



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

Name	Description	Number of meetings convened in FY2019
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 three internal directors. In principle, the committee convenes annually on the day of the January meeting of the Board of Directors, considers the nomination or promotion of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members is required to pass resolutions.	1
3 Executive Compensation Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors and two internal directors. 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 is required to pass resolutions.	3
4 Independent Outside Officers Meeting	Comprising outside directors, outside Audit & Supervisory Board members, and the director of the Administrative Department, the meeting evaluates the Board of Directors and discusses how to improve its administration and strengthens collaboration among outside directors and outside Audit & Supervisory Board members.	2
5 Group Management Meeting	Comprising directors and key members of the management team, the meeting considers items related to the Group's management strategy and other important management issues and conducts prior examinations of agenda items to be discussed by the Board of Directors.	22
6 Group Strategy Committee / 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 (each committee)
7 Corporate Ethics and Risk Management Committee	With the president and representative director acting as supervisor, the committee comprises the director of the Administrative Department, internal directors, the directors of operating companies, corporate officers, and other members. The committee strengthens and ensures the rigorous enforcement of systems for compliance with corporate ethics, identifies risks related to the overall business management of the Group, and strengthens systems for managing such risks.	4

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

	FY2017	FY2018	FY2019
Issues identified	1. Inadequate reporting of medium- to long-term management priorities and progress under the medium-term management plan 2. Need for improved information sharing and collaboration between the internal audit organization (Office of Corporate Auditors) and outside directors and outside Audit & Supervisory Board members	Need for increased sharing of information with outside directors and Audit & Supervisory Board members about important matters that are not subject to deliberations by the Board of Directors, such as matters submitted to the Group Management Meeting	1. Need for revision of both the regulations of the Board of Directors and the establishment of agenda items in order to extend the scope of responsibilities entrusted to corporate officers and to increase the opportunities for reporting on agenda items that require continuous confirmation of progress 2. Need to consider making meeting documents paperless
Improvement measures	1. Provided increased opportunities to report on deliberations about management priorities, progress under the medium-term management plan, and other matters 2. Changed the venue for reporting by the internal audit organization (Office of Corporate Auditors) to meetings of the Board of Directors	Modified administrative systems to ensure that information about important matters that are not subject to deliberations by the Board of Directors is distributed together with materials in advance of Board meetings	1. Revised regulations on the submission of agenda items to the Board of Directors and revised the establishment of agenda items 2. Advanced measures to make meeting documents paperless

Revisions in Wacoal's Corporate Governance System

1977	Wacoal issues ADRs* (American Depositary Receipts)	Wacoal becomes the eighth Japanese company to issue ADRs. Upon issuance, the SEC (U.S. Securities and Exchange Commission) requires consolidated financial statements and accounting reports in accordance with U.S. GAAP.
2002	Introduction of the corporate officer system → Number of directors: 13 → 9	In June 2002, the Company employs a corporate officer system in order to delegate authority and clarify responsibility more appropriately and efficiently. At the same time, the number of directors is reduced.
2005	Establishment of a pure holding company	The Company transfers to a pure holding company system to facilitate decision-making on Groupwide strategy, to optimize the allocation of resources, and to clarify the responsibilities and authority of operating companies so that they can execute operations flexibly.
	Appointment of outside officers	To promote the fairness and independence of the Board of Directors and the Audit & Supervisory Board, the Group increases the number of outside directors by two members and the number of outside Audit & Supervisory Board members by one member.
2007	Establishment of the Executive Compensation Advisory Committee → Number of committee members (including outside directors): 4	Regarding the appointment, promotion, and remuneration of the directors and executive officers, the Executive Compensation Advisory Committee, chaired by the director of the Administrative Department, is established with outside directors included as members.
2010	Registration of all outside officers with the Tokyo Stock Exchange as independent officers → Number of independent officers registered: 6	All outside directors and outside Audit & Supervisory Board members are registered with the Tokyo Stock Exchange as independent officers.
2015	Establishment of the Independent Outside Officers Meeting	The Independent Outside Officers Meeting is established with the intention of sharing information about improving corporate governance, meetings of the Board of Directors, internal audits, etc. The committee includes independent outside officers.
2018	Establishment of the Executive Compensation Advisory Committee and the Executive Nomination Advisory Committee	The Executive Compensation Advisory Committee, which was established in 2007, becomes the Executive Compensation Advisory Committee and the Executive Nomination Advisory Committee.

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

Outside Directors and Outside Audit & Supervisory Board Members

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

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



Criteria to Ensure the Independence of Outside Officers
https://www.wacoalholdings.jp/en/ir/pdf/governance_report.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	14/14
Shigeru Saito	It is anticipated Shigeru Saito will enhance management supervisory functions by providing input from various perspectives based on his extensive knowledge and experience as a representative director of another company.	Corporate management, operational management, and international insight	13/14
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 and compliance, and international insight	10/10

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 long experience in the financial sector and his knowledge as a business manager, as well as his overseas experience.	9/10	9/10

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

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

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

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 2019, 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.



• Basic Compensation

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

With reference to the results of a compensation survey conducted by an external organization, every year the Company verifies the range of appropriate levels of compensation for companies in the same industry as well as for companies of

a similar size and then sets a level of compensation commensurate with the Company's business results and size.

