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.

Cash and Cash Equivalents—Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

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

Foreign currency translation gains (losses) for the years ended March 31, 2019, 2018 and 2017 were ¥76 million, ¥(189) million and ¥(175) 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 income or loss, which is a separate component of equity, until realized. Held-to-maturity securities are measured at amortized cost. The Companies classify debt securities as held-to-maturity only if the Companies have the positive intent and ability to hold those securities to maturity. 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. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired on or after April 1, 1998 as well as building improvements and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method based upon the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and structures	2 to 50 years (mainly 38 years)
Machinery and equipment (excluding certain paintings)	2 to 20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2019, 2018 and 2017 were ¥3,538 million, ¥3,681 million and ¥3,443 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. Impairment charges of ¥167 million on property, plant and equipment were included in selling, general and administrative expenses in the consolidated statement of income for the fiscal year ended March 31, 2019. The Companies recorded no impairment charges on long-lived assets for the fiscal years ended March 31, 2018 and 2017.

Goodwill and Other Intangible Assets—Goodwill represents the excess of the purchase price of an acquired entity over the fair value of assets acquired and liabilities assumed.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if conditions indicate an earlier review is necessary. The goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying amount of each reporting unit is compared with its fair value. If the carrying amount of a reporting unit exceeds its fair value, an impairment charge is recognized in an amount equal to that excess. To test for impairment of other intangible assets with indefinite useful lives, the carrying value of an intangible asset is compared with its fair value. If the carrying amount of an intangible asset with indefinite useful life exceeds its fair value, an impairment charge is recognized in an amount equal to that excess.

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

Brands	20 to 25 years (mainly 25 years)
Software	5 years

Asset Retirement Obligations—The Companies have obligations arising from contractual commitments to remove leasehold improvements from leased facilities and return the property to a specified condition when the lease terminates. The Companies recognize asset retirement obligations at the inception of a lease. The asset retirement obligations are measured with an expected present value technique based on historical experience and recorded in other long-term liabilities on the consolidated balance sheets and subsequently adjusted for changes in estimated disposal costs. The difference between the gross expected future cash flow and its present value is accreted over the life of the related lease, which is determined using best estimates because the Companies' lease contracts generally have automatic renewal provisions. The estimated asset retirement costs are capitalized as part of the carrying amount of the associated long-lived asset and depreciated over its useful life.

Termination and Retirement Plans—Termination and retirement benefits are accounted for in accordance with the guidance for retirement benefits. The Companies amortize net actuarial gains and losses and prior service cost over the average employees' remaining service period by the declining-balance method and by the straight-line method, respectively.

Leases—Certain noncancelable leases are classified as capital leases and the leased assets are included as part of property, plant and equipment. Other leases are classified as operating leases and are not capitalized.

Treasury Stock—The Companies account for treasury stock under the cost method and include treasury stock as a component of equity.

Acquisitions—The Companies account for acquisitions using the acquisition method in accordance with the guidance for business combinations. The Companies allocate the purchase price to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition, including intangible assets that can be identified and named. The purchase price in excess of the fair value of the net assets is recorded as goodwill. In the case where the purchase price is below the fair value of the net assets, the Companies recognize the excess of fair value of the net assets over the purchase price in earnings as a gain on bargain purchase in the consolidated statements of income.

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

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, 2019, 2018 and 2017 were ¥12,329 million, ¥12,719 million and ¥12,694 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, 2019, 2018 and 2017 were ¥739 million, ¥781 million and ¥810 million, respectively, and have been included in selling, general and administrative expenses.

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

Income Taxes—The provision for income taxes is determined under the asset and liability method in accordance with the guidance for income taxes. Under this method, deferred tax assets and liabilities are determined for temporary differences between the financial statements and tax bases of assets and liabilities and tax loss carryforwards at presently enacted tax rates. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future.

The Companies assess their income tax positions and record tax benefits for all years subject to examination based upon their evaluation of the facts, circumstances, and information available as of the end of the fiscal year. For those tax positions only where there is greater than a 50% likelihood that the tax position will be sustained, the Companies record the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties related to income taxes are included in the consolidated statements of income.

Share-Based Compensation—Share-based compensation is accounted for in accordance with Accounting Standard Codification 718, "Compensation – Stock Compensation" ("ASC 718"). The Company measures share-based compensation cost at the grant date, based on the fair value of the award and recognizes the cost over the requisite service period, which is the vesting period. The fair value of the award is estimated using the Black-Scholes option-pricing model.

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

Subsequent Events—In accordance with the guidance for subsequent events, the Company has evaluated subsequent events through June 27, 2019.

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

Recent Accounting Pronouncements:

Recently Adopted Accounting Guidance

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance related to revenue recognition. This guidance is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard provides comprehensive guidance, and requires the disclosure of information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued additional guidance and deferred the effective date of the guidance for a year. In May 2016, the FASB also issued additional guidance to improve the above guidance by reducing the potential for diversity in practice upon initial application and the cost and complexity of applying the new guidance both upon transition and on an ongoing basis. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within that annual period. The Company has applied this guidance from the first quarter commencing on April 1, 2018, using the modified retrospective method of adoption to contracts that were not completed as of the adoption. The cumulative effect of applying this guidance was not recognized as adjustment to retained earnings at the beginning of the fiscal year under review as its impact was not material. Due to the adoption of this guidance, liabilities related to returns, which were included in "Allowance for returns and doubtful receivables" under Current Assets through the previous consolidated fiscal year, are classified as "Refund liabilities" under Current Liabilities and rights to recover products from customers as "Return assets" under Current Assets from the current consolidated fiscal year. The adoption of this guidance did not have a material impact on the Company's consolidated balance sheets and statements of income except as set forth above.

