


Corporate Governance

Basic Policy and Purpose

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

 Corporate Governance Guidelines  
[https://www.wacoalholdings.jp/group/files/governance\\_guideline\\_en.pdf](https://www.wacoalholdings.jp/group/files/governance_guideline_en.pdf)

Corporate Governance Structure

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

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

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

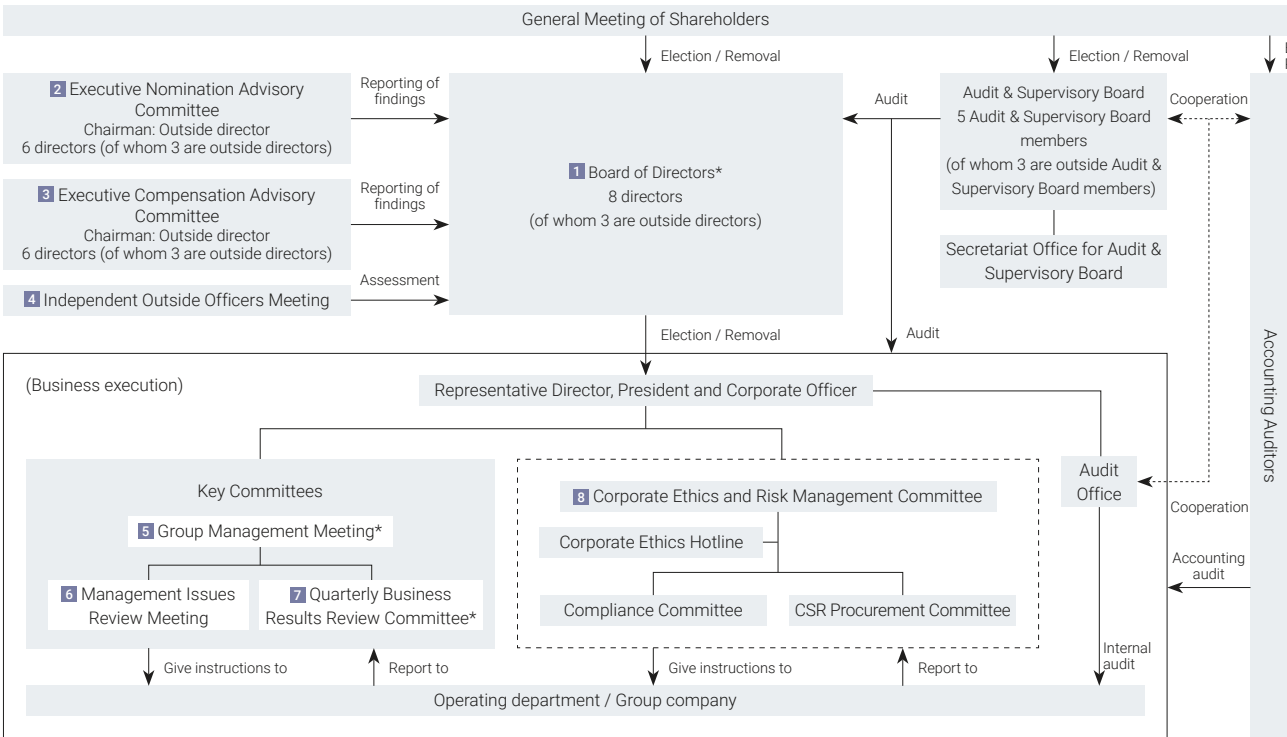
Comprising five Audit & Supervisory Board members, three of whom are outside members, the Audit & Supervisory Board supervises and audits business management. Also, the Group has established the Office of Corporate Auditors, which audits and monitors the appropriateness and efficiency of the operational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

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

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

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

Corporate Governance Structure



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

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

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

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

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

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

Audit & Supervisory Board Members

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

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

Measures to Strengthen the Effectiveness of Corporate Governance

Analysis and Assessment through the Independent Outside Officers Meeting

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

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

	FY2018	FY2019	FY2020
Issues identified	1. Need for increased sharing of information with outside directors and Audit & Supervisory Board members about important matters that are not subject to deliberations by the Board of Directors, such as matters submitted to the Group Management Meeting	1. Need for revision of both the regulations of the Board of Directors and the establishment of agenda items in order to extend the scope of responsibilities entrusted to corporate officers and to increase the opportunities for reporting on agenda items that require continuous confirmation of progress 2. Need to consider making meeting documents paperless	1. Need to conduct on-site inspections of factories, stores, and other facilities to further understanding of the Group's businesses 2. Need to facilitate constructive discussions of growth strategies by providing opportunities that enable understanding of brand merchandising strategies
Improvement measures	1. Modified administrative systems to ensure that information about important matters that are not subject to deliberations by the Board of Directors is distributed together with materials in advance of Board meetings	1. Revised regulations on the submission of agenda items to the Board of Directors and revised the establishment of agenda items 2. Made documents used by the Group Management Meeting and the Board of Directors paperless	1. Considered organizing on-site inspections of stores that have introduced 3D body scanners and other facilities 2. Considered the establishment of an inspection program for newly appointed outside directors with the aim of cultivating understanding of the Group's businesses