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

• Performance-Based Bonuses

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

• Share-Based Stock Options

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

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

Compensation of Officers in FY2019

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)	313	230	40	43	5
Audit & Supervisory Board members (excluding outside members)	38	38	—	—	2
Outside directors and outside Audit & Supervisory Board members	46	46	—	—	8

Note: As of March 31, 2019, there were five directors, two Audit & Supervisory Board members, and six outside officers. The number of outside officers differs from the number of outside officers in the above table because the number in the table includes two outside officers who retired upon the conclusion of the 70th Ordinary General Meeting of Shareholders, convened on June 28, 2018.

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. 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.

	FY2017	FY2018	FY2019
Number of stocks	107	97	95
Monetary amount (¥ billion)	58.7	67.4	60.8
As a percentage of total assets	19.9%	22.6%	21.6%

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.

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 the compliance and appropriateness of the execution of duties in the Company and subsidiaries in Japan and overseas, evaluates the effectiveness of internal control, and periodically reports results of these activities to the president and representative director.

Further, the Office of Corporate Auditors comprises seven 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.

Compliance Structure

With the president and representative director acting as supervisor and the director of the Administrative Department as its chairperson, the Corporate Ethics and Risk Management Committee identifies overall risks related to the Company's business management and develops and strengthens risk management systems. Based on Group compliance and risk policies formulated by the committee, 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 stipulate resolute refusal of demands from antisocial forces. In addition, the Company has established an internal whistle-blowing system and other systems that enable directors and employees to report

promptly if they discover issues that may violate the Wacoal Code of Ethics or the Corporate Ethics: Wacoal's Code of Conduct.

Basic Policy on Information Disclosure

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

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

Basic Policy on Constructive Dialogue with Shareholders and Other Stakeholders

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



Basic Policy on Constructive Dialogue with Shareholders
<https://www.wacoalholdings.jp/en/ir/governance/guideline.html>

Investor Relations Activities

The following investor relations activities were conducted in FY2019.

Activity		Frequency	Details
Japan	Results briefings	Twice	Full-year and interim results briefings (held in Tokyo)
	Individual meetings with institutional investors and analysts	101 times (companies in total)	Interviews with the investor relations manager (including interviews with the president and representative director and directors)
	Business briefings (small meetings)	Twice (in June 2018)	Briefings by the president and representative director
	Conferences	Two days of participation	Interviews with the president and representative director
	Study tour of a sewing factory	Once	Interviews with the investor relations manager and a tour conducted by the factory manager
	Seminars for individual investors	Four days	Seminars conducted by the investor relations manager (held in Kobe, Kochi, Kanazawa, and Fukui)
Overseas	Meeting with analysts	Once	Meeting conducted by the investor relations manager and the president of a local subsidiary (held in China)
In-house	Feedback	Provided each time that meetings for investors are held after full-year and interim results briefings	Report on the activities of the investor relations manager (Targets: the president and representative director, directors, managers of operating companies, outside Audit & Supervisory Board members, etc.)

A Message from an Outside Director

**While furthering my understanding of the Wacoal Group,
I will do my utmost to help the Company grow
continuously and thereby enhance its enterprise value.**



Tsunehiko Iwai

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

I became an outside director of Wacoal Holdings Corp. one year ago. In the previous fiscal year, against the backdrop of a revision of Japan's Corporate Governance Code, the Board of Directors devoted considerable time to discussions on strengthening its governance.

At the Independent Outside Officers Meeting, meanwhile, I participated in candid discussions focused on strengthening the effectiveness of the Board of Directors and improving the conduct of its proceedings. Recently, I not only requested a review of the details of the agenda items of the Board of Directors but also requested cooperation on issues that the Board of Directors does not discuss. I submitted the latter request through participation in the Quarterly Business Results Review Committee and the Group Strategy Committee, which examine matters related to execution. As a result, information sharing has become timelier. Also, I have gained insight into how corporate officers and employees approach the execution of their duties.

I serve as the chairperson of the Executive Nomination Advisory Committee and the Executive Compensation Advisory Committee. In these capacities, I believe that my mission is to help enhance the transparency, objectivity, and fairness of business management. In particular, we have begun reviewing the executive compensation system, which is an important component of corporate governance. I intend to meet my responsibilities by facilitating the redesigning of the system so that it encourages the implementation and realization of Wacoal's management philosophy, mission, and strategies and strongly motivates officers to grow the Company over the medium-to-long term.

I am not an expert in matters specific to innerwear. However, one of my roles is to offer views on the profile that Wacoal should aspire to over the medium-to-long term with respect to research and development, production re-engineering, and the growing global emphasis on efforts to heighten the *beauty* of people and the environment.

Under the leadership of President and Representative Director Hironobu Yasuhara, Wacoal is committed to reforming its businesses without making any special exceptions. In any company, the process of decisive reform can give rise to conflicting interests across business divisions and brands and, on occasion, with business partners and customers. With this in mind, an important role of an outside director is to ensure that in making decisions the Board of Directors fairly reflects the expectations of all stakeholders as it boldly implements the changes needed for value creation.

Wacoal's approach to business management is becoming increasingly "hands on." Stakeholders expect the Company to establish global competitiveness, heighten profitability, and sustain growth, and accordingly Wacoal must proactively discover and appropriately exploit opportunities for growth investment.

I intend to concentrate my efforts on fulfilling my responsibilities to shareholders and other investors by visiting bases and factories in Japan and overseas to further my understanding of on-site operations, by providing firm support to the senior management team as they advance management strategies, and by offering advice in the making of decisions.