Recognition and Measurement of Financial Instruments—In January 2016, the FASB issued new accounting guidance related to recognition and measurement of financial assets and financial liabilities. This guidance requires an entity to measure equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income and change of related disclosures. In February 2018, the FASB issued new accounting guidance related to recognition and measurement of financial assets and financial liabilities. This guidance requires the cumulative effect of equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to reflect their fair values to be adjusted to beginning retained earnings. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company has applied this guidance from the first quarter commencing on April 1, 2018. As a result of this adoption, unrealized gains on equity securities of ¥27,320 million (net of tax), which were recognized under accumulated other comprehensive income (loss) as of the previous fiscal year-end, and unrealized gains on equity securities of ¥514 million (net of tax), which were recorded at cost in the prior years, are now recognized as a cumulative effect adjustment of beginning retained earnings. In addition, an unrealized loss on equity securities of ¥5,495 million recognized during the fiscal year under review was included in "(Loss) gain on sale, exchange and valuation of marketable securities and investments – net" in the consolidated statement of income.

Classification of Certain Cash Receipts and Cash Payments—In August 2016, the FASB issued new accounting guidance related to classification of certain cash receipts and cash payments. This guidance is intended to reduce existing diversity in practice with respect to classification of certain cash receipts and payments in the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within that annual period. The Company has applied this provision from the first quarter commencing on April 1, 2018. The adoption of this guidance did not have a material impact on the Company's balance sheets and statements of income.

Income Taxes—In October 2016, the FASB issued new accounting guidance related to income taxes. This guidance requires an entity to recognize income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within that annual period. The Company has applied this provision from the first quarter commencing on April 1, 2018. The adoption of this guidance did not have a material impact on the Company's balance sheets and statements of income.

Simplifying the Test for Goodwill Impairment—In January 2017, the FASB issued new accounting guidance related to goodwill and other intangible assets. This guidance simplifies the goodwill impairment test by eliminating Step 2 from the test. This guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within that annual period. Early adoption is permitted and the Company has applied this provision from the first quarter commencing on April 1, 2018. The adoption of this guidance did not have a material impact on the Company's balance sheets and statements of income.

Periodic Pension Cost—In March 2017, the FASB issued new accounting guidance related to periodic pension cost and net periodic post retirement benefit cost. This guidance requires an entity to disaggregate the service cost component from the other components of net periodic benefit costs. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within that annual period. The Company has applied this provision from the first quarter commencing on April 1, 2018. The guidance is applied retrospectively for the presentation of the service cost and the other components of net periodic pension costs. The adoption of the guidance decreased operating income by ¥1,040 million and ¥783 million for the years ended March 31, 2018 and 2017, respectively, and increased other (expenses) income by the same amounts. In addition, due to the adoption of this guidance, operating income during the current year decreased by ¥808 million, and other (expenses) income increased by ¥843 million. The adoption of the guidance that only the service cost is eligible for capitalization did not have a material impact on the Company's balance sheets and statements of income.

Recent Accounting Guidance Not Yet Adopted

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

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

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

Disclosure on Defined Benefit Plans—In August 2018, the FASB issued guidance related to disclosure on defined benefit plans. This guidance removes, modifies, and adds the disclosure requirements on defined benefit pension. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within that annual period. The adoption of this guidance did not have a material impact on the Company's balance sheets and statements of income.

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 ¥110.68 to $1, the noon buying rate for Japanese yen in New York City as of March 31, 2019. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the aforementioned 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, 2019 and 2018. The cost, gross unrealized gain and loss, and the fair value by major security type were as follows:

Millions of Yen

2019	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥ 446	¥0	¥1	¥ 445
Noncurrent:				
Corporate debt securities	¥1,124	¥1	¥4	¥1,121

Millions of Yen

2018	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
Municipal bonds	¥ 10	¥ 0		¥ 10
Noncurrent:				
Corporate debt securities	¥464	¥150		¥614
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥967		¥ 8	¥959
Noncurrent:				
Corporate debt securities	¥646		¥12	¥634

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, 2019 and 2018, were as follows:

Millions of Yen

	2019		2018	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities	¥332	¥1	¥424	¥3
Investment:				
Corporate debt securities	¥446	¥3	¥105	¥2

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, 2019 and 2018, were as follows:

Millions of Yen

	2019		2018	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities			¥535	¥ 5
Investment:				
Corporate debt securities	¥228	¥1	¥529	¥10

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 as described in Note 1. 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, 2019 and 2018.

Future maturities of debt securities classified as held-to-maturity securities as of March 31, 2019, were as follows:

Millions of Yen

	Cost	Fair Value
Due within one year	¥ 446	¥ 445
Due after one year through five years	1,124	1,121
Total	¥1,570	¥1,566

There were no realized gains or losses from sales of debt securities classified as available-for-sale during the years ended March 31, 2019 and 2018.

There were no unrealized losses on debt securities classified as available-for-sale for which a decline in fair value was deemed to be other than temporary for the fiscal years ended March 31, 2019 and 2018.

As a result of the conversion of convertible bonds into marketable securities, the Company recorded gains on exchange of marketable securities of ¥140 million for the fiscal year ended March 31, 2019. There was no exchange of marketable securities and investments during the fiscal year ended March 31, 2018.