Outside Directors and Outside Audit & Supervisory Board Members

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

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



Criteria to Ensure the Independence of Outside Officers  
[https://www.wacoalholdings.jp/group/files/governance\\_outsidedirectors\\_en.pdf](https://www.wacoalholdings.jp/group/files/governance_outsidedirectors_en.pdf)

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

Outside directors	Reason for election	Expected field of expertise and knowledge	Attendance at Board of Directors' meetings
Madoka Mayuzumi	As a haiku poet, Madoka Mayuzumi has made wide-ranging contributions to the fields of art and culture in Japan and overseas. Her expertise and experience is expected to contribute to our efforts to realize business management that emphasizes diversity, making her an appropriate outside director for the Group.	Art, culture, and social insight	13/13
Shigeru Saito	It is anticipated that Shigeru Saito will enhance management supervisory functions by providing input from various perspectives based on his extensive knowledge and experience as a representative director of another company.	Corporate management, operational management, and international insight	13/13
Tsunehiko Iwai	In addition to his extensive knowledge and experience as a business manager, Tsunehiko Iwai can also be expected to contribute to management using his specialist knowledge relating to research, production, and various fields of technology.	Corporate management, operational management, law and compliance, and international insight	13/13

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

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

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

Compensation of Officers

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

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



• Basic Compensation

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

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

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

Compensation of Officers in FY2020

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

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

and assigns one employee to operate the secretariat.

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

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

• Performance-Based Bonuses

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

• Share-Based Stock Options

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

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

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

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

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

## Policy on Strategic Shareholdings and Standards for Exercising Voting Rights

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

## Internal Control

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

## Compliance and Risk Management Structure

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

## Compliance Structure

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

of or reduces strategic shareholdings whose significance has lessened.

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

Reference: Shareholdings of Wacoal Corp.

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

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

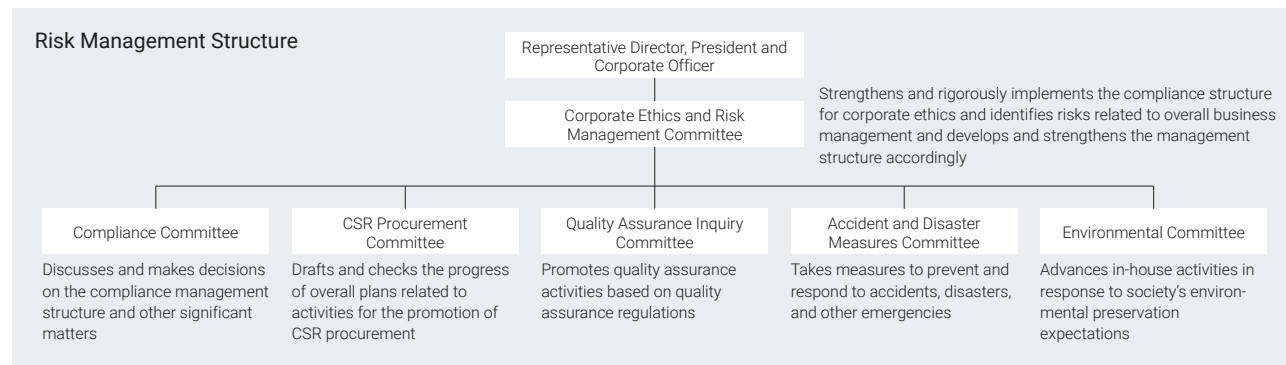
Further, the Office of Corporate Auditors comprises 11 personnel and holds monthly report verification meetings with Audit & Supervisory Board members. These meetings primarily verify reports on the main points of meetings that Audit & Supervisory Board members attend and report on the activities of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

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

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

## Risk Management Structure

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



## Risk Management during the COVID-19 Pandemic

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

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

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

## Basic Policy on Information Disclosure

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

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

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

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



Basic Policy on Constructive Dialogue with Shareholders  
[https://www.wacoalholdings.jp/en/sustainability/talk\\_with\\_stockholder/](https://www.wacoalholdings.jp/en/sustainability/talk_with_stockholder/)

## Investor Relations Activities

The following investor relations activities were conducted in FY2020.

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