service system enabled by 3D body scanners. This unique strategy will build relationships with customers that are deeper, broader, and longer. In the new normal era, the realization of renewed growth will call for sensitivity to multifaceted changes in consumer attitudes as well as responses that accurately reflect consumer viewpoints. To date, we have achieved growth by building strong relationships with a range of different stakeholders as we work with them to address their issues and achieve results. Without the savvy of each employee, however, these efforts would not have been possible. With this in

mind, while leveraging digital technologies, we will continue honing the communication, value judgment, and problem-solving capabilities of our employees. This dual approach will allow us to provide products and services that contribute to the day-to-day health and well-being of each and every one of our customers.

Furthermore, viewing the increasing diversity and complexity of social issues as growth opportunities, we aim to establish ESG (environmental, social, and governance) management as an important long-term strategy for the creation of both social and economic value. To this end, we launched the Sustainability Promotion Project in April 2021. As part of the project, members of the senior management team and employees have begun discussions on key tasks for sustaining growth and enhancing enterprise value. At the same time, we are advancing initiatives focused on governance, human rights, and climate change. Over the medium to long term, the cumulative effect of these initiatives will sustain growth and increase our enterprise value. As we take on new challenges, I would like to ask for your continued support.

September 2021



*Hironobu Yasuhara*

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

## By providing unique value that reflects changes in society's priorities and issues, the Wacoal Group will sustain growth.



**Hironobu Yasuhara**

Representative Director,  
President and Corporate Officer  
Wacoal Holdings Corp.

**Tomoyasu Ito**

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

**Q** Over the past year, how has the COVID-19 pandemic changed the environment and how have these changes affected the Wacoal Group?

**A** Around the world, lifestyles, behavior, and consumption have changed dramatically, and management structure issues have become apparent. In addition to accelerating structural reforms, we are making multifaceted preparations in anticipation of a post-COVID-19 society.

### A Year That Revealed a Major Issue in Our Profit Structure

**Yasuhara:** Since the COVID-19 pandemic began, we have been working on the assumption that rapid containment of the crisis will be challenging. However, a 19.0% year-on-year decrease in consolidated net sales, to ¥152.2 billion, and an operating loss of ¥1.1 billion are not results that merit praise. Before the pandemic, we were aware that a profit structure in which an approximately 10.0% decrease in sales eliminates profit was an issue. In response to the dramatic changes stemming from the pandemic, we accelerated measures focused on self-transformation. Nonetheless, we recorded the first operating loss since our establishment, and I view this result very seriously. In fiscal 2022, the year ending March 31, 2022, and the final fiscal year of the current medium-term management plan, we will continue giving first priority to structural reforms aimed at correcting the high level of cost in our profit structure.

### Significant Changes in Lifestyles and Consumption Patterns Worldwide

**Ito:** From the perspective of consumers and ordinary citizens around the world, lifestyles, behavior, and consumption patterns have changed significantly. At the root of these changes is the fact that the pandemic has made many people more concerned about their immediate surroundings as well as about society and the environment generally. To take masks as an example, until recently people wore them to protect themselves from infection, but now they also wear them to protect others from infection. I believe that this change in thinking, coupled with the rapid progress of digitization, has brought about major shifts in how we live and act.

Pandemic-driven acceleration of the clock and significant changes in customer values and distribution channels are hampering the effective functioning of our organizational structure and unique value chain that comprises R&D, product planning, and sales through consultations with beauty advisors—which until now we have viewed as assets and advantages. As the biggest issue that the Wacoal Group faces, this mismatch has led to a decline in sales and the recognition of an operating loss. Concluding that we had to change our organizational structure to address the issue, we embarked on a bold reorganization of Wacoal Corp. in April 2021.

### Adaptation to Trends after Vaccination Rollout Programs

**Yasuhara:** The difference from a year ago, immediately after the outbreak of the pandemic, is that business performance is beginning to recover in some countries and regions as people are vaccinated in increasing numbers. Consequently, the outlook is gradually becoming more predictable. While there are differences among countries and regions, on the whole, vaccination programs will progress throughout fiscal 2022. As a result, we are likely to see the easing of behavioral restrictions and sudden spikes in consumption may occur in certain countries and regions. However, the future trends after such phenomena have passed are the key consideration. Accordingly, we must carefully analyze the outlook for a range of factors, including the percentage of sales accounted for by e-commerce, which has risen in the past year; whether consumption focuses on goods or on services, such as travel; and the balance between the consumption of goods and services. Whatever the outcomes are, as the choices of consumers are expected to diversify further, being prepared to adapt to a range of possible scenarios is extremely important for us. By accurately responding to future changes in the environment, we will achieve new growth.





**How are the structural reforms progressing, and what results have they produced?**



**Certain benefits are emerging from cost structure reforms, which are focused on cost reduction, the improvement of store profitability, and the optimization of personnel expenses. We will continue revising and reforming our operations to improve profitability, which will enable dramatic advances during the period of the next medium-term management plan.**

## Reforms to Enable Advances under the Next Plan

**Yasuhara:** We have been pushing forward with structural reforms with the aim of achieving dramatic advances during the period of the next medium-term management plan, which will begin in April 2022. Although progress and results differ from country to country, the e-commerce business, which we are strengthening as part of our growth strategy, has seen significant benefits, particularly in relation to Peach John and the United States. We have been able to accelerate efforts aimed at correcting the high level of cost in our profit structure thanks to the strong sense of crisis shared by all employees in the face of rapid changes in the external environment as well as the implementation of existing measures and expenditure plan reforms in all of our businesses. We have also achieved some positive results in improving store profitability and optimizing personnel expenses, which were identified as tasks.

## Digital Transformation: The Key to Structural Reform

**Ito:** At present, we are accelerating these reforms even further and moving forward one year earlier than expected with measures we had envisioned implementing during the next medium-term management plan. We had a sense of crisis that, if we missed the current opportunity, officers and employees might revert to their previous mindset. This was a major factor in our decision to undertake the large-scale reorganization of Wacoal Corp.

In achieving structural reform, the use of digital technologies is indispensable. First of all, we are now at a stage where we can create digital customer records—based on data managed by in-house e-commerce and directly managed stores as well as data held by department stores—and share a variety of customer information in-house. Further, we are making steady progress in improving the customer experience through the use of digital technologies. For example, we are providing stress-free sales environments by integrating online and off-line operations and introducing 3D body scanners. Through the promotion of digital transformation, we will improve operational efficiency while building deeper, broader, and longer relationships with individual customers.

## Reform of Employee Awareness and Behavior

**Yasuhara:** Going forward, linking personnel evaluations to numerical targets for employees, including employees of subsidiaries and overseas significantly, will be important. If targets change, awareness and behavior change. Until now, we have set sales as a key performance indicator (KPI) for each division. For an employee responsible for certain department stores, sales at these department stores were an important indicator. Given the increasing complexity of customers' consumption behavior, however, it will become important to establish personnel evaluation systems that not only take into account the stores and sales channels for which employees have responsibility but also reciprocal customer referrals between other stores and sales channels, such as online stores and specialty stores.

We are already in the process of introducing new evaluation systems. For example, we have introduced an evaluation system for beauty advisors whereby they earn recognition if their introduction of customers to online stores or other stores leads to a product purchase, even if the product is not carried by the store where the beauty advisor works. As a result, beauty advisors have become more proactive in referring customers to other stores and sales channels, which has strengthened coordination among sales channels and enhanced customer satisfaction.



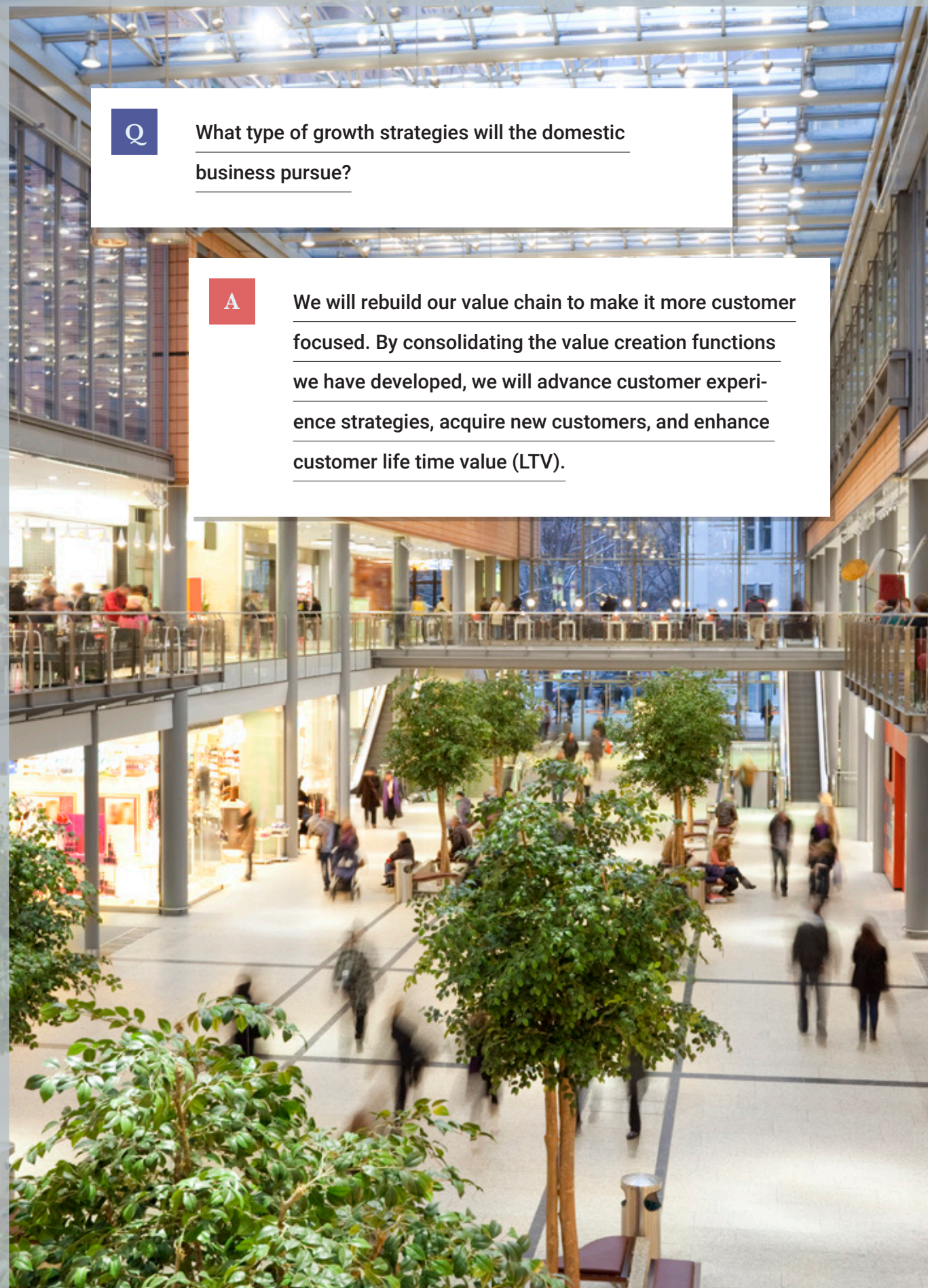




**What type of growth strategies will the domestic business pursue?**



**We will rebuild our value chain to make it more customer focused. By consolidating the value creation functions we have developed, we will advance customer experience strategies, acquire new customers, and enhance customer life time value (LTV).**



## Reorganization of Wacoal Corp.

Ito:

As I mentioned earlier, Wacoal Corp. reformed its organization on April 1, 2021. The purpose of the reorganization was twofold. The first goal was to better meet the needs of customers, and the second was to streamline the organization and optimize the allocation of management resources by reforming structurally overlapping functions and management resources within the company. Until recently, Wacoal Corp. conducted operations through discrete organizations for respective sales channels, and each of these organizations had its own value chain that included product planning and sales teams. Our main purpose was to disassemble these organizations and reassemble product planning, sales, and marketing functions in an appropriately customer-focused manner. Also, we reorganized the brand groups into three groups. Instead of the sales channel-based approach previously used, we will adopt the approach of a marketer who focuses on what kind of value is being provided to which type of customer. In this way, we will evolve our manufacturing functions. Moreover, the reorganization has revealed overlapping functions as well as shortcomings. Wacoal Corp. will bring together the value-creating functions scattered throughout its value chains to provide even more value to customers and achieve structural reform.

## An LTV Strategy That Builds Deeper, Broader, and Longer Relationships with Customers

Ito:

Our customer experience strategy is a distinctive growth strategy that increases LTV by utilizing online stores and brick-and-mortar stores in combination to acquire new customers and heighten the loyalty of existing customers.

The nature and role of brick-and-mortar stores will change significantly. We aim to achieve e-commerce sales of ¥20.0 billion by fiscal 2025. If we reach this target, in-house e-commerce sales will account for 20.0% of our net sales. Add 5.0% to this for the percentage of net sales contributed by other companies' e-commerce, and brick-and-mortar stores' share of net sales is likely to decrease to 75.0%. As the percentage of customers using e-commerce is expected to continue rising beyond fiscal 2026, the role of brick-and-mortar stores will be to increase the level of engagement between customers and Wacoal.

We think of our customer group, which comprises new customers and loyal customers, as being a "customer pyramid." The key to expanding the entire customer pyramid is to attract new customers and membership program participants by providing the products and services that meet the needs of the times as well as reflect changes in the points of contact themselves. With this in mind, we will leverage the *3D smart & try* customer service system, which utilizes 3D body scanners and AI. Measures aimed at utilizing *3D smart & try* to strengthen customers' points of contact with Wacoal through quality products and favorable customer experiences are being led by the Innovation Strategy Office, established in April 2021.

Another option for creating new points of contact with customers is through collaboration with other companies. Already, we are partnering with Isetan Mitsukoshi Holdings Ltd. to roll out *Match Palette powered by 3D smart & try*, a service for matching physique measurements with well-fitting women's apparel. Similarly, at LaLaport CLOSET, a store opened by Mitsui Fudosan Co., Ltd., in March 2021, we are offering the *3D CLOSET powered by 3D smart & try* service, which uses physique measurements to suggest well-fitting outerwear. We will continue collaborating with other companies to actively develop new points of contact. In this way, the development of a range of measures focused on attracting new customers and enhancing LTV will form the core of our growth strategy.







What is your growth strategy for the overseas business?



We will focus on strengthening the e-commerce business and advancing our customer experience strategy. By continuing to invest in the bolstering of in-house e-commerce and taking advantage of digital technologies to provide new customer experience value, we will increase brand recognition and achieve further growth.



Strengthening of E-Commerce Worldwide

**Yasuhara:** With respect to our overseas business, while there are businesses in countries such as the United States that have achieved significant growth through the utilization of digital technologies, there are also countries and regions where businesses are struggling to make headway with our existing business model. In China, which has been a growth driver, competition with emerging brands in the e-commerce market is intensifying, and I feel that we need to formulate a new growth strategy for the country. As for Europe, in addition to establishing a digital technology strategy for renewed growth in mainstay markets, we must open up new markets.

One common theme globally is that strengthening e-commerce is the key to growth. Accordingly, we will advance e-commerce strategies tailored to the circumstances of each country and invest in growth. Although the situation is different in each country, the development of in-house websites, rather than reliance on other companies' e-commerce platforms, will be a major factor in realizing long-term growth.

For this reason, we have built an in-house e-commerce platform that can be used by all of our subsidiaries in Asia, other than those based in China and Japan. The effect of this e-commerce platform has been promising. In Malaysia, where the e-commerce platform first became available, our local subsidiary made a solid start, receiving 1.5 times more orders than initially targeted. Due to the small scale of their operations, our subsidiaries in Asia have been unable to establish e-commerce businesses. Through the Wacoal Group's coordinated initiatives, however, these subsidiaries will realize growth in Asia's e-commerce market, which is expected to expand rapidly.

A Customer Experience Strategy for Brand Enhancement and Further Growth

**Yasuhara:** At the same time as strengthening e-commerce, we will implement a customer experience strategy to heighten customer experience value. Wacoal America, Inc. has developed an app that allows customers to measure their physiques with smartphones and is using physique measurement as a way of creating points of contact with customers. In Europe, we are introducing *3D smart & try*. When recruiting monitors in the region prior to the full-scale introduction of the service, we received more applications than expected. This response has alerted us to the possibility that services taken for granted in Japan, such as size measurement and the recommendation of products based on trial fittings, could meet with a favorable reception as novel services overseas, particularly in the United States and Europe. The enhancement of customer experience through such new services promises to help us heighten brand value and achieve further growth.

Also, Intimates Online, Inc., which the Wacoal Group made a wholly owned subsidiary in July 2019, is steadily drawing in more customers and realizing high growth, particularly among the digital native generation. Moreover, the subsidiary's growth is stimulating other operating companies, and we believe the realization of even larger synergies among Group companies will be possible going forward.







**In which direction will the Wacoal Group proceed over the medium to long term?**



**In the medium to long term, growth of the overseas business is essential and will be an important factor for the Group's growth. In Japan, with a focus on the health field, we will build deeper, broader, and longer relationships with customers.**



## Overseas Business Growth: A Critical Task

**Yasuhara:** Approximately 30 years from now, in 2050, Japan is projected to have a population of around 100 million. With a declining birth rate and an aging population, a structural decline in the population group aged between 15 and 65 is inevitable, and domestic consumption will decrease overall. In this environment, there is no way for the Group to continue growing domestically other than through the rigorous development of deeper, broader, and longer relationships with its customers. To this end, the creation and fostering of new businesses is essential.

On the other hand, from a global perspective, increasing the scale of our overseas business is of great significance. Our target is to grow net sales from their current level of ¥250.0 billion to ¥300.0 billion by fiscal 2028. Although the balance between domestic and overseas sales has been slightly altered by the COVID-19 pandemic, the Group generates domestic net sales of approximately ¥150.0 billion and overseas net sales of roughly ¥100.0 billion (including nonconsolidated sales). Given that a 50:50 ratio is envisioned between domestic and overseas sales, the Group cannot grow without the growth of the overseas business. Therefore, the degree to which we can grow in such countries and regions as the United States, Europe, and China will be decisive over the medium to long term.

## The Health Field: Our Next Growth Mainstay

**Ito:** The Group currently provides value in the areas of beauty, comfort, and health. How we renew each area of value to meet consumers' changing needs will significantly affect our next stage of growth. Even in the new normal era after containment of the pandemic, consumer behavior is likely to evolve further. Expected to continue aspiring to healthy, safe lifestyles, consumers will probably favor high-value-added products and good services that offer genuine value. To realize renewed growth in the new normal era, it will be essential to detect shifts in consumer outlook and take appropriate measures that reflect consumer priorities.

In all overseas regions, I believe we must provide value in fields beyond innerwear. Among these additional fields, the health field is set to become particularly important. Here, I am using the word "health" in a broad sense. In-house, we use the term "wellness" when referring to health-related fields as a whole. For example, wellness for us encompasses everything from the development of new products in collaboration with medical institutions through to the provision of services that help consumers live with greater vitality. Through initiatives to help women look and feel more beautiful, our organization has built up a range of capabilities and assets that are highly compatible with the health field. Taking into consideration this advantage, the collaborations that the Innovation Strategy Office is advancing with other companies, and the type of external inquiries we are receiving, health is one of the fields where we can create new growth.

We are currently analyzing what types of businesses in the wellness field to create and how to monetize them. We will build new business models based on consumer needs and changes among consumers, consideration of how best to establish a foothold in the wellness field, and whether we can adapt and combine our management resources to develop growth drivers.







Q

How will the Wacoal Group sustain growth amid the rapidly changing needs of consumers and society?

A

Through engagement with customers, employees, and other stakeholders, we will clarify our purpose. We will sustain growth by establishing new business models and creating value based on this purpose.

The Values of Tomorrow

**Yasuhara:** Environmental issues are becoming more serious, and consumers' awareness of sustainability is changing significantly. Until now, mass production and mass consumption have supported economic growth, but we are on the cusp of an era in which consumers value high-quality products that last for a long time. In fact, Wacoal's existing policy is to provide quality products with long life spans. Our products must pass more than 100 wash tests before being put into production. For us, this emphasis on quality and durability has always come naturally. Going forward, however, I feel that we need to communicate this differentiating factor more energetically to the outside world.

The Direct Connection between Social Contributions and Business Growth

**Ito:** In the future, I believe that consumers will become more interested not only in products themselves but also in the missions of the companies that provide them and companies' relationships with suppliers. In other words, helping consumers understand the philosophy and the story behind the creation of a product will become more important. Recently, I had the opportunity to interact with Generation Z university students at a workshop that was also attended by young employees. Talking with members of this generation really brought home to me the need to communicate the backgrounds of products. From now on, I feel that "business = enhancing customer and employee satisfaction and contributing to society" will be the norm and that the realization of this equation will become a direct driver of growth. With this in mind, the first thing we need to do is to update our management philosophy to suit the coming era and develop our businesses under the guidance of new goals. We have already launched a project to further discussion on such topics. As part of this process, we are also conducting in-house engagement activities themed on the purpose of the Company and its businesses. In the future, we must increase awareness among employees of the link between the growth of the Company and its contributions to society and the environment. Furthermore, we must create conditions that encourage employees to view these contributions as something that concerns them personally. Similarly, in our efforts to open up new areas and further develop existing areas in the health field, it is important that we clarify the purpose of business ventures by sharing with employees the objectives of businesses and the reasons Wacoal is involved in them. Accordingly, the social purpose of our businesses will be a major theme of our next medium-term management plan.

Increased Customer LTV as a Driver of Sustained Growth

**Yasuhara:** The concept of LTV that we have adopted means a focus on motivating each customer to use our products and services throughout the customer's life. The concept is also extremely significant from the perspective of sustainability and ESG. As we build deeper, broader, and longer relationships with our customers, we expect to gain new insights into the value they really want. We will use these insights to create new business models and further increase customer satisfaction. By focusing on the fields of beauty, comfort, and health while providing value that addresses the issues both of customers and society, the Wacoal Group will demonstrate its unique purpose and achieve sustained growth.



## The Origins of the Wacoal Group



Managing a business through the securing of profits is certainly key to business continuity; however, that is not the ultimate goal. In each generation, the role of companies within society is constantly called into question. Without a correct answer to this, companies will likely not be accepted as a part of society.

(Excerpt taken from a material on our management policy released in February 1975)

The persistence to sustain a profitable business represents the fundamental spirit that has existed since Wacoal's establishment. What lies on top of this foundation is a series of management structures for our profit-oriented management policy, financial standing, and a thorough and efficient accounting framework. Our various business activities, including those for sales and human resources, are also built on this basic philosophy. As the business environment undergoes drastic changes throughout our world today, we will reflect back on our origins in order to adapt accordingly to the changing circumstances going forward.

(Excerpt taken from a material on our management policy released in June 1976)

Founder

Koichi Tsukamoto

## Group Philosophy

### Our Mission

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

### Our Vision

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

### Our 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



# Toward a New Chapter in Our History

The Wacoal Group has built a long history by overcoming many changes and hardships since its founding in 1946. Our success is attributable to a favorable reputation earned through efforts to contribute to society by helping women to express their beauty. In other words, we have sought to realize our mission by earnestly developing products and services that enrich and add comfort to daily life.

By continuing to take on ambitious initiatives based on our unchanging mission, we will overcome the unprecedented crisis that has arisen from the COVID-19 pandemic and open the way to a new future.

## The Wacoal Group's Ambitious Initiatives

### 1946

#### ► The Founding of Wacoal and Development of the Domestic Market

On June 15, 1946, the day he returned to his home in Kyoto after surviving grueling battles during World War II, our founder Koichi Tsukamoto established a company for the wholesale of women's accessories. Subsequently, realizing that the dramatic change in women's apparel from Japanese to Western clothing was an opportunity, he moved into the manufacture of Western innerwear for women. The 1950 opening of a Wacoal sales area in the Kyoto branch of the Takashimaya department store marked our entry into the department store market.



A brassiere sales display in the Kyoto branch of the Takashimaya department store

### 1970

#### ► Response to the No-Bra Movement

After emerging in the United States, the women's liberation movement spread to Japan, taking the form of a no-bra movement in 1970. Tsukamoto delivered a stirring message to employees, emphasizing that the Company would not be able to overcome the crisis unless all employees worked as a team. The subsequent unification and mobilization of employees led to the creation of a seamless cup bra, which became a major hit product that captured the hearts of women seeking greater expression of their identity.



By having his hair cropped, our founder expressed his determination to overcome a management crisis.

## A History of Overcoming Challenges

Surmounting difficulties and growing by building mutual trust with customers and employees



## Toward an Outstanding Future Based on Mutual Trust

Overcoming an unprecedented crisis and opening the way to the future through ambitious new initiatives

### 2020

#### ► The COVID-19 Pandemic

The global COVID-19 pandemic, which began at the start of 2020, has had a profound impact on the business management of the Wacoal Group, which has operations in countries around the world. We have launched ambitious, forward-looking initiatives aimed at fulfilling our unchanging mission while enhancing enterprise value through adaptation to changes in distribution as well as in customers' values and consumption patterns.

An example of an infection countermeasure that preserves our relationship of mutual trust with customers



3D body scanners that enable contactless measurement

### 1962

#### ► Conflict between Labor and Management

In 1962, when labor relations became a major issue in Japan, Koichi Tsukamoto responded to a speech given by Sazo Idemitsu, the president of Idemitsu Kosan Co., Ltd., by resolving to adopt a management approach based on mutual trust. Under this approach, employees were given autonomy over such matters as when their working day began and ended. By putting into practice his belief that a company president who claimed to respect human rights must first trust the union, Tsukamoto energized the corporate culture and enabled Wacoal to realize growth in the domestic market.

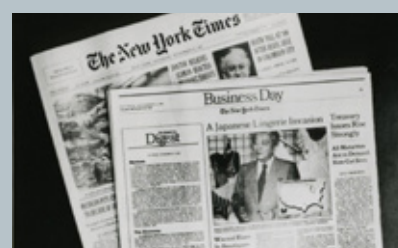


Our founder chatting with employees

### 1985

#### ► Opening Up of the U.S. Market

To build a brand capable of winning out in markets worldwide, we began developing overseas businesses in the 1970s. For many years after Wacoal's entry into the U.S. market in 1985, performance flagged due to over-stocking and soaring selling, general and administrative expenses. Wacoal improved quality in its plants while maintaining listed prices and a commitment to sales through consultations with beauty advisors. In 1995, 15 years after its establishment, our U.S. subsidiary achieved profitability for the first time.

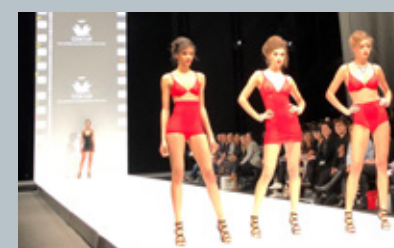


Coverage of Wacoal in a U.S. newspaper

### 2012

#### ► Development of the European Market

Although we entered the European market with the establishment of a local subsidiary in France in 1990, breaking into the market proved to be extremely challenging. Determined to expand our business in Europe, in 2012 we acquired Eveden Group Limited (now Wacoal Europe Ltd.), a company that had multiple brands suited to a wide range of physiques and sizes.



A Wacoal brand fashion show in Europe



## The Wacoal Group's Business Environment and Initiatives for Renewed Growth

Due to the COVID-19 pandemic, in fiscal 2021 the Group recorded a consolidated operating loss for the first time since its establishment. We believe this performance reflects a major shift in the position of our research, planning, and sales capabilities relative to the external environment due to changes in it, which include changes in attitudes toward society and the environment. We will respond to these changes by evolving our organization's capabilities so that they once again become strengths that create competitive advantages. In this way, we will achieve renewed growth.

### Changes in the External Environment Caused by the Pandemic

#### Distribution channel trends

- Existing distribution channels declining
- Shift to e-commerce accelerating
- Role of stores changing

#### Changes in lifestyle

- Telecommuting spreading
- Dress becoming informal
- Consumption becoming budget-minded

#### Technological innovation

- Digital transformation accelerating
- Importance of customer-focused digital marketing increasing

#### Industry and industry structure trends

- Midrange to high-end apparel market slumping
- Industry shakeout accelerating
- Geopolitical risk increasing

### Changes in Attitudes toward Sustainability

#### Intensification of global environmental problems

Business activities stagnating due to the increased frequency of abnormal weather caused by global warming

#### Supply chain-related changes

Awareness of human rights and the environment in relation to supply chains growing

#### Certain generations adopting new consumption behavior

Contributions to addressing the SDGs and other social issues becoming a key consideration for consumer behavior (company selection)

### Issues We Must Resolve to Renew Growth

**1**  
Update our organization's capabilities  
(R&D, product planning, production, quality control, and sales)

**2**  
Improve our high-cost structure

**3**  
Address environmental and human rights issues in supply chains

### The Wacoal Group Now

Fiscal 2021 consolidated performance

Net sales  
¥**152.2** billion  
(-19% YoY)

Operating loss  
¥**1.1** billion

### Fiscal 2022 Initiatives

#### Digital Transformation

→ Page 22~

##### Japan

- Pursue innovation and expand business fields
- Implement customer experience strategies
  - Digitization and personalization
  - Customer-driven value chain reform
  - Brand strategy reconstruction

##### Overseas

- Advance digital technology strategies tailored to regional characteristics
- Implement customer experience strategies in Asia

#### Cost Structure Reform

→ Page 24~

##### Japan

- Implement management of personnel plans (improve productivity and lower personnel expenses as a percentage of net sales)
- Improve profits per store
- Take measures for underperforming businesses

#### Implementation of Sustainability-Focused Management

→ Page 26~

##### Overall

- Reduce greenhouse gas emissions
- Establish human rights due diligence and access to remedy
- Reidentify material issues for renewed growth and set medium- to long-term numerical targets

### Key Performance Indicators and Long-Term Vision

**Financial goals**  
(fiscal 2028)

Net sales ¥**300.0** billion

Operating margin and ROE  
above **10%**

Utilize changes to regain competitive advantages and achieve profitable growth



Create economic and social value



Establish a highly transparent business model that is considerate to people and the earth

**Nonfinancial goals (2030)**

Clarify management policies for sustainability issues as well as processes and key performance indicators for addressing them  
(Plan to disclose in fiscal 2023)



## Evolving Our Organization's Capabilities to Grow Enterprise Value



— KEY 1 —

## Digital Transformation

**We will build deeper, broader, and longer relationships with each customer, enhance enterprise value, and sustain growth by utilizing digital technologies to evolve differentiated customer-driven services.**

## Consumers' Changing Values

- Growth of the body positivity social movement (increased interest in own physique)
- Rise in demand for stress-free purchasing experiences
- Spread of diverse values

## Wacoal Group Strengths

- Human Science Research Center's accumulated data and abundant knowledge in relation to women's physiques
- Brand power and customer service skills
- Manufacture of products to fit diverse customers

## Evolution of Digital Technologies

- Dramatic advances in digital technologies
- Expansion of digital infrastructure
- Promotion of cross-industry collaboration

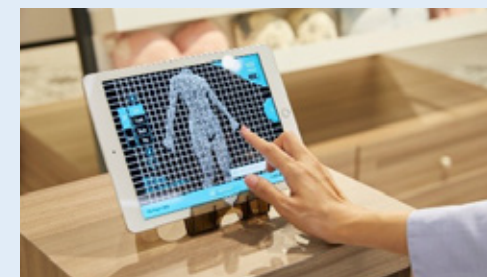


Utilize physique data to evolve the innerwear business and partner with other industries to expand business fields

## Wacoal Named a “Noteworthy DX Company” in 2021

In 2021, the Wacoal Group was chosen as a “Noteworthy DX (digital transformation) Company” from among the “DX Stock” companies selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (TSE). “DX Stock” companies are TSE listed companies that have earned high general ratings for digital transformation efforts in an industry category. Of these companies, those meriting high evaluation for extending the scope of digital transformation efforts or for implementing impressive digital transformation initiatives are designated “Noteworthy DX Companies.”

Our selection recognized our development of the new customer-driven *3D smart & try* service through the use of digital technologies to evolve differentiated expertise garnered in such areas as physique measurement, research, and customer services. Moreover, we earned praise for boldly leveraging the new service to form partnerships with a range of different companies and expand our business field.

**3D smart & try**

This groundbreaking digital service uses a 3D body scanner and an AI-enabled avatar in combination to select brassieres from our extensive lineup and suggest products best suited to each customer's size, physique, concerns, and design or silhouette preferences. As *3D smart & try* is the perfect solution to the need for contactless services that has resulted from the pandemic, more than 50,000 people have tried the service as of the end of March 2021. Of these, approximately 30.0% then proceeded to purchase products.

**Ava.Counseling Parle, an Avatar-Based Customer Service System**

*Ava.Counseling Parle* is a virtual customer service system developed to make innerwear selection more convenient and stress free for customers. Through avatars that read and reproduce their facial expressions and movements, beauty advisors in remote locations offer customers real-time counseling on the selection of innerwear. Furthermore, we are currently conducting operational tests with the aim of enabling beauty advisors to work from home.

## My Aspirations as a Manager

The world we envision centers on people and enlivens them through the utilization of digital technologies. We want customers, employees, and all consumers to be proud of themselves and have fulfilling daily lives. Our technology supports aspirations for new encounters, new possibilities, and new ways of life.