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

Millions of Yen

	2019
Net losses recognized during the period on equity securities	¥(5,570)
Less: Net losses recognized during the period on equity securities sold during the period	(77)
Unrealized losses recognized during the period on equity securities still held at March 31	¥(5,493)

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES AND SALES RETURNS

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

Millions of Yen

	2019	2018	2017
Balance at the beginning of the year	¥207	¥219	¥196
Charged to expenses	36	28	68
Balances written off/reversed	(14)	(40)	(45)
Balance at the end of the year	¥229	¥207	¥219

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

Millions of Yen

	2018	2017
Balance at the beginning of the year	¥ 2,258	¥ 2,033
Charged to cost	2,252	2,258
Balances utilized	(2,258)	(2,033)
Balance at the end of the year	¥ 2,252	¥ 2,258

5. INVENTORIES

The components of inventories as of March 31, 2019 and 2018 were as follows:

Millions of Yen

	2019	2018
Finished products	¥36,358	¥36,635
Work in process	3,793	3,678
Raw materials	2,357	2,363
Total	¥42,508	¥42,676

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, 2019 and 2018 were as follows:

Percentage of Ownership (%)

Name of Investee	2019	2018
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	24

Aggregate carrying amounts and fair values of investments in affiliated companies that have a quoted market price as of March 31, 2019 and 2018 were as follows:

Millions of Yen

	2019	2018
Carrying amount	¥14,523	¥15,191
Aggregate value of quoted market price	11,075	11,445

The following tables represent the affiliated companies' summarized balance sheets and statements of income as of and for the fiscal years ended March 31, 2019 and 2017. Such information as of and for the fiscal year ended March 31, 2018 was not disclosed as it was immaterial.

Millions of Yen

	2019	2017
Current assets	¥41,929	¥40,589
Noncurrent assets	44,635	41,773
Total	¥86,564	¥82,362
Current liabilities	¥ 8,569	¥ 8,538
Long-term liabilities	7,145	7,366
Equity	70,850	66,458
Total	¥86,564	¥82,362

Millions of Yen

	2019	2017
Net sales	¥63,066	¥59,172
Gross profit	32,105	30,200
Income before income taxes	3,458	5,105
Net income	2,714	4,089

The balance of receivables and payables to affiliated companies as of March 31, 2019 and 2018 was as follows:

Millions of Yen

	2019	2018
Accounts receivable	¥927	¥598
Accounts payable	665	472
Other receivable	286	272

The amounts for transactions with affiliated companies for the fiscal years ended March 31, 2019, 2018 and 2017 were as follows:

Millions of Yen

	2019	2018	2017
Sales	¥3,257	¥2,700	¥1,898
Cost of sales corresponding to sales of material and products	3,175	2,675	1,753
Purchases	5,612	5,744	2,646
Royalties	299	300	263

Dividends received from affiliated companies were ¥514 million, ¥519 million and ¥522 million for the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill—Changes in the carrying amount of goodwill by operating segments for the fiscal years ended March 31, 2019, 2018 and 2017 were as follows.

Millions of Yen

	2019		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Goodwill	¥12,269	¥ 11,203	¥ 23,472
Accumulated impairment charges		(6,878)	(6,878)
Total	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:			
Goodwill	11,954	11,203	23,157
Accumulated impairment charges		¥(11,203)	(11,203)
Total	¥11,954		¥ 11,954

Millions of Yen

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

Millions of Yen

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

The Company recorded impairment charges on goodwill of ¥4,325 million for the Peach John Business in the fiscal year ended March 31, 2019, which was included in operating costs and expenses of the Peach John Business. The Company recorded impairment charges on goodwill of ¥206 million for A Tech in the fiscal year ended March 31, 2018, which was included in operating costs and expenses of the Wacoal Business (Overseas). During the fiscal year ended March 31, 2017, the Companies recorded no impairment charge on goodwill. See Note 19 for further information about measurement of fair value.

Other Intangible Assets—The components of intangible assets excluding goodwill as of March 31, 2019 and 2018 were as follows:

Millions of Yen

Years Ended March 31	2019		2018	
	Gross Carrying Amount	Accumulated Amortization and Impairment Charges	Gross Carrying Amount	Accumulated Amortization and Impairment Charges
Amortized intangible assets:				
Brands	¥ 6,058	¥ 1,899	¥ 6,219	¥1,671
Software	14,060	7,542	11,777	6,434
Others	1,732	868	1,703	805
Total	¥21,850	¥10,309	¥19,699	¥8,910
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥ 4,636	¥ 5,316	¥3,322
Other	76		76	
Total	¥ 5,392	¥ 4,636	¥ 5,392	¥3,322

Other intangible assets acquired during the years ended March 31, 2019, 2018 and 2017 totaled ¥3,266 million, ¥2,569 million and ¥1,941 million, respectively, which primarily consist of software with an estimated useful life of five years.

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

During the fiscal year ended March 31, 2019, the Companies recorded impairment charges on the trademark of Peach John of ¥1,314 million, which was included in operating costs and expenses of the Peach John Business. In addition, the Companies recorded ¥195 million of impairment charges on software of Ai, which was included in operating expenses of the Wacoal Business (Domestic). During the fiscal years ended March 31, 2018 and 2017, the Companies recorded no impairment charge on other intangible assets. See Note 19 for further information.

Aggregate amortization expenses for the fiscal years ended March 31, 2019, 2018 and 2017 related to other intangible assets were ¥2,109 million, ¥1,811 million and ¥1,589 million, respectively. Future estimated amortization expenses as of March 31, 2019 were as follows:

Years Ending March 31	Millions of Yen
Estimated amortization expenses	
2020	¥1,977
2021	1,885
2022	1,673
2023	1,385
2024	941
Total	¥7,861

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

Short-term bank loans as of March 31, 2019 and 2018 consisted of the following:

Millions of Yen

	2019	2018
Unsecured bank loans	¥8,116	¥7,104

The weighted-average annual interest rates on short-term bank loans as of March 31, 2019 and 2018 were 0.2% and 0.3%, respectively.

Unused lines of credit for short-term financing as of March 31, 2019 and 2018 were aggregated to ¥22,935 million and ¥23,511 million, respectively.