The 3D physique measurement data that we have acquired through the *3D smart & try* service will help enrich the day-to-day lives of all our customers. At the same time, our analysis of this data promises to suggest a wide range of potential new applications. In addition to creating a new future for innerwear-related customer services, the *3D smart & try* system will enable Wacoal to diversify its business into an array of different fields. For example, the system can be used in apparel-related counseling services—a field where we have already begun introducing the system—the medical field, and other types of avatar-enabled counseling services. Our goal is to evolve the business by using data as a basis for fostering co-creation and organic connections that transcend the boundaries of companies and industries. In the near future, through the connection of data from domestic and overseas markets, we will accumulate big data on women around the world and establish a new service network.

We will take the business to a new stage and become one of the world's leading platforms for insight into women's physiques and sensibilities.

**Atsuko Shinoduka**

Project Leader, *3D smart & try*  
Senior Fellow and Development Manager,  
Innovation Strategy Office  
Wacoal Corp.





— KEY 2 —

## Management of Personnel Plans (Cost Structure Reform)

We will build a sound corporate culture and robust profitability by creating systems that heighten the job satisfaction of each employee while optimizing human resources quantitatively and qualitatively.

### Changes in the External Environment

- Slumping midrange to high-end apparel market
- Flagging existing distribution channels and growth of e-commerce channels
- Change in the role of brick-and-mortar stores from shopping locations to experiential locations
- Change in behavior patterns due to the pandemic

### Wacoal Corp. Issues

- Total personnel expenses as a percentage of net sales (including the labor costs of manufacturing operations) still high due to lower net sales
- Imbalanced business model (overdependence on the wholesale business and the innerwear business)
- Lack of adaptability to change

### Wacoal Corp. Initiatives

- Advancement of digital transformation
- Implementation of customer experience strategies to improve lifetime value
- Reorganization of sales channel-based organization (▶ See page 44)
- Consolidation and strengthening of the marketing of core brands (▶ See page 46)



Evolve into a highly productive and resilient organization through strategic management of personnel plans that optimizes human resources quantitatively and qualitatively and enhances employee engagement

## Enhancement of Productivity per Employee

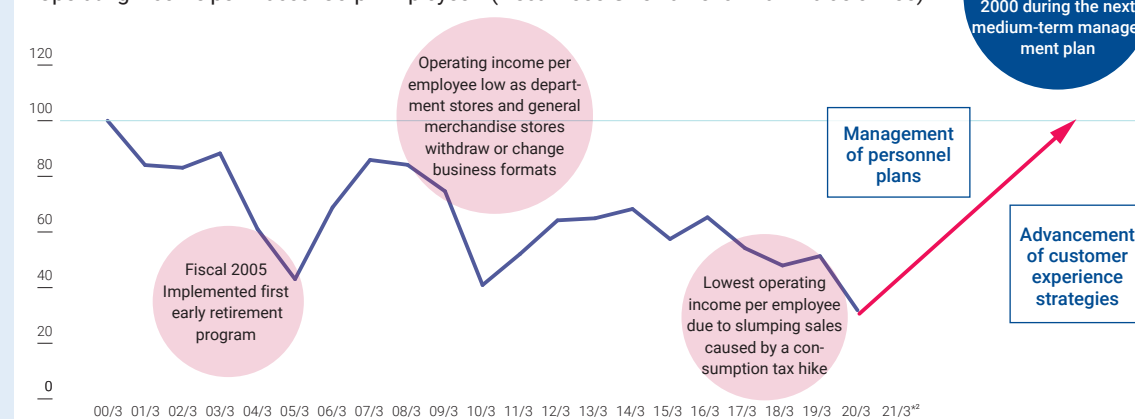
Since 2000, the structure of distribution has been changing dramatically due to the diversification of consumer values and purchasing behavior. While global SPA (specialty store retailer of private label apparel) brands and e-commerce channels have grown, department stores and general merchandise stores have struggled, being forced to close stores or change business formats. Although our directly managed store business has grown, this has not been sufficient to compensate for declining sales in our mainstay distribution channels. As a result, our top line has trended downward. Meanwhile, personnel costs and other costs have remained relatively high.

The graph below shows operating income per Wacoal Corp. employee, with 100 representing the subsidiary's

operating income in fiscal 2000. Due to sluggish consumption after a consumption tax hike and a decrease in sales resulting from the pandemic, in fiscal 2020 operating income per employee was at about half of its level 20 years ago.

With structural reforms to correct the high-cost structure urgently required, we have introduced the management of personnel plans as an initiative to resolve the issue. While forging ahead with customer experience strategies aimed at business growth, we will heighten cost competitiveness and productivity by optimizing personnel deployment through the management of personnel plans.

Operating Income per Wacoal Corp. Employee\*1 (Fiscal 2000 Given a Benchmark Value of 100)



\*1 Up to fiscal 2004, the operating income of Wacoal Corp. is shown. From fiscal 2005, the total operating income of Wacoal Corp. and Wacoal Holdings Corp. is shown.

\*2 The level for fiscal 2021 has not been shown as an operating loss was recorded in fiscal 2021 due to the effect of the COVID-19 pandemic.

### My Aspirations as a Manager

The management of personnel plans determines the personnel required for the execution of operations. However, there have been significant differences between the plan figures produced by frontline divisions and the management plan figures of the Personnel Department. I feel that this disparity has arisen because we have not adequately communicated the purpose of the management of personnel plans.

Rather than finding solutions for current problems, the management of personnel plans is a forward-looking measure aimed at establishing resilient management foundations that can adapt to change. I would like to share with employees an overall picture of appropriate personnel deployment based on medium- to long-term management strategies, promote further understanding of personnel plans, and accelerate their implementation.

Once they understand the necessity of personnel plans, I believe employees will take the initiative in reforming their work styles. At the same time, the operating company will advance reforms throughout its organization so that division general managers can take advantage of digital technologies in efforts to maximize performance using the minimum number of personnel. In addition, we will strategically allocate the personnel and time made available through the management of personnel plans to new businesses and business fields that require strengthening. In this way, we will visualize each employee's level of contribution to the operating company and create an organizational culture in which employees have a real sense that they are creating the future of Wacoal Corp.



**Naoko Ogawa**

Corporate Officer  
General Manager, Personnel Department,  
Personnel and Administration Division  
Wacoal Corp.





— KEY 3 —

# Sustainability

We will create economic and social value by viewing increasingly complex and diverse social and environmental issues as opportunities for future growth.

Changes in Society and the Environment	Wacoal Group Strengths	Wacoal Group Initiatives
<ul style="list-style-type: none"><li>Contributions to addressing the SDGs and other social issues a key consideration for consumers (company selection)</li><li>Growing awareness of human rights in relation to supply chains</li><li>Increasing urgency of the global warming issue</li></ul>	<ul style="list-style-type: none"><li>High-quality manufacturing of long-lasting products and sales methods that minimize product waste</li><li>Powerful brand and consumer trust</li><li>Employees' strong desire to realize a sustainable society</li></ul>	<ul style="list-style-type: none"><li>Creation of social value through the advancement of digital transformation, creating opportunities for contactless customer services enabled by 3D body scanners and AI</li><li>Strengthening of climate change countermeasures and promotion of socially responsible procurement</li><li>Development of environment-friendly products</li></ul>

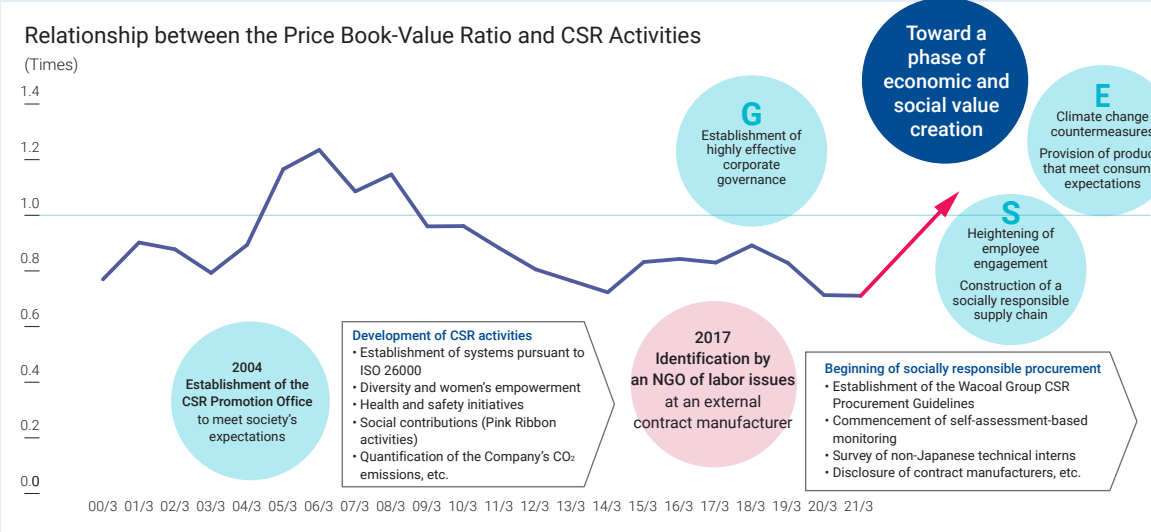


Meet consumer demand for long-lasting quality products that have highly transparent supply chains and increase consumer engagement

## Realization of Sustained Growth while Addressing Social, Environmental, and Consumer Issues

Since the establishment of the CSR Promotion Office in 2004, we have advanced CSR activities compliant with ISO 26000, formulated CSR policies, promoted diversity, implemented health and productivity management, conducted such social contribution activities as our Pink Ribbon activities, and moved forward with environmental activities. However, our emphasis has been on social contribution activities and public relations rather than on connecting CSR activities with business growth. Going forward, we will view initiatives addressing society's increasingly complex and diverse social and environmental issues as growth opportunities. Aiming to sustain growth and enhance enterprise value, we will make a management system that is focused on environmental, social, and governance (ESG) factors a pillar of our long-term strategy.

In April 2021, we launched the Sustainability Promotion Project, which comprises members of the senior management team and employees. Under the project, we have begun discussions on material issues for achieving sustained growth and enhanced enterprise value as well as discussions on long-term numerical targets for the resolution of various issues. Currently, corporate officers and other future leaders as well as Group company employees in their 20s and 30s are deliberating which nonfinancial indicators need strengthening. Members of the Management Issues Review Meeting are also analyzing material issues and numerical targets, which are to be integrated into long-term strategies and the next medium-term management plan.



### My Aspirations as a Manager

Tasked with discussing the Group's long-term goals and mission, the Sustainability Promotion Project draws its members from across the Wacoal Group. We are having these discussions because in achieving renewed growth driven by successful adaptation to an increasingly complex, diverse society and to changes among consumers, we must instill our mission—the foundation of business activities—in employees Groupwide so that they advance together toward a shared goal. Since the Group's consolidated subsidiaries are located in various countries and regions and have distinctive corporate cultures, our discussions are aimed at not only redefining our mission but also ensuring that it is readily understandable for everyone.

Further, many of the activities that we have been engaged in are sustainable activities that contribute to society or the environment. In considering corporate sustainability, however, we must have greater awareness of the connection between contribution activities and business activities. For this reason, we are seeking in-house engagement whereby each employee is aware of sustainability as value that is built both on the sustainable enhancement of enterprise value and the creation of social value. By encouraging employees to work with enjoyment and pride as they tackle innovations that address social issues, this project will enable Wacoal to grow as a company that society needs.



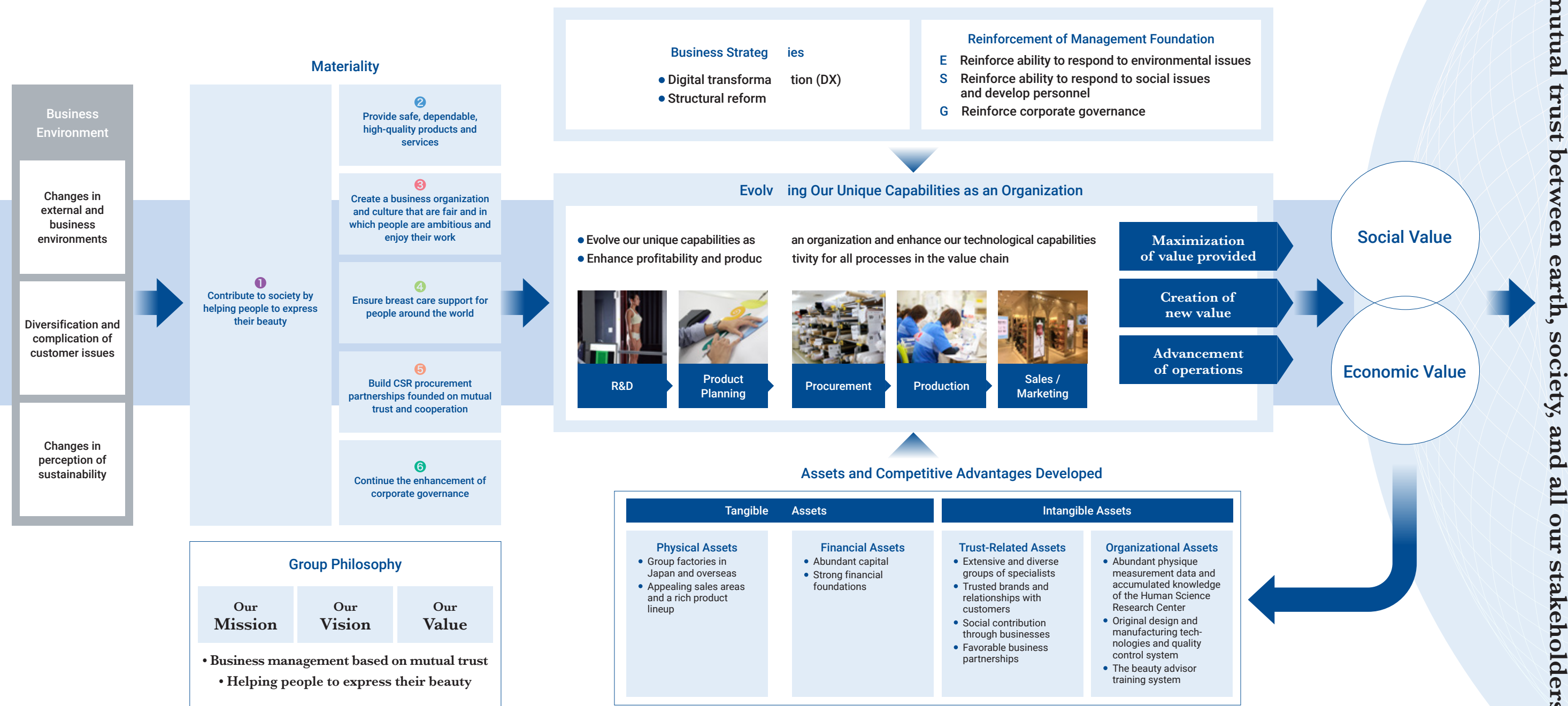
**Haruna Tani**  
Manager, Sustainability Promotion,  
Corporate Communications Department  
Wacoal Holdings Corp.



# Evolving Our Value Creation Process

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 products and services that enrich society to the market.

\* 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 are not dependent upon such relationships as employment or business transactions.



Enhance Medium- to Long-Term Value Creation

(To be announced in spring 2022)

- Redefine our purpose, medium- to long-term mission, and vision
- Reidentify our materiality aimed at creating economic and social value and establish long-term numerical targets for resolving issues






Progress of 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 foundation. 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



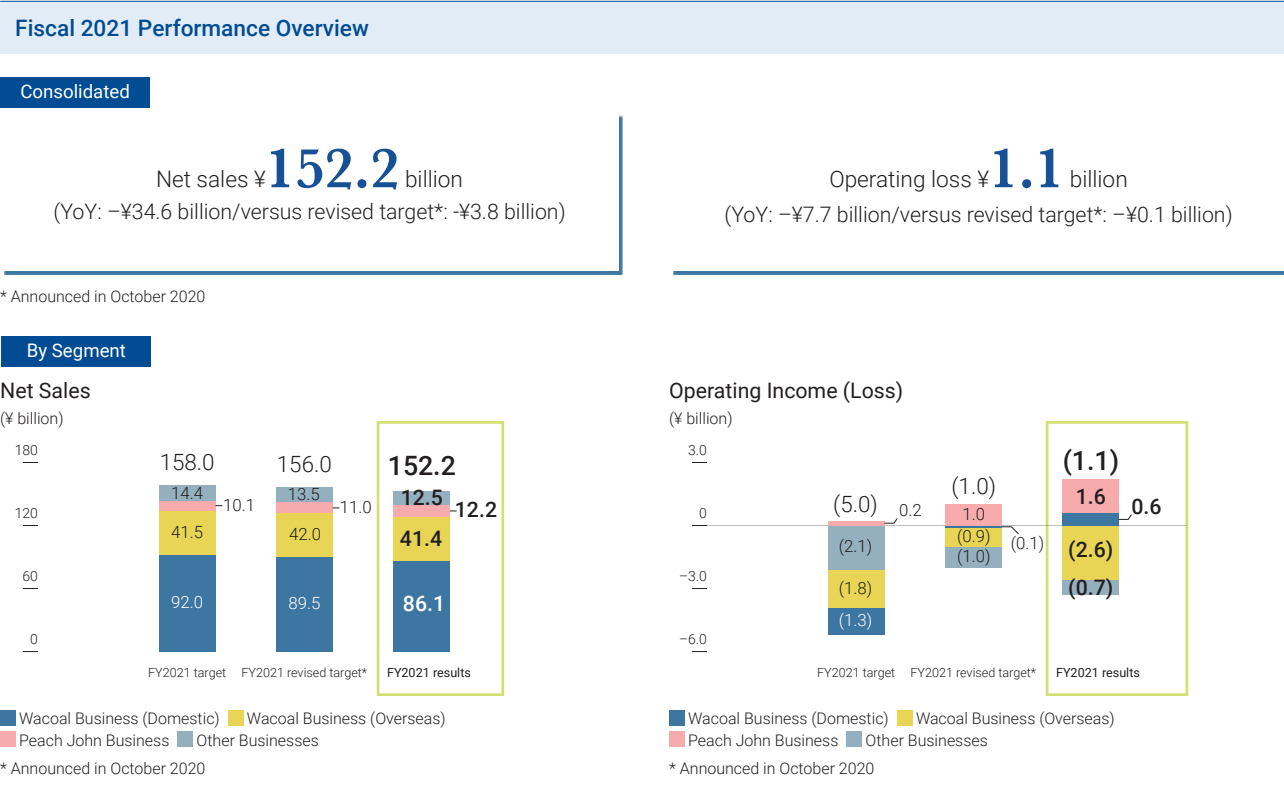
Value Chain	Priority Tasks	Initiatives to Reinforce	Details	Related Material Issues
Overall	Reform organizational structure of domestic business to restore growth and enhance profit	• Advance sales, manufacturing, and marketing functions and establish a highly effective organization	• Implement reorganization that integrates the Wholesale Business Division and part of the Retail Operation Division (from April 2021)	1 2 3 6
	Evolve a customer-focused value chain	<ul style="list-style-type: none"><li>• Develop and provide new products and services based on purchasing data and 3D data</li><li>• Reduce manufacturing costs and further enhance product value</li><li>• Develop products and services catering to changes in customers' purchasing behavior</li><li>• Reorganize brands and optimize inventories to reflect changes in points of contact with customers</li><li>• Introduce new high-value-added products that are borderless</li><li>• Advance business activities and product development that reduce environmental burden</li><li>• Strengthen quality assurance efforts continuously</li><li>• Strengthen the information security system even further</li></ul>	<ul style="list-style-type: none"><li>• Update the functions of the <i>Bust Care Bra</i> based on customer data from <i>3D smart &amp; try</i></li><li>• Promote the manufacturing reform project and create a platform that aims to integrate product development processes</li><li>• Continue research of products and services in the health field</li><li>• Implement brand renewal for <i>Wing</i> and <i>WACOAL SIZE ORDER</i></li><li>• Reduce brands and product groups by approximately 30% (beginning from Wacoal Corp.'s 2021 autumn/winter season)</li><li>• Continue to develop the <i>AMPHI</i> brand in the Chinese market</li><li>• Analyze the quality standards for environmen-friendly materials and incidental materials</li><li>• Analyze medium- to long-term goals for the proportion of environment-friendly materials used</li><li>• Promote the development of products that use regenerated fiber and other materials</li><li>• Promote initiatives to eliminate inappropriate labeling and analyze the effectiveness of measures to prevent the recurrence of serious quality issues</li><li>• Establish an IT Governance Division and advance data security and the protection of privacy even further</li></ul>	1 2
	Establish a global production and procurement system Advance responsible procurement activities	<ul style="list-style-type: none"><li>• Strengthen production planning and management systems that span the Group laterally</li><li>• Coordinate the Group's materials procurement capabilities</li><li>• Make production processes more efficient through digitization and automation</li><li>• Advance procurement activities that encourage the addressing of labor issues and respect for human rights</li><li>• Reinforce environmental activities throughout the supply chain</li></ul>	<ul style="list-style-type: none"><li>• Analyze the establishment of a highly efficient production system through capacity management that spans factories</li><li>• Analyze the procurement of common materials for the Group and unification of quality standards</li><li>• Analyze initiatives for "smart" production and develop a system to visualize production efficiency</li><li>• Extend the coverage of CSR-focused procurement activities and analyze remote audits</li><li>• Conduct research for calculating greenhouse gas emissions throughout the supply chain</li></ul>	1 2 5
	Utilize innovative technology to realize sustainable growth Strengthen measures in response to structural changes in distribution	<ul style="list-style-type: none"><li>• Utilize customer data to increase the "lifetime value" of customers</li><li>• Utilize innovative technology to realize sustainable growth (strengthen measures for the health and safety of customers and employees)</li><li>• Strengthen measures in response to changes in distribution channels (expand directly managed sales areas)</li><li>• Expand the network of customer-focused services and maximize store value</li><li>• Strengthen efforts to build digital marketing strategy on a global basis</li><li>• Advance activities that lower environmental burden and address social issues</li></ul>	<ul style="list-style-type: none"><li>• Prepare customer data for the centralization of the Company's customer base</li><li>• Create a sales platform capable of utilizing customer data</li><li>• Accelerate the development of 3D body scanners and artificial intelligence (AI) and promote contactless customer service formats</li><li>• Launch the new customer service system, <i>Ava Counseling Parle</i>, which utilizes avatars</li><li>• Change the forms of transactions with department stores to increase in-house e-commerce sales and transition to directly managed sales areas</li><li>• Implement reciprocal customer transfers to connect and combine online and off-line channels</li><li>• Implement personalized marketing activities (Wacoal Corp.)</li><li>• Implement marketing activities that lead to an increase in new customers through efficient use of buzz (Peach John Co., Ltd.)</li><li>• Effectively use new digital media, including social media and apps (Intimates Online, Inc., United States)</li><li>• Reduce the discarding of products, implement bra recycling activities, and respond to the shift to charging for shopping bags</li><li>• Promote breast care activities at operating bases worldwide</li></ul>	1 2 4

Foundations Underpinning Our Value Chain

	Shift to highly profitable business management	<ul style="list-style-type: none"><li>• Shift to highly profitable business management and increase capital efficiency</li><li>• Develop compensation systems that increase the effectiveness of plans and develop succession plans further</li><li>• Continue to conduct effectiveness evaluations and improve evaluation methods and processes</li><li>• Prepare business continuity plans</li><li>• Use the pandemic to prompt redevelopment of the risk management system</li><li>• Ensure widespread awareness of compliance and the management philosophy at subsidiaries in Japan and overseas</li><li>• Create further opportunities for dialogue with stakeholders</li><li>• Increase and enhance disclosure in relation to ESG initiatives</li></ul>	<ul style="list-style-type: none"><li>• Implement necessary growth investments and thorough cost controls</li><li>• Analyze the business continuity of underperforming domestic subsidiaries, etc.</li><li>• Introduce a restricted stock compensation plan with the aim of motivating officers to contribute to the enhancement of enterprise value</li><li>• Discuss the further review of the Companywide system for compensation of officers</li><li>• Establish the COVID-19 Task Force</li><li>• Promote initiatives to maintain the safety and health of sales personnel (distribute masks, etc.)</li><li>• Hold results briefings every quarter for officers and enhance disclosure materials</li><li>• Establish an officer in charge of sustainability promotion and publish an ESG data book</li></ul>	1 2 3 4 5 6
	Optimize human resources quantitatively and qualitatively Heighten productivity per employee Develop a corporate culture conducive to job satisfaction	<ul style="list-style-type: none"><li>• Revise the personnel evaluation system in accordance with the increase in telecommuting and build a new compensation system based on clearly delineated job responsibilities</li><li>• Manage and verify the effectiveness of a new personnel training system that emphasizes specialization, global viewpoints, and continuous career growth</li><li>• Increase the use of mid-career hiring and secure diverse personnel through referral hiring</li><li>• Optimize personnel resources quantitatively and qualitatively by advancing human resources planning and enhance productivity for each individual employee</li><li>• Achieve diverse work styles and promote work–life balance</li><li>• Promote health literacy and encourage healthy habits among all employees</li></ul>	<ul style="list-style-type: none"><li>• Consider an evaluation system based on new work styles and a compensation system that secures personnel with high market value</li><li>• Conduct next-generation management programs and hold cross-learning events with companies in other industries</li><li>• Strengthen mid-career employment</li><li>• Improve efficiency of shop management by limiting the number of employees hired and implementing transfers across organizations and business types</li><li>• Establish telecommuting environments and increase the number of eligible employees</li><li>• Promote Wacoal GENKI Project 2020</li></ul>	1 2 3



Review of Fiscal 2021 and Overview of Fiscal 2022 Plan





A Message from the Director in Charge of Finance

With unwavering determination,  
we will reform our profit structure and  
achieve a recovery in business results.

Akira Miyagi

Director and Managing Corporate Officer  
Wacoal Holdings Corp.



Opening Comments

I regret to report that in fiscal 2021, the year ended March 31, 2021, we recorded the first operating loss since our establishment. As the director in charge of finance, I do not take this result lightly. Further, in fiscal 2021 we lowered dividends for the second consecutive fiscal year, with dividends per share of ¥40.00 representing a ¥20.00 year-on-year decline. In this regard, I am acutely aware of the responsibility I bear for failing to meet the expectations of shareholders.

We view fiscal 2022, the year ending March 31, 2022, as a period that will put us on track to return to our pre-COVID-19 performance level in fiscal 2019. Accordingly, with unwavering determination, we will reform our profit structure and achieve a recovery in business results.

Fiscal 2021 Business Environment and Performance

As mentioned above, in fiscal 2021 Wacoal's business results were extremely disappointing. In response to the COVID-19 pandemic, telecommuting became widespread and consumers avoided crowded areas, causing a drop in customer visits to large downtown commercial facilities. This steep decline significantly affected the performance of the Wacoal Group, which sells a high percentage of its products through brick-and-mortar stores. Further, the pandemic brought to light various issues in the Group, from the high level of cost in its profit structure through to issues in the raw materials supply chain.

On the other hand, there were positives amid this difficult environment. As contactless shopping became predominant, e-commerce grew significantly in respective countries. The e-commerce business of Peach John Co., Ltd. achieved robust growth thanks to product planning and marketing that matched customer needs. Intimates Online, Inc., which was acquired in 2019, together with the e-commerce of our businesses in the United States also posted strong growth.

In addition to the aforementioned growth of e-commerce, the Group made progress in cutting costs through rigorous cost control and benefited from government support, such as employment adjustment subsidies received in Japan and overseas. These factors lowered operating loss from the initially expected level of ¥5.0 billion to ¥1.1 billion. Thus, despite social and economic turmoil, we were able to keep operating loss below projections.

Changes in the Business Environment and the Wacoal Group's Responses

Our most significant achievement in fiscal 2021 was growing the e-commerce business. That said, the growth was largely attributable to the tailwind provided by the COVID-19 pandemic. For this reason, we must remain vigilant and continue steady efforts to grow the business. As the entire apparel industry shifts toward e-commerce-centered sales formats,

implementing measures to deepen relationships with existing customers while making efforts to acquire new loyal customers will be essential for the realization of stable growth. With this in mind, we will use as templates and deploy Groupwide the marketing and customer management methods and efficiency-enhancing advertising strategies of Peach John and Intimates Online, which have already proven so effective.

Another major change in the environment is the rapidly growing awareness of sustainability in society as a whole. Significant changes in interests and values related to social and environmental issues, especially among the younger generation, give me a strong sense of crisis with respect to the fact that if we only pursue superiority in design, quality, and price, in both domestic and overseas markets, customers will not choose our products in the coming era. Therefore, going forward we must focus on the "stories" behind our brands and products, such as products that have long life spans, manufacturing that minimizes waste, and supply chains with guaranteed traceability. The empathy created among customers by communicating these stories will be our biggest differentiator, which in turn will help boost purchases per customer, grow market share, and increase net sales. Accordingly, we have recently launched an in-house project focused on sustainability. In addition to redefining our purpose, the mission we should fulfill over the medium to long term, and our target profile, the project's members are discussing the numerical targets that we should set with a view to addressing material issues and thereby creating social and economic value. We will evolve as a sustainable corporate group by continuing to provide the comfort and quality that we have emphasized since our founding while strengthening initiatives to fulfill social responsibilities.

Benefits of Profit Structure Reform

Through reform that corrects the high level of cost in our profit structure, we aim to achieve ¥10.0 billion in cost reductions by fiscal 2023. The first step in pursuing this target is to revamp underperforming businesses. With this in mind, we will

Consolidated Performance Overview

	FY2021 results	FY2021 target [versus target]	FY2021 revised target* [versus target]
Net Sales	152.2	158.0 [-5.8]	156.0 [-3.8]
Operating Income (Loss) [Operating Margin]	(1.1) [(0.7%)]	(5.0) [+3.9]	(1.0) [-0.1]
Net Income (Loss) Attributable to Wacoal Holdings Corp.	7.0	(3.7) [+10.7]	(0.5) [+7.5]
ROE	3.3%	—	—

\* Announced in October 2020



A Message from the Director in Charge of Finance

prepare revitalization plans for businesses and operating companies. If revitalization is problematic, we will establish and adhere to time limits for withdrawal. We believe that not having a negative legacy when we launch our new medium-term management plan in April 2022 is important.

The second step in cost reduction efforts will entail Wacoal Corp. lowering its total personnel expenses through the management of personnel plans. In fiscal 2021, the operating company achieved an approximately ¥1.0 billion reduction in total personnel expenses by curbing the hiring of sales personnel and part-time personnel. Necessitated by a deterioration in the profitability of store sales, measures to revise personnel mixes and transfer beauty advisors to other stores or sales channels also produced benefits in terms of cost. In fiscal 2022, we expect that the significantly heightened efficiency resulting from the reassignment of personnel will reduce total personnel expenses by roughly ¥2.0 billion compared with those of fiscal 2020. In April 2021, Wacoal Corp. implemented a reorganization and began reforming its sales system. Specifically, instead of clustering the sales system around sales channels, we have transitioned to a system organized around operational functions, each of which has control over all sales channels. This reorganization has enabled increased flexibility in the assignment of personnel. In the current fiscal year, we will identify any issues in the new sales system and consider the best management approaches for further increasing its effectiveness. At the same time, we will maximize the value provided by and increase the efficiency of work associated with brands, which face increasingly complex customer issues. Also, functional overlaps existed in marketing investment because it was conducted separately for each business and sales channel. Going forward, however, we will heighten the efficiency of marketing investment by only investing as necessary in businesses with growth potential.

Our third cost-curbing step will reduce the number of our brands. We have already completed preparations to reduce

the number of brands by about 30%, and we will launch a new brand strategy beginning from the 2021 autumn/winter season. Along with the reduction in brands, we will streamline product varieties and stock keeping units (SKUs). A feature of brassieres is that they have an extremely large number of SKUs compared with other apparel products because brassiere SKUs comprise a combination of the underside and cup sizes of the bust and color varieties. Therefore, reducing product varieties and SKUs lowers the workloads associated with product planning, inventory control, and sales administration and helps reduce the production costs arising from product varieties and SKUs. Moreover, improved inventory efficiency has the added benefit of mitigating product disposal and raw material wastage. However, such reductions must not cause any disadvantage or inconvenience to customers. In this respect, the role of e-commerce is extremely important, and we will increase coordination between e-commerce and brick-and-mortar stores to avoid inconveniencing customers.

Capital Policy

Our basic capital policy is to give priority to investments for future growth while seeking to enhance shareholder returns. Unfortunately, the ROE and profits that we initially envisioned did not materialize. Nonetheless, we do not plan to adjust numerical targets as we are determined to realize ROE and profits comparable with their former levels. Our ROE of 3.3 in fiscal 2021 was too low. Accordingly, we will continue advancing measures to raise ROE to a level that at least exceeds the cost of capital.

In efforts to improve ROE, our primary focus is on growing profits, the numerator of ROE. At the same time, however, we aim to improve the asset efficiency of the denominator by disposing of at least ¥20.0 billion in strategic shareholdings during the period of the current medium-term management plan. In fiscal 2021, we disposed of ¥2.2 billion in strategic shareholdings. In relation to the ¥20.0 billion target, we have

disposed of a cumulative total of ¥17.0 billion in strategic shareholdings to date, and we will continue actively disposing of such shareholdings.

In addition, with the aforementioned curbing of inventory volume through reductions in the number of SKUs being another important way of improving asset efficiency, initiatives to lower inventory volume are significant in relation to balance sheet improvement. Therefore, we will rigorously manage inventories and accounts receivable as they are the main balance sheet items that respective business divisions are able to control.

Further, with a view to the introduction of directly managed stores, we are in the process of changing over the format of our transactions with department stores to *shoka* agreements, whereby the manufacturer retains ownership of merchandise until its retail sale. Consequently, we will need to manage not only internal inventories but also retail inventories as part of our balance sheet. As inventory-related indicators are key performance indicators (KPIs) for the improvement of ROE, in the new medium-term management plan we must set numerical targets for inventories and then manage them accordingly.

Cash Flows and Investment for Growth

Cash flows have not seen any substantial negative impact. In the summer of 2020, we borrowed ¥40.0 billion to increase cash on hand, which enabled us to take appropriate measures in response to the pandemic. As a result, although it was approximately ¥2.0 billion on a consolidated basis, net cash used in investing activities remained within an acceptable range in fiscal 2021.

As for fiscal 2022, we plan to invest roughly ¥10.0 billion. First of all, we have earmarked approximately ¥3.0 billion for IT investment aimed at advancing customer experience strategies in Japan and digital technology strategies in the United States. At Wacoal Corp., IT investment has been continuous in recent years and has risen to account for around 5.0% of business expenses compared with a level of about 3.0% until several years ago. Depreciation is expected to remain at a high level for the next few years, but we will continue to invest for growth.

With respect to human resources, Wacoal Corp. added 20 personnel to its IT Department through personnel redeployments in the spring of 2021. Furthermore, we have assigned about 30.0% of new employees to the IT Department or to departments related to digital transformation and the internet. Our aim is to have these new employees garner experience in digital technology fields and growth fields. This type of experience will greatly benefit our efforts to integrate and coordinate customer experience strategies with existing businesses. In such ways, we will actively implement personnel development measures as part of our growth investment initiatives.

In addition, to strengthen the growth of our e-commerce business and improve the efficiency of shipping operations, in 2020 we began building a new logistics center that will expand the Moriyama Distribution Center in Shiga Prefecture. The new



logistics center is scheduled to start up operations in the autumn of 2022. Construction work for the expansion is expected to require an investment of roughly ¥3.0 billion, which is likely to be the largest cash outflow in the current fiscal year.

The Financial Impact of ESG-Focused Management

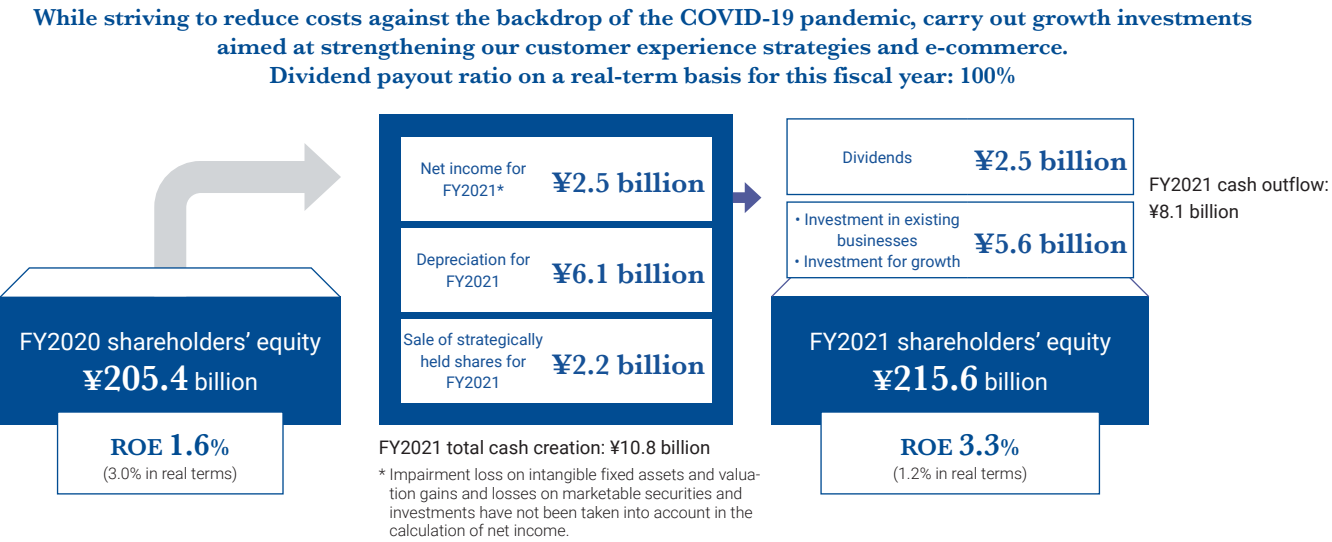
At the present juncture, providing specific figures on the financial impact of a management approach that is focused on environmental, social, and governance (ESG) factors is difficult. Over the long term, however, ESG-focused management will reduce risk and lower the cost of capital. As I mentioned earlier, for us, the core of ESG initiatives lies in conveying the stories behind individual brands and our overall corporate brand.

The Wacoal Group's business management philosophy has always incorporated consideration for sustainability and human rights, and these aspects of the philosophy are put into practice in daily business activities. Telling concrete stories about our unique initiatives with regard to the environment, human rights, and socially responsible procurement and developing and highlighting products that symbolize our efforts to address social issues will certainly have a positive financial impact. One of my important roles is to ensure that the positive financial impact of ESG-focused management is realized in ways that lower risk, mitigate share price volatility, and reduce the cost of capital.

With the revision of Japan's Corporate Governance Code and the restructuring of the Tokyo Stock Exchange's market segmentation, companies will be required to meet increasingly stringent sustainability standards. I intend to expedite the establishment of capabilities and systems that allow us to respond adequately to such requirements. For example, in fiscal 2021, with the cooperation of outside directors and through the use of a videoconferencing format, we held more meetings of the Executive Nomination and Executive Compensation advisory committees. By continuing to establish and improve our corporate governance capabilities and systems as needed, we will meet the expectations of society.

As we transform, I would like to ask shareholders, investors, and all of our other stakeholders for their continued support.

FY2021 Progress in Relation to Financial Policies







# STRATEGY

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Strategies by Business: The Wacoal Business (Domestic)  
A Message from the Director in Charge of Sales

Through customer-driven marketing in each region,  
we will achieve renewed growth and meet  
stakeholders’ expectations.



Hidehiko Imaizumi  
Director and Senior Managing  
Corporate Officer in Charge of  
Sales and General Manager of  
Sales Division  
Wacoal Corp.

Customer-Driven Organizational Reform

As a result of the rapid increase in the number of people voluntarily staying at home or working from home due to the COVID-19 pandemic, customers’ needs, purchasing behavior, and values have diversified, and the structure of distribution has changed significantly. To adapt to these changes and achieve renewed growth based on enhanced customer experience value, Wacoal Corp. drastically revamped its organization in April 2021. We have changed from a sales system in which sales channels were managed separately to a system that gives regions control of all sales channels, including directly managed stores. (As of fiscal 2022, Hokkaido and Kyushu alone control sales systems in which all sales channels, including directly managed stores, have been merged.)

To date, Wacoal Corp. has achieved growth by pursuing brand strategies for discrete sales channels. In recent years, however, there has been a lack of coordination between sales channels, especially between brick-and-mortar stores and the WACOAL WEB STORE e-commerce sales channel, which has been growing rapidly. In addition, restructuring our organization to enable region-based marketing and increasing the percentage of directly managed stores in sales channels

became pressing tasks due to pandemic-related changes in distribution structures. Under the region-based sales system, we are removing the boundaries between sales channels to reflect the customer’s point of view as we optimize product placement and conduct region-based marketing. Also, we will provide customers with the same experience value no matter where they are by further integrating online and off-line operations and utilizing customer data through the creation of digital customer records, an initiative that we have been working on for some time.

In the future, we will build a “multi-bound” system that includes e-commerce, transcends the boundaries of all sales channels and brick-and-mortar stores, and allows each customer to access and purchase all Wacoal Group brands and products in a stress-free manner, regardless of where the customer lives.

**Enhancement of Customer Experience Value and Product Value**

In realizing renewed growth under the next medium-term management plan, due to begin from April 2022, we must heighten experience value at every point of contact with

customers and enhance our product lineups to meet customers’ changing needs.

With respect to the off-line customer experience, we will supplement the traditional value of being able to actually see, touch, and try on products with new experiences that match changes in customer needs. For example, we will provide measurements based on the use of contactless 3D body scanners and AI-enabled customer services. Meanwhile, by using an app, customers will be able check their purchase histories, “favorited” products, and products tried on as well as receive personalized information. Plans call for completing the integration of all customer information during fiscal 2022. By eliminating boundaries between online and off-line operations, we will build fresh relationships with customers—regardless of whether they are existing or new customers.

As for products, we need to reexamine the extent to which we are providing products loved by customers and new products that meet the needs of the times, which are basic tenets of our Group Philosophy. Taking advantage of the recent reorganization has made collaborating with other divisions easier, the Sales Division will communicate intensively with the brand groups and the Marketing Management Department to actively promote new methods of offering products.

Employee Awareness Reform: The Key to Maximizing Value Provided

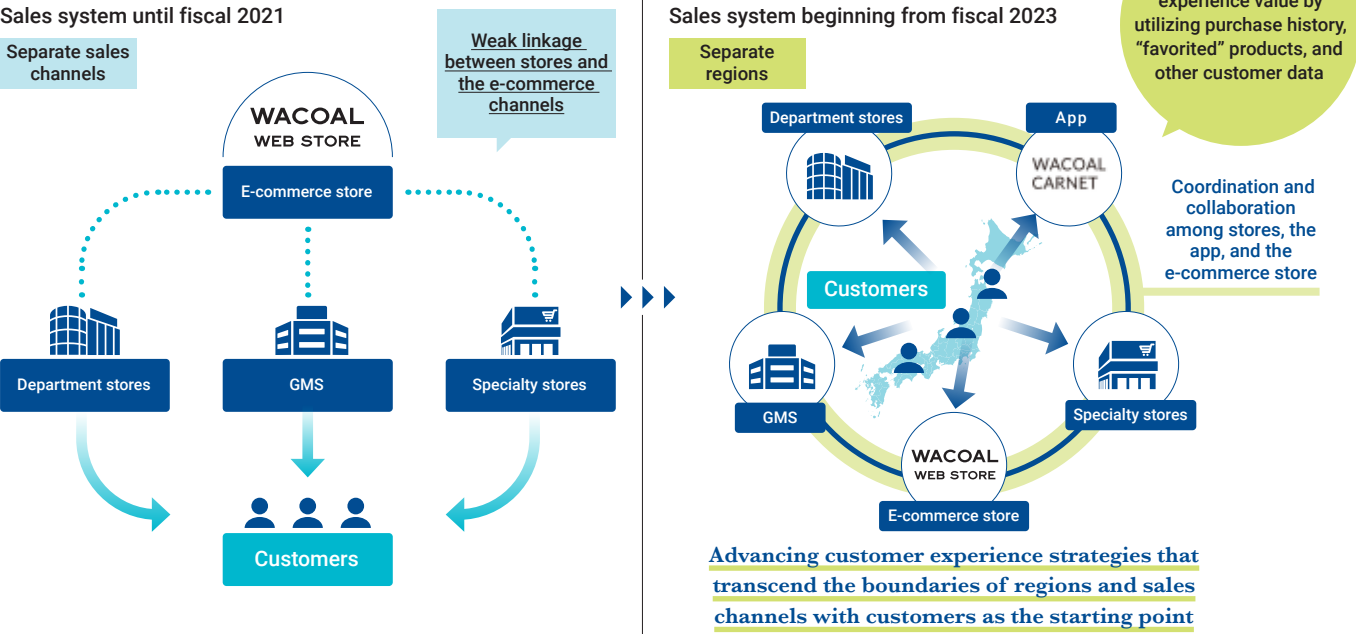
The achievement of business growth through the enhancement of customer experience value calls for changes not only in organizational structures but also in the mindsets of all employees, from beauty advisors through to the general managers of divisions. Unless there is a shift away from the conventional mindset of having customers purchase products

at stores to which employees belong and toward an attitude of providing products in ways that best suit customers, the new organization’s effectiveness will not increase. With this in mind, since April 2021 we have been providing opportunities for online and off-line discussions and for investigative interviews with Sales Division employees. These discussions and interviews are aimed at sharing with the division employees the processes for optimizing the division.

In addition, we have renewed the personnel evaluation system, which previously only used sales at brick-and-mortar stores as a criterion. Under the new system, online store sales attributable to referrals from brick-and-mortar stores are reflected in the evaluations of beauty advisors and the brick-and-mortar stores’ sales managers. By continuing to establish systems that encourage beauty advisors and sales managers to actively go beyond the boundaries between online and off-line operations, we will heighten the value of the purchasing experience for customers.

For me, the priority when conducting organizational reform is to create an organization in which Sales Division department heads take the initiative in creating a work environment where all employees can play active roles and therefore feel fulfilled by their work and come to see Wacoal Corp. as their own company. I believe that a good company is one in which employees are happy and energetic and have a real sense that their efforts are contributing to customer satisfaction and benefiting society. Moreover, I am convinced that such engagement will help maximize the value provided by Wacoal Corp. By ensuring that all employees, from department heads through to sales personnel, understand the reasons for the reorganization, consider their own roles, and take action accordingly, we will achieve renewed growth and meet stakeholders’ expectations without fail.

Reorganization to Create a Customer-Driven Sales System  
(Building a system that will enable customer experience strategies)





Strategies by Business: The Wacoal Business (Domestic)  
A Message from the Director in Charge of Products

We will help enrich our customers’ daily lives by enhancing unique manufacturing processes and systems even further and implementing customer-driven brand strategies.



**Evolving Long-Cultivated Manufacturing Strengths**

The lifestyles of many customers have changed due to a greater emphasis on health and safety brought on by the COVID-19 pandemic. While on the one hand, an increase in time spent at home has boosted demand for wearing comfort suited to relaxation, on the other, demand for products with greater functionality is trending upward amid concerns over a

lack of exercise associated with long periods of self-quarantine. In addition, companies marketing midrange to high-end apparel are struggling as a result of the prolonged COVID-19 pandemic, but the presence of global brands based on specialty store retailer of private label apparel (SPA) business formats is growing.

With the aim of evolving into an organization that can swiftly adapt to the aforementioned changes in customer priorities and market trends, Wacoal Corp. implemented a

bold reorganization in April 2021. Under the previous sales channel-based organizational structure, each operation division and business division had its own product planning, sales, and other functions. Through the reorganization and streamlining of these functions, we have transitioned to a system that allows for more flexibility in decision-making, which helps us to resolve issues related to customers and distribution.

Under the reformed organization, as the corporate officer in charge of products, I manage all brand groups (including the Wellness Business Department), which are responsible for manufacturing. The scope of my responsibilities also encompasses the Marketing Management Department, tasked with conducting integrated marketing operations for the entire Company. In addition to maximizing brand value by enhancing the sophistication and efficiency of manufacturing—which is our strength—and implementing better product and brand strategies, my role in the new organization is to facilitate cross-divisional collaboration with the Sales Division, which is responsible for sales operations, and to accelerate business transformation throughout the Company.

**Aiming to Maximize Brand Value**

The three brand groups, which are engaged in product planning and manufacturing, are as shown in [TABLE 1](#).

For many years, Wacoal Corp. achieved strong growth by adopting a sales channel strategy and having in-house brands compete with each other. As a strong sense of competition drove the operating company's growth, connections between divisions were tenuous, and there was little cross-divisional collaboration. Moreover, certain operational areas were inefficient because in a given business department, planning, development, and materials procurement were conducted separately for each brand, resulting in different development processes and schedules among the brands.

As far as possible, we must standardize our distinctive manufacturing processes and systems so that, in accordance with Our Value, we can create products loved by customers and new products that meet the needs of the times and thereby maximize the value of each brand. For example, we should establish basic product designs common to all brands and, where feasible, standardize certain materials and components. Improving operational efficiency through the establishment of a shared manufacturing infrastructure will free up designers to concentrate on creating products that are more innovative and of higher quality. For this reason, we will establish shared systems and capabilities as soon as possible so that we can enhance added value and brand value even further. In preparation for the next medium-term management plan (beginning from April 2022), we will first strengthen collaboration between the *Wacoal* brand of Brand Group No. 1 and the *Wing* brand of Brand Group No. 2 and build a platform that unifies product development processes.

TABLE 1

Name	Operations (brands and categories covered by planning)	
Brand Group No. 1	Responsible for planning of <i>Wacoal</i> , <i>Salute</i> , and the prestige brand <i>Yue</i>	
Brand Group No. 2	Responsible for planning of <i>Wing</i> and non-innerwear categories, including nightwear (pajamas), products for children, maternity products, and men's innerwear	
Brand Group No. 3	Responsible for planning of <i>AMPHI</i>	

► For details on brand concepts and price ranges, please see page 47.

**Reflecting Changing Physiques and Sensibilities**

In July 2021, we formulated new brand strategies aimed at the creation of products that remain essential by catering to the rapid changes in and diversification of values and mindsets among individual customers that are accompanying the pandemic and the spread of digital technologies. Specifically, we have reformed existing brands and consolidated them into nine core brands with different brand concepts and price ranges based on a mission of continuing to establish deeper, broader, and longer relationships with customers while making day-to-day life healthier and richer for each customer. By putting into practice the Group Philosophy—which calls on us to create products loved by customers and develop new products that meet the needs of the times—we will continue to strengthen the market presence of the nine brands.

In heightening the value of our brands, we must emphasize values and stories that customers can relate to. For the *Wing* brand, which we renewed in spring 2021, we will broaden the price range and implement a strategy designed to make the brand a familiar, nearby presence for many consumers. Meanwhile, the time has come to rebuild a consistent brand story for the *Wacoal* brand given the extensive range of product categories it covers, including not only innerwear but also nightwear, maternity products, and products for children.

During the current fiscal year, we will hold high-paced but detailed discussions with the members of each brand group to firmly establish stories for respective brands. The entire Company will evolve cohesively by continuing to communicate the stories and purposes of brands in ways that reflect changing physiques and sensibilities.



Strategies by Business: Wacoal's Initiatives Geared to Renewed Growth (1)

# Reorganization

Enhancing Our Sales, Product Planning, and Marketing Functions in Pursuit of a Highly Resilient Organization  
Able to Adapt to Changing Needs

With the aim of providing better solutions to changes in customers' purchasing behavior and to our distribution structure while realizing renewed growth and a highly profitable management structure, on April 2021 Wacoal unveiled a new organizational management system integrating the functions of sales, product planning, and marketing.

Aim of Business Restructuring

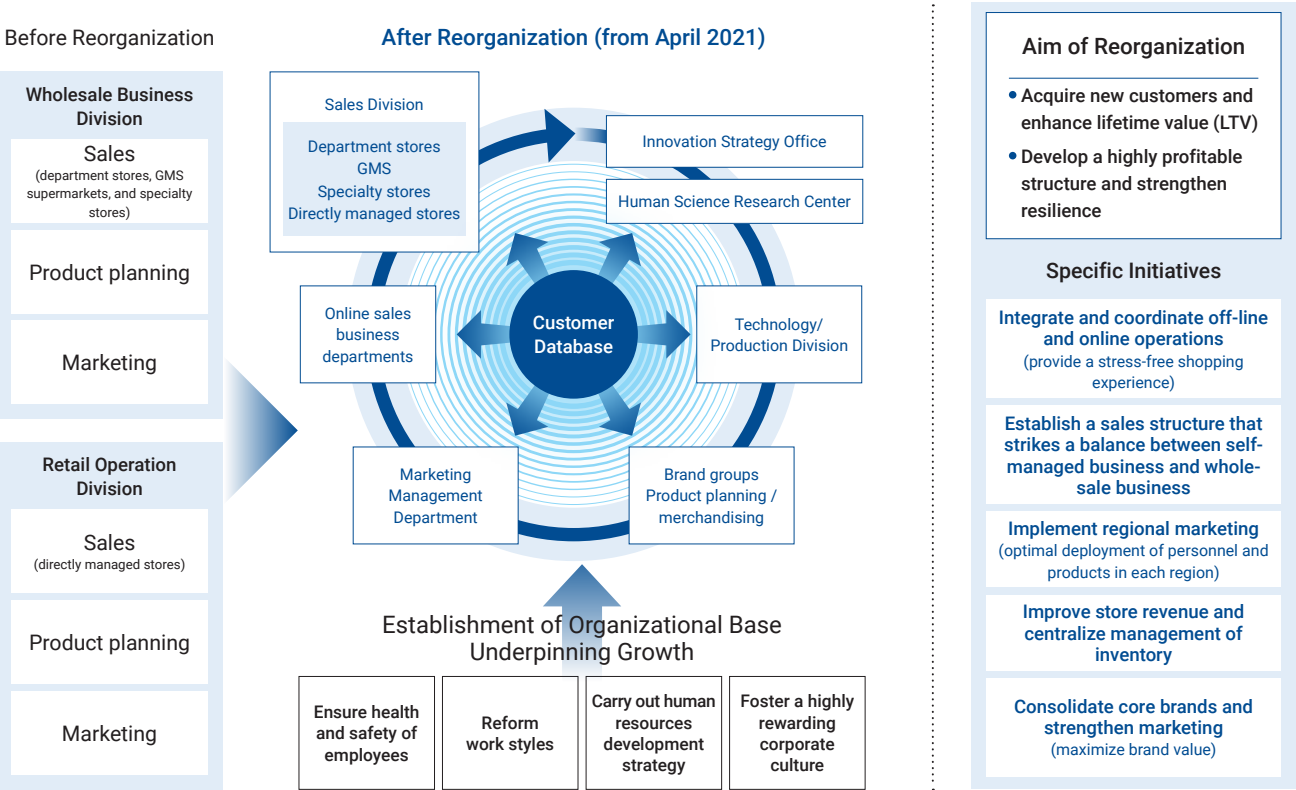
On April 2021, Wacoal reorganized its business structure with the aim of becoming a highly resilient organization that can flexibly adapt to diversifying customer values and consumption patterns as well as changes to our distribution structure and of moving on from its unprofitable business model. In light of the rapidly changing social environment, we will continue to develop and provide competitive products and services by constantly raising the standard of our manufacturing, personnel development, and organizational management. In so doing, we will realize sustainable growth and contribute to the betterment of society.

New Organizational Structure

• Sales

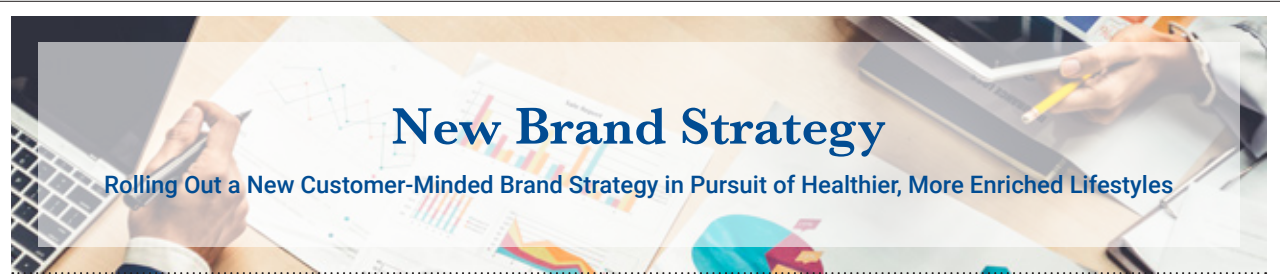
In order to ensure that the right brands and products are in place given the characteristics of our customers and that our personnel can be redeployed in a flexible manner, the channel-based business structure that was in place until now has been replaced with a region-based structure that manages all channels under the direction of the Sales Division. We are seeing drastic changes to the power relationships of distribution structures due to the prevalence of telecommuting and the execution of large-scale urban development projects. Against this backdrop, the new organization will be based on regional marketing, which entails the placement of brands and products in accordance with the characteristics of the region

Overview of Reorganization





Strategies by Business: Wacoal's Initiatives Geared to Renewed Growth (2)



The proliferation of digital technology and COVID-19 has spurred changes in the values and purchasing behavior of customers. To adapt to such changes and to contribute to healthier and more enriched lifestyles for all, Wacoal rolled out a new brand strategy in autumn/winter 2021.

Backdrop to Execution of New Brand Strategy

Under the previous brand strategy, which was based on the needs of its respective sales channels, the Company rolled out approximately 60 brands (including sub-brands) by responding meticulously to the diversifying needs of customers since the year 2000. Today, consumers are making purchases both online and off-line while the competition with global SPA (specialty store retailer of private label apparel) brands continues to intensify. Having an excessive number of brands not only creates stress for consumers when selecting the right product but also results in inefficient business management, which is why we decided to proceed with substantial revisions to our brand structure by establishing nine core brands, consisting of 27 sub-brands.

Issues Regarding Previous Brand Strategy

- Difficult to select the right item due to multitude of brands and product types
- Existence of untapped customer base
- Existence of relatively unfamiliar brands
- Dispersion of brand investment

Our Course of Action for Core Innerwear Brands

Embracing our Group Philosophy of creating products loved by customers and developing new products that meet the needs of the times in all of our brands, we will continue to

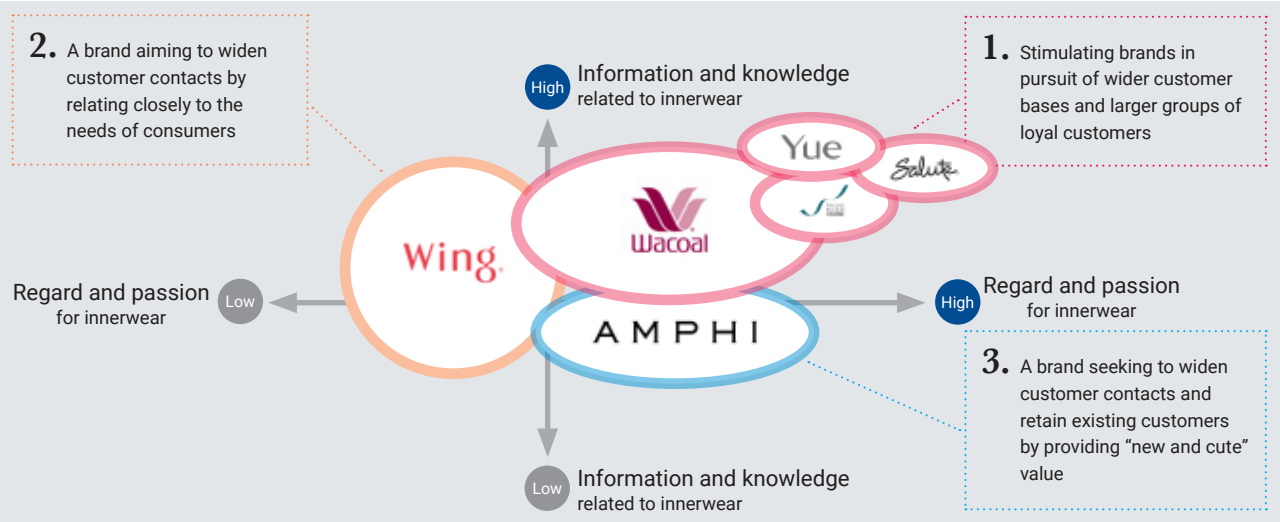
address the issues and needs of each individual customer. At the same time, we will evolve as a partner for both mind and body by continuing to convey the significance of our brands from a customer perspective. Moreover, the following brands will play a prominent role in acquiring new customers, retaining existing customers, and expanding our group of loyal customers, as outlined in our customer experience strategy.

• Expanding Our Group of Loyal Customers

With Wacoal, WACOAL SIZE ORDER, Yue, and Salute, each of which evokes an emotional attachment and is uniquely designed in their own right, we will pursue their respective brand missions to secure the type of customers who want to be convinced that the product they have selected is the right one for them and to increase loyalty among existing customers.

• Acquiring New Customers and Retaining Existing Customers

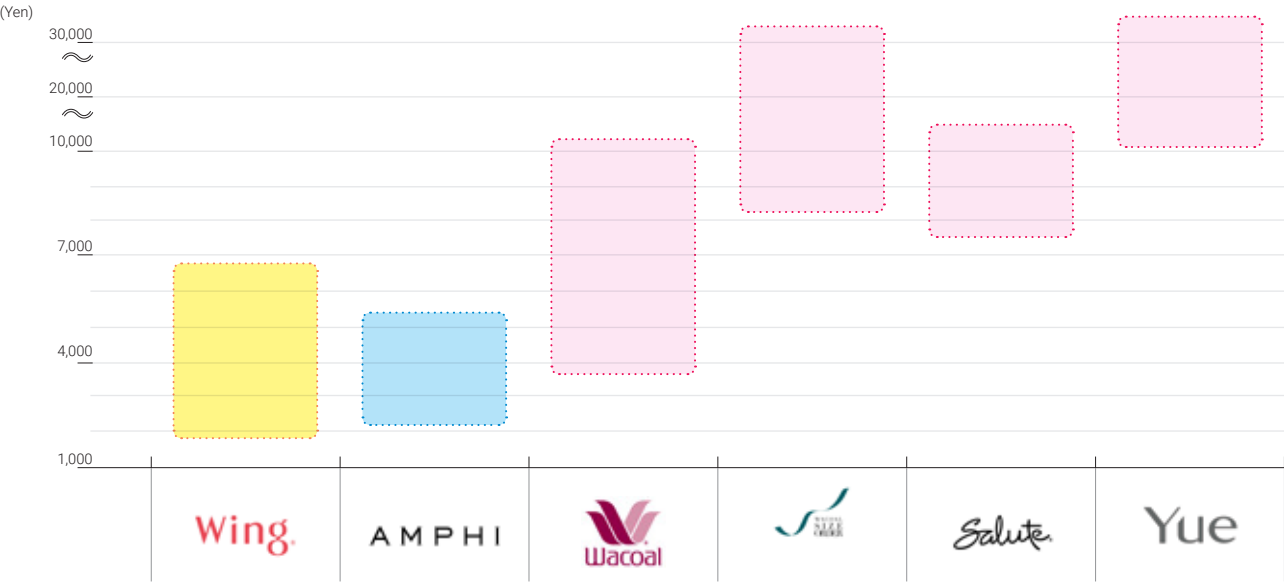
With Wing, the Company will keenly seek to widen its price range while expanding the product mix in order to continue to grow the brand and increase the number of contact points with customers who view innerwear as a daily necessity. As for AMPHI, we will look to expand the range of contact points with customers seeking cute looks and retain existing customers by rolling out products that offer trendy designs and simple features catering to a variety of tastes.



Our Nine Core Brands

Brand	Details
	Through the fusion of its exceptional functionality and design made possible by our strengths in research and technology, Wacoal has continued to deliver the value of "beauty" to women of all ages since its establishment in 1952.
	Established in 1975 and renewed in spring 2021 as a line of innerwear that harmoniously coexists with the body, Wing will continue to grow as a brand that closely relates to the needs of consumers.
	A new brand established in autumn/winter 2021, Yue offers the highest standards of comfort and refinement and identifies with the values of customers of the current generation while enriching their lifestyles.
	Established in 1979, Salute offers sexiness and appeal through its exceptional design and functionality that exposes the elegance of body lines.
	Reestablished as a brand in spring 2021, WACOAL SIZE ORDER provides customers with the perfectly sized brassiere from the roughly 3,000 sizes available.
	An innerwear brand that provides "new and cute" value, AMPHI offers trendy designs and simple features catering to a variety of tastes.
	A men's innerwear brand established through the accumulation of know-how in analyzing measurements and sewing technology through our development of women's innerwear, WACOAL MEN offers outstanding comfort and appearance.
	A sportswear brand developed by employing the technologies of the Human Science Research Center, CW-X is committed to aiding athletes of all levels.
	Established in 1974, Remamma is a brand of specially designed mastectomy bras and other innerwear and related products (including bra pads and swimwear).

Price Range of Major Products under Core Brands





Strategies by Business: The Wacoal Business (Overseas)  
A Message from the Director in Charge

While respecting the distinctiveness of Group companies,  
we will promote collaboration across organizational  
boundaries to realize a “Global Wacoal.”



**Masaaki Yajima**  
Corporate Officer in charge of Group International Business  
Wacoal Holdings Corp.  
Director and Managing Corporate Officer and  
General Manager of Global Division  
Wacoal Corp.

On My Appointment as the Corporate Officer  
in Charge of Group International Business

In April 2021, I was appointed as the corporate officer in charge of Group international business. Until fiscal 2021, I was responsible for our entire wholesale business in Japan. With the exception of that position, however, I have been deeply involved in overseas operations over the course of my career. In my capacity as head of Group Technology and Production, I was engaged in building production and procurement systems on a global basis. Also, I have worked as the head of businesses in China. My current role is to utilize the experience I have accumulated to connect each country and each base and lead the overseas business toward a new stage of growth.

Changes in Customers’ Values and Purchasing  
Behavior Due to the Pandemic

Consumer needs and purchasing behavior are changing globally because the COVID-19 pandemic has significantly altered

lifestyles. Particularly in the United States, Europe, and China, the share of consumption accounted for by e-commerce has been rising more rapidly than in Japan. In addition, with the increase in e-commerce purchases, demand is growing for apparel with simple and easy-to-understand sizes, such as small, medium, and large, as well as for basic products that offer greater comfort.