Long-term debt as of March 31, 2019 and 2018 is summarized below. The interest rates and maturities were for loans as of March 31, 2019.

Millions of Yen

	2019	2018
Collateralized bank loans, with fixed interest at 0.6%, maturing through 2022	¥ 55	¥ 75
Unsecured bank loans, with fixed interest at 0.4%, maturing through 2022	83	113
Total	138	188
Less current portion of long-term portion	(50)	(50)
Long-term debt, less current portion	¥ 88	¥138

The annual maturities of long-term debt as of March 31, 2019 were as follows:

Years Ending March 31	Millions of Yen
2020	¥ 50
2021	50
2022	38
Total	¥138

A subsidiary has pledged assets as security for loans. As of March 31, 2019 and 2018, assets pledged as collateral for bank loans were as follows:

Millions of Yen

	2019	2018
Land	¥150	¥150
Buildings	169	191
Total	¥319	¥341

As is customary in Japan, both short-term and long-term loans are made under general agreements that 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.

9. LEASES

The Companies lease most of their store premises and certain equipment. Most leases have automatic renewal provisions and allow the Companies to extend the lease term beyond the initial base period, subject to the terms agreed at lease inception. Future minimum rental commitments on operating leases as of March 31, 2019 were presented below:

Years Ending March 31	Millions of Yen
2020	¥ 695
2021	652
2022	497
2023	454
2024	454
Thereafter	2,266
Total	¥5,018

Rental expenses were ¥8,062 million, ¥7,830 million and ¥7,862 million for the years ended March 31, 2019, 2018 and 2017, respectively, and have been included in selling, general and administrative expenses.

10. 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

	2019	2018	2017
Balance at the beginning of the year	¥ 825	¥855	¥ 878
Accretion expense	2	1	2
Liabilities incurred	92	62	84
Liabilities settled	(106)	(91)	(111)
Change due to translation of foreign currencies	0	(2)	2
Balance at the end of the year	¥ 813	¥825	¥ 855

11. 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

	2019	2018	2017
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥34,580	¥34,935	¥35,777
Service cost	1,196	1,086	1,103
Interest cost	178	205	183
Participants' contributions	62	63	65
Actuarial gain (loss)	4,937	432	(509)
Prior service cost arising during the year			271
Benefits paid from plan assets	(961)	(1,007)	(958)
Settlement paid from plan assets	(976)	(1,003)	(865)
Settlement paid by the Company and certain subsidiaries	(339)	(138)	(125)
Changes in foreign currency exchange rates	4	7	(7)
Benefit obligations at the end of the year	38,681	34,580	34,935
Change in plan assets:			
Fair value of plan assets at the beginning of the year	¥42,736	¥43,203	¥42,156
Actual return on plan assets	(846)	878	2,176
Employer contributions	657	612	633
Participants' contributions	62	63	65
Benefit payments	(961)	(1,007)	(958)
Settlement payments	(976)	(1,003)	(865)
Changes in foreign currency exchange rates	8	(10)	(4)
Fair value of plan assets at the end of the year	40,680	42,736	43,203
Funded status at the end of the year	¥ 1,999	¥ 8,156	¥ 8,268

Amounts recognized on the consolidated balance sheets as of March 31, 2019 and 2018 consist of:

Millions of Yen

	2019	2018
Prepaid pension expense	¥ 3,990	¥10,178
Other current liabilities	(163)	(170)
Liability for termination and retirement benefits	(1,828)	(1,852)
Total	¥ 1,999	¥ 8,156

Amounts recognized in accumulated other comprehensive income as of March 31, 2019 and 2018 were as follows:

Millions of Yen

	2019	2018
Actuarial loss	¥(6,820)	¥(35)

The accumulated benefit obligations for all defined retirement benefit plans as of March 31, 2019 and 2018 were as follows:

Millions of Yen

	2019	2018
Accumulated benefit obligations	¥38,531	¥34,580

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

Millions of Yen

	2019	2018
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥2,856	¥2,838
Fair value of plan assets	865	815
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	2,856	2,838
Fair value of plan assets	865	815

Net periodic benefit costs for certain subsidiaries' of the Company plans consisted of the following for the years ended March 31, 2019, 2018 and 2017:

Millions of Yen

	2019	2018	2017
Service cost	¥ 1,196	¥1,086	¥1,103
Interest cost	178	205	183
Expected return on plan assets	(1,007)	(991)	(967)
Amortization of actuarial loss (gain)	5	(157)	213
Amortization of prior service benefits		(121)	(215)
	¥ 372	¥ 22	¥ 317

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, 2019, 2018 and 2017 were as follows:

Millions of Yen

	2019	2018	2017
Actuarial (loss) gain	¥(6,790)	¥(545)	¥1,718
Amortization of actuarial loss (gain)	5	(157)	213
Prior service cost arising during the year			(271)
Amortization of prior service benefits		(121)	(215)
	¥(6,785)	¥(823)	¥1,445

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

	Millions of Yen
Actuarial loss	¥1,185

Certain subsidiaries of the Company use a measurement date of March 31 for their plans. The weighted-average assumptions used as of March 31, 2019 and 2018 in computing the benefit obligations shown above were as follows:

	2019	2018
Discount rate	0.5%	0.5%

The weighted-average assumptions used as of March 31, 2019, 2018 and 2017 in computing the net periodic benefit costs shown above were as follows:

	2019	2018	2017
Discount rate	0.5%	0.6%	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%

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, 2019 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, 2019 and 2018 was as follows:

	2019	2018
Equity securities	42.3%	41.1%
Debt securities	34.9%	37.2%
Life insurance company general accounts	9.7%	10.3%
Real estate	3.4%	3.2%
Other short-term investments	9.7%	8.2%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2019 and 2018 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, 2019 and 2018. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value. For references to each level, see Note 19.

Millions of Yen

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

Millions of Yen

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

(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 50% Japanese companies and 50% foreign companies as of March 31, 2019 and 52% and 48%, respectively, as of March 31, 2018.
(c) This class includes approximately 79% of foreign government bond and 21% of corporate bond investments as of March 31, 2019 and 73% and 27%, respectively, as of March 31, 2018.
(d) This class consists of hedge funds that invest in both long- and short-term debt securities and equity securities as of March 31, 2019 and 2018.
(e) This class includes approximately 34% of corporate bonds, 1% of common stock of Japanese companies, 30% of common stock of foreign companies, 20% of real estate and 15% of other short-term investments as of March 31, 2019. This class includes approximately 34% of corporate bonds, 4% of common stock of Japanese companies, 16% of common stock of foreign companies, 26% of real estate, and 20% of other short-term investments as of March 31, 2018.

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 ¥572 million to their plans in the fiscal year ending March 31, 2020.

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

Years Ending March 31	Millions of Yen
2020	¥ 2,335
2021	2,220
2022	2,161
2023	2,349
2024	2,094
Thereafter	10,825

Defined Contribution Plan—Certain subsidiaries of the Company have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥394 million, ¥327 million and ¥249 million for the years ended March 31, 2019, 2018 and 2017, respectively.

Employee Early Retirement Program—The Company and certain subsidiaries of the Company provide additional benefits to employees that elect to participate in certain subsidiaries' of the Company early retirement program. Retirement benefits of ¥230 million, ¥210 million and ¥143 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2019, 2018 and 2017, 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 ¥349 million and ¥348 million as of March 31, 2019 and 2018, 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.

12. 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, 2019, 2018 and 2017. The Company believes that such awards better align the interests of its directors with those of its shareholders by sharing both risk and return from fluctuations in stock prices and giving motivation to enhance corporate value. Each stock option is exercisable to acquire 100 shares of the Company's common stock at ¥1 per share (for stock option granted prior to September 1, 2017, it is exercisable to acquire 500 shares of the Company's common stock). The compensation cost is measured at fair value on the grant date. Options vest over one year in proportion to the services rendered by the directors, and are exercisable from the day after the date of retirement up to (i) 20 years from the grant date or (ii) 5 years from the day after the date of retirement, whichever is earlier.

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

Expected dividend yield is based on the actual payout of dividends in the last fiscal year and the closing price of the Company's common stock on the grant date. Expected volatility is based on the historical volatility of the Company's share price over the most recent period commensurate with the expected term of the Company's stock options. The risk-free interest rate is based on the Japanese government bond yield curve in effect at the time of grant for a period commensurate with the expected term of the Company's share options. The expected term of options granted is based on the average remaining service period of directors, assuming that those who are granted options will render service until the stated retirement and they will exercise options immediately after their retirement.

	2019	2018	2017
Expected dividend yield	**2.2%**	2.3%	2.9%
Expected volatility	**24.6%**	23.7%	25.1%
Risk-free interest rate	**(0.1)%**	(0.2)%	(0.2)%
Expected term	**3.7 years**	3.4 years	2.5 years

A summary of stock option activities under the plan for the years ended March 31, 2019 and 2018 is as follows:

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

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

The total intrinsic value of options exercised was ¥33 million, ¥16 million and ¥69 million as of the years ended March 31, 2019, 2018 and 2017, respectively.

The total compensation costs recognized for the years ended March 31, 2019, 2018 and 2017 were ¥62 million, ¥68 million and ¥74 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2019, 2018 and 2017 were ¥19 million, ¥21 million and ¥23 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2019, 2018 and 2017 were ¥3,005, ¥2,918 and ¥2,088, respectively.

As of March 31, 2019, 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.

13. 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.

14. OTHER COMPREHENSIVE INCOME (LOSS)

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

Millions of Yen

	2019			2018		
	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)	¥2,274	¥ 27,424	¥(1,101)	¥1,212	¥21,075	¥ (414)
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03 (Note 1)		(27,320)				
Amount arising during the year:						
Pre-tax amount	(795)	(10)	(6,866)	1,158	9,309	(655)
Tax credit	45	3	2,079	(45)	(2,815)	168
Net amount	(750)	(7)	(4,787)	1,113	6,494	(487)
Reclassification adjustments:						
Pre-tax amount		(140)	202		(201)	(278)
Tax credit		43	(2)		62	85
Net amount		¥ (97)	200		(139)	(193)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	27		9	(51)	(6)	(7)
Balance at the end of the year (after-tax)	¥1,551		¥(5,679)	¥2,274	¥27,424	¥1,101

Millions of Yen

	2017		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥ 5,177	¥17,966	¥(1,035)
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03 (Note 1)			
Amount arising during the year:			
Pre-tax amount	(4,109)	4,905	1,062
Tax credit	30	(1,492)	(443)
Net amount	(4,079)	3,413	619
Reclassification adjustments:			
Pre-tax amount		(438)	(2)
Tax credit		134	1
Net amount		(304)	(1)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	114	(0)	3
Balance at the end of the year (after-tax)	¥ 1,212	¥21,075	¥ (414)

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in "(Loss) gain on sale, 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 net periodic benefit costs.