Given that customer needs are becoming more diverse than ever, to grow the overseas business we must build a system that can cater to all kinds of customers. For example, as part of our efforts to use digital technologies for the provision of optimal solutions, in the United States we are rolling out a smartphone app service that suggests suitable products based on analysis of customers’ physiques.

Meanwhile, with respect to the high-end products that are Wacoal’s forte, many customers still prefer to actually try on products in-store and then decide whether to make a purchase. Therefore, while growing e-commerce, we will not allow any decline in the value provided by brick-and-mortar stores. As an important role of these stores is to foster a sense of security, trust, and empathy in relation to Wacoal through

face-to-face communication, we intend to keep a certain number of brick-and-mortar stores. We will steadily integrate online and off-line operations to build deeper, broader, and longer relationships with customers globally.

Global Strategy for Further Growth

In fiscal 2022, the year ending March 31, 2022, the main focus of our growth strategies in the United States, Europe, China, and Asia is on strengthening the e-commerce business while advancing customer experience strategies.

Wacoal America, Inc. aims to have e-commerce sales account for more than 60% of its net sales by fiscal 2025. In particular, the operating company will concentrate on expanding its in-house e-commerce business. Also, we have extended the time frame for moving Intimates Online, Inc. into the black by approximately one year to fiscal 2023 so that we can give priority to pursuing our growth strategy for the operating company, which we acquired in 2019. In fiscal 2021, despite the pandemic, Intimates Online achieved strong growth. By bolstering brand power and marketing, we will continue to increase the number of the operating company’s ambassadors and customers, laying the foundations for dramatic progress from fiscal 2023 onward. In conjunction with these efforts, we are moving forward with a project tasked with enhancing management efficiency through the cross-divisional sharing of expertise between Intimates Online and Wacoal America. Amid the growth of the e-commerce business, we are consolidating the logistics functions of both operating companies to enhance delivery efficiency. Going forward, we will implement similar initiatives in manufacturing operations, thereby driving the growth of the U.S. business as a whole.

As for businesses in Europe, we will further develop the German market, where sales remain relatively small, while growing sales of the in-house e-commerce business, which was established in September 2019. Also, we will introduce the 3D body scanners developed in Japan to directly managed stores and advance our customer experience strategy. The advantage of the 3D body scanners is that, by linking the results of physique analysis with optimal product suggestions, we deliver a new customer experience. We expect 3D body scanners to become a very important tool. They will not only be useful in acquiring new customers but will deepen the relationships customers form with the Wacoal Group by encouraging them to have an ongoing awareness of their physiques and, as a consequence, heightening their interest in underwear.

Our businesses in China will acquire new customers to continue expanding the e-commerce business and increase sales per brick-and-mortar store. Accompanying the growing share of underwear purchases accounted for by e-commerce in the country, demand has become particularly strong for basic products in terms of color, size, and design. As a result, new manufacturers of low-end products are topping the sales

rankings in the country’s e-commerce market. In China, we have traditionally offered midrange to high-end products, but we see this shift in the market as an excellent opportunity to roll out reasonably priced products for the e-commerce market and create sales synergies with our brick-and-mortar stores.

In Asian countries other than Japan and China, as the e-commerce business has been slow to emerge, the pandemic led to a steep decrease in sales. To rectify this comparative lag in the expansion of our e-commerce in the region, we have developed a common e-commerce platform that is usable in each country, and the platform began hosting a Malaysian e-commerce service in March 2021. By steadily enabling use of the platform in the Philippines, Singapore, and other countries, we will develop a full-scale e-commerce business throughout Asia. Further, we are planning to develop a lineup of common products for Asia that caters to the growing need for comfortable products.

Customer-Driven Brand Communication and a “Global Wacoal”

Even though the values and behavior of consumers and customers are changing markedly, our goal of realizing a “Global Wacoal” together with the goal of achieving overseas net sales of ¥150.0 billion by fiscal 2028 is unchanged. To achieve these goals, ensuring that customers encounter the same quality and a consistent brand image worldwide is paramount. Accordingly, to raise the value of *Wacoal* as a global brand, we have launched a project that is tasked with standardizing both the appearance of *Wacoal* sales areas as well as the message conveyed to customers around the world. We will strengthen customer-driven brand communication so that customers immediately recognize *Wacoal* no matter which country they are in.

I am often struck by the strong attachment that our personnel worldwide have to the Company and its brand. Based on our shared commitment to making customers happy and making the Company better, I will collaborate with such personnel to clarify what each country should do on its own and what we should do in a uniform manner worldwide. Through this process, we will realize a truly “Global Wacoal.”

Strategies by Business: Global Initiatives of the Wacoal Business (Overseas)

### Wacoal America, Inc.

(Wacoal International Corp.)

Net Sales (Fiscal 2021)

¥14.4 billion (incl. internal sales)

(down ¥3.9 billion YoY)

Breakdown by Sales Channel (Fiscal 2021)

55% 25% 41% 4% 15% 15%

Stores EC Other

Company Overview

Wacoal America, Inc. is a manufacturing and sales company for the Wacoal and b.tempt'd brands, for which it manages the entire supply chain process from planning and development through to production, inventory management, and sales. On the strength of its product planning, geared to providing high quality and a perfect fit, Wacoal America boasts a high in-store share at department stores. The company has turned its attention to e-commerce in recent years with the promotion of its "Digital-First" strategy, which emphasizes online customer experiences, digital and virtual fittings, distribution, and the redeployment of its fit consultant team. The company is also focused on improving product development capabilities, reorganizing the cost structure, and expanding business to neighboring companies.

Brands

Wacoal b.tempt'd

Mitch Kauffman CEO Wacoal America, Inc.

### Intimates Online, Inc.

(Wacoal International Corp.)

Net Sales (Fiscal 2021)

¥3.6 billion

(up ¥2.3 billion YoY)

Breakdown by Sales Channel (Fiscal 2021)

92% 6% 2%

In-house EC site Wholesale Directly managed stores

Company Overview

Established as a wholly owned Group subsidiary in 2019, Intimates Online, Inc. conducts product planning and retail sales of women's innerwear under LIVELY, a brand that inspires women to live passionately, purposefully, and confidently. To reach out to customers who share this philosophy as well as the global views of Leisureé,\* the company has implemented marketing strategies that have earned the support of countless millennials, contributing to the ongoing growth of its business since 2016. In February 2021, we began doing business with American retail giant, Target Corporation, rolling out LIVELY brand products through both online and off-line domains.

\* A line of LIVELY brand products offering a blend of lingerie, leisure, and activewear

Brand

LIVELY

Michelle Cordeiro Grant CEO Intimates Online, Inc.

### Wacoal Europe Ltd.

Net Sales (Fiscal 2021)

¥9.9 billion

(down ¥3.1 billion YoY)

Breakdown by Sales Channel (Fiscal 2021)

25% 16% 9% 50%

Dept. stores Specialty stores Directly managed stores Third-party EC sites

Company Overview

Wacoal Europe Ltd. handles multiple brands, including Wacoal and Elomi, which are sold in the United States, Australia, and other countries across the globe. In addition to manufacturing products that are of the right fit for a diverse range of consumers, the company boasts the ability to consolidate multiple brands, including innerwear and swimwear. The company is currently working to enhance its brand portfolio and marketing capabilities in tune with the characteristics of each country and distribution channel while reinforcing its in-house e-commerce channel and expanding business in Germany and other European countries.

Brands

Wacoal elomi Freya FANTASIE Goddess

Geoff Embley CEO Wacoal Europe Ltd.

### Wacoal China Co., Ltd.

Net Sales (Fiscal 2021)

¥8.8 billion

(down ¥1.6 billion YoY)

Breakdown by Sales Channel (Fiscal 2021)

27% 68% 5%

Dept. stores Third-party EC sites Other

Company Overview

Wacoal China Co., Ltd. is a manufacturing and sales company for the Wacoal brand in China, managing the entire supply chain process from planning and development through to production, inventory management, and sales. The company has been pursuing the growth of its e-commerce business in recent years by targeting young consumers and other untapped customer bases as well as by strengthening its branding and marketing activities through joint efforts with Wacoal Corp. in Japan. As for its brick-and-mortar business, the company is working to maximize store value by continuing to consolidate retail stores while renewing its membership system and expanding its line of in-store services.

Brands

Wacoal Salute AMPHI

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

### Other

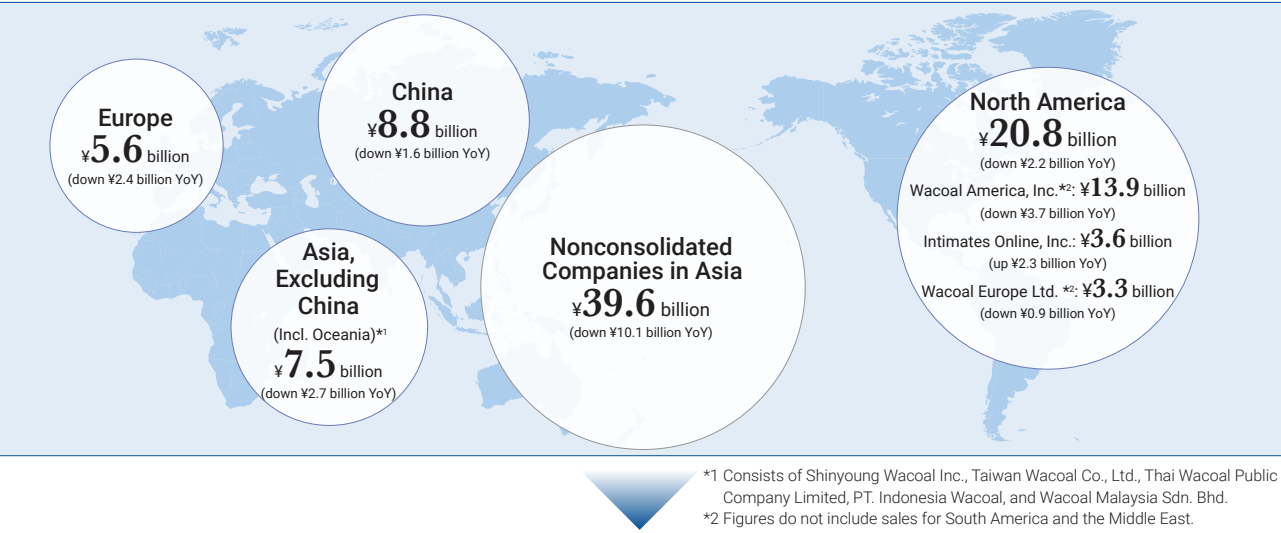
Sales companies: Wacoal Hong Kong Co., Ltd., Wacoal Singapore Private Limited, Philippine Wacoal Corp., and Wacoal India Private Limited

Manufacturing companies: Guangdong Wacoal Inc., Dalian Wacoal Co., Ltd., Myanmar Wacoal Company Limited

Manufacturing and sales company: Vietnam Wacoal Corp.

Companies in charge of manufacturing materials and procuring products and raw materials for innerwear: Wacoal International Hong Kong Co., Ltd., A Tech Textile Co., Ltd., G Tech Material Co., Ltd., etc.

Sales Volume of Overseas Business



Implementation of Customer Experience Strategies

### Wacoal America, Inc.

Expanding the growth of in-house e-commerce business through the promotion of "Digital First" strategy

At Wacoal America, Inc., our "Digital First" strategy is proceeding forward as we aim to increase sales in the U.S., our largest market overseas, by strengthening digital marketing activities and continuing to develop our e-commerce business as a part of this core project.

The company is also bolstering the functions of its distribution and sewing factories in an effort to enhance operating efficiency.

Launch of mybraFit™ smartphone app in February 2021 as part of "Digital First" strategy

### Intimates Online, Inc.

Expanding the scale of ambassador community and customer base through the strengthening of brand power and marketing capabilities

Through the sharing of information on social media and other digital media platforms as well as unique marketing activities that evoke consumer interest in chain reactions, Intimates Online, Inc. is working to increase its number of ambassadors—loyal customers with an unwavering passion for the brand—and users. Meanwhile, the company is also proceeding with marketing strategies that underpin its advancement toward a new growth phase and, in so doing, aims to become a highly profitable company.

LIVELY brand image

### Wacoal Europe Ltd.

Promoting marketing activities through the use of 3D smart & try

Wacoal Europe Ltd. has begun undergoing trial experiments on the 3D smart & try body scanner system in pursuit of sales to local markets. This technology allows the company to provide customers with an unrivaled experience, sparking greater brand recognition and closer ties with existing customers.

As a part of its business expansion in Europe, the company will also look to ramp up the level of its e-commerce activities in the German market.

Meeting geared to the introduction of 3D smart & try body scanner

### Asia / ASEAN Region

Acquiring new customers through the development of a universal e-commerce platform

With the rising level of personal income and the growing number of digital natives, the ASEAN region will likely see the growth of its e-commerce market and sales climate. To expand our business in this region, we developed an e-commerce platform that flexibly adapts to the needs of customers and markets in each country and region and commenced sales activities at Wacoal Malaysia Sdn. Bhd. in March 2021. Going forward, we will continue to expand our sales network and e-commerce business in Asia and the ASEAN region.

Universal e-commerce platform

Our Medium- to Long-Term Vision

1. Attain net sales of ¥150.0 billion or more in overseas business (including nonconsolidated sales)

2. Achieve growth in North American market

3. Coordinate online and off-line operations and increase the ratio of e-commerce sales

4. Strengthen ties with customers worldwide (increase lifetime value)





# ESG

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Response to Climate Change

Climate change, which has a significant impact on the earth and our business activities, presents both risks to the Wacoal Group's management and opportunities to acquire new business. The Group believes that the continuation of its sound business growth and the realization of a sustainable society hinges on its ability to tackle environmental issues in pursuit of a better environment. Based on this belief, in September 2021 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are promoting information disclosure based on the TCFD framework.

Our Commitment to the Reduction of Greenhouse Gas Emissions

With a view to firmly stabilizing the reduction of greenhouse gas (GHG) emissions throughout the supply chain and thereby contribute to realizing a carbon-neutral society, in July 2021 the Wacoal Group measured the amount of GHG emissions (scope 3) generated throughout the supply chain of the Wacoal Business (Domestic) for the first time, based on the Ministry of the Environment's Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.3). In July 2021, we also responded to the climate change questionnaire of the CDP, an international nonprofit organization, for the first time in an effort to promote the disclosure of information on our climate change initiatives.

Greenhouse Gas Emissions Generated by the Wacoal Business (Domestic)				
The majority of the total GHG emissions generated through the operations of the Wacoal Business (Domestic) are in the form of scope 3 (supply chain) emissions, around 90% of which come from category 1: purchased goods and services. In regard to our GHG emissions reduction targets and reduction processes, we will discuss the matter over the course of fiscal 2022 and reveal the results together with our announcement of the new medium-term management plan.				
Scope/Category	Coverage		CO <sub>2</sub> emissions (CO <sub>2</sub> e-t)	Percentage of total GHG emissions
Scope 1 emissions	Operating bases, plants, and distribution centers in Japan		1,833	0.5%
Scope 2 emissions	Operating bases, plants, and distribution centers in Japan		4,719	1.4%
Scope 3 emissions	Wacoal Business (Domestic)		337,730	98.1%
Upstream	Category 1	Purchased goods and services	307,195	91.0%
	Category 2	Capital goods	13,507	4.0%
	Category 3	Fuel- and energy-related activities not included as a part of scope 1 and scope 2 emissions	1,279	0.4%
	Category 4	Upstream transportation and distribution	4,523	1.3%
	Category 5	Waste generated in operations	289	0.1%
	Category 6	Business travel	3,681	1.1%
	Category 7	Employee commuting	1,027	0.3%
	Category 8	Upstream leased assets	1,542	0.5%
Downstream	Category 9	Downstream transportation and distribution	2,357	0.7%
	Category 10	Processing of sold products	Excluded from scope of calculation	—
	Category 11	Use of sold products	Excluded from scope of calculation	—
	Category 12	End-of-life treatment of sold products	2,331	0.7%
	Category 13	Downstream leased assets	Excluded from scope of calculation	—
	Category 14	Franchises	Excluded from scope of calculation	—
	Category 15	Investments	Excluded from scope of calculation	—

Overview of the CDP

The CDP is an international nonprofit organization that conducts research and analysis on the actions taken by companies and organizations worldwide to address environmental issues, such as climate change, water security, and deforestation, and discloses the results. The CDP's environmental disclosure and its evaluation process is widely recognized as the global standard for corporate environmental disclosure.



Support for Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In September 2021, the Wacoal Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Moving forward, we will disclose information on the four thematic areas of governance, strategy, risk management, and metrics and targets in accordance with the recommendations of the TCFD.

Consumer- and Environment-Friendly Business Activities

With increasing concerns over the environment and sustainability, we are seeing a growing demand among consumers for high-quality products that can be used over the long term and products that pay due respect to the environment. We at the Wacoal Group continue to manufacture products in a way that will earn the appreciation of consumers for many years to come while engaging in business activities that respect the environment based on our belief that it is our duty to protect the global environment.

Reduction of Waste through Our Long-Cherished Manufacturing Capabilities and Unique Production, Inventory, and Sales System

The Group's value of creating products loved by customers is underpinned by its dedication to superior standards of quality and safety and optimizing inventories. Our ISO 9001-based quality control system ensures the highest levels of quality at each phase, from materials procurement through to product planning, product design, and production, by adhering to strict standards. Moreover, based on our framework of generating profits and minimizing waste throughout each stage of production, inventory management, and sales, the disposal rate of Wacoal Corp. is currently around 1%.

Development of Environment-Friendly Products along Our Path to Realizing a Sustainable Global Environment

At Wacoal, we are constantly developing and expanding our line of environment-friendly products and materials in order to address the needs of consumers for more products that respect the environment and to contribute to the realization of a sustainable global environment. As a part of the *Wacoal* brand, in September 2021 we rolled out our line of *Nature Couture* products, consisting of innerwear that is friendly to both users and the environment and utilizes *washi*, Japanese paper made primarily of cellulose fiber taken from Manila hemp, and U.S.-grown organic cotton. The material uses dye derived from olive leaves, rose petals, and other plants, as well as non-dyed colors and, by devising various designs and patterns, we were able to reduce the amount of material waste more than usual. Going forward, we will look to establish a material waste recycling system, which entails collecting the material waste generated during the fabric-cutting process at our plants in Japan and reusing it to create yarn for materials to be used in the next season and onward. In addition, our *L<sup>∞</sup>Ping* environment-friendly bras made of recycled yarn, which are slated to be released mainly at directly managed stores in spring/summer 2022, could also become a part of our material waste recycling system in the future.



Nature Couture

Bra Recycling Initiatives

Established as a solution to the unwillingness of customers to discard their bras, the Wacoal Bra Recycling Initiative is a program for collecting and recycling bras that are no longer needed. Through the participation of JEPLAN, INC. and its BRING™ project, the collected bras are reused as materials for household goods and other products. The project was carried out during the period from October 1, 2020 to March 31, 2021, as a result of which, 22.0 tons of bras were collected.



Issues to Address Going Forward

Supplier Engagement

With scope 3 (supply chain) emissions accounting for the majority of the Group's total GHG emissions, we must work collectively with our suppliers to reduce such emissions. While encouraging our suppliers to take the measures necessary to reduce GHG emissions, we will seek to develop an action plan and determine the process for realizing this plan to address the issue of climate change throughout the entire supply chain over the medium to long term.



## Fulfilling Social Responsibilities along Our Supply Chain

The Wacoal Group engages in responsible procurement with its business partners around the world with the aim of fulfilling its social responsibilities throughout the entire supply chain. Realizing the importance of meeting the expectations of society, establishing mutual trust, and working in unison, we believe that promoting CSR procurement together with our contract manufacturers will maximize the interests and contribute to the sustainable growth of both parties. As such, we will continue to engage proactively in this area going forward.

### 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 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.

### Fiscal 2021 Initiatives and Fiscal 2022 Plans

#### Fiscal 2021 Initiatives

- **Extended coverage of CSR-focused procurement activities**  
Added the contract manufacturers of Wacoal's online sales business departments, Unenana Cool Corp., and consolidated overseas subsidiaries (Wacoal America, Inc., Wacoal China Co., Ltd., and Wacoal Europe Ltd.) as survey targets
- **Verified the status of compliance with matters specified in the Wacoal Group CSR Procurement Guidelines via self-assessments**  
Conducted self-assessments for the second time with 115 supplier plants of Wacoal (*Wacoal* and *Wing* brand innerwear), Lecien, Peach John, and Ai
- **On-site audits postponed due to COVID-19 (conducted at certain plants in Japan upon the consent of contract manufacturers)**

Basic Information Disclosed on Contract Manufacturers (as of August 2021)

Name	Number of factories	Manufacturing output of factories covered by disclosure as a percentage of products procured in value terms	Number of updates
Wacoal Corp.	150	96.5%	4
Lecien Corporation	12	99.5%	4
Peach John Co., Ltd.	31	90%	4
Ai Co., Ltd.	12	78%	3
Unenana Cool Corp.	4	98.9%	1
Overseas*	32	100%	1

\* Wacoal America, Inc., Wacoal China Co., Ltd., and Wacoal Europe Ltd.

#### Fiscal 2022 Plans

- **Establish on-site auditing methods (remote audits) amid COVID-19 era**
- **Extend the coverage of CSR-focused procurement activities (plan to add contract manufacturers of products other than apparel as survey targets)**
- **Verify the status of compliance with matters specified in the Wacoal Group CSR Procurement Guidelines through self-assessments**  
Conduct self-assessments for the second time with the supplier plants of Wacoal (*Wacoal* and *Wing* brand products other than innerwear and Brand Group No. 3 (*AMPHI*, etc.))
- **On-site audits slated to be held upon verifying the status of COVID-19**

### Issues to Address Going Forward

#### Establish a System for Implementing Human Rights Due Diligence

Due to the global nature of our business, we at the Wacoal Group believe that respect for human rights represents the foundation of business management based on mutual trust. Accordingly, over the years we have conveyed to all Group employees our basic approach to human rights in conformity to international norms while stipulating a set of specific guidelines in the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct and proceeding with the measures necessary. However, the efforts of companies to demonstrate their respect for human rights is becoming increasingly important in recent years. As such, we recognize the need to reduce and prevent any negative impacts on human rights and strengthen our human rights initiatives based on the United Nations Human Rights Due Diligence Policy compliant with the Guiding Principles on Business and Human Rights. In fiscal 2022, the Group will revise its human rights policy and establish a system for implementing human rights due diligence.

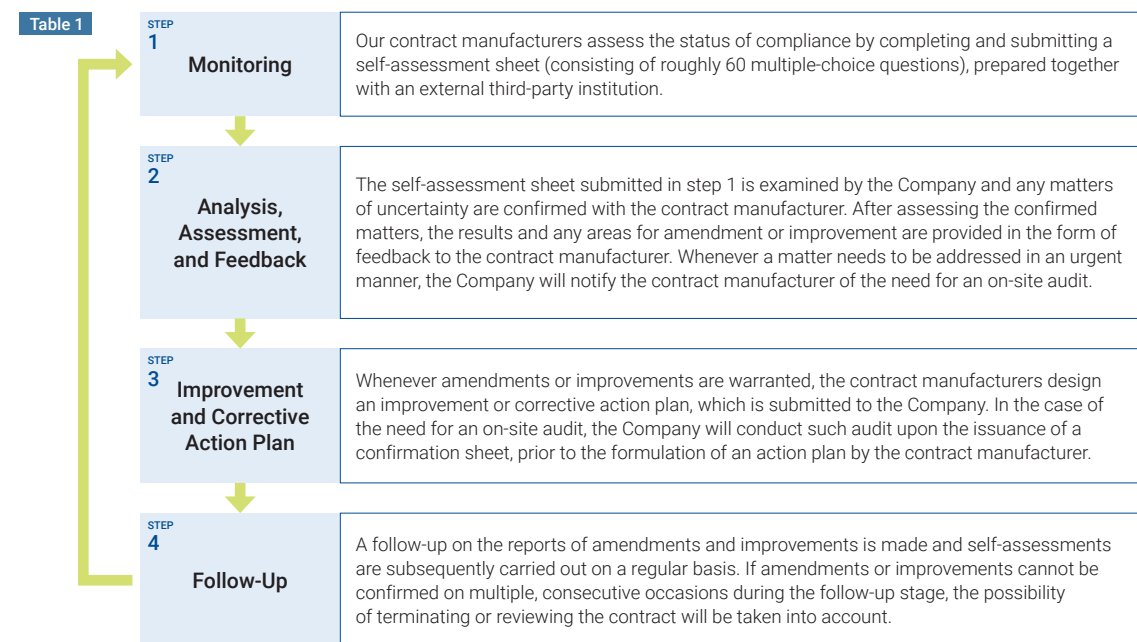
### Monitoring and Assessing the Activities of Contract Manufacturers

Recognizing the importance of constantly improving its supply chain from the perspectives of respect for human rights, workplace environment, and health and safety, the Group carries out activities to monitor the status of compliance with the matters specified in the Wacoal Group CSR Procurement Guidelines.

#### Implementation Cycle for CSR-Focused Procurement Activities

In January 2018, the Group launched a mechanism that accurately measures the status of compliance with the matters specified in the Wacoal Group CSR Procurement Guidelines and constantly strives to make improvements in this area. The system entails a series of cycles that include monitoring via self-assessments performed by contract manufacturers; analysis, assessment, and feedback; improvement and corrective action plans; and follow-up. Whenever an issue is detected, we work toward a solution with the contract manufacturer, constantly supporting one another.

**Table 1** shows the aforementioned series of cycles for accurately assessing the status of compliance and constantly revising and improving our compliance with the Wacoal Group CSR Procurement Guidelines.



### Monitoring Results (Self-Assessment Results of Contract Manufacturers)

Held once every two years, the self-assessment was conducted for the second time at 115 plants in fiscal 2021. Although health and safety was identified as an issue at many of the plants in our assessment two years ago, improvements were observed in this area this time. Through such means, we will continue to enhance the transparency of our business activities throughout the entire supply chain.

#### Self-Assessment Results (Assessment Criteria: Level 5 (High Rating)—Level 1 (Low Rating))

Fiscal 2019	Fiscal 2021	Rating	Details
Level 5	Level 5	Level 5	Exemplary level. Sustenance of high standards expected going forward.
Level 4	Level 4	Level 4	Above-average level overall. Pursuit of higher standards expected going forward.
Level 3	Level 3	Level 3	Improvements in all areas expected going forward.
Level 2	Level 2	Level 2	Improvements in all areas highly expected going forward.
Level 1	Level 1	Level 1	Serious issues (high risk of contract termination) exist and improvements must be made immediately.

Strengthening Human Assets

Consistent with a management philosophy that emphasizes mutual trust, the Wacoal Group 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. We have built value chains that comprise proprietary networks, which span all stages from product planning and development through to materials 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.

Development of Human Resources with a View to Enhancing Corporate Value

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 nurturing a corporate culture conducive to the growth of each individual and fostering a new type of talent who are autonomous in their actions and can realize our management philosophy, we provide and conduct training programs that support the development of employees’ careers and professional skills. In support of our employees’ career development and continuous self-learning, we are enhancing the quality of our training programs, other than rank-based training, and promoting active participation through hand-raising.

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. 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.

New 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.

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		651	1–6 days (Differs according to employee rank)
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		96	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		324	7 hours or more
Global Talent Development	Develops globally competent personnel who have international communication skills (the ability to execute duties, language skills, and the ability to work in and understand other cultures), underpinning the increasing globalization of the business	Overseas job training	4	2 years
		Overseas language training	—*	5 months
		Global mindset training	10	3.5 hours
Self-Study	Supports the autonomous development and enhancement of employee capabilities by providing e-learning content that can be studied anywhere at any time	Self-study support program	43	—
		Distance learning / E-learning	307	—

\* Program canceled due to the COVID-19 pandemic

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.

TOPICS

Women Account for over 60% of Our Leaders

At Wacoal, although our working conditions are tailored to the specific life stages of women, our human resources development system is designed so that individuals are hired and trained based on skill and not gender. Meanwhile, our goal is to have women account for over 30% of management positions (section chief or higher rank) over the medium to long term.

With many of our store managers serving as leaders, over 60% of our leaders are women. Going forward, we will continue to develop an organization where each individual can gain a sense of personal and professional growth and feel a sense of pride and accomplishment.

<div>Number of Women in Management Positions</div> <div>(Ratio of women in management positions = Number of women in management positions ÷ Total number of management personnel)</div> <div>77 (27.3%)</div>	<div>Number of Store Managers</div> <div>269</div>	<div>Number of Female Leaders</div> <div>(Ratio of female leaders = Number of female leaders ÷ Total number of management personnel and store managers)</div> <div>346 (62.8%)</div>
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Women's Empowerment Mentorship Program

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, the Company has developed an action plan that entails increasing the number of women in management positions by creating an environment in which women can continue to work and pursue management positions. In line with this action plan, a mentorship program was established in fiscal 2022. This program provides female employees in nonmanagement roles who are seeking management positions with opportunities to consult with female managers other than their direct superiors about their career path and skill development. This experience allows our female employees to get a specific idea of what it would be like to balance childcare or nursing care with management duties and increases their motivation for considering a role in management as a part of their career development.

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 fiscal 2021, Wacoal GENKI Project 2020 established medium-term targets and action plans for countermeasures to the three categories of lifestyle diseases, cancer, and mental health issues, and a variety of measures were undertaken toward their achievement.

Despite showing signs of improvement in all categories, we were unable to reach our targets in three such categories due to the impact of COVID-19. As a consequence, discussions on incorporating the measures aimed at ensuring the health of our employees and a high level of health literacy into our next medium-term management plan are currently ongoing. In addition, Wacoal Holdings Corp. has been selected for the Health & Productivity Stock Selection Program for six years running since 2016 and certified as an Excellent Enterprise of Health & Productivity Management (White 500) for five years in a row since 2017. Meanwhile, Wacoal Distribution Corp. has also been selected for the Health & Productivity Stock Selection Program for the last four years since 2018 and was certified as an Excellent Enterprise of Health & Productivity Management (White 500) in 2021 for the third time.

TABLE 1 Wacoal GENKI Project 2020

Summary	Numerical target	FY2015 (Before project's countermeasures)	FY2021 (Results)
Lifestyle disease countermeasures Reduce the percentage of employees with lifestyle disease-related conditions	25% or lower	29.2%	29.0%
Cancer countermeasures Increase the percentage of employees screened for five major cancers	100%	96.1%	96.2%
		79.3%	93.9%
		90.5%	96.6%
		81.0%	90.8%
		65.0%	76.7%
Increase the percentage of screened high-risk employees (those requiring secondary tests)	100%	67.0%	84.4%
Reduce the percentage of employees who smoke	15% or lower	20.4%	12.7%
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	14,798



2021  
健康経営銘柄  
Health and Productivity

Health & Productivity Stock selection  
Wacoal Holdings Corp.  
Wacoal Distribution Corp.



2021  
健康経営優良法人  
Health and productivity  
ホワイト500

Excellent Enterprise of Health & Productivity Management 2021 (White 500)  
Wacoal Holdings Corp.



Management Team

As of June 29, 2021

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, 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)  
Jun. 2021 Director and Managing Corporate Officer in charge of Group Business Management (present)



Outside 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)



Outside 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)



Outside 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



Audit & Supervisory Board Member  
**Shinichi Kitagawa**  
Mar. 1985 Joined the Company  
Apr. 2008 Director and General Manager of Accounting and Administration Division of Studio Five Corp.  
Apr. 2009 Director and General Manager of Business Control Division of Studio Five Corp.  
Apr. 2013 IR/Public Relations Officer of the Company  
Apr. 2018 General Manager of Accounting Department of the Company  
Jun. 2020 Audit & Supervisory Board Member of the Company (present)  
Jun. 2021 Audit & Supervisory Board Member of Wacoal Corp. (present)



Audit & Supervisory Board Member  
**Katsuhiro Okamoto**  
Mar. 1986 Joined the Company  
Apr. 2010 Materials Control Manager of Technology/Production Division of Wacoal Corp.  
May 2012 Representative Director and President of Hokuriku Wacoal Sewing Corp.  
Apr. 2014 Representative Director and President of Kyusyu Wacoal Manufacturing Corp.  
Apr. 2016 General Manager of Innerwear Merchandising Supervisory Division, Wacoal Brand Operations of Wacoal Corp.  
Apr. 2018 Corporate Officer, General Manager of Wacoal Brand Innerwear Products Supervisory Division, Wholesale Division of Wacoal Corp.  
Jun. 2021 Audit & Supervisory Board Member of Wacoal Corp. (present)  
Jun. 2021 Audit & Supervisory Board Member of the Company (present)



Outside 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. 2015 Audit & Supervisory Board Member of the Company (present)



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



Outside 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)



Major concurrent positions  
[https://www.wacoalholdings.jp/en/ir/topics/files/governance\\_report20210601En.pdf](https://www.wacoalholdings.jp/en/ir/topics/files/governance_report20210601En.pdf)

## Corporate Governance

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](https://www.wacoalholdings.jp/group/files/governance_guideline_en.pdf)

### Corporate Governance Structure

We have adopted an Audit & Supervisory Board system, which enables the Board of Directors and the Audit & Supervisory Board to supervise and audit the execution of operations to maintain corporate governance in Group companies as a holding company.

#### 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.

The Board of Directors comprises seven directors, three of whom are outside directors and one of whom is a woman, who carry out management decision-making and supervision from an objective perspective. They aim to reinforce supervisory functions and enhance decision-making. 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.

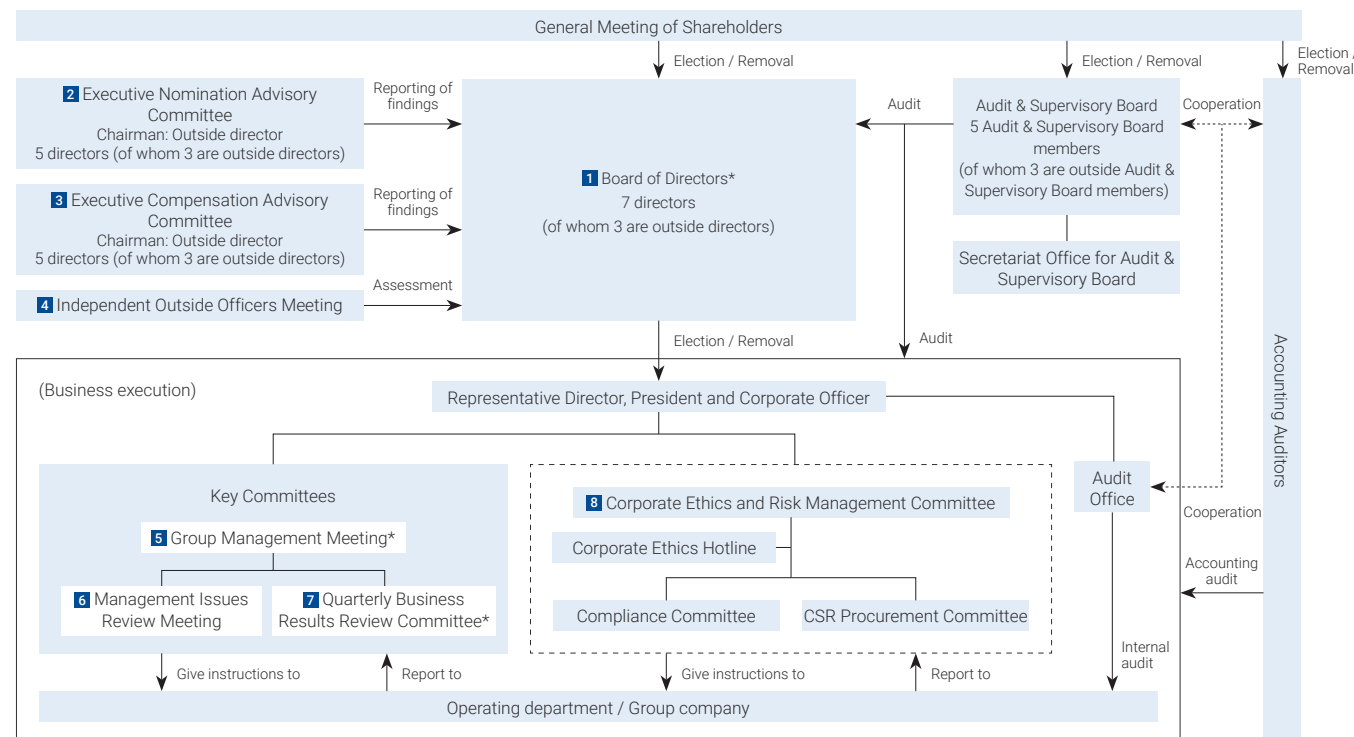
Comprising five Audit & Supervisory Board members, three of whom are outside members, the Audit & Supervisory Board aims to strengthen their supervision and auditing of business management.

Further, the Group has established the Group Management Meeting, comprising directors and principal members, which considers Group management strategies 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 29, 2021)

Format	Audit & Supervisory Board system
Number of directors	7
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 FY2021
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.	14
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 two 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.	3
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, one internal director, 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.	6
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 is convened twice every month in principle. 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.	16
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 the administrative manager and the director of the Administrative Department acting as the chairperson, the committee comprises internal directors, the directors of operating companies, and corporate officers. The committee promotes the establishment of a compliance system, consideration of compliance issues that have a serious impact on the Wacoal Group, enhancement of awareness and enlightenment on corporate ethics, and the effective control of any management risks to the Wacoal Group.	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
1	Yoshikata Tsukamoto		●			●	
2	Hironobu Yasuhara		●			●	
3	Tomoyasu Ito		●			●	
4	Akira Miyagi		●	●	●	●	●
5	Madoka Mayuzumi	●					●
6	Shigeru Saito	●	●			●	
7	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
1	Shinichi Kitagawa		●	●			●
2	Katsuhiro Okamoto		●			●	
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

	FY2019	FY2020	FY2021
Issues identified	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	1. Further improve the efficiency of the Board of Directors by improving the content of the materials distributed in advance of Board of Directors' meetings and accelerating the timing of their distribution 2. Reconsider the agenda, meeting frequency, participating members, and management methods of the Executive Nomination Advisory Committee, the Executive Compensation Advisory Committee, and the Independent Outside Officers Meeting 3. Increase contact points among executive management, such as executive officers and general managers
Improvement measures	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	1. Implement a review of meeting management and regulations of the Board of Directors (including agenda items and the application of internal rules for agenda items) 2. Convene the Executive Nomination Advisory Committee and Executive Compensation Advisory Committee whenever appropriate to respond to meeting agendas. Consider a review of the way the Independent Outside Officers Meeting evaluates the Board of Directors, among other issues 3. Implement the expansion of contact points among executive management, including establishing the agenda for the content of business strategies

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 in the financial industry 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](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	13/14
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	14/14
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, compliance, and international insight	14/14

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.	14/14	15/15
Mitsuhiro Hamamoto	Mitsuhiro Hamamoto's experience and specialized knowledge as an attorney make him an appropriate outside Audit & Supervisory Board member.	14/14	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.	14/14	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. Audit & Supervisory Board members make decisions on matters concerning policies on the preparation of audit reports and the implementation of audits, methods of examining the statuses of business performance and assets, and other matters related to business execution, in accordance with the regulations of the Audit & Supervisory Board. In addition, the Company assigns an independent, dedicated secretariat to the Secretariat Office for the Audit & Supervisory Board to assist in their duties.

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 as well as 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.

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 the 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.

Further, the Office of Corporate Auditors comprises 9 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.

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 2021, 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 standard values.



• Basic Compensation

The amount of basic compensation is designed to set a single rate for each position in principle and is fixed as a monthly payment. 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.

• 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 (consolidated net sales, consolidated income before taxes, etc.). The payment will be made once in the month in question after the total amount has been approved at the Ordinary General Meeting of Shareholders for the relevant fiscal year.

• 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, three of whom are independent outside directors, and the number of shares decided upon is allocated once a year.

Additionally, at the Ordinary General Meeting of Shareholders held on June 29, 2021, the Company resolved to abolish the share-based stock option incentive and introduce a new transfer-restricted stock compensation plan for directors (excluding outside directors). This was done so that directors would share the risk of stock price fluctuations with shareholders and further increase their motivation to improve the stock price and corporate value. 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.

**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)

**Compensation of Officers in FY2021**

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)	263	219	—	43	5
Audit & Supervisory Board members (excluding outside members)	32	32	—	—	3
Outside directors and outside Audit & Supervisory Board members	50	50	—	—	6

**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 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.**

	FY2019	FY2020	FY2021
Number of stocks	95	84	73
Monetary amount (¥ billion)	60.8	42.2	50.1
As a percentage of consolidated total assets	21.6%	15.2%	15.5%

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.

**Compliance and Risk Management Structure**

The Company's Corporate Ethics and Risk Management Committee has the president and representative director acting as the administrative manager, supervisor, and director 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, ensuring all employees understand and internalize corporate ethics, and effectively promoting control of any management risks to the Wacoal Group.

**Compliance Structure**

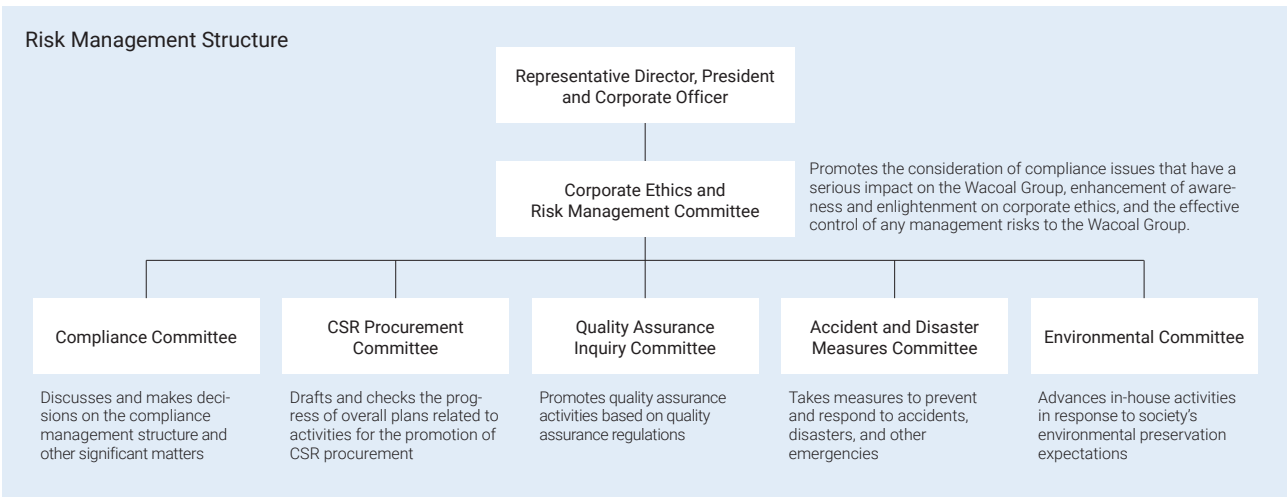
The Company has established the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct to ensure that directors and employees perform their duties in compliance with laws, regulations, and the articles of incorporation and sound social norms.

Further, the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct stipulates resolute refusal of demands from antisocial forces. In addition, the Company has established an internal whistleblowing 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 and advances the construction of a risk management system that comprehensively encompasses the Wacoal Group's overall risks.



**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 the director and managing corporate officer. The task force takes countermeasures in light of developments in relation to the COVID-19 pandemic.

**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 Information Disclosure**  
<https://www.wacoalholdings.jp/en/ir/management/discloser/>

**Basic Policy on Constructive Dialogue with Shareholders and Other Stakeholders**

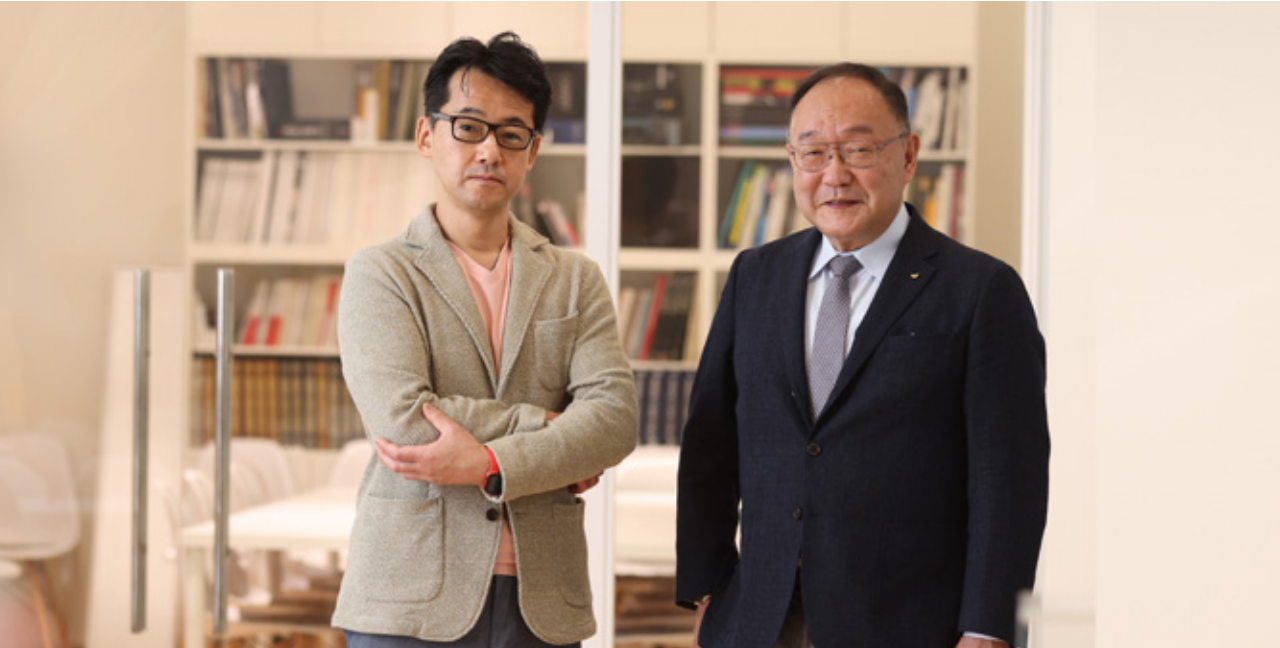
We have adopted and published a basic policy on constructive dialogue with shareholders and other stakeholders. Dialogue with shareholders and other stakeholders is under the overall control of the director of the Administrative Department and is the responsibility of the division in charge of investor 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 and Other Stakeholders**  
[https://www.wacoalholdings.jp/en/sustainability/talk\\_with\\_stockholder/](https://www.wacoalholdings.jp/en/sustainability/talk_with_stockholder/)



To properly deliver Wacoal’s unique value to consumers, a brand strategy that leverages the Company’s advanced manufacturing capabilities is essential



Hisashi Yatsuo

Senior Fund Manager, Equity Strategy Department  
Chair, Rheos ESG Steering Committee  
Rheos Capital Works Inc.



Tsunehiko Iwai

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

Changes in customers’ values and purchasing behavior accompanying the COVID-19 pandemic and the spread of digital technologies are significantly impacting the business management of the Wacoal Group. Aiming to realize renewed growth and a highly profitable management structure, the Group drastically reformed the structure of its domestic businesses in April 2021. Why is the Group moving in a new direction through the consolidation of manufacturing and marketing functions and the reform of sales systems? What needs to be done at this juncture for the Group to achieve renewed growth and increase corporate value? What roles should outside directors play during a phase of corporate transformation?

Mr. Hisashi Yatsuo of Rheos Capital Works Inc. and Mr. Tsunehiko Iwai, an outside director of Wacoal Holdings Corp., held a frank discussion on the aforementioned questions.

Note: For the purpose of inclusion in this report, the following is a summarized version of a discussion on investor relations held in June 2021.

Wacoal’s Manufacturing Strengths

**Yatsuo:** I am a senior fund manager at Rheos Capital Works Inc., an asset management company in Japan. The company’s total assets under management recently exceeded ¥1.0 trillion, and more than 30% of these assets are overseas stocks. Our basic stance toward asset management is to look at medium- to long-term growth, rather than quarterly results, for example.

One reason we have adopted this stance is that the majority

of our customers are individual investors in their 30s or 40s, an age when some begin focusing on asset formation. Further, we receive more than half of our total assets under management through installment investment. In other words, as a certain amount of money enters the fund every month, there tends to be a net inflow of money over the medium to long term, and we can therefore readily take long positions.

Also, we place importance on environmental, social, and governance (ESG) initiatives both in our corporate activities and in the selection of investees. As the head of the internal

committee that oversees such initiatives, I have an obligation to report directly to the Board of Directors. Today, I am looking forward to learning about the steps that Wacoal Holdings Corp. is taking to incorporate ESG initiatives and thereby create integrated value.

Mr. Iwai, as representative director and executive vice president of Shiseido Co., Ltd., you led the company’s management reforms before becoming an outside director of Wacoal Holdings in 2018. Did you have any contact with the Wacoal Group before then?

**Iwai:** No, none at all. I remember being surprised when asked if I would become an outside director. However, Shiseido and Wacoal have a lot in common. Both companies are focused on helping people to become beautiful, and both are vertically integrated manufacturers. Since I have a background in research, I have always agreed with Wacoal’s emphasis on data. In particular, the Human Science Research Center’s physique data on about 45,000 people and the data from the regular measurement of more than 1,000 people, which tracks changes in the physiques of the same group of women as they age, are unique assets. I believe I was asked to become an outside director because the senior management team wanted me to use my experience and knowledge to take a hard look at Wacoal’s management and check whether these strengths were being fully leveraged.

**Yatsuo:** Having actually looked inside Wacoal, what is your evaluation of the Company’s current situation? Also, in what ways do you intend to make use of your experience?

**Iwai:** First of all, as I have experienced both successes and failures, I do not think that my past experience will necessarily form the basis of arguments that are persuasive to Wacoal’s senior management team. One thing I can say, however, is that you cannot just look at things from a single standpoint. Examining matters from different angles is important. For proper risk management, you need to assume the worst. Experience has taught me this way of thinking, and I always take an all-around view of matters when making statements at meetings of the Board of Directors and other bodies.

Overall, I think the Company deserves praise for its measures in response to the COVID-19 pandemic. Premised on preventing the spread of infection, the Company made an all-out effort to counter the decline in store sales.

Grounds for optimism going forward include the growth of the e-commerce business. Wacoal is also progressing with digital transformation. The avatar-enabled *Ava.Counseling Parle* system as well as measurement technology based on 3D body scanners are likely to become powerful marketing tools given the demand for contactless interactions. Thinking about the accumulation of data that enables such initiatives and the talented personnel who can use it as the basis for innovation gives me a renewed sense of Wacoal’s potential.

Reorganization and the Strengthening of Brand Marketing

**Yatsuo:** On the other hand, such strengths are not appreciated by capital markets, and the price book-value ratio has been below 1.0 for a long time. This seems strange given Wacoal’s brand profile and competitiveness. What are your thoughts in this regard?

**Iwai:** In my view, Wacoal’s brand marketing is still not good enough.

In 2018, when I assumed this position, my initial impression was that Wacoal exuded the type of refinement and elegance that reminded me of the atmosphere at Shiseido. I sensed an absolute confidence in the manufacturing capabilities of the Company and the unrivaled quality of its products, and there was an assumption that consumers were sure to understand the excellence of Wacoal’s products. However, products do not sell just because they are good.

Wacoal is a corporate brand and a product brand that is familiar to everyone in Japan. On the other hand, if you look beyond the *Wacoal* brand there are no product brands that can stand on their own. Relying on the Wacoal brand as an umbrella, product brands only pursue fine degrees of differentiation. This kind of random approach is not an effective way to use brand assets.

Peach John, however, is completely different.

**Yatsuo:** The products Peach John makes are different. Even looking at Peach John’s promotional measures immediately gives you the sense that the personnel involved probably have completely different sensibilities from those of personnel in other Wacoal businesses.

**Iwai:** Peach John has a business model that outsources the manufacture of its products. Also, the operating company’s development process is completely different from that of Wacoal, which is vertically integrated. Peach John independently advances its own brand marketing activities and has created its own unique worldview. *Wing* and other brands should also have this type of distinctiveness.

The April 2021 reorganization of Wacoal Corp. was designed to increase the overall sophistication of business operations so that new brand strategies can be introduced. Specifically, the Wholesale Business and Retail Operation divisions have been reorganized into the Sales Division and three brand groups, thereby consolidating sales and manufacturing functions, which were separate. At the same time, the person who was the general manager of the Global Division until the previous fiscal year has been appointed head of the brand groups, while the person who was the head of the Retail Operation Division until the previous fiscal year has been appointed general manager of the Sales Division. The

intention is to further promote sales and manufacturing that are driven by markets and customer data. Another major feature of the reorganization is the establishment of the Marketing Management Department between the Sales Division and the brand groups.

**Yatsuo:** So, a department has been established that will serve as a hub for coordinating opinions from the sales and manufacturing areas?

**Iwai:** That is right. Those engaged in manufacturing have their own particular logic, while those involved in sales have their priorities. The situation that must be avoided is when the two parties coexist in a half-hearted way, because this creates a culture of blaming others in which each thinks it is the other’s fault that things are not working out. The design of the new organization is very well thought out as it clearly separates both functions while putting an organization between them that can speak to either side.

The newly established Sales Division does not separate such sales channels as directly managed stores, department stores, general merchandise stores, and specialty stores, but pursues integrated marketing in five regions. In addition, the formation of brand groups that are a clear departure from the previous approach, which was based on the *Wacoal* and *Wing* brands, shows a willingness to seek more strategic differentiation for the product brands while staying connected with Wacoal as a corporate brand. In my opinion, to evolve Wacoal’s manufacturing and reduce costs, we should introduce “chassis,” by which I mean we should standardize essential functions. I feel that if the new system works correctly, it will strengthen manufacturing.



You cannot just look at things from a single standpoint. Examining matters from different angles is important. For proper risk management, you need to assume the worst.

Toward Further Empowerment of Women

**Yatsuo:** Recently, effective governance has become an eternal theme in capital markets. Looking at various cases in Japan and overseas, I do not think it is simply a matter of increasing the number of outside directors. Members of the Board of Directors need to have a sense of ownership.

In Wacoal’s case, however, the Company mainly deals with products for women, and 90% of its employees are women, but there are no female internal directors. How do you view this state of affairs?

**Iwai:** I think the Company still has not promoted enough women. In a company with this many female employees, only having a quarter of managerial positions occupied by women is far too low a level. Given the percentage of women in the general population, women should account for at least half of managers. I have made statements to this effect at meetings of the Board of Directors and other bodies. According to the corporate officer responsible for human resources, the percentage of women among those who pass the managerial promotion examination has been increasing, and the development of female candidates for the senior management positions is also progressing.

However, there is also a saying that “the position creates the person.” I think that one option is to be a little forceful about raising the percentage of women and boldly promote them to the positions of corporate officer and director.

**Yatsuo:** Why are there no senior executives emerging from the bloc of female employees that represents 90% of the workforce?

**Iwai:** I think the situation has actually changed a lot. In fact, I know the woman who developed the 3D body scanner measurement service I mentioned earlier. One approach would be



I think that the reorganization of Wacoal Corp. has pointed the operating company in an extremely favorable direction, so I am interested in what the operating company will be like in two years.

to rapidly promote such talented women. Incidentally, in 2021 she became the youngest person of either gender to be promoted to the position of manager in Wacoal’s history. I think this is a symbolic example of how things are set to change a great deal from now on.

**Yatsuo:** I hope the Company can bring such personnel to the fore and attract media coverage.

Awareness Reform Resulting from Structural Reform

**Yatsuo:** I have seen many different companies in Japan and overseas. In general, the larger the company, the longer it takes to transform. That said, as a rule of thumb, after a company sets off in a new direction it takes about two years before the benefits begin to emerge. I think that the reorganization of Wacoal Corp. has pointed the operating company in an extremely favorable direction, so I am interested in what the operating company will be like in two years.

**Iwai:** I believe in reforming structures before reforming awareness. At Wacoal Corp., early this spring the general manager of the Sales Division traveled around Japan to hold discussions with sales personnel and other personnel. These discussions were possible precisely because under the new organization the Sales Division has authority over integrated marketing in each region. Real changes in awareness only occur when each employee has understood the meaning of such structural reforms. People tend to be reluctant to change.

**Yatsuo:** I really think that is true. The most important thing going forward is how to increase employee engagement.

**Iwai:** My impression is that President Yasuhara and Vice President Ito, who is the president of Wacoal Corp., are more

committed than ever. Just the other day, a regular quarterly performance meeting was held in which the managers of respective regions and departments spent a whole day reporting on business results. Partly due to the prolonged COVID-19 pandemic, business results were below targets. President Yasuhara singled out several underperforming departments and issued strict instructions that require the departments to prepare specific countermeasures by the end of the first half of the current fiscal year.

In accelerating transformation, the formulation of the next medium-term management plan will be important. I really hope that the plan sets management goals that link medium-term goals and long-term goals more clearly.

**Yatsuo:** In other words, rather than a plan that includes statements such as “with an eye on fiscal 2028,” you would like to see a plan that sets out goals for specific fiscal years?

**Iwai:** Yes, that is what I mean. Once such goals have been established, the Company should then backcast from them and decide what is to be done at each juncture.

In any case, I think Wacoal has become more interesting since April. As a result of the reorganization, the attitude not only of the senior management team’s two leaders, President Yasuhara and Vice President Ito, but also of other directors and corporate officers has changed.

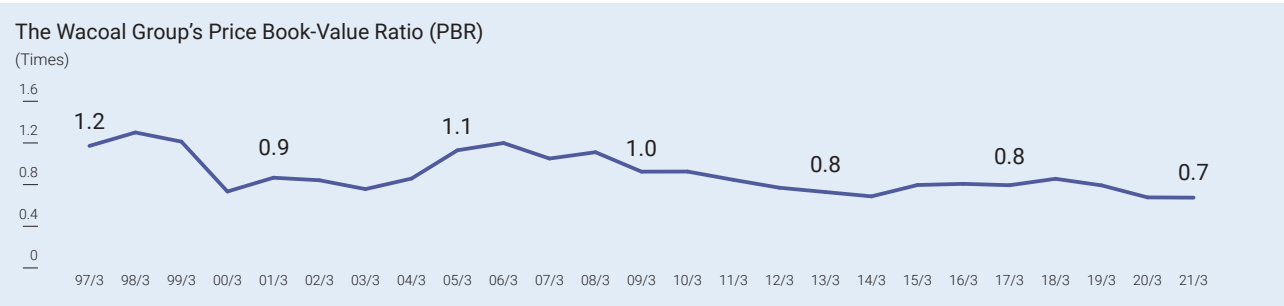
**Yatsuo:** I also have the impression that President Yasuhara’s demeanor has changed considerably over the past few years. He now speaks to us frankly about Wacoal’s problems, and I think he is busy steadily pushing forward with internal reforms.

Let me end by thanking you for the insights your comments have provided me with today.



Establishing Mutual Trust through Dialogues

Engaging in constructive dialogues toward the enhancement of enterprise value is critical to establishing a strong relationship of mutual trust with all of our stakeholders. However, we have not been able to arrange sufficient opportunities for stakeholder engagement in our management activities thus far. Due in part to this and other factors, we have not been able to meet the expectations of the market and, as a result, our price book-value ratio (PBR) has remained below 1.0 times for a number of years. In reflection of this fact, we have taken a proactive approach to our engagement with all stakeholders, including shareholders and investors, by gaining their valuable input through results briefings and investor relations interviews and reflecting them in our management strategies with the aim of achieving medium- to long-term increases in corporate value and establishing a highly effective management structure.



Stakeholder Relations

At the Wacoal Group, we define corporate value as the integration of all value gained by customers, employees, shareholders, investors, and other stakeholders. Through our communication with all stakeholders, we strive to maintain a solid relationship and build deep mutual trust. Moreover, the details of our investor relations and ESG (environmental, social, and governance) activities are communicated through the efforts of the Corporate Communications Department.

Communication Activities for Analysts and Institutional Investors (Results)

Activity	FY2019/3	FY2020/3	FY2021/3
Individual meetings with institutional investors and analysts	101 times	98 times	126 times
Results briefings (for analysts and institutional investors)	Twice	Twice	4 times
Business briefings (for analysts and institutional investors)	Twice	Once	3 times
Factory tours (for analysts and institutional investors)	Once	Twice	—
Conferences organized by securities companies	Twice	Once	Once
Overseas road shows	Once	Twice	—
Briefings for individual investors	4 times	3 times	Once
Individual meetings with outside directors (for analysts and institutional investors)	—	—	4 times

Internal Communication Activities (Results)

Activity	FY2019/3	FY2020/3	FY2021/3
Feedback on IR activities (for directors)	Twice a year	Twice a year	Quarterly
Briefings on integrated report and discussions with the Company's president (for employees)	—	General employees	Management personnel

Message from the Corporate Communications Department

By actively engaging in dialogues and appropriately disclosing information, the Corporate Communications Department works to enhance awareness of the Company's management and policies, such as the Group's background and strengths, the people behind our business and how they (managers and employees) work together, the results achieved, and the contributions we make to customers and society. We will continue to play a pivotal role in enhancing enterprise value by incorporating the valuable input of all of our stakeholders into our management activities.



Views of Shareholders and Investors (Specific Examples)

Strengths

Profit structure reform	<ul style="list-style-type: none"><li>I commend the fact that the presidents of both Wacoal Holdings Corp. and Wacoal Corp. are fully in charge of the profit structure reform.</li><li>The profit structure is steadily showing signs of improvement, but the Company still has a poor reputation among investors. I would like to see the Company regain their trust by generating results.</li></ul>
Business model	<ul style="list-style-type: none"><li>I sense a strong potential for growth based on the quality of its products and the progress of its global expansion.</li><li>The right brands are in place and so are its unique production processes. 3D body scanners, sales personnel, directly managed stores, and other resources that are necessary for improving customer relations are already in place. The Company should be able to continue to grow by making effective use of its assets.</li></ul>
ESG	<ul style="list-style-type: none"><li>I believe the Company is making progress on initiatives concerning the environment, society and so I would like to see a more proactive disclosure of such efforts.</li></ul>

Issues

Profit structure reform	<ul style="list-style-type: none"><li>I am concerned about the lack of focus being placed on profit structure reform. Unless the reform is undertaken successfully, I am worried that the Company would have to go back to square one. Speed is certainly an issue here.</li></ul>
Business model	<ul style="list-style-type: none"><li>I would like the Company to reflect its growth potential on business results and set high standards for its ROE and operating margin. At the same time, I would like to see the Company develop a highly effective organization toward reaching those goals.</li><li>More emphasis needs to be placed on sharing best practices within the Group.</li><li>I do not see a central theme behind its brands, including the process for generating profits. It is a shame that its marketing investments are inefficient because of its poor branding.</li></ul>
Issues regarding medium- to long-term vision and next medium-term management plan	<ul style="list-style-type: none"><li>The Company's current medium- to long-term vision covering the period up to fiscal 2028 does not illustrate the process toward achieving its goals. It is not only the investors who are unaware of the process but also the employees, and it is a matter that should be addressed in the next medium-term management plan.</li><li>I hope the Company does not postpone its profit structure reform or declare targets that may be viewed as being conservative in order to avoid disappointing the stock market as well.</li></ul>
ESG	<ul style="list-style-type: none"><li>I would like to see the Company transition to a structure in which the effectiveness of its governance can be viewed more objectively, such as through the appointment of outside directors who are deemed familiar with the business and management and more independent through the eyes of investors.</li><li>The fact that the inadequacy of governance is to blame for the Company's low price book-value ratio is a view shared throughout the entire stock market.</li></ul>

Views of All Other Stakeholders (Specific Examples)

Areas for improvement	<p><b>Experts on Sustainability:</b></p> <ul style="list-style-type: none"><li>The future goals the Company has set out to achieve through digital transformation have not transpired into anything other than simply an image and the numerical results it is trying to generate through the transformation of its business model are unclear.</li><li>While materiality is an important matter that certainly must be taken into account, the Company does not seem to regard it as a matter that poses significant risks to its business activities or competitive advantages.</li><li>The Company does not seem to be responding adequately to the issues along its supply chain in both Japan and overseas, particularly when it comes to human rights issues in the fashion industry.</li><li>More information needs to be communicated in regard to the impact of climate change on the Company's business (in compliance with the disclosure requirements of the TCFD), with Japan declaring its goal of realizing carbon neutrality by 2050.</li></ul> <p><b>University Students Participating in Workshops:</b></p> <ul style="list-style-type: none"><li>We were not aware of 3D smart &amp; try services, the Wacoal Bra Recycling Initiative, or Pink Ribbon activities. The Company must put more emphasis on illustrating the merits of its initiatives aimed at realizing a sustainable society.</li><li>I would like to develop a product with that allows me to feel better about my inadequacies. How about building a framework in which the Company and consumers work together to ensure that the needs of customers are reflected accurately in its product development?</li></ul>
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TOPIC

The Wacoal Group has teamed up with DEAR ME, a nonprofit organization (NPO) that seeks to realize a sustainable society through the world of fashion, to launch sustainability-themed initiatives on engagements with future generations. In March 2021, university students and junior employees of this NPO announced the outcomes of workshops that were held based on such themes as the role of consumer society and companies in the future. Attended by the vice president, corporate officers, and the manager of the Personnel Division, the workshops involved lively discussions and exchanges of opinions on social and environmental issues and other matters.

Improvements Made through the Input of Stakeholders and Issues to Address Going Forward

Improvements made	<ul style="list-style-type: none"><li>Disclosed monthly sales data on corporate website (from January 2017)</li><li>Disclosed list of contract manufacturers on corporate website (from May 2018)</li><li>Specified reduction targets for strategic shareholdings (from June 2019)</li></ul>	<ul style="list-style-type: none"><li>Disclosed ESG Data Book on corporate website (from October 2020)</li><li>Established the Wacoal Group Tax Code of Conduct (January 2021)</li><li>Introduced a compensation framework in the form of restricted stock (June 2021)</li></ul>
Issues going forward	<ul style="list-style-type: none"><li>Disclose the benefits of profit structure reform</li><li>Discuss the details of discussions held by the Executive Compensation Advisory Committee and the Executive Nomination Advisory Committee</li><li>Disclose information on climate change in accordance with the TCFD or similar international frameworks, establish a Groupwide human rights policy, and develop and disclose information on management processes</li></ul>	

# FACTS

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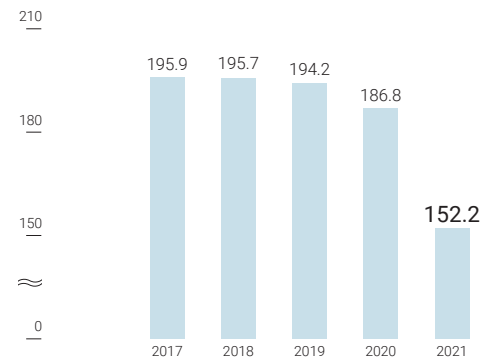


Consolidated Financial Highlights

For the fiscal years as of/ended March 31

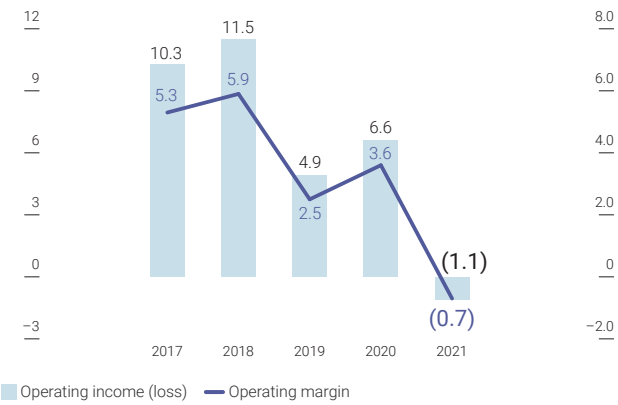
Net Sales

(¥ billion)



Operating Income (Loss) / Operating Margin\*

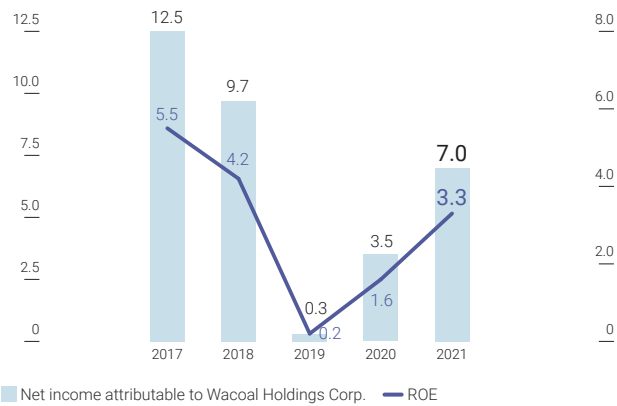
(¥ billion)



\* 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.

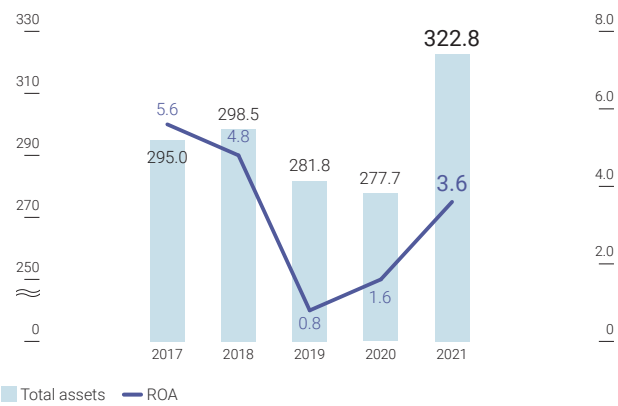
Net Income Attributable to Wacoal Holdings Corp. / Return on Equity (ROE)

(¥ billion)



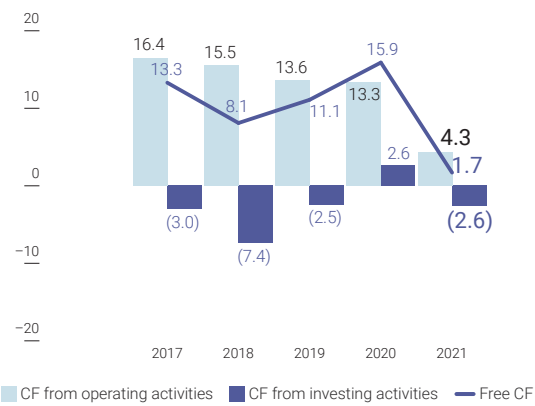
Total Assets / Return on Assets (ROA)

(¥ billion)



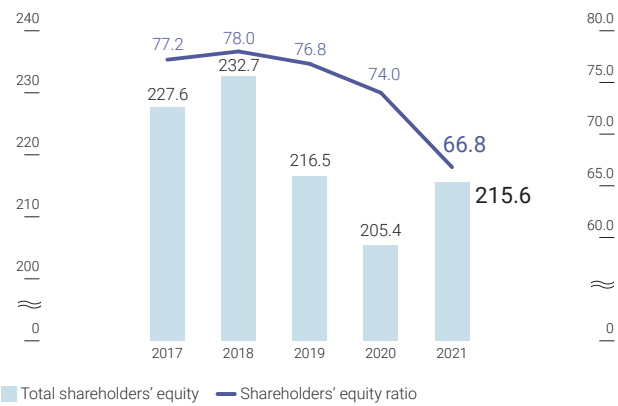
Cash Flows

(¥ billion)



Total Shareholders' Equity / Shareholders' Equity Ratio

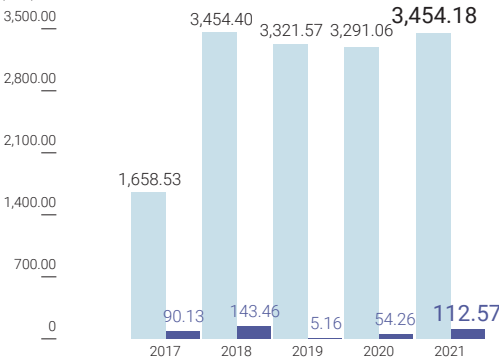
(¥ billion)



Shareholders' Equity per Share\* /

Net Income per Share Attributable to Wacoal Holdings Corp.\*

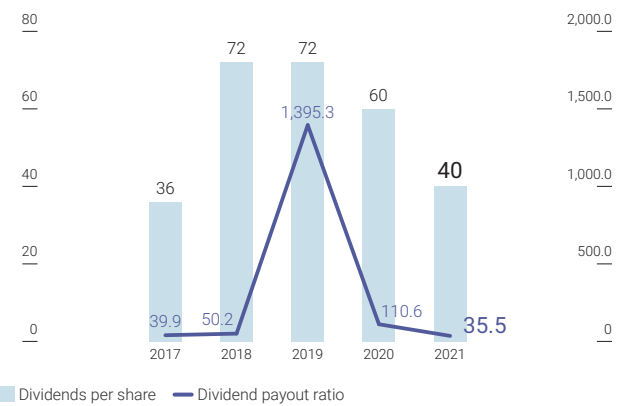
(Yen)



\* 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.

Dividends per Share\* / Dividend Payout Ratio

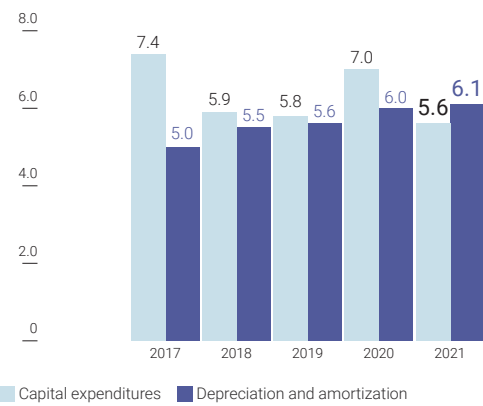
(Yen)



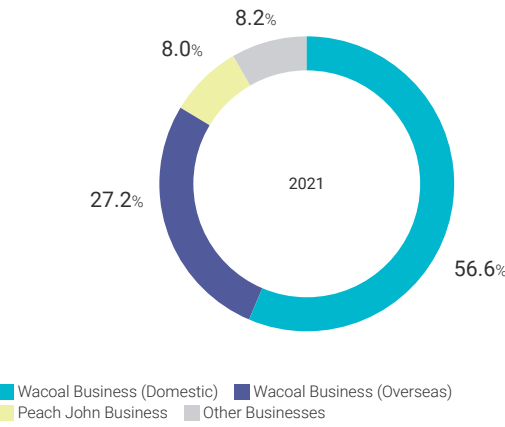
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Capital Expenditures / Depreciation and Amortization

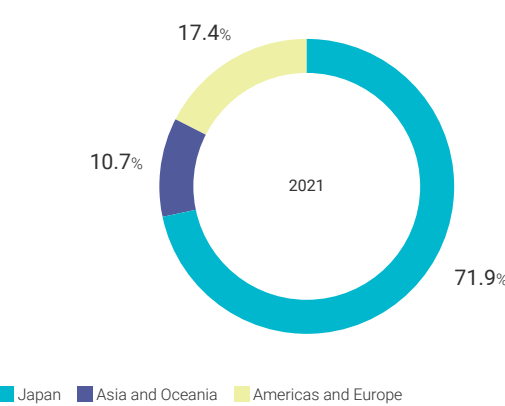
(¥ billion)



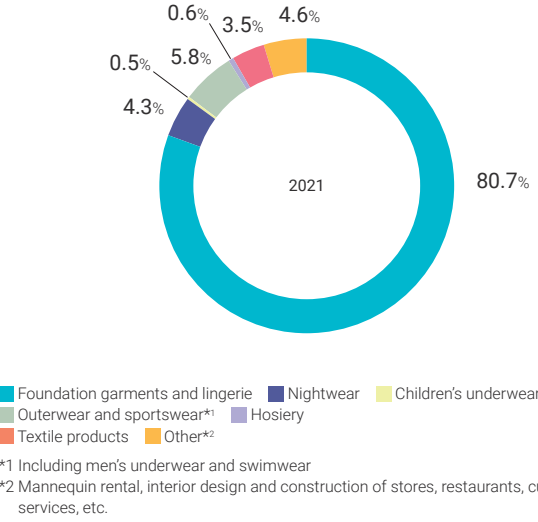
Share of Sales by Business Segment



Share of Sales by Geographic Segment



Share of Sales by Product Category



\*1 Including men's underwear and swimwear  
\*2 Mannequin rental, interior design and construction of stores, restaurants, culture, services, etc.

11-Year Financial Summary

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

											(Millions of Yen)
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Performance											
Net sales	152,204	186,760	194,201	195,725	195,881	202,917	191,765	193,781	180,230	171,897	165,548
Cost of sales	67,798	84,959	89,804	92,032	93,073	96,094	90,804	91,008	84,548	81,891	81,659
% of net sales	44.5%	45.5%	46.2%	47.0%	47.5%	47.0%	47.4%	47.0%	46.9%	47.6%	49.3%
Selling, general and administrative expenses	82,836	94,696	93,684	91,993	92,526	94,549	88,563	88,956	83,844	79,144	77,198
% of net sales	54.4%	50.7%	48.2%	47.0%	47.2%	46.6%	46.2%	45.9%	46.5%	46.0%	46.6%
Impairment charges on goodwill and other intangible assets	2,685	473	5,834	206	0	0	6,021	0	2,852	0	1,772
EBITDA	5,013	12,661	10,526	16,986	15,314	17,089	11,451	18,853	13,874	15,522	9,604
Operating income (loss)	(1,115)	6,632	4,879	11,494	10,282	12,274	6,377	13,817	8,986	10,862	4,919
% of net sales	(0.7%)	3.6%	2.5%	5.9%	5.3%	6.0%	3.3%	7.1%	5.0%	6.3%	3.0%
Income before income taxes and equity in net income of affiliated companies	10,792	4,359	2,203	14,286	16,569	14,957	11,342	15,033	10,940	10,207	3,927
Net income attributable to Wacoal Holdings Corp.	7,025	3,472	341	9,745	12,525	11,159	8,444	10,106	7,880	6,913	2,785
Return on equity (ROE)	3.3%	1.6%	0.2%	4.2%	5.5%	4.9%	3.9%	5.2%	4.4%	4.1%	1.6%
Return on assets (ROA)	3.6%	1.6%	0.8%	4.8%	5.6%	5.0%	4.0%	5.7%	4.6%	4.7%	1.8%
Financial Condition											
Total assets	322,761	277,688	281,767	298,534	294,958	292,854	300,272	271,988	254,536	221,098	215,276
Total shareholders' equity	215,612	205,371	216,494	232,712	227,568	224,374	228,857	205,106	186,646	171,496	167,480
Net property, plant and equipment	49,758	52,083	53,270	54,333	55,288	53,938	49,188	48,978	49,665	49,078	49,734
Inventories	43,250	43,427	42,508	42,676	43,822	44,445	42,893	40,211	37,807	32,847	30,956
Cash Flows											
Net cash provided by operating activities	4,260	13,325	13,620	15,493	16,351	12,635	14,337	8,949	12,309	10,060	10,441
Net cash provided by (used in) investing activities	(2,562)	2,569	(2,474)	(7,362)	(3,032)	(11,407)	164	1,658	(23,520)	(3,467)	(703)
Net cash provided by (used in) financing activities	33,605	(17,471)	(10,872)	(12,303)	(13,055)	(4,547)	(8,391)	(5,554)	5,379	(2,824)	(4,965)
Free cash flow	1,698	15,894	11,146	8,131	13,319	1,228	14,501	10,607	(11,211)	6,593	9,738
Cash and cash equivalents	63,557	27,905	30,133	29,487	33,995	34,059	38,410	30,658	24,514	29,985	26,316
Investment											
Capital expenditures	5,604	6,981	5,783	5,884	7,445	8,978	4,478	3,464	3,330	3,554	3,323
Depreciation and amortization	6,128	6,029	5,647	5,492	5,032	4,815	5,074	5,036	4,888	4,660	4,685
Per Share of Common Stock											
Shareholders' equity per share (yen)	3,454.18	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
Net income per share attributable to Wacoal Holdings Corp. (yen)	112.57	54.26	5.16	143.46	90.13	79.23	59.95	71.75	55.95	49.08	19.73
Dividends per share (yen)	40	60	72	72	36	33	30	33	28	28	20
Total dividend amount	2,496	3,808	4,732	4,871	4,940	4,648	4,225	4,648	3,944	3,944	2,817
Dividend yield	1.6%	2.6%	2.6%	2.3%	2.6%	2.5%	2.2%	3.1%	2.8%	2.9%	1.9%
Dividend payout ratio	35.5%	110.6%	1,395.3%	50.2%	39.9%	41.7%	50.0%	46.0%	50.0%	57.0%	101.4%
Price earnings ratio (times)	21.81	43.25	533.33	21.47	15.24	16.95	22.55	14.68	18.11	19.99	53.12
Price book-value ratio (times)	0.71	0.71	0.83	0.89	0.83	0.84	0.83	0.72	0.76	0.81	0.88
Operating Segment Information											
Net sales:											
Wacoal Business (Domestic)	86,133	109,709	113,400	116,085	118,389	120,570	112,203	118,085			
Wacoal Business (Overseas)	41,355	50,552	53,100	51,888	48,423	51,869	48,107	43,636			
Peach John Business	12,200	10,480	10,491	10,795	11,107	11,190	11,626	12,482			
Other	12,516	16,019	17,210	16,957	17,962	19,288	19,829	19,578			
Operating income (loss):											
Wacoal Business (Domestic)	627	5,782	6,325	6,845	6,176	7,219	7,739	9,241			
Wacoal Business (Overseas)	(2,603)	1,493	4,581	3,852	3,055	4,433	4,776	4,037			
Peach John Business	1,591	(351)	(5,859)	441	374	258	(6,296)	83			
Other	(730)	(292)	(168)	356	677	364	158	456			
Employees											
Employees within Group (excluding the average number of part-time employees) (persons)	19,824	20,984	20,662	20,904	21,139	20,655	18,986	18,912	18,650	16,524	16,013

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.  
4. Due to a review of certain management classifications of performance within the Group, the composition of the Wacoal Business (Domestic), Peach John Business, and Other segments has been partially revised for the fiscal year ended March 31, 2020. No retroactive adjustments have been made as a result of these changes.



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 80.7% of our consolidated net sales for fiscal 2021. 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

Our total assets as of March 31, 2021 were ¥322,761 million, an increase of ¥45,073 million from the end of the previous fiscal year, mainly due to an increase in cash and cash equivalents in effort to ensure liquidity on hand.

Our liabilities were ¥104,145 million, an increase of ¥35,905 million from the end of the previous fiscal year, mainly due to increases in short-term bank loans for reasons similar to those discussed with respect to assets.

Shareholders' equity was ¥215,612 million, an increase of ¥10,241 million from the end of the previous fiscal year, mainly due to recognition of net income and changes in pension liability adjustments.

As a result of the above, our total shareholders' equity ratio as of March 31, 2021 was 66.8%, a decrease of 7.2% from the end of the previous fiscal year.

Results of Operation

(Millions of Yen)				
	2020	2021	YoY Change	
			Amount	%
Net sales	186,760	152,204	(34,556)	(18.5%)
Cost of sales	84,959	67,798	(17,161)	(20.2%)
Sales profit	101,801	84,406	(17,395)	(17.1%)
Selling, general and administrative expenses	93,927	81,700	(12,227)	(13.0%)
Impairment charges on property, plant and equipment	769	1,136	+367	+47.7%
A: Impairment charges on goodwill and other intangible assets	473	2,685	+2,212	+467.7%
Operating (loss) income	6,632	(1,115)	(7,747)	—
Other income/expenses	1,487	1,517	+30	+2.0%
B: Valuation gain/(loss) on marketable securities and investments - net	(3,760)	10,390	+14,150	—
Income before income taxes and equity in net income of affiliated companies	4,359	10,792	+6,433	+147.6%
Net income attributable to Wacoal Holdings Corp.	3,472	7,025	+3,553	+102.3%

Summary of Business Results

During the current fiscal year (from April 1, 2020 to March 31, 2021), the global spread of the new coronavirus ("COVID-19") has significantly impacted people's livelihoods and economic activities. Our business in Japan has continued to remain difficult due to a decrease in the number of customers visiting stores and a decline in consumer confidence resulting from the impact of temporary closings of retail stores and stay-at-home measures implemented during a state of emergency. In addition, our business in the overseas markets has also continued to remain difficult due to a number of lockdown measures mainly in the major cities in Europe and North America due to the prolonged impact of COVID-19.

Under such circumstances, we moved forward with our initiatives to create a management structure that leads to high profitability while conducting business activities that prioritize the safety and well-being of our customers, employees and partner companies and promoted our unique CX strategies to build a deeper, broader and longer relationship with each customer (the "CX Strategy", our digital strategies under which we have promoted the installation of 3D body scanning and AI (artificial intelligence)-based customer service system, and merger between online and offline activities, has been renamed to "CX Strategies" to promote a deeper relationship with each customer).

Our consolidated sales for the current fiscal year were ¥152,204 million, a decrease of 18.5% as compared to such consolidated sales for the

previous fiscal year. Despite growth in e-commerce sales in response to higher demand from consumers staying home, revenue significantly decreased due to the impact of temporary closings or shortened business hours of retail stores due to stay home measures, as well as a decrease in the number of customers visiting stores in the metropolitan areas.

We recorded a consolidated operating loss of ¥1,115 million (consolidated operating income of ¥6,632 million for the previous fiscal year). Our efforts to reduce costs at our operating companies, as well as our use of an employment adjustment subsidy and other government assistance in various countries were not enough to offset the impairment charges recorded on goodwill related to Wacoal Europe and fixed assets at other group companies due to the impact of COVID-19.

Wacoal Europe has continued to show stable growth since our acquisition in 2012 by developing high value-added products and implementing marketing activities that are tailored to the characteristics of each country where we do business or operate distribution channels. However, in light of the impact of COVID-19 in the United Kingdom and Europe and the customs clearance expenses incurred in connection with Brexit, we reassessed the fair value of goodwill based on our outlook of our business, and recorded the impairment charges of ¥2,673 million. As a result, the residual value of goodwill with respect to Wacoal Europe was ¥9,398 million (61.7 million pound) based on the exchange rate as of the end of the current fiscal year.

Consolidated income before income taxes and equity in net income of affiliated companies was ¥10,792 million, an increase of 147.6% as compared to such consolidated income for the previous fiscal year. This significant increase was due to the recognition of a valuation gain on marketable securities and investments (net) of ¥10,390 million.

As a result of the above, net income attributable to Wacoal Holdings Corp. and the ratio of net income attributable to Wacoal Holdings Corp. to shareholders' equity for the current fiscal year were ¥7,025 million (an increase of 102.3% from such net income for the previous fiscal year) and 3.3%, respectively.

The exchange rates used for the current fiscal year (previous fiscal year) were: ¥106.06 (¥108.74) to the U.S. dollar; ¥138.68 (¥139.24) to the Sterling pound; and ¥15.48 (¥15.78) to the Chinese yuan. (Under the U.S. accounting standards that we use, we adopt the accounting policy that an employment adjustment subsidy is deducted from cost of sales and selling, general and administrative expenses. Equity securities held by the

(Millions of Yen)

	2020		2021		YoY Change	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Total Net Sales	186,760	100.0%	152,204	100.0%	(34,556)	(18.5%)
Wacoal Business (Domestic)	106,112	56.8%	86,133	56.6%	(19,979)	(18.8%)
Wacoal Business (Overseas)	49,808	26.7%	41,355	27.2%	(8,453)	(17.0%)
Peach John Business	11,224	6.0%	12,200	8.0%	+976	+8.7%
Other	19,616	10.5%	12,516	8.2%	(7,100)	(36.2%)
Operating Income (Loss)	6,632	3.6%	(1,115)	—	(7,747)	—
Wacoal Business (Domestic)	6,083	5.7%	627	0.7%	(5,456)	(89.7%)
Wacoal Business (Overseas)	1,493	3.0%	(2,603)	—	(4,096)	—
Peach John Business	(351)	—	1,591	13.0%	+1,942	—
Other	(593)	—	(730)	—	(137)	—

Wacoal Business (Domestic)

Sales attributable to our "Wacoal Business (Domestic)" segment were ¥86,133 million (a decrease of 18.8% from such sales for the previous fiscal year) and operating income was ¥627 million (a decrease of 89.7% from such operating income for the previous fiscal year). Despite a significant decrease in profit due to the impact of decreased revenue, we recorded an operating income as a result of our efforts to reduce costs and our use of an employment adjustment subsidy and other government assistance.

Wacoal Corp.:

Sales from Wacoal Corp. decreased by 19.5% as compared to such sales for the previous fiscal year as a result of weak sales from physical stores over the year due to the impact of COVID-19, while our e-commerce website maintained high growth. Sales for the first half of the current fiscal year (from April to September) decreased by 30.6% as compared to such sales for the corresponding period of the previous fiscal year due to the absence of increased demand before the consumption tax increase during the previous fiscal year, in addition to the impact of temporary closings of physical stores and stay-at-home measures implemented during a state of emergency. Although sales recovered during the current consolidated third quarter, sales for the second half of the current fiscal year (from October to March) also decreased by 5.5% as compared to the corresponding period of the previous fiscal year due to consumers staying home during another state of emergency declared in the current consolidated fourth quarter.

While sales from general merchandise stores in the suburbs were strong, sales from physical stores located in the center of the metropolitan areas including outlet malls or other large-scale commercial facilities

Wacoal Holdings Corp. and consolidated subsidiaries are measured at fair value, and any change from the beginning of the period are recognized as valuation loss/gain on marketable securities and investments – net under other income/expenses.)

The following is a summary of operations by operating segment. Since the current consolidated cumulative first quarter, information on Ai Co., Ltd., which had previously been included in our "Wacoal Business (Domestic)" segment, and "Peach John Business" segment, has been included in our "Other" segment following review of certain management classification of performance within our group. In addition, starting from the current consolidated cumulative second quarter, we have changed our "Peach John Business" to be presented as a separate reporting segment, which had been included in our "Other" segment, because it satisfied the relevant quantitative criteria. The segment information for the previous consolidated fiscal year has been prepared based on the segments reported for the current consolidated fiscal year.

were stagnant due to a decrease in the number of customers visiting our retail stores reflectin efforts to promote remote work, as well as changes in consumer attitudes and behavior that led to less travel and fewer crowds.

Sales from our strategically strengthened e-commerce website significantly increased since the previous fiscal year (an increase of 55.2% as compared to such sales for the previous fiscal year) as a result of additional acquisition of new customers making purchases from home, online-to-offline marketing initiatives such as redirecting our retail store-registered members to our e-commerce website, as well as the positive impact of expanded sales from existing customers whose purchase rate increased due to our marketing utilizing automation involving distribution of content tailored to each customers. Our virtual one-on-one consultation by our store personnel also significantly contributed to the acquisition of new customers in a new life style.

In efforts to improving CX (customer experience), we promoted the installation of our 3D body scanning and AI (artificial intelligence)-based customer service system and are providing such service at sixteen shops as of March 31, 2021 (addition of ten shops since the end of the previous fiscal year). We are piloting an avatar counseling system, which we are developing to introduce an online customer service by our store personnel during the current fiscal year, and are addressing issues toward commercialization.

Our efforts to reduce costs were not enough to offset the impact of the decreased revenue and as a result, we recorded an operating loss of ¥2,022 million (operating income of ¥3,140 million for the previous fiscal year). An employment adjustment subsidy of ¥1,998 million is not included and reflected in such operating loss, because it is recognized as non-operating income (which has been reclassified as operating loss under the consolidated business results and segment information of Wacoal Business (Domestic) based on the U.S. accounting standards).

Wacoal Business (Overseas)

Sales attributable to our "Wacoal Business (Overseas)" segment on a Japanese yen basis were ¥41,355 million (a decrease of 17.0% from such sales for the previous fiscal year) due to temporary closing of physical stores and stay-at-home efforts resulting from the spread of COVID-19, as well as the impact of the appreciation of the Japanese yen (¥715 million). Sales of our Peach John brand products sold in China, which were previously recorded under this "Wacoal Business (Overseas)" segment, are now recorded under our "Peach John Business" segment starting with the current fiscal year, and the business result for the previous fiscal year has been revised retroactively (the effect following such change (and one of the factors decreasing sales) is approximately ¥507 million for the current fiscal year (approximately ¥744 million for the previous fiscal year)).

We recorded an operating loss of ¥2,603 million (operating income of ¥1,493 million for the previous fiscal year). This operating loss was due to our continued strategic marketing investments to achieve rapid growth of Intimates Online Inc. ("Intimates Online"), which we acquired during the previous fiscal year, as well as the recognition of impairment charges on goodwill with respect to Wacoal Europe, in addition to the impact of decreased revenue, despite our efforts to reduce costs and by using government assistance provided by governments across the world.

Wacoal International Corp. (U.S.):

Sales from Wacoal International Corp. (U.S.) on a local currency basis decreased by 5.7% (a decrease of 8.0% on a Japanese yen basis) as compared to such sales for the previous fiscal year. Although there was a positive impact of the inclusion of sales from Intimates Online on our sales for the first half of the current fiscal year, revenue decreased by 15.4% as compared to such revenue for the corresponding period of the previous fiscal year due to the weak sales from Wacoal America Inc., which distributes "Wacoal" and "b.tempt'd" brand products at physical stores (department stores), resulting from the impact of COVID-19. On the other hand, revenue for the second half of the current fiscal year increased by 5.4% as compared to such revenue for the corresponding period of the previous fiscal year as a result of strong sales from Intimates Online, which maintained a high purchase rate and average spending per customer, as well as high growth in sales achieved from our e-commerce website and third-party e-commerce websites, which offset declines in sales from physical stores. During the current consolidated fourth quarter, Intimates Online commenced transactions with Target Corporation, a major retailer in the United States, and is distributing LIVELY brand products through e-commerce channels and physical stores.

We recorded an operating loss of \$8.6 million on a local currency basis (¥914 million on a Japanese yen basis) (operating income of \$3.7 million (¥401 million on a Japanese yen basis) for the previous fiscal year) due to our continued strategic growth investments in our LIVELY brand distributed by Intimates Online, as well as the impact of the decreased revenue, despite our efforts to reduce costs and use of government assistance.

Wacoal Europe Ltd.:

Sales from Wacoal Europe on a local currency basis decreased by 24.0% (a decrease of 23.8% on a Japanese yen basis) as compared to such sales for the previous fiscal year. Sales for the first half of the current fiscal year decreased by 33.6% as compared to such sales for the corresponding period of the previous fiscal year due to the significant impact of the lockdown measures implemented in the United Kingdom and major countries in Europe. While signs of recovery were visible during the Christmas sale season, sales for the second half of the current fiscal year decreased by 12.6% as compared to such sales for the corresponding period of the previous fiscal year due to additional lockdown measures implemented during the current consolidated fourth quarter, which impacted our business operations. Sales from our

e-commerce business, which we launched in the previous fiscal year, exceeded our plan, and now accounts for 5.4% of sales from Wacoal Europe for the current fiscal year.

Although operating income on a local currency basis significantly decreased by 34.2% (a decrease of 33.9% on a Japanese yen basis) due to the impact of decreased revenue, we were able to record profit as a result of our efforts to reduce costs (excluding the impairment charges of ¥2,673 million on goodwill with respect to Wacoal Europe).

Wacoal China Co., Ltd.:

Sales from Wacoal China Co., Ltd. on a local currency basis decreased by 13.7% (a decrease of 15.3% on a Japanese yen basis) as compared to such sales for the previous fiscal year. Sales for the first half of the current fiscal year (from January to June) decreased by 25.8% as compared to such sales for the corresponding period of the previous fiscal year due to temporary closings of physical stores following the impact of COVID-19, despite strong sales from third-party e-commerce websites from aggressive distribution of our AMPHI brand products. For the second half of the current fiscal year (from July to December), while we struggled to attract orders through a large-scale promotion campaign conducted by e-commerce vendors in November, sales from physical stores (department stores) recovered due to strong sales from our "WACOAL" and "Salute" brand products, and as a result, sales increased by 2.6%.

Although operating income on a local currency basis significantly decreased by 31.2% (a decrease of 32.3% on a Japanese yen basis) due to the impact of decreased revenue, we recorded profit as a result of our efforts to reduce costs.

Peach John Business

Sales attributable to our "Peach John Business" segment were ¥12,200 million (an increase of 8.7% as compared to such sales for the previous fiscal year) as a result of our new product planning that met our consumer needs and development of trending content, as well as our successful marketing activities that were efficient in increasing the number of new customers and annual purchase frequency. Sales of our Peach John brand products sold in China, which were previously recorded under the "Wacoal Business (Overseas)" segment, are now recorded under this "Peach John Business" segment starting with the current fiscal year, and the business result for the previous fiscal year has been revised retroactively (the effect following such change (and one of the factors increasing sales) is approximately ¥507 million for the current fiscal year (approximately ¥744 million for the previous fiscal year)).

E-commerce sales through our website in Japan increased by 43.5% from such sales for the corresponding period of the previous fiscal year as a result of an increase in the number of new customers over the year, as well as the steady sales of our regular products. Sales from our retail stores, however, decreased by 11.9% due to the impact of the temporary closings of physical stores during the current consolidated first quarter, although the reduction of cost and improvement in the purchase rate of customers visiting our retail stores contributed to the strong sales after the current consolidated second quarter.

We recorded an operating income of ¥1,591 million (operating loss of ¥351 million for the previous fiscal year), a significant increase from the previous fiscal year. This profit was attributable to the positive impact of the increased revenue, the impact of improved gross profit rate from increased e-commerce sales through our website as a percentage of total sales and a lower percentage of sales subject to discounts.

Other

Overall sales attributable to our "Other" business segment were ¥12,516 million (a decrease of 36.2% as compared to such sales for the previous fiscal year), while we recorded an operating loss of ¥730 million (operating loss of ¥593 million for the previous fiscal year).

Lecien Corporation:

Sales from Lecien Corporation decreased by 19.9% as compared to such sales for the previous fiscal year due to the weak sales of our private products sold by general merchandise stores, which were impacted by our clients' expense control efforts over purchases. We recorded an operating income of ¥221 million (operating loss of ¥478 million for the previous fiscal year) due to our efforts to withdraw from underperforming businesses in the consolidated fourth quarter of the previous fiscal year and to reduce costs.

Nanasai Co., Ltd.:

Sales from Nanasai Co., Ltd. decreased by 39.1% as compared to such sales for the previous fiscal year due to our construction business weakened by the cancellation and postponement of new shop openings and various events following the spread of COVID-19. We recorded an operating loss of ¥358 million (operating income of ¥218 million for the previous fiscal year) due to a significant impact of decreased revenue, despite our efforts to reduce costs.

UNDERSTANDING, ANALYSIS AND CONSIDERATION WITH RESPECT TO STATUS OF BUSINESS PERFORMANCE, ETC., FOR FISCAL 2021

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.

(1) Basic Business Policy

Our business activities are built upon "relationships founded in mutual trust," which are based on our listening to the voice of each and every one of our customers, and continuously transforming our business with a sense of humility. This spirit of mutual trust and respect for humanity serves as the starting point for all of our business activities and has been our management philosophy since our establishment. Our group will continuously enhance our corporate value by making efforts to increase transparency in our corporate management and ensuring fairness and independence of our corporate management in order to build "mutual trust" in relationships with every stakeholder, including shareholders, customers, employees, business partners and the local community.

• 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

(2) Our Medium- and Long-term Business Strategy and Measures for Business Targets

(i) Long-Term Vision

We continue to move forward with efforts to become "Global Wacoal as a Group", that is, to continue to offer pioneering products to the global markets by taking full advantage of our management resources and our group's network, and to gain reputation for our reliability from stakeholders around the world with our group's products and services as well as our commitments to social issues by cultivating new market opportunities for the undergarment industry.

Furthermore, in order to achieve a competitive edge in the global markets, we will invest in new business areas and growth opportunities

and rise to the challenge of realizing unprecedented growth. In addition, we will make efforts to continuously improve our management foundation, generate greater results, and thereby aim to achieve sustainable growth and enhance our corporate value, and make progress toward becoming a global company that is expected to continue to exist in 100 years.

Our goals 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.

Fiscal 2028 Targets

- Net sales: ¥300.0 billion (including sales through equity-method affiliated companies)
- Consolidated operating income and ROE: above 10%

(ii) Medium-Term Management Plan

To realize our vision to become "Global Wacoal as a Group", we will engage in efforts to achieve strong growth domestically and globally under the three-year medium-term management plan (FY2020-FY2022) by confronting reality and implementing fast reforms.

Basic policy

Understand the actual situation, estimate future demand and implement drastic reform, while emphasizing growth

- Achieve strong growth in Japan and overseas
- Examine the potential of unprofitable businesses and brands, and promote review and structural reform of group businesses where no business will be safe from such review or structural reform
- Enhance corporate value by improving economic and social values

Based on these goals, the medium-term management plan will pick up pace to address operational issues by expanding our customer service advanced by digital technology; implementing plans for unrivaled CX strategies\* ; launching new high-value added products without regional boundaries; strengthening cooperation with key third-party EC websites and building our EC websites that match country and geographical characteristics; making investments in growth for business expansion in countries and regions where we have a market presence but our business remains small; reforming business models suffering from systemic fatigue; and building a highly competitive supply chain network.

To realize a sustainable society, we will make efforts to achieve advanced CSR procurement in cooperation with manufacturers that we outsource to, better live within the global environment through efforts to reduce plastic use and unsold inventory, and build an organization that encourages diversity and inclusion by taking advantage of diverse human resources. We will commit in a responsible manner to create new value through cultivation of a sustainable business foundation.

We will make stable distributions and make repurchases in a flexible manner, and will make efforts to improve profitability and capital efficiency through our business activities. We will also make efforts to maintain a real total return ratio of 100% excluding any gain (loss) on valuation of marketable securities and investments (recognized as other income (expenses) under the statements of income under the U.S. accounting standards). In addition, while we prioritize investments that



support sustainable growth of our business, we will seek to hold an adequate cash balance by reducing, as appropriate, cross-shareholdings with other companies.

\* The "Wacoal Omni-Channel Strategy", our digital strategies under which we have promoted the installation of our 3D body scanning and AI (artificial intelligence)-based customer service system and integration between online and offline activities, has been renamed to "CX Strategies" to promote customer-oriented strategies and build a deeper relationship with each customer.

(iii) Group policies in response to spread of the new coronavirus pandemic

The business environment surrounding our group continues to remain difficult due to economic stagnation resulting from the global coronavirus pandemic ("COVID-19"). While vaccination has started in many countries and regions and we see progress toward the end of COVID-19, we must remain vigilant of the impact of COVID-19 spreading further especially in Japan, and the future remains uncertain.

Under such circumstances, we are moving forward with our initiatives to create a management structure that leads to high profitability based on the following policies for regrowth, while conducting business by prioritizing the safety and well-being of our customers, employees and partner companies.

<Basic Policies>

To prioritize the health and well-being of our customers, employees and partner companies

<Short-Term Policies>

- To implement cost reduction in response to deterioration in business conditions and to secure a stable financial foundation
- to reassess our current initiatives and spending plans in all business
  - to strengthen liquidity on hand in preparation for the prolonged impact of COVID-19
  - to adjust production to avoid having excess inventory resulting from decreased sales

<Mid- and Long-Term Policies>

- To conduct thorough inspection and renovation of the value chain
- opportunity to create management structure toward high profitability
  - to reassess current cost structure (promote initiatives to reduce fixed costs)
  - to accelerate initiatives on digital transformation
  - to review and rebuild customer touchpoints (in response to changes in key sales channels)
  - 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

Due to the impact of COVID-19, it has become difficult to achieve the business targets that we have initially planned under our medium-term management plan. During the fiscal year 2022, which is the last year of our current medium-term management plan, we will be in a phase to conduct structural reform to create a management structure that leads to high profitability, and will move forward with initiatives to correct the high-cost structure, the underlying issue we face. At the same time, we plan to continue to make investments in growth in the digital, IT and logistics business to maximize corporate value.

Under the above-described initiatives, our target for fiscal year 2022, which is the last of our current medium-term management plan, is to achieve net sales of ¥184.0 billion, operating income of ¥6.0 billion (ratio of operating income to net sales of 3.3%), and net income attributable to Wacoal Holdings Corp. of ¥5.5 billion.

(3) Issues to Address

The global COVID-19 pandemic has changed the values and awareness of well-being, and has brought significant changes to consumer behavior. The threat of COVID-19 continues to unfold, and while vaccination has started in certain countries and regions, we believe that full-scale recovery will take a long time as economic activities may continue to be restricted by infection prevention measures, in certain aspects, including on social outings.

We expect that consumer behavior will further change in the new normal after COVID-19. Consumers will likely continue to aspire to have a lifestyle that focuses on well-being and safety, and to select high-value added products or better services with real value. It is essential to be responsive to various changes in the awareness of consumers and to take appropriate measures that meet consumers' perspective in order to achieve regrowth in the "new normal."

Under such circumstances, we will move forward with our initiatives to create a management structure that leads to high profitability while conducting business activities that prioritize the safety and well-being of our customers, employees and partner companies. We will aim to build a deeper, broader and longer relationship with each customer by continuing to develop and provide products and services that consumers expect in their new lifestyles, which have significantly changed as a result of COVID-19, and by promoting our unique CX strategies, including on the merger between online and offline activities and utilization of a customer database, in efforts to improve customer experience.

In addition, as environmental problems continue to worsen, consumers' awareness of sustainability is evolving. We plan to move forward with our ESG (Environment, Social and Governance) management, which aims to grow by enhancing social and economic values, and to further address important issues such as governance, human rights and environmental issue. At the same time, we will promote establishment of an operating base that achieves sustainable growth through work-style reform (including teleworking), cultivation of human resources supporting business growth and creation of a corporate culture that offers job satisfaction.

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, 2021, we had credit facilities at financial institutions totaling ¥80,464 million, and the balance of loan which established line of credit amounted to ¥42,204 million. Of these loans, ¥40,000 million is available to the Company, ¥1,218 million is available to Wacoal International Corp. and ¥671 million is available to Wacoal Europe Ltd.

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 COVID-19 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 2021 was ¥63,557 million, an increase of ¥35,652 million as compared to the end of the previous fiscal year.

(Cash flow from operating activities)

Cash flow provided by operating activities was ¥4,260 million, a decrease of ¥9,065 million as compared to the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of ¥6,804 million plus adjustments for depreciation expenses and deferred taxes.

(Cash flow from investing activities)

Cash flow used in investing activities for this current fiscal year was ¥2,562 million, as compared to cash flow provided by investing activities in the amount of ¥2,569 million for the previous fiscal year, due to payments made to acquire tangible and intangible assets.

(Net cash used in financing activities)

Cash flow provided by financing activities for this current fiscal year was ¥33,605 million, as compared to cash flow used in financing activities in the amount of ¥17,471 million for the previous fiscal year, due to procurements of short-term loan and long-term debt, despite cash dividend payments, payments to acquire interests in subsidiaries from noncontrolling interests and contingent consideration payment.

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2021, was ¥5,604 million, mainly including expenditures for expansion of our MoriYama Distribution Center, information system investments incurred by our subsidiaries, and expenditures for the maintenance and repair of real estate.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were ¥4,203 million, ¥1,097 million, ¥122 million, and ¥182 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 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 ¥20.00 per share, is ¥40.00 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 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 current fiscal year, we conducted research and development focused on our body care products including wireless brassieres and bottoms that protect against gravity and on our body make products including size adjustable brassieres using new materials, thermostatic and flexible resin.

As a result of the above, we recorded ¥463 million for our research and development during the fiscal year ended March 2021.

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, 2021 and 2020

March 31, 2021 and 2020	2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 2) 2021
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 63,557	¥ 27,905	\$ 574,604
Time deposits	1,443	797	13,046
Marketable securities (Notes 3, 20 and 21)	253	656	2,287
Notes and accounts receivable (Note 6)	17,571	20,062	158,856
Allowance for doubtful receivables (Note 4)	(346)	(489)	(3,128)
Inventories (Note 5)	43,250	43,427	391,014
Return assets	600	868	5,424
Other current assets (Notes 6, 21 and 22)	7,794	4,964	70,464
Total current assets	134,122	98,190	1,212,567
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Notes 9, 10, and 21)	20,569	21,460	185,960
Buildings and structures (Notes 9, 10, 11 and 21)	72,978	74,039	659,778
Machinery and equipment (Note 21)	19,356	18,782	174,993
Construction in progress	1,264	1,090	11,427
Total	114,167	115,371	1,032,158
Accumulated depreciation (Note 10)	(64,409)	(63,288)	(582,307)
Net property, plant and equipment	49,758	52,083	449,851
<b>OTHER ASSETS:</b>			
Operating leases right-of-use assets (Note 10)	12,729	13,540	115,080
Investments in affiliated companies (Note 6)	21,207	21,595	191,728
Investments (Notes 3, 20 and 21)	51,603	43,904	466,531
Goodwill (Notes 7, 8 and 21)	21,169	22,371	191,384
Other intangible assets (Notes 7, 8 and 21)	15,220	14,547	137,600
Prepaid pension expense (Note 12)	9,533	4,974	86,186
Deferred income taxes (Note 17)	1,649	1,118	14,908
Other (Note 6)	5,771	5,366	52,174
Total other assets	138,881	127,415	1,255,591
<b>TOTAL</b>	<b>¥322,761</b>	<b>¥277,688</b>	<b>\$2,918,009</b>

See notes to consolidated financial statements.

	2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 2) 2021
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 9)	¥ 40,672	¥ 3,364	\$ 367,706
Notes and accounts payable:			
Trade notes payable	712	1,112	6,437
Trade accounts payable (Note 6)	8,734	9,588	78,962
Other payables (Notes 7 and 21)	6,610	7,107	59,760
Accrued payroll and bonuses	6,822	6,734	61,676
Income taxes payable (Note 17)	1,025	4,878	9,267
Refund liabilities	2,266	2,645	20,486
Short-term operating lease liabilities (Note 10)	4,411	4,600	39,879
Other current liabilities (Notes 9, 12, 18, 20, 21 and 22)	4,819	4,079	43,568
Total current liabilities	76,071	44,107	687,741
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 9 and 20)	1,498	35	13,543
Liability for termination and retirement benefits (Note 12)	1,942	2,069	17,557
Deferred income taxes (Note 17)	12,292	7,911	111,129
Long-term operating lease liabilities (Notes 1 and 10)	8,520	9,101	77,028
Contingent consideration (Notes 7 and 21)	1,639	2,786	14,818
Other long-term liabilities (Notes 11, 12 and 17)	2,183	2,231	19,735
Total long-term liabilities	28,074	24,133	253,810
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 9, 10 and 13)			
<b>EQUITY:</b>			
<b>WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY:</b>			
Common stock, no par value – authorized, 250,000,000 shares in 2021 and 2020; issued 65,589,042 shares and 68,589,042 shares in 2021 and 2020, respectively	13,260	13,260	119,881
Additional paid-in capital (Note 14)	29,120	29,836	263,267
Retained earnings	181,346	185,233	1,639,508
Accumulated other comprehensive (loss) income (Notes 12 and 16):			
Foreign currency translation adjustments	1,770	(1,033)	16,002
Pension liability adjustments	(1,008)	(4,594)	(9,113)
Total accumulated other comprehensive loss	762	(5,627)	6,889
Treasury stock, at cost – 3,168,353 shares and 6,186,410 shares in 2021 and 2020, respectively	(8,876)	(17,331)	(80,246)
Total Wacoal Holdings Corp. shareholders' equity (Note 15)	215,612	205,371	1,949,299
<b>NONCONTROLLING INTERESTS</b>	<b>3,004</b>	<b>4,077</b>	<b>27,159</b>
Total equity	218,616	209,448	1,976,458
<b>TOTAL</b>	<b>¥322,761</b>	<b>¥277,688</b>	<b>\$2,918,009</b>



Consolidated Statements of Income

Wacoal Holdings Corp. and Subsidiaries  
Years Ended March 31, 2021, 2020 and 2019

Millions of Yen				Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2021, 2020 and 2019	2021	2020	2019	2021
NET SALES (Notes 6, 10 and 18)	¥152,204	¥186,760	¥194,201	\$1,376,042
OPERATING COSTS AND EXPENSES:				
Cost of sales (Notes 6 and 12)	67,798	84,959	89,804	612,946
Selling, general and administrative expenses (Notes 7, 10, 11, 12 and 14)	81,700	93,927	93,517	738,632
Impairment charges on property, plant and equipment (Note 21)	1,136	769	167	10,270
Impairment charges on goodwill (Notes 8 and 21)	2,673	217	4,325	24,166
Impairment charges on other intangible assets (Notes 8 and 21)	12	256	1,509	108
Total operating costs and expenses	153,319	180,128	189,322	1,386,122
OPERATING (LOSS) INCOME	(1,115)	6,632	4,879	(10,080)
OTHER INCOME (EXPENSES):				
Interest income (Note 6)	61	177	289	551
Interest expense	(78)	(19)	(11)	(705)
Dividend income (Note 6)	1,126	1,506	1,429	10,180
Gain (loss) on sale, exchange and valuation of marketable securities and investments – net (Notes 3 and 21)	10,390	(3,760)	(5,430)	93,933
Other – net (Notes 10, 12, 16 and 22)	408	(177)	1,047	3,689
Total other income (expenses) – net	11,907	(2,273)	(2,676)	107,648
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	10,792	4,359	2,203	97,568
INCOME TAXES (Note 17):				
Current	1,803	7,126	5,350	16,300
Deferred	2,278	(5,673)	(2,817)	20,595
Total income taxes	4,081	1,453	2,533	36,895
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	6,711	2,906	(330)	60,673
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	93	62	725	840
NET INCOME	6,804	2,968	395	61,513
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	221	504	(54)	1,998
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 7,025	¥ 3,472	¥ 341	\$ 63,511

Yen				U.S. Dollars (Note 2)
Years Ended March 31, 2021, 2020 and 2019	2021	2020	2019	2021
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 19):				
Basic	¥112.57	¥ 54.26	¥ 5.16	\$1.02
Diluted	¥112.09	¥ 54.05	¥ 5.14	\$1.01
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 19):				
Basic	¥562.84	¥271.29	¥25.78	\$5.09
Diluted	¥560.47	¥270.25	¥25.68	\$5.07

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Wacoal Holdings Corp. and Subsidiaries  
Years Ended March 31, 2021, 2020 and 2019

Millions of Yen				Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2021, 2020 and 2019	2021	2020	2019	2021
NET INCOME	¥ 6,804	¥ 2,968	¥ 395	\$ 61,513
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 16):				
Foreign currency translation adjustments:				
Amounts arising during the year	2,648	(2,532)	(750)	23,940
Total foreign currency translation adjustments	2,648	(2,532)	(750)	23,940
Unrealized gain (loss) on securities:				
Amounts arising during the year			(7)	
Reclassification adjustments			(97)	
Total unrealized gain (loss) on securities			(104)	
Pension liability adjustments:				
Amounts arising during the year	2,838	125	(4,787)	25,658
Reclassification adjustments	753	960	200	6,808
Total pension liability adjustments	3,591	1,085	(4,587)	32,466
OTHER COMPREHENSIVE INCOME (LOSS)	6,239	(1,447)	(5,441)	56,406
COMPREHENSIVE INCOME (LOSS)	13,043	1,521	(5,046)	117,919
COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	371	452	(18)	3,354
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥13,414	¥ 1,973	¥(5,064)	\$121,273

See notes to consolidated financial statements.

Consolidated Statements of Equity

Wacoal Holdings Corp. and Subsidiaries

Millions of Yen									
Years Ended March 31, 2021, 2020 and 2019	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, 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 accounting 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
Net income				7,025			7,025	(221)	6,804
Foreign currency translation adjustments					2,803		2,803	(155)	2,648
Pension liability adjustments					3,586		3,586	5	3,591
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥200 per 5 shares of common stock				(2,496)			(2,496)		(2,496)
Cash dividends paid to noncontrolling interests								(81)	(81)
Purchase of treasury stock	(0)					(1)	(1)		(1)
Disposal of treasury stock									
Cancellation of treasury stock				(8,404)		8,404			
Share-based compensation granted (exercised) (Note 14)	18		24	(12)		52	64		64
Equity transactions with noncontrolling interests			(740)				(740)	(621)	(1,361)
BALANCE, MARCH 31, 2021	¥62,421	¥13,260	¥29,120	¥181,346	¥ 762	¥ (8,876)	¥215,612	¥3,004	¥218,616

	Thousands of U.S. Dollars (Note 2)							
Years Ended March 31, 2021, 2020 and 2019	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, MARCH 31, 2020	\$119,881	\$269,740	\$1,674,650	\$(50,872)	\$(156,686)	\$1,856,713	\$36,859	\$1,893,572
Net income			63,511			63,511	(1,998)	61,513
Foreign currency translation adjustments				25,341		25,341	(1,401)	23,940
Pension liability adjustments				32,420		32,420	45	32,465
Cash dividends paid to Wacoal Holdings Corp. shareholders, \$1.8 per 5 shares of common stock			(22,566)			(22,566)		(22,566)
Cash dividends paid to noncontrolling interests							(732)	(732)
Purchase of treasury stock					(9)	(9)		(9)
Disposal of treasury stock								
Cancellation of treasury stock			(75,979)		75,979			
Share-based compensation granted (exercised) (Note 14)		217	(108)		470	579		579
Equity transactions with noncontrolling interests		(6,690)				(6,690)	(5,614)	(12,304)
BALANCE, MARCH 31, 2021	\$119,881	\$263,267	\$1,639,508	\$ 6,889	\$(80,246)	\$1,949,299	\$27,159	\$1,976,458

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Wacoal Holdings Corp. and Subsidiaries  
Years Ended March 31, 2021, 2020 and 2019

Years Ended March 31, 2021, 2020 and 2019	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2021	2020	2019	2021
<b>OPERATING ACTIVITIES:</b>				
Net income	¥ 6,804	¥ 2,968	¥ 395	\$ 61,513
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,128	6,029	5,647	55,402
Share-based compensation (Note 14)	63	71	62	570
Allowance for returns and doubtful receivables – net	(199)	299	(2,263)	(1,799)
Deferred income taxes	2,278	(5,673)	(2,817)	20,595
(Gain) loss on sales or disposal of property, plant and equipment – net	(365)	103	48	(3,300)
Impairment charges on property, plant and equipment (Note 21)	1,136	769	167	10,270
Impairment charges on goodwill (Notes 8 and 21)	2,673	217	4,325	24,166
Impairment charges on other intangible assets (Notes 8 and 21)	12	256	1,509	108
(Gain) loss on sale, exchange and valuation of marketable securities and investments – net (Note 3)	(10,390)	3,760	5,430	(93,934)
Equity in net loss (income) of affiliated companies, less dividends received	469	480	(211)	4,240
Changes in assets and liabilities:				
Decrease in notes and accounts receivable	2,767	4,685	822	25,016
Decrease (increase) in inventories	972	(1,350)	(76)	8,788
Decrease (increase) in return assets	268	312	(1,180)	2,423
Increase in other current assets	(2,632)	(29)	(653)	(23,795)
(Decrease) increase in notes and accounts payable	(859)	(373)	(1,640)	(7,766)
(Decrease) increase in refund liabilities	(379)	(837)	3,482	(3,426)
Increase (decrease) in liability for termination and retirement benefits	226	776	(620)	2,043
(Decrease) increase in accrued expenses, income taxes payable and other current liabilities	(4,485)	665	1,075	(40,548)
Other	(227)	197	118	(2,052)
Net cash provided by operating activities	4,260	13,325	13,620	38,514
<b>INVESTING ACTIVITIES:</b>				
Increase in time deposits	(941)	(438)	(4,783)	(8,507)
Decrease in time deposits	291	3,576	5,226	2,631
Proceeds from sales and redemption of equity securities	2,340	15,252	2,497	21,156
Payments to acquire equity securities	(7)	(339)	(323)	(63)
Proceeds from redemption of debt securities	742	544	1,008	6,708
Payments to acquire debt securities			(900)	0
Compensation income	889	104	276	8,037
Proceeds from sales of property, plant and equipment	(2,764)	(3,442)	(2,603)	(24,989)
Payments to acquire property, plant and equipment	(2,840)	(3,539)	(3,180)	(25,676)
Payments to acquire intangible assets (Note 8)		(9,181)		
Acquisition of a subsidiary (net of cash acquired) (Note 7)			270	
Proceeds from sales of shares of affiliated companies	(315)			(2,848)
Other	43	32	38	389
Net cash provided by (used in) investing activities	(2,562)	2,569	(2,474)	(23,162)
<b>FINANCING ACTIVITIES:</b>				
Increase (decrease) in short-term bank loans				
with original maturities of three months or less – net	17,208	(4,645)	1,061	155,573
Procurement of short-term loan (over 3 months)	20,424			184,649
Repayment of short-term loan (over 3 months)	(424)			(3,833)
Procurement of long-term debt	1,447			13,082
Repayments of long-term debt	(50)	(53)	(50)	(452)
Purchase of treasury stock	(1)	(7,745)	(6,919)	(9)
Disposal of treasury stock		0	0	
Dividends paid on common stock	(2,496)	(4,907)	(4,811)	(22,567)
Dividends paid to noncontrolling interests	(81)	(237)	(191)	(732)
Proceeds from share issuance of noncontrolling interests		116	38	
Payments to acquire interests in subsidiaries from noncontrolling interests	(1,361)			(12,304)
Payments of contingent consideration (Note 7)	(1,061)			(9,592)
Net cash provided by (used in) financing activities	33,605	(17,471)	(10,872)	303,815
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	349	(651)	372	3,155
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,652	(2,228)	646	322,322
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,905	30,133	29,487	252,283
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 63,557	¥ 27,905	¥ 30,133	\$574,605
<b>ADDITIONAL CASH FLOW INFORMATION:</b>				
Cash paid for:				
Interest	¥ 72	¥20	¥ 1	\$651
Income taxes	8,643	4,758	5,068	78,139
<b>NONCASH INVESTING ACTIVITIES:</b>				
Acquisition of a subsidiary (contingent consideration) (Note 7)		¥ 4,172		
Acquisition of property, plant and equipment by assuming payment obligation	¥ 704	751	¥ 954	\$ 6,365

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 anticipating that COVID-19 will continue to have an impact on our business results until September 2021, and that our results in October 2021 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. Significant account estimate is ¥9,398 million valuation of goodwill arising from the acquisition of WACOAL EUROPE LTD.

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.

Such assumptions include recovery from the recession in business activities caused by COVID-19, tax rates and risk-adjusted discount rates. There is a possibility that impairment charges would be recognized if the forecast of business results deteriorates or the tax rates or risk-adjusted discount rates increase.

See Note 21 for further information about measurement of fair value. **Cash and Cash Equivalents**—Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

**Foreign Currency Translation**—Assets and liabilities of foreign subsidiaries have been translated to Japanese yen at period-end exchange rates and income and expenses have been translated using average exchange rates for the period. Translation adjustments resulting from the process of translating consolidated financial statements, net of tax, are included in accumulated other comprehensive income (loss), which is a separate component of equity. Exchange gains and losses resulting from foreign currency transactions and the conversion of monetary assets and liabilities denominated in foreign currencies are included in other income

(expenses) in the consolidated statements of income.

Foreign currency translation gains (losses) for the years ended March 31, 2021, 2020 and 2019 were ¥168 million, ¥36 million and ¥76 million, respectively. They have been included in other – net of other income (expenses).

**Marketable Securities and Investments**—The Companies classify their marketable securities and investments 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, 2021, 2020 and 2019 were ¥3,139 million, ¥3,545 million and ¥3,538 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, customer relationships 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 consisting 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 lease 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 elect 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 use 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 elect 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.

The Financial Accounting Standards Board ("FASB") guidance issued in April 2020 allows a lessee of a lease subject to a rent concession occurring as a direct consequence of the COVID-19 pandemic to elect to apply a simplified accounting treatment. Under this guidance, the lessee may elect to apply the practical expedient and not assess whether a COVID-19-related rent concession that meets certain prescribed conditions is a "lease modification," as stipulated in Accounting Standard Codification 842, "Leases" ("ASC 842"). The Companies have elected to apply this practical expedient for rent concessions that meet those certain prescribed conditions referred to above and the rent concessions are accounted for as variable lease payments rather than being treated as lease modifications.

**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 is transferred to customers and performance obligations are satisfied. The Companies' 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, 2021, 2020 and 2019 were ¥11,239 million, ¥13,169 million and ¥12,329 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, 2021, 2020 and 2019 were ¥463 million, ¥508 million and ¥739 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 carrying amounts of assets and liabilities in 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 ASC 718, "Compensation – Stock Compensation". The Company measures share-based compensation cost at the grant date, based on the fair value of the award and recognizes the cost over the requisite service period, which is the vesting period. The fair value of the award is estimated using the Black-Scholes option-pricing model.

**Derivatives**—Derivative instruments, including certain derivative instruments embedded in other contracts, are accounted for in accordance with the guidance for derivatives and hedging. Because such derivative instruments are not designated as hedges, changes in the fair value of the derivatives are recorded in earnings or losses.

**Government Grant**—Government grants are recognized when there is reasonable assurance that the Companies will comply with the conditions attached to the grant and that the grant will be received. Government grants are recognized as reductions from operating costs and expenses. The amounts of reductions from cost of sales and selling, general and administrative expenses for the year ended March 31, 2021 were ¥1,049 million and ¥2,922 million, respectively.

**Subsequent Events**—In accordance with the guidance for subsequent events, the Company has evaluated subsequent events through June 29, 2021.

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

**Recent Accounting Pronouncements:  
Recently Adopted Accounting Guidance**

**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 Companies have adopted the guidance from the quarter beginning April 1, 2020. The adoption of this guidance did not have a material impact 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 Companies have adopted the guidance from the quarter beginning April 1, 2020. The adoption of this guidance did not 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 ending after December 15, 2020 and interim periods within that annual period. The Companies have adopted the guidance from the quarter beginning April 1, 2020. The adoption of this guidance did not have a material impact on the Company's balance sheets and statements of income.

**Recent Accounting Guidance Not Yet Adopted  
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 the current incurred approach. In November 2019, the FASB issued additional guidance related to the change in 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 adoption 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 ¥110.61 to \$1, the noon buying rate for yen in New York City as of March 31, 2021. 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, 2021 and 2020. The cost, gross unrealized gain and loss, and the fair value by major security type were as follows:

Millions of Yen				
2021	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥222	¥2		¥224
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

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, 2021 and 2020, were as follows:

Millions of Yen				
	2021		2020	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities			¥109	¥1

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, 2021 and 2020, were as follows:

Millions of Yen				
	2021		2020	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities			¥220	¥0

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, 2021 and 2020.

Future maturities of debt securities classified as held-to-maturity securities as of March 31, 2021, were as follows:

Millions of Yen		
	Cost	Fair Value
Due within one year	¥222	¥224
Total	¥222	¥224

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 year ended March 31, 2019. There were no exchange of marketable securities and investments during the years ended March 31, 2021 and 2020.

**Equity Securities**—Realized and unrealized gains and losses on equity securities during the years ended March 31, 2021 and 2020, were as follows:

Millions of Yen			
	2021	2020	2019
Realized gains (losses) recognized during the period on equity securities sold during the period	¥ 91	¥ 1,620	¥ (77)
Unrealized gains (losses) recognized during the period on equity securities still held at March 31	10,299	(5,380)	(5,493)
Net gains (losses) recognized during the period on equity securities	¥10,390	¥(3,760)	¥(5,570)

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES

Information related to the Companies' allowance for doubtful receivables as of March 31, 2021, 2020 and 2019 was as follows:

Millions of Yen			
	2021	2020	2019
Balance at the beginning of the year	¥ 489	¥229	¥207
Charged to expenses	33	270	36
Balances written off/reversed	(176)	(10)	(14)
Balance at the end of the year	¥ 346	¥489	¥229

5. INVENTORIES

The components of inventories as of March 31, 2021 and 2020 were as follows:

Millions of Yen		
	2021	2020
Finished products	¥37,217	¥37,224
Work in process	3,748	3,938
Raw materials	2,285	2,265
Total	¥43,250	¥43,427



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, 2021 and 2020 were as follows:

Name of Investee	Percentage of Ownership (%)	
	2021	2020
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, 2021 and 2020 were as follows:

	Millions of Yen	
	2021	2020
Carrying amount	¥13,652	¥14,431
Aggregate value of quoted market price	10,034	9,421

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, 2021 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, 2021 and 2020 were as follows:

	Millions of Yen	
	2021	2020
Accounts receivable	¥372	¥618
Accounts payable	501	509
Other receivable	173	329
Long-term loan	315	

The amounts for transactions with affiliated companies for the years ended March 31, 2021, 2020 and 2019 were as follows:

	Millions of Yen		
	2021	2020	2019
Sales	¥1,636	¥2,838	¥3,257
Cost of sales corresponding to sales of material and products	1,751	2,826	3,175
Purchases	3,681	5,302	5,612
Royalties	203	330	299
Interest income	3		

Dividends received from affiliated companies were ¥602 million, ¥542 million and ¥514 million for the years ended March 31, 2021, 2020 and 2019, 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 (USD 86 million) of cash and ¥4,172 million (USD 38 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 USD 20 million and USD 55 million.

The fair value of the contingent consideration was ¥2,901 million (USD 26 million) and ¥3,874 million (USD 36 million) as of March 31, 2021 and 2020, respectively. The changes in fair value were recognized in selling, general and administrative expenses. The contingent consideration of ¥1,262 million (USD 11 million) and ¥1,088 million (USD 10 million), for which the consideration has been fixed, was recognized in Notes and accounts payable as of March 31, 2021 and 2020, respectively.

For the year ended March 31, 2020, acquisition-related costs were ¥245 million and had been included in selling, general and administrative expenses. For the year ended March 2021, acquisition-related cost did not occur.

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 deducted 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 adjustments 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, 2021, 2020 and 2019 were as follows.

Millions of Yen			
	2021		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Acquisition cost	¥22,371	¥	¥22,371
Accumulated impairment charges			
Carrying amount	22,371		22,371
Acquisition during the year			
Impairment charges	(2,673)		(2,673)
Foreign currency translation adjustments	1,471		1,471
Balance at the end of the year:			
Acquisition cost	24,103		24,103
Accumulated impairment charges	(2,934)		(2,934)
Carrying amount	¥21,169	¥	¥21,169

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

The Company recorded impairment charges on goodwill of ¥2,673 million for the WACOAL EUROPE LTD. in the year ended March 31, 2021, which was included in operating costs and expenses of Wacoal Business (Overseas). The Company recorded impairment charges on goodwill of ¥217 million for the G Tech Material Co., LTD. ("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. 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, 2021 and 2020 were as follows:

Millions of Yen				
Years Ended March 31	2021		2020	
	Gross Carrying Amount	Accumulated Amortization and Impairment Charges	Gross Carrying Amount	Accumulated Amortization and Impairment Charges
Amortized intangible assets:				
Brands	¥ 7,479	¥ 2,748	¥ 6,670	¥ 2,076
Software	17,910	9,273	16,039	8,163
Others	2,544	1,256	2,534	1,022
Total	¥27,933	¥13,277	¥25,243	¥11,261
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥ 4,827	¥ 5,316	¥ 4,827
Other	75		76	
Total	¥ 5,391	¥ 4,827	¥ 5,392	¥ 4,827

Other intangible assets acquired during the year ended March 31, 2021 totaled ¥3,073 million, which primarily consist of software. 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 year ended March 31, 2019 totaled ¥3,266 million, which primarily consist of software. Estimated useful life for brands and software are ten and five years, respectively.

During the year ended March 31, 2021, the Companies recorded impairment charges on software of Taiwan Peach John of ¥12 million, which was included in operating costs and expenses of the Peach John Business. 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 Textile Co., LTD. ("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 Co., Ltd., which was included in operating expenses of the Other segment. See Note 21 for further information.

Aggregate amortization expenses for the years ended March 31, 2021, 2020 and 2019 related to other intangible assets were ¥2,989 million, ¥2,484 million and ¥2,109 million, respectively. Future estimated amortization expenses as of March 31, 2021 were as follows:

Years Ending March 31	Millions of Yen
Estimated amortization expenses	
2022	¥ 2,912
2023	2,834
2024	2,416
2025	1,782
2026	1,040
Total	¥10,984

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

Short-term bank loans as of March 31, 2021 and 2020 consisted of the following:

Millions of Yen		
	2021	2020
Unsecured bank loans	¥40,672	¥3,364

The weighted-average annual interest rates on short-term bank loans as of March 31, 2021 and 2020 were 0.2% and 0.3%, respectively. Unused lines of credit for short-term financing as of March 31, 2021 and 2020 aggregated to ¥37,614 million and ¥28,657 million, respectively.

Long-term debt as of March 31, 2021 and 2020 was summarized below. The interest rates and maturities were for loans as of March 31, 2021.

Millions of Yen		
	2021	2020
Collateralized bank loans, with fixed interest at 0.6%, maturing through 2022	¥ 15	¥ 35
Unsecured bank loans, with fixed interest at 0.0 ~ 1.8%, maturing through 2026	1,518	50
Total	1,533	85
Less current portion of long-term portion	(35)	(50)
Long-term debt, less current portion	¥1,498	¥ 35

The annual maturities of long-term debt as of March 31, 2021 were as follows:

Years Ending March 31	Millions of Yen
2022	¥35
2023	
2024	
2025	
2026	1,498
Total	¥1,533

A subsidiary has pledged assets as security for loans. As of March 31, 2021 and 2020, assets pledged as collateral for bank loans were as follows:

Millions of Yen		
	2021	2020
Land	¥150	¥150
Buildings	124	146
Total	¥274	¥296

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, 2021 and 2020 was as follows. Lease income was included in net sales and other net income.

	Millions of Yen	
	2021	2020
Operating lease income	¥1,741	¥2,392

The acquisition costs of equipment leased to customers under operating leases were ¥2,756 million and ¥2,756 million of land and ¥513 million and ¥516 million of building and building improvements. Accumulated depreciation on these equipment was ¥416 million and ¥413 million as of March 31, 2021 and 2020. These are included in net property, plant and equipment.

Future minimum lease income classified as operating leases as of March 31, 2021 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
2022	¥ 249
2023	187
2024	186
2025	127
2026	93
Thereafter	1,204
Total	¥2,046

Lessee accounting  
Operating lease costs for the years ended March 31, 2021 and 2020 were as follows. Lease expenses were included in cost of sales and selling, general and administrative expenses.

Gain or loss recognized as a result of not being treated as lease modifications are ¥550 million and these are reduced from variable lease cost.

	Millions of Yen	
	2021	2020
Operating lease costs	¥5,121	¥4,945
Short-term lease costs	535	635
Variable lease costs	424	1,295
Total	¥6,080	¥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		
	2021	2020	2019
Balance at the beginning of the year	¥827	¥813	¥ 825
Accretion expense	3	3	2
Liabilities incurred	38	63	92
Liabilities settled	(41)	(52)	(106)
Change due to foreign currency translation	(1)	0	0
Balance at the end of the year	¥826	¥827	¥ 813

Supplemental cash flow information related to operating leases for the years ended March 31, 2021 and 2020 was as follows.

	Millions of Yen	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities	¥4,542	¥4,798
Non-cash activities concerning right-of-use assets obtained in exchange for new operating lease liabilities	4,523	5,483

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

	2021	2020
Weighted-average remaining lease term	60.1 months	63.0 months
Weighted-average discount rate	1.7%	1.7%

Future minimum lease payments classified as operating leases as of March 31, 2021 were as follows:

Years Ending March 31	Millions of Yen
2022	¥ 4,602
2023	2,841
2024	1,682
2025	1,223
2026	866
Thereafter	2,466
Total minimum lease payments	13,680
Less interest cost	(749)
Total lease liabilities	¥12,931

Any material leases commenced after April 1, 2021 were not recognized as of March 31, 2021.

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		
	2021	2020	2019
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥37,674	¥38,681	¥34,580
Service cost	1,109	1,243	1,196
Interest cost	180	176	178
Participants' contributions	59	60	62
Actuarial (gain) loss	(902)	(217)	4,937
Loss based on prior service benefits		253	
Benefits paid from plan assets	(950)	(961)	(961)
Settlement paid from plan assets	(1,097)	(1,275)	(976)
Settlement paid by the Company and certain subsidiaries	(301)	(289)	(339)
Changes in foreign currency exchange rates	(5)	3	4
Benefit obligations at the end of the year	35,767	37,674	38,681
Change in plan assets:			
Fair value of plan assets at the beginning of the year	¥40,464	¥40,680	¥42,736
Actual return on plan assets	4,121	1,375	(846)
Employer contributions	594	579	657
Participants' contributions	59	60	62
Benefit payments	(950)	(961)	(961)
Settlement payments	(1,097)	(1,275)	(976)
Changes in foreign currency exchange rates	24	6	8
Fair value of plan assets at the end of the year	43,215	40,464	40,680
Funded status at the end of the year	¥ 7,448	¥ 2,790	¥ 1,999

Amounts recognized in the consolidated balance sheets as of March 31, 2021 and 2020 consisted of:

	Millions of Yen	
	2021	2020
Prepaid pension expense	¥ 9,533	¥ 4,974
Other current liabilities	(143)	(115)
Liability for termination and retirement benefits	(1,942)	(2,069)
Total	¥ 7,448	¥ 2,790

Amounts recognized in accumulated other comprehensive income, as of March 31, 2021 and 2020 were as follows:

	Millions of Yen	
	2021	2020
Actuarial loss	¥(164)	¥(5,048)
Prior service cost	(232)	(253)
Total	¥(396)	¥(5,301)

The accumulated benefit obligations for all defined retirement benefit plans as of March 31, 2021 and 2020 were as follows:

	Millions of Yen	
	2021	2020
Accumulated benefit obligations	¥35,658	¥37,532

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		
	2021	2020
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,971	¥3,075
Fair value of plan assets	735	738
Plans with accumulated benefit obligations in excess of the fair value of plan assets:		
Accumulated benefit obligations	2,971	3,075
Fair value of plan assets	735	738

Net periodic benefit costs for plans of certain subsidiaries' of the Company consisted of the following for the years ended March 31, 2021, 2020 and 2019:

Millions of Yen			
	2021	2020	2019
Service cost	¥ 1,109	¥ 1,243	¥ 1,196
Interest cost	180	176	178
Expected return on plan assets	(1,015)	(1,006)	(1,007)
Amortization of actuarial loss (gain)	876	1,186	5
Amortization of prior service benefits	21		
	¥ 1,171	¥ 1,599	¥ 372

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, 2021, 2020 and 2019 were as follows:

Millions of Yen			
	2021	2020	2019
Actuarial gain (loss)	¥4,008	¥ 586	¥(6,790)
Amortization of actuarial loss (gain)	876	1,186	5
Prior service benefits		(253)	
Amortization of prior service benefits	21		
	¥4,905	¥1,519	¥(6,785)

Certain subsidiaries of the Company use a measurement date of March 31 for their plans. The weighted-average assumptions used as of March 31, 2021 and 2020 in computing the benefit obligations shown above were as follows:

	2021	2020
Discount rate	0.6%	0.5%
Expected revaluation rate for cash balance plan	0.9%	0.9%

The weighted-average assumptions used as of March 31, 2021, 2020 and 2019 in computing the net periodic benefit costs shown above were as follows:

	2021	2020	2019
Discount rate	0.5%	0.5%	0.5%
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%
Expected revaluation rate for cash balance plan	0.9%	0.9%	0.9%

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, 2021 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, 2021 and 2020 was as follows:

	2021	2020
Equity securities	48.8%	44.7%
Debt securities	28.6%	31.1%
Life insurance company general accounts	7.5%	9.3%
Real estate	6.5%	3.2%
Other short-term investments	8.6%	11.7%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2021 and 2020 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, 2021 and 2020. 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			
2021	Level 1	Level 2	Level 3
Assets evaluated by other than net asset value per share			Total
Equity securities:			
Japanese companies	¥10,934		¥10,934
Foreign companies			
Debt securities:			
Corporate bonds		¥ 81	81
Foreign government bonds	112		112
Life insurance company general accounts		3,255	3,255
Other types of investments:			
Other short-term investments		1,828	1,828
Assets evaluated by net asset value per share (a)			
Equity securities:			
Pooled funds (b)			7,084
Debt securities:			
Pooled funds (c)			7,526
Other types of investments:			
Hedge funds (d)			3,671
Pooled funds (e)			8,724
Total	¥11,046	¥5,164	¥43,215

Millions of Yen			
2020	Level 1	Level 2	Level 3
Assets evaluated by other than net asset value per share			Total
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

(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 51% Japanese companies and 49% foreign companies as of March 31, 2021 and 52% and 48%, respectively, as of March 31, 2020.

(c) This class includes approximately 89% of foreign government bonds and 11% of corporate bonds investments as of March 31, 2021 and 83% and 17%, respectively, as of March 31, 2020.

(d) This class consists of hedge funds that invest in both securities and equity securities as of March 31, 2021 and 2020.

(e) This class includes approximately 22% corporate bonds, 1% common stock of Japanese companies, 24% common stock of foreign companies, 32% real estate and 21% other short-term investments as of March 31, 2021. 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.



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 ¥571 million to their plans in the fiscal year ending March 31, 2022.

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

Years Ending March 31	Millions of Yen
2022	¥ 2,194
2023	2,404
2024	2,129
2025	2,184
2026	2,198
Thereafter	10,764

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 built next to the Moriyama Distribution Center in Moriyama, Shiga on March 16, 2020.

The Company had contractual obligations of ¥3,390 million as of March 31, 2021.

**Defined Contribution Plan**—Certain subsidiaries of the Company have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥327 million, ¥407 million and ¥394 million for the years ended March 31, 2021, 2020 and 2019, respectively.

**Termination Plan for Directors**—The Company previously had, and certain subsidiaries of the Company currently have, termination plans for directors. Payment of termination benefits to directors is made in a lump sum upon termination and requires the approval of the shareholders before payment. In June 2005, the Company rescinded its termination plan for directors upon the approval of its shareholders. The amount of 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 ¥346 million and ¥344 million as of March 31, 2021 and 2020, 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.

Future payments of contractual obligations as of March 31, 2021 were as follows:

Years Ending March 31	Millions of Yen
2022	¥3,200
2023	190
Total	¥3,390

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, 2021, 2020 and 2019. 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.

	2021	2020	2019
Expected dividend yield	3.0%	2.6%	2.2%
Expected volatility	23.6%	25.0%	24.6%
Risk-free interest rate	(0.2)%	(0.2)%	(0.1)%
Expected term	3.6 years	4.0 years	3.7 years

A summary of stock option activities under the plan for the years ended March 31, 2021 and 2020 was as follows:

	Yen		Years	Millions of Yen
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of April 1, 2020	255,900	¥1		
Granted	35,700	1		
Exercised	18,500	1		
Outstanding as of March 31, 2021	273,100	1	13.61 years	¥670
Exercisable as of March 31, 2021	18,300	1	2.84 years	45

	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

The total intrinsic value of options exercised was ¥41 million, ¥62 million and ¥33 million as of the years ended March 31, 2021, 2020 and 2019, respectively.

The total compensation costs recognized for the years ended March 31, 2021, 2020 and 2019 were ¥63 million, ¥71 million and ¥62 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2021, 2020 and 2019 were ¥19 million, ¥22 million and ¥19 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2021, 2020 and 2019 were ¥1,768, ¥2,516 and ¥3,005, respectively.

As of March 31, 2021, 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						
	2021			2020		
	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)	¥(1,033)	¥	¥(4,594)	¥ 1,551	¥	¥(5,679)
Cumulative effects (net of tax) of the adoption of ASU No. 2016-01 and 2018-03						
Amount arising during the year:						
Pre-tax amount	2,685		4,067	(2,529)		265
Tax credit	(37)		(1,229)	(3)		(140)
Net amount	2,648		2,838	(2,532)		125
Reclassification adjustments:						
Pre-tax amount			(1,056)			1,357
Tax credit			(303)			(397)
Net amount			753			960
Other comprehensive loss (income) attributable to noncontrolling interests (after-tax)	155		(5)	(52)		
Balance at the end of the year (after-tax)	¥1,770	¥	¥(1,008)	¥(1,033)	¥	¥(4,594)

Millions of Yen			
2019			
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥2,274	¥ 27,424	¥(1,101)
Cumulative effects (net of tax) of the adoption of ASU No. 2016-01 and 2018-03		(27,320)	
Amount arising during the year:			
Pre-tax amount	(795)	(10)	(6,866)
Tax credit	45	3	2,079
Net amount	(750)	(7)	(4,787)
Reclassification adjustments:			
Pre-tax amount		(140)	202
Tax credit		43	(2)
Net amount		¥ (97)	200
Other comprehensive loss (income) attributable to noncontrolling interests (after-tax)	27		9
Balance at the end of the year (after-tax)	¥1,551	¥	¥(5,679)

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in "Gain (loss) 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, 2021, 2020 and 2019:

	2021	2020	2019
Normal Japanese effective statutory tax rates	30.6%	30.6%	30.6%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	2.4	7.3	22.9
Change in valuation allowance	(1.8)	10.3	25.5
Undistributed earnings of associated companies	(0.2)	2.3	3.9
Differences in foreign subsidiaries' tax rate	0.1	(7.2)	(27.3)
Tax exemption	(0.7)	(2.0)	(2.9)
Unrecognized tax benefits	(0.6)	(1.0)	1.4
Impairment losses on goodwill	7.4	1.3	60.1
Changes in Japanese income tax rates	(0.2)	(0.1)	(0.4)
Other – net	0.8	(8.2)	1.2
Effective tax rates	37.8%	33.3%	115.0%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2021 and 2020 were as follows:

Millions of Yen				
	2021		2020	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Refund liabilities	¥ 598		¥ 734	
Allowance for doubtful receivables	26		15	
Accruals not currently deductible	167		205	
Inventory valuation	1,176		1,089	
Accrued bonuses	790		882	
Advanced depreciation on property, plant and equipment		¥ 1,842		¥ 1,839
Undistributed earnings of associated companies		2,496		2,485
Net unrealized gain on marketable securities and investments		8,841		5,848
Net realized gain on exchange of investments		416		416
Capitalized supplies	94		137	
Enterprise taxes	62		352	
Accrued vacation	774		741	
Operating leases right-of-use assets		4,069		3,580
Operating lease liabilities	4,159		3,616	
Asset retirement obligation	257		250	
Prepaid pension expense		2,140		720
Liability for termination and retirement benefit	646		611	
Return assets		184		266
Property, plant and equipment	1,517		1,591	
Tax loss carryforwards	3,025		2,388	
Intangible assets		1,213		1,151
Other temporary differences	677	463	36	277
Total	13,968	21,664	12,647	16,582
Valuation allowance	(2,947)		(2,858)	
Total	¥11,021	¥21,664	¥ 9,789	¥16,582



The valuation allowance decreased by ¥89 million and decreased by ¥681 million for the years ended March 31, 2021 and 2020, respectively.

The Companies also utilized ¥413 million and ¥245 million of tax loss carryforwards, and recognized tax benefits of ¥77 million and ¥29 million for the years ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, 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
2022	¥396
2023	526
2024	355
2025	709
2026	1,417
2027	570
2028	155
2029	1,005
2030	888
2031	1,029
Thereafter	3,260
Total	¥10,310

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, 2021 and 2020.

18. REVENUE

The Companies 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 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 Companies' 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		
	2021	2020	2019
Balance at the beginning of the year	¥2	¥ 101	¥ 5
Additions based on tax positions related to the current year	1	1	60
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	¥3	¥ 2	¥101

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥3 million, ¥2 million and ¥101 million as of March 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019 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 fiscal 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, 2021 and 2020 are as follows:

	Millions of Yen	
	2021	2020
Contract liabilities	¥1,275	¥917

Revenue recognized for the years ended March 31, 2021 and 2020, which had been included in the contract liabilities balance at beginning of year were ¥661 million and ¥494 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 62,406,826 shares, 63,989,561 shares and 66,143,405 shares for the years ended March 31, 2021, 2020 and 2019, 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 62,670,759 shares, 64,242,244 shares and 66,393,127 shares for the years ended March 31, 2021, 2020 and 2019, respectively.

20. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments as of March 31, 2021 and 2020 were as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities	¥ 253	¥ 255	¥ 656	¥ 657
Investments	51,603	51,603	43,904	43,908
Total assets	¥51,856	¥51,858	¥44,560	¥44,565
Liabilities:				
Long-term debt including current portion	¥ 1,533	¥ 1,532	¥ 85	¥ 85
Total liabilities	¥ 1,533	¥ 1,532	¥ 85	¥ 85

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.

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, 2021 and 2020 were as follows:

Millions of Yen				
2021	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities				
Mutual funds	¥ 31			¥ 31
Investments:				
Equity securities	48,920		¥2,592	51,512
Mutual funds	91			91
Total	49,011		2,592	51,603
Derivative instruments:				
Foreign exchange contracts		¥53		53
Total assets	¥49,042	¥53	¥2,592	¥51,687
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥23		¥ 23
Currency swap				
Total				
Contingent consideration			¥2,901	¥ 2,901
Total liabilities		¥23	¥2,901	¥ 2,924

Millions of Yen				
2020	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

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. If unobservable inputs were changed to reflect reasonably possible alternative assumptions, fair values would not change significantly. Contingent consideration is valued by the Monte Carlo simulation using unobservable inputs. If discount rates or volatility fall, the debt will increase. Out of the contingent consideration, ¥1,262 million in consideration that has been fixed is included in the accounts payable on the consolidated balance sheet.

The tables below show the change in assets presented in Level 3 that are continuously assessed at fair value as of March 31, 2021 and 2020:

Millions of Yen		
	2021	
	Investment	Contingent Consideration
Balance at the beginning of the year	¥2,561	¥ 3,874
Sell/payment	(18)	(1,061)
Purchase/assumed in acquisition		
Total gains or losses for the period:		
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net	49	
Selling, general and administrative expenses		64
Foreign currency translation adjustments		24
Balance at the end of the year	¥2,592	¥ 2,901
Unrealized (loss) gain included in earnings for assets and liabilities still held as of March 31, 2021	¥ 49	¥ 64

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 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)

Information about valuation techniques and significant unobservable inputs used for Level 3 assets continuously measured at fair value for the years ended March 31, 2021 and 2020 is as follows:

Millions of Yen				
March 31, 2021	Fair Value	Valuation Technique	Principal Unobservable Input	Range
Contingent consideration	¥2,901	Monte Carlo simulation	Discount rate	4.5%
			Volatility	20.0%

Millions of Yen				
March 31, 2020	Fair Value	Valuation Technique	Principal Unobservable Input	Range
Contingent consideration	¥3,874	Monte Carlo simulation	Discount rate	5.2%
			Volatility	15.0%

Assets Measured at Fair Value on a Non-recurring Basis

Assets measured at fair value on a non-recurring basis as of March 31, 2021 and 2020 were as follows:

Millions of Yen					
2021	Level 1	Level 2	Level 3	Total	Impairment Losses
Land			¥ 172	¥ 172	¥ (526)
Buildings and structures			38	38	(559)
Machinery and equipment					(51)
Goodwill (Note 8)			9,398	9,398	(2,673)
Software (Note 8)					(12)
					¥(3,821)

Millions of Yen					
2020	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)



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 a weighted-average cost of capital (WACC) adjusted for inherent risk spread.

As of the end of March 31, 2021, the carrying amount of the Company's land, buildings and structures under the Wacoal Business

(Domestic) were written down to their fair values, resulting in the recognition of an impairment charge of ¥526 million and ¥99 million, respectively. This is due to the fact that, as a result of determining the necessity of impairment of fixed assets due to a change in the purpose of ownership of some asset groups owned, it was determined that the fair value was lower than the carrying amount. To measure the fair values of the Company's reporting units, the Company used appraisals prepared by independent third party appraisers based on recent transactions involving sales of similar assets.

As of the end of March 31, 2021, the carrying amount of Wacoal Corp.'s buildings and structures, machinery and equipment, subsidiaries' buildings and structures, machinery and equipment under the Wacoal Business (Domestic) were fully written off, resulting in an impairment charge of ¥394 million, ¥29 million, ¥41 million and ¥21 million, respectively. The impairment is due to the decline in their fair value, which was caused by a downturn in sales. To measure the fair values of Wacoal Corp. and subsidiaries' 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, 2021, the carrying amount of WACOAL EUROPE LTD's goodwill under the Wacoal Business (Overseas) was written off, in light of the impact of COVID-19 and the customs clearance expenses incurred in connection with Brexit in the United Kingdom, we reassessed the fair value of goodwill based on our outlook of our business, and recorded the impairment charges of ¥2,673 million.

To measure the fair values of WACOAL EUROPE LTD'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. Future cash flows were based on the management's cash flow projections for the future five years, and after five years, future cash flows were estimated using the perpetuity growth rate of 2.0%.

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.

Information about valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value on a nonrecurring basis for the year ended March 31, 2020 is as follows:

March 31, 2020	Millions of Yen		Valuation Technique	Principal Unobservable Input	Range
	Fair Value				
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%

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, 2021 and 2020 were as follows:

	Millions of Yen	
	2021	2020
Foreign currency exchange	¥713	¥2,786
Currency swaps	332	695

The amounts of derivative instruments at fair value in the consolidated balance sheets in consolidated balance sheets as of March 31, 2021 and 2020 were as follow:

Balance Sheets Location		Millions of Yen	
		2021	2020
Assets:			
Foreign currency exchange	Other current assets	¥53	¥57
Liabilities:			
Foreign currency exchange	Other current liabilities		¥24
Currency swaps	Other current liabilities	¥23	72

The effect of derivative instruments in consolidated statements of income for the years ended March 31, 2021, 2020 and 2019 were as follow:

Statements of Income Location		Millions of Yen		
		2021	2020	2019
Foreign currency exchange	Other – net	¥61	¥ 57	¥45
Currency swaps	Other – net	20	(36)	(5)

23. SEGMENT INFORMATION

Operating Segment Information

The Companies have three reportable segments: "Wacoal Business (Domestic)," "Wacoal Business (Overseas)," and "Peach John," Business 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.

Starting from the current consolidated first quarter, 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 the Companies. As a result of our assessment on quantitative criteria, "Peach John Business," which had been previously presented in our "Other" segment, has satisfied the criteria and accordingly has been

presented as a separate operating segment from the current consolidated second quarter. Part of sales of our Peach John brand products sold in China, which were previously recorded under this "Wacoal Business (Overseas)" segment, are now recorded under our "Peach John Business" segment starting with the current fiscal year. The segment information for the previous fiscal year has been prepared based on the segments reported for the current fiscal year.

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 Business" 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, 2021, 2020 and 2019 is as follows:

Millions of Yen						
2021	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Other	Elimination	Consolidated
Net sales:						
External customers	¥ 86,133	¥41,355	¥12,200	¥12,516		¥152,204
Intersegment	754	8,769	219	3,827	¥(13,569)	
Total	86,887	50,124	12,419	16,343	(13,569)	152,204
Operating costs and expenses:						
Operating costs and expenses	81,461	48,086	10,491	16,901	(13,569)	143,370
Depreciation and amortization	3,711	1,943	325	149		6,128
Impairment charges on property, plant and equipment	1,088	25		23		1,136
Impairment charges on goodwill		2,673				2,673
Impairment charges on other intangible assets			12			12
Total	86,260	52,727	10,828	17,073	(13,569)	153,319
Operating income (loss)	627	(2,603)	1,591	(730)		(1,115)
Total assets and capital expenditures:						
Total assets	285,421	87,252	11,094	15,724	(76,730)	322,761
Capital expenditures	4,203	1,097	122	182		5,604

Millions of Yen						
2020	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Other	Elimination	Consolidated
Net sales:						
External customers	¥106,112	¥49,808	¥11,224	¥19,616		¥186,760
Intersegment	1,107	10,570	214	5,110	¥(17,001)	
Total	107,219	60,378	11,438	24,726	(17,001)	186,760
Operating costs and expenses:						
Operating costs and expenses	97,561	55,912	11,215	25,170	(17,001)	172,857
Depreciation and amortization	3,575	1,922	383	149		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			256
Total	101,136	58,885	11,789	25,319	(17,001)	180,128
Operating income (loss)	6,083	1,493	(351)	(593)		6,632
Total assets and capital expenditures:						
Total assets						
Capital expenditures	237,394	86,292	9,751	18,435	(74,184)	277,688
	4,594	2,106	129	152		6,981

Millions of Yen						
2019	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Other	Elimination	Consolidated
Net sales:						
External customers	¥109,219	¥52,048	¥11,543	¥21,391		¥194,201
Intersegment	1,170	10,121	268	5,363	¥(16,922)	
Total	110,389	62,169	11,811	26,754	(16,922)	194,201
Operating costs and expenses:						
Operating costs and expenses	100,186	56,025	11,615	26,937	(16,922)	177,841
Depreciation and amortization	3,465	1,585	394	203		5,647
Impairment charges on property, plant and equipment						
Impairment charges on goodwill			4,325			4,325
Impairment charges on other intangible assets			1,314	195		1,509
Total	103,651	57,610	17,648	27,335	(16,922)	189,322
Operating income (loss)	6,738	4,559	(5,837)	(581)		4,879
Total assets and capital expenditures:						
Total assets	249,574	78,912	8,038	18,876	(73,633)	281,767
Capital expenditures	3,373	1,837	494	79		5,783

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

The Companies account for intersegment sales and transfers at cost plus a markup. Operating (loss) income 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, 2021, 2020 and 2019 is as follows:

Millions of Yen			
	2021	2020	2019
Innerwear:			
Foundation and lingerie	¥122,776	¥144,933	¥146,525
Nightwear	6,522	7,459	8,296
Children's underwear	749	1,014	1,213
Subtotal	130,047	153,406	156,034
Outerwear/sportswear and others	¥ 8,836	¥ 12,746	¥ 14,733
Hosiery	918	1,563	1,881
Other textile goods and related products	5,354	7,545	9,428
Others	7,049	11,500	12,125
Total	¥152,204	¥186,760	¥194,201

Geographic Information

Information by major geographic area as of and for the years ended March 31, 2021, 2020 and 2019 is as follows:


Millions of Yen			
	2021	2020	2019
Net sales:			
Japan	¥109,464	¥135,273	¥140,189
Asia and Oceania	16,301	20,596	22,509
Americas and Europe	26,439	30,891	31,503
Consolidated	¥152,204	¥186,760	¥194,201
Long-lived assets:			
Japan	¥ 41,198	¥ 44,014	¥ 45,257
Asia and Oceania	3,536	4,034	4,810
Americas and Europe	4,304	4,035	3,203
Consolidated	¥ 49,758	¥ 52,083	¥ 53,270

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** .....  
(Dividend Declaration)  
On May 14, 2021, 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, 2021 (aggregate amount of ¥1,248 million).

Independent Auditors’ Report



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To the Board of Directors of Wacoal Holdings Corp.:

**Opinion**  
We have audited the consolidated financial statements of Wacoal Holdings Corp. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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, 2021, and its consolidated financial performance 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.

**Convenience Translation**  
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

**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.

**Key Audit Matter**  
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of goodwill arising from the acquisition of WACOAL EUROPE LTD.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As of March 31, 2021, the goodwill in the amount of ¥21,169 million recorded on the consolidated balance sheet includes goodwill of ¥9,398 million, or 2.9% of total assets, arising from the acquisition of WACOAL EUROPE LTD. Also, as described in Notes 8 and 21, the Group recognized ¥2,673 million of impairment charges on goodwill related to WACOAL EUROPE LTD. in the current fiscal year.  Based on Accounting Standard Codification 350, "Intangibles—Goodwill and Other," goodwill of a reporting unit shall be tested for impairment on an annual basis and between annual tests in certain circumstances. The Group used an expected present value method to calculate fair value and performed an impairment test. Future cash flows used to calculate fair value were based on a five-year business plan with the terminal value reflecting the average long-term growth rate in the relevant market, including an assumption on recovery from the recession in business activities caused by COVID-19. The plan was approved by management and includes significant assumptions such as the possibility of achievement of expected sales volumes and market growth rate in the regions where WACOAL EUROPE LTD. operates. These significant assumptions involve high uncertainty, and the business plan based on these assumptions involve significant judgment by management.  Based on the above, we identified the valuation of goodwill arising from the acquisition of WACOAL EUROPE LTD. as a key audit matter.	We performed the following audit procedures on key assumptions used by management included in the business plan: <ul style="list-style-type: none"><li>• We read a report related to impairment tests of goodwill prepared by management. We examined the consistency of assumptions with the business plan approved by management, and discussed the business plan with management.</li><li>• We read the economic reports published by external organizations regarding the estimation of the timing of recovery from COVID-19, and evaluated management's assumptions about the timing of recovery and market trends.</li><li>• We obtained an understanding on various measures to expand the sales volume through discussions with management, compared business plans prepared in the prior periods with actual results in the corresponding periods, and evaluated the accuracy of management's estimation ability regarding the possibility of achievement of expected sales volumes.</li><li>• We compared the market growth rate in the regions where WACOAL EUROPE LTD. operates with the forecasts based on data from the retail industry published by external organizations, as well as involved our specialist on valuation of corporate value.</li></ul>

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 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 United States of America and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2021. 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, 2021, 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.



Independent Auditors’ Report

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.

Responsibility of Management and 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.

Notes to the Readers of Independent Auditor’s Report

This is an English translation of the independent auditor’s report as required by the Financial Instruments and Exchange Act of Japan for the convenience of the reader.

Deloitte Touche Tohmatsu LLC

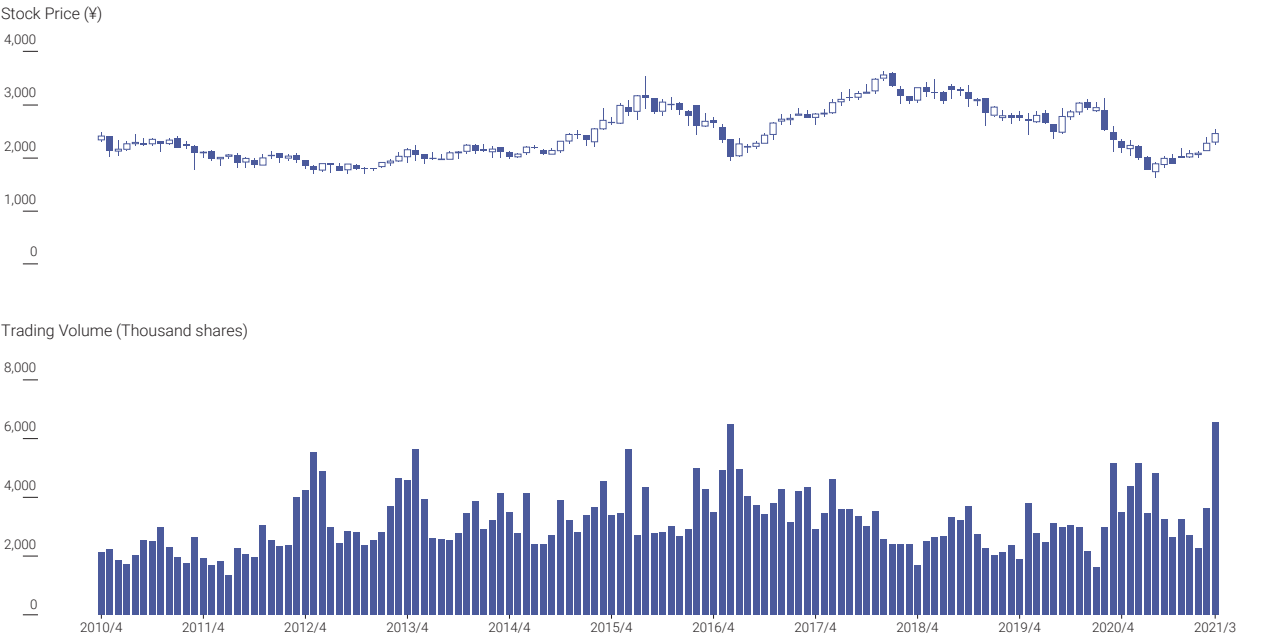
June 29, 2021

Corporate Information

As of March 31, 2021

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, Preident and Corporate Officer	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 businesses related to food, culture, services, and interior furnishing of shops.
Number of Employees (Excluding the average number of part-time employees)	19,824 (Consolidated)

Stock Price / Trading Volume



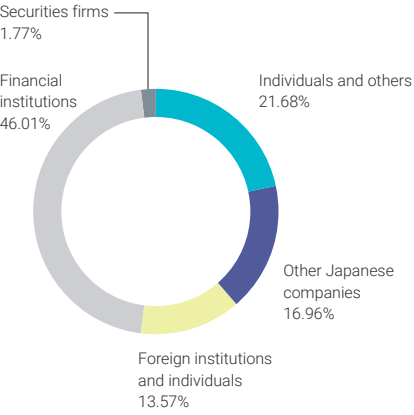
Note: As of October 1, 2017, Wacoal Holdings Corp. conducted a one-for-two ordinary share reverse stock split. The figures for the graph above have been calculated based on the assumption that the stock split was conducted in April 2010.

Investor Information

As of March 31, 2021

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	65,589,042 (Treasury Stock: 3,168,353)
Trading Unit	100 shares
Shareholder Register Agent for Common Stock	Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
American Depositary Receipts	Cusip No.: 930004205 Ratio (ADR:ORD): 1:5 Market: OTCQX Symbol: WACLY
Depository	The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, U.S.A. Tel: 1-212-815-8161 U.S. toll free: 888-269-2377 (888-BNY-ADRS) <a href="https://www.adrbnymellon.com/">https://www.adrbnymellon.com/</a>
Number of Shareholders	17,868

Ownership and Distribution of Shares



Major Shareholders

Name	Number of shares held (Thousand shares)	Percentage of shares outstanding (%)
Custody Bank of Japan, Ltd. (Trust Account)	4,000	6.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,938	6.31
MUFG Bank, Ltd.	3,095	4.96
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.