15. 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, 2019, 2018 and 2017:

	2019	2018	2017
Normal Japanese effective statutory tax rates	30.6%	30.9%	30.9%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	22.9	3.0	2.4
Change in valuation allowance	25.5	2.8	3.1
Undistributed earnings of associated companies	3.9	0.7	(2.1)
Differences in foreign subsidiaries' tax rate	(27.3)	(1.3)	(0.5)
Tax exemption	(2.9)	(0.9)	(0.4)
Unrecognized tax benefits	1.4	(0.1)	(1.8)
Impairment losses on goodwill	60.1	0.1	
Changes in Japanese income tax rates	(0.4)	2.0	0.2
Other – net	1.2	1.6	0.1
Effective tax rates	115.0%	38.8%	31.9%

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

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2019 and 2018 was as follows:

Millions of Yen

	2019		2018	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for returns			¥ 600	
Refund liabilities	¥ 963			
Allowance for doubtful receivables	9		15	
Accruals not currently deductible	226		213	
Inventory valuation	837		840	
Accrued bonuses	990		999	
Impairment charges on marketable securities and investments			934	
Advanced depreciation on property, plant and equipment		¥ 1,912		¥ 1,981
Undistributed earnings of associated companies		2,400		2,355
Net unrealized gain on marketable securities and investments		10,394		13,443
Net realized gain on exchange of investments		792		818
Capitalized supplies	172		175	
Enterprise taxes	245		216	
Accrued vacation	739		727	
Asset retirement obligation	250		255	
Prepaid pension expense		357		2,402
Liability for termination and retirement benefit	430		479	
Return assets		361		
Property, plant and equipment	1,393		1,370	
Tax loss carryforwards	1,838		1,861	
Intangible assets		1,261		1,762
Other temporary differences	602	245	382	5
Total	8,694	17,722	9,066	22,766
Valuation allowance	(2,177)		(2,337)	
Total	¥ 6,517	¥17,722	¥ 6,729	¥22,766

The valuation allowance decreased by ¥160 million and increased by ¥492 million for the years ended March 31, 2019 and 2018, respectively.

The Companies also utilized ¥661 million and ¥333 million of tax loss carryforwards, and recognized tax benefits of ¥215 million and ¥87 million for the years ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, certain subsidiaries had tax loss carryforwards that are available to offset future taxable income of such subsidiaries and expire as follows:

Years Ending March 31	Millions of Yen
2020	¥ 795
2021	220
2022	400
2023	532
2024	390
2025	70
2026	660
2027	585
2028	36
2029	1,075
Thereafter	1,765
Total	¥6,528

There was no portion of undistributed earnings of foreign subsidiaries and foreign corporate joint ventures that was deemed to be permanently reinvested as of March 31, 2019 and 2018.

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

Millions of Yen

	2019	2018	2017
Balance at the beginning of the year	¥ 5	¥4	¥ 300
Additions based on tax positions related to the current year	60	1	1
Additions based on tax positions related to previous years	36		
Reductions for tax positions of previous years			(297)
Balance at the end of the year	¥101	¥5	¥ 4

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥101 million, ¥5 million and ¥4 million as of March 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017 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, 2016, 2010 and 2007 were completed.

16. REVENUE

The Group focuses on sales of innerwear (women's foundation garments and lingerie, nightwear and children's underwear), sportswear, and other textile products and related products ("products"), and our customers include retail and wholesale distributors and consumers in Japan and overseas. See Note "22. Segment Information" for revenue information for each segment, by each product and service, and by geographic area.

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

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

Contract liabilities from contracts with customers consist mainly of customer loyalty points. Some subsidiaries have customer loyalty programs as part of their promotion and provide loyalty points to 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 year are recorded as contract liabilities, which are estimated based on actual redemption amounts from the previous fiscal year. Contract liability is included in other current liabilities, and the amount of contract liabilities as of March 31, 2019 and 2018 are as follows:

Millions of Yen

	2019	2018
Contract liabilities	¥873	¥542

Revenue recognized for the fiscal year ended March 31, 2019, which had been included in the contract liabilities balance at March 31, 2018, was ¥324 million.

17. EARNINGS PER SHARE

Basic net income attributable to Wacoal Holdings Corp. per share has been computed by dividing net income attributable to Wacoal Holdings Corp. by the weighted-average number of common shares outstanding during each year. Diluted net income attributable to Wacoal Holdings Corp. per share assumes the dilution that would occur if share-based options to issue common stock were exercised.

The weighted-average number of common shares outstanding used in the computations of basic net income attributable to Wacoal Holdings Corp. per share was 66,143,405 shares, 67,928,557 shares and 69,483,315 shares for the fiscal years ended March 31, 2019, 2018 and 2017, 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 66,393,127 shares, 68,157,430 shares and 69,696,631 shares for the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

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

18. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments as of March 31, 2019 and 2018 were as follows:

Millions of Yen

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities	¥ 446	¥ 445	¥ 1,567	¥ 1,559
Investments	63,372	63,369	68,057	68,045
Total assets	¥63,818	¥63,814	¥69,624	¥69,604
Liabilities:				
Long-term debt including current portion	¥ 138	¥ 138	¥ 188	¥ 188
Total liabilities	¥ 138	¥ 138	¥ 188	¥ 188

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 19.

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 19.

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

Limitations—Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Concentration of Credit Risk—The Companies' business consists primarily of sales of women's intimate apparel to a large number of diverse customers in the Japanese retail industry, which include well-established department stores, general merchandise stores, and other general retailers and specialty stores.

19. FAIR VALUE MEASUREMENTS

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

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

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

Level 3—Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and 2018 were as follows:

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

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

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 that 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, etc., as inputs or other appropriate valuation methods.

The table below shows the change in assets presented in Level 3 that are continuously assessed at fair value as of March 31, 2019:

Millions of Yen

	2019
Balance at the beginning of the year	¥2,002
Total gains or losses for the period:	
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net	84
Purchase	201
Balance at the end of the year	¥2,287

Assets Measured at Fair Value on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis as of March 31, 2019 and 2018 were as follows:

Millions of Yen

2019	Level 1	Level 2	Level 3	Total	Impairment Losses
Buildings and structures					¥ (43)
Machinery and equipment					(124)
Goodwill (Note 7)					(4,325)
Trademarks (Note 7)			¥680	¥680	(1,314)
Software (Note 7)					(195)
					¥(6,001)

Millions of Yen

2018	Level 1	Level 2	Level 3	Total	Impairment Losses
Goodwill (Note 7)					¥(206)
					¥(206)

As of March 31, 2019, the carrying amount of A Tech's machinery was fully written off, resulting in an impairment charge of ¥105 million, which is included as a charge to earnings for the fiscal year ended March 31, 2019. The impairment arose due to the close of the unprofitable business and the assets associated with it are considered to be non-recoverable. In addition, all the carrying amounts of Ai's buildings, equipment, and software were written off resulting in impairment charges of ¥43 million, ¥19 million, and ¥195 million, respectively. To measure their fair values, the Companies used the expected present value of future cash flows and the prices calculated based on market data for comparable assets 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 March 31, 2018, all the carrying amount of A Tech's goodwill was written off, resulting in an impairment charge of ¥206 million, which is included as a charge to earnings for the fiscal year ended March 31, 2018. 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 expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

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

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

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

Quantitative information regarding Level 3 fair value measurements:
Information about valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value for the fiscal year ended March 31, 2019 is as follows:

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

20. DERIVATIVE INSTRUMENTS

Risk Management Policy—The Companies are exposed to the risk of changes in foreign currency exchange rates. Derivative instruments are used to manage such risk. Derivative instruments are used based on Company policy and administrative provisions. There were no derivative instruments used for the purpose of speculative trading. The Companies consider the related credit risk to be low since these derivative instruments are provided by financial institutions with international credibility.
Foreign Exchange Risk—Assets and liabilities denominated in foreign currencies, which are primarily related to international business, are exposed to the risk of changes in foreign currency exchange rates. Foreign exchange contracts 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, 2019 and 2018 were as follows:

Millions of Yen

	2019	2018
Foreign currency exchange	¥1,837	¥1,598
Currency swaps	663	328

The amounts of derivative instruments at fair value on the consolidated balance sheets as of March 31, 2019 and 2018 were as follows:

Millions of Yen

	Balance Sheet Location	2019	2018
Assets:			
Foreign currency exchange	Other current assets	¥27	¥ 6
Liabilities:			
Foreign currency exchange	Other current liabilities	¥18	¥13
Currency swaps	Other current liabilities	36	31

The effect of derivative instruments in the consolidated statements of income for the fiscal years ended March 31, 2019, 2018 and 2017 was as follows:

Millions of Yen

	Statements of Income Location	2019	2018	2017
Foreign currency exchange	Other – net	¥45	¥ 60	¥295
Currency swaps	Other – net	(5)	(31)	

21. GAIN ON SALE OF ASSETS PREVIOUSLY CLASSIFIED AS HELD FOR SALE

The Companies sold land, located at the sold Nagoya branch, on April 27, 2016 to make effective use of resources because it was unlikely that the Companies would use this site for future business.

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

22. SEGMENT INFORMATION

Operating Segment Information

The Companies have three reportable segments: "Wacoal Business (Domestic)," "Wacoal Business (Overseas)," and "Peach John," which are based on their locations and brands. These segments represent components of the Companies for which separate financial information is available and for which operating income (loss) is reviewed regularly by the chief operating decision-maker in deciding how to allocate the Companies' resources and in assessing their performance. The accounting policies used for these reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

The "Wacoal Business (Domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear, and children's innerwear), outerwear, sportswear, and hosiery. The "Wacoal Business (Overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear, and children's innerwear), outerwear, sportswear, and other textile-related products. The "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, and nightwear), outerwear, and other textile-related products, which are sold under the *Peach John* brand. "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 fiscal years ended March 31, 2019, 2018 and 2017 is as follows:

Millions of Yen

2019	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥113,400	¥53,100	¥10,491	¥17,210		¥194,201
Intersegment	905	10,121	1,083	5,543	¥(17,652)	
Total	114,305	63,221	11,574	22,753	(17,652)	194,201
Operating costs and expenses:						
Operating costs and expenses	104,286	57,055	11,400	22,752	(17,652)	177,841
Depreciation and amortization	3,499	1,585	394	169		5,647
Impairment charges on goodwill			4,325			4,325
Impairment charges on other intangible assets	195		1,314			1,509
Total	107,980	58,640	17,433	22,921	(17,652)	189,322
Operating income (loss)	6,325	4,581	(5,859)	(168)		4,879
Total assets and capital expenditures:						
Total assets	249,141	78,912	8,038	17,395	(71,719)	281,767
Capital expenditures	3,382	1,837	494	70		5,783

Millions of Yen

2018	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥116,085	¥51,888	¥10,795	¥16,957		¥195,725
Intersegment	1,051	10,180	1,281	5,283	¥(17,795)	
Total	117,136	62,068	12,076	22,240	(17,795)	195,725
Operating costs and expenses:						
Operating costs and expenses	106,822	56,504	11,290	21,712	(17,795)	178,533
Depreciation and amortization	3,469	1,506	345	172		5,492
Impairment charges on goodwill		206				206
Total	110,291	58,216	11,635	21,884	(17,795)	184,231
Operating income	6,845	3,852	441	356		11,494
Total assets and capital expenditures:						
Total assets	260,582	77,374	13,825	18,261	(71,508)	298,534
Capital expenditures	3,649	1,752	365	118		5,884

Millions of Yen

2017	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥118,389	¥48,423	¥11,107	¥17,962		¥195,881
Intersegment	1,098	9,236	1,006	5,947	¥(17,287)	
Total	119,487	57,659	12,113	23,909	(17,287)	195,881
Operating costs and expenses:						
Operating costs and expenses	110,063	53,320	11,427	23,044	(17,287)	180,567
Depreciation and amortization	3,248	1,284	312	188		5,032
Total	113,311	54,604	11,739	23,232	(17,287)	185,599
Operating income	6,176	3,055	374	677		10,282
Total assets and capital expenditures:						
Total assets	259,531	77,313	11,882	18,684	(72,452)	294,958
Capital expenditures	5,233	1,799	355	58		7,445

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

The Companies account for intersegment sales and transfers at cost plus a markup. Operating income (loss) represents net sales less operating costs and expenses.

Products and Services Information

Net sales information by product and service for the fiscal years ended March 31, 2019, 2018 and 2017 is as follows:

Millions of Yen

	2019	2018	2017
Innerwear:			
Foundation and lingerie	¥146,525	¥146,970	¥145,188
Nightwear	8,296	8,758	9,154
Children's underwear	1,213	1,376	1,429
Subtotal	156,034	157,104	155,771
Outerwear/sportswear and others	¥ 14,733	¥ 16,128	¥ 17,189
Hosiery	1,881	1,983	2,235
Other textile goods and related products	9,428	8,907	9,346
Others	12,125	11,603	11,340
Total	¥194,201	¥195,725	¥195,881

Geographic Information

Information by major geographic area as of and for the fiscal years ended March 31, 2019, 2018 and 2017 is as follows:

Millions of Yen

	2019	2018	2017
Net sales:			
Japan	¥140,189	¥143,196	¥147,061
Asia and Oceania	22,509	21,057	19,187
Americas and Europe	31,503	31,472	29,633
Consolidated	¥194,201	¥195,725	¥195,881
Long-lived assets:			
Japan	¥ 45,257	¥ 46,367	¥ 47,452
Asia and Oceania	4,810	4,916	4,661
Americas and Europe	3,203	3,050	3,175
Consolidated	¥ 53,270	¥ 54,333	¥ 55,288

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.

23. SUBSEQUENT EVENTS

(Purchase of Treasury Stock)
On May 15, 2019, the Board of Directors resolved to purchase treasury stock as described below pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act as follows.

a. Reason for Purchase:
To return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment

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

c. Total Number of Shares to Be Purchased:
1,900,000 shares (at maximum)

d. Total Amount to Be Purchased:
¥5,000 million (at maximum)

e. Purchase Period:
From May 16, 2019 through December 31, 2019

(Cancellation of Treasury Stock)
On May 15, 2019, the Board of Directors resolved to retire treasury stock as described below pursuant to the provisions of Article 178 of the Companies Act as follows.

a. Type of Shares to Be Retired:
Common stock of the Company

b. Total Number of Shares to Be Retired:
2,100,000 shares

c. Date for Retirement:
May 24, 2019

(Dividend Declaration)
On May 15, 2019, the Board of Directors resolved to pay a cash dividend of ¥180 per 5 shares of common stock to holders of record as of March 31, 2019 (aggregate amount of ¥2,346 million).

Independent Auditors' Report

Deloitte.

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

We have audited the accompanying consolidated financial statements of Wacoal Holdings Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2019 (all expressed in Japanese yen), and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and its subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audit for the year ended March 31, 2019 also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. The translation of the financial statement amounts into U.S. dollars has been made solely for the convenience of readers outside of Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditors' Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Securities Report as information for readers.

Deloitte Touche Tohmatsu LLC

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited

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

NOTE TO READERS

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

There are differences between management's assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management's assessment of ICFR under FIEA, there is detailed guidance on the scope of management's assessment of ICFR, such as quantitative guidance on business unit selection and/or account selection. In management's assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure of the scope of the assessment of internal control over business processes, we designated the business units that accounted for approximately two-thirds of the aggregated sales for the previous fiscal year on a consolidated basis as "significant business units" which should be subject to management's assessment of the process-level controls.

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

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

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

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

The assessment of ICFR was performed as of March 31, 2019. The assessment was performed in accordance with assessment standards for ICFR generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and, based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls.

We determined the required scope of the assessment of ICFR for the Company, as well as its consolidated subsidiaries and equity method affiliated companies, from the perspective of the materiality that may affect the reliability of our financial reporting. We determined the materiality that may affect the reliability of the financial reporting taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of the assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity method affiliated companies. We did not include those consolidated subsidiaries and equity method affiliated companies which do not have any quantitatively or quantitatively material impact on the consolidated financial statements in the scope of the assessment of company-level controls.

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

At the selected significant business units, we included in the scope of our assessment those business processes leading to sales or accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope assessment the following as business processes with greater materiality considering their impact on financial reporting:
(1) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and (2) those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Relating to the Results of Assessment
As a result of the assessment above, we concluded that our ICFR was effective as of March 31, 2019.

4. Supplementary Matters
Not applicable.

5. Special Information
Not applicable.

Independent Auditors' Report

Deloitte.

NOTE TO READERS:

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

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also, in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business unit selection and/or account selection. In an audit of ICFR under attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately 70% of total assets on a consolidated basis and income before income taxes on a consolidated basis for the selection of significant business units.

(TRANSLATION)

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Wakyu Shinmen

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hiroaki Sakai

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Seiichiro Nakashima

To the Board of Directors of Wacoal Holdings Corp.

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2019 of Wacoal Holdings Corp. and its consolidated subsidiaries (the "Company"), and the consolidated statements of income, comprehensive income, equity and cash flows for the fiscal year from April 1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No. 11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and its consolidated subsidiaries as of March 31, 2019, and the results of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2019.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Wacoal Holdings Corp. and its consolidated subsidiaries as of March 31, 2019 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited