Management's Discussion and Analysis

Wacoal Holdings Corp. and Subsidiaries

Financial information contained in this section is based on the consolidated financial statements included in this integrated report, prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP).

The Wacoal Group consists of one holding company (the Company), 58 consolidated subsidiaries, and seven equity-method affiliates. The Wacoal Group manufactures, wholesales, and—for certain products—retails women's foundation garments and lingerie, nightwear, children's underwear, outerwear and sportswear, hosiery, and other textile products. Other operations include restaurant businesses, cultural and service-related operations, and the construction of interiors for commercial premises.

OVERVIEW

We are a leading designer, manufacturer, and marketer in Japan of women's intimate apparel, with the largest share of the Japanese market for foundation garments and lingerie. Foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips, and women's briefs) accounted for 77.6% of our consolidated net sales for fiscal 2020. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile goods, and provide several other services.

OVERVIEW OF STATUS OF BUSINESS PERFORMANCE, ETC.

Status of Financial Position and Operation Results Status of Financial Position

Total assets at the end of fiscal 2020 was ¥277,688 million, a decrease of ¥4,079 million as compared to the end of the previous fiscal year, mainly due to a decrease in investments resulting from decrease in market value.

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

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

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

Results of Operation

(Millions of Yen)

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

Summary of Business Results

Our group entered the first year (from April 1, 2019 to March 31, 2020) of our mid-term business plan and continues to implement various initiatives based on our basic policy to understand the actual situation, estimate future demand and implement drastic reform, while emphasizing growth. Wacoal Corp., which aims to return its business to growth and improve profitability, made efforts to improve CX (customer experience) by innovation through the introduction of 3D body scanning and an AI (artificial intelligence)-based customer service system in stores (six shops), and creating an environment for effective use of our customer database to coordinate and merge the physical stores and e-commerce channels. In the overseas markets, we have made efforts to create growth opportunities and strengthen our competitiveness in e-commerce, which is one of our business challenges, and as part of such initiative, we acquired all of the issued and outstanding shares of Intimates Online, Inc. ("Intimates Online"), a women's LIVELY brand innerwear design and sales company in the U.S., at the end of July 2019, making Intimates Online our wholly-owned subsidiary (the operating results of our acquired subsidiary, Intimates Online, have been included in our consolidated results from the second quarter of the current consolidated fiscal year and are disclosed along with Wacoal International Corp. (U.S.) under the "Wacoal Business (Overseas)" segment). Although we implemented these initiatives, the business environment surrounding our group has become extremely difficult due to the effects of a slowdown in global economic activities resulting from the COVID-19 outbreak (the "outbreak") during the fourth quarter of the current fiscal year, in addition to the impact of the slowdown in consumer spending after consumption tax increase in October 2019.

As a result of the above, our consolidated sales for the current fiscal year was ¥186,760 million, a decrease of 3.8% as compared to such consolidated sales for the previous fiscal year. In addition to the prolonged effect of the slowdown in demand after the consumption tax increase, our domestic business activities were impacted by a decrease in the number of customers visiting our domestic retail stores following the implementation of self-isolation measures since March after the spread of the outbreak. Our overseas business was negatively impacted by the weak sales at department stores in the United Kingdom and United States, poor sales from our raw materials factory in Thailand and the impact of the appreciation of the Japanese yen (¥1,780 million), as well as the suspension of economic activities due to lockdown measures implemented at major cities since March, despite the positive impact of the consolidation of Intimates Online results. Accordingly, revenue from our domestic and overseas businesses both decreased.

Consolidated operating income was ¥6,632 million, an increase of 35.9% as compared to such consolidated operating income for the previous fiscal year. Both our domestic and overseas businesses recorded a decrease in profit, due to decreased revenue from the wholesale business of Wacoal Corp. and an increase in IT-related expenses with respect to our domestic business, and due to the impact of inclusion of operating loss from Intimates Online, non-recurrence expenses incurred for the acquisition of Intimates Online, as well as the recognition of impairment charges on property, plant and equipment (¥769 million) related to the raw material factory in Thailand with respect to our overseas business. Although we also recorded ¥473 million as impairment charges on goodwill and other intangible assets for the current fiscal year, we recorded an increase in operating income because the amount of such impairment charges was less than that for the previous fiscal year (¥5,834 million).

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

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

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

The following is a summary of operations by operating segment.

(Millions of Yen)

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

Wacoal Business (Domestic)

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

Wacoal Corp.:

Sales from Wacoal Corp. decreased by 3.1% as compared to such sales for the previous fiscal year. Sales from our products under the Wing brand which are mainly sold at general merchandise stores exceeded the sales for the previous fiscal year due to strong sales of our regular products, as well as the successful sales promotion of our wireless "Synchro Bra" products. Sales from our products under the Wacoal brand fell below the sales for the previous fiscal year due to a decrease in the number of customers visiting our retail stores following the spread of the outbreak and the weak sales from our key sales channels such as department stores resulting from the slowdown in demand after the consumption tax increase, despite growth in sales of certain products such as "Night Up Bra". In addition, sales from products other than innerwear, such as nightwear and sportswear also fell significantly below such sales for the previous fiscal year as a result of weak sales from our key sales channels. Although sales from our retail business were also poor during March due to the spread of the outbreak, sales exceeded the sales for the previous fiscal year as a result of initiatives that we implemented to minimize the decline in demand after the consumption tax increase as well as our successful marketing to the shop members, the number of which reached 1.2 million. In addition, sales from our e-commerce website maintained high growth resulting from strengthened communication with our customers attributable to marketing automation.

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

FACTS

Wacoal Business (Overseas)

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

Wacoal International Corp. (U.S.):

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

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

Wacoal Europe Ltd.:

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

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

Wacoal China Co., Ltd.:

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

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

Peach John Business

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

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

Other

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

Lecien Corporation:

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

Nanasai Co., Ltd.:

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

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

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

Our group entered the first year (from April 1, 2019 to March 31, 2020) of our mid-term business plan and continues to implement various initiatives based on our basic policy to understand the actual situation, estimate future demand and implement drastic reform, while emphasizing growth. Wacoal Corp., which aims to return its business to growth and improve profitability, made efforts to improve CX (customer experience) by innovation through the introduction of 3D body scanning and an AI (artificial intelligence)-based customer service system in stores (six shops), and creating an environment for effective use of our customer database to coordinate and merge the physical stores and e-commerce channels. In the overseas markets, we have made efforts to create growth opportunities and strengthen our competitiveness in e-commerce, which is one of our business challenges, and as part of such initiative, we acquired all of the issued and outstanding shares of Intimates Online, Inc. ("Intimates Online"), a women's LIVELY brand innerwear design and sales company in the U.S., at the end of July 2019, making Intimates Online our wholly-owned subsidiary. Although we implemented these initiatives, the business environment surrounding our group has become extremely difficult due to the effects of a slowdown in global economic activities resulting from the COVID-19 outbreak (the "outbreak") during the fourth quarter of the current fiscal year, in addition to the impact of the slowdown in consumer spending after consumption tax increase in October 2019.

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

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

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

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

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

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

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

Below are our policies for regrowth within three timeframes.

Basic Policies

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

Short-Term Policies

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

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

Mid- and Long-Term Policies

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

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

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

The last part of the mid- and long-term policies is to develop products and services that our customers want to buy for their new lifestyle and to strengthen our capability to address new customer service and sale styles. Sales channels may change significantly as the values of the customers may change. In addition, decreasing income may change the customers to be more predisposed toward lower price. We will review our brand portfolio developed in various countries, and recombine our brands based on those new values. In addition, we will consider and conduct test marketing for a new service style to replace close-contact customer service. We will carefully observe how the women's values regarding beauty around the world will change after experiencing the pandemic, and make a practical judgement on the direction we should take.

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

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

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

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

CAPITAL RESOURCES AND LIQUIDITY

Our current policy is to fund our cash needs from cash flows from operating activities, which allows us to secure most of working capital, make capital investments, and pay dividends without relying on substantial borrowings or other financing from outside of our group companies. As of March 31, 2020, we had credit facilities at financial institutions totaling ¥32,259 million, and the balance of loan which established line of credit amounted to ¥3,449 million. Of these loan, ¥985 million is available to Wacoal Europe Ltd., ¥2,379 million is available to Wacoal Service Co., Ltd., and ¥85 million is available to Nanasai.

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

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

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

CASH FLOW STATUS

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

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

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

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

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2020, was ¥6,981 million. A majority of our capital investment was used in the information system investment of our subsidiaries and maintenance and repair work implemented for the real properties held by the Company.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were ¥4,619 million, ¥2,106 million, ¥129 million, and ¥127 million, respectively.

DIVIDEND POLICY

Our basic policy on profit distribution to shareholders is to make stable distributions based on consideration of our consolidated performance, while seeking to increase our enterprise value through active investment aimed at higher profitability and to increase net income per share.

Our basic policy is to distribute earnings twice a year in the form of interim and year-end dividends and the Board of Directors is the decision-making body for distribution of earnings.

Based on such policy, we plan to distribute a year-end dividend of ¥20.00 (including special anniversary dividend of ¥4.00) per share as a distribution of earnings for the current fiscal year. As a result, the annual cash dividend per share, including an interim dividend of ¥40.00 per share, is ¥60.00 for the current fiscal year.

As for retained earnings, with the aim of improving our corporate value, we have actively invested in expanding new points of contact with consumers for our domestic business and our overseas businesses. We also plan to use our retained earnings in our strategic investments for maintaining competitiveness and reinforcing growth. With these efforts, we seek to benefit our shareholders by improving future profitability. We also intend to acquire treasury stock in a flexible manner taking into account the level of free cash flow as well as the market environment, and will make efforts to improve capital efficiency and return profits to our shareholders.

We also provide that the Company may distribute earnings subject to the resolution of the Board of Directors pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act.

RESEARCH AND DEVELOPMENT

Our research and development activities are mainly conducted by our Human Science Research Center to achieve harmony between the human body and clothing and to support better product making.

Since 1964, we have been conducting research into the female body in order to accurately understand the Japanese woman's physique. In particular, we have developed a silhouette analysis system and introduced a three-dimensional measuring system. We are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological, and mental aspects of garment design. One of our most important research results was the enrichment of our research on sensory comfort through our participation in a project led by the Ministry of Trade and Industry (presently the Ministry of Economy, Trade and Industry) from 1995 to 1998. Based on this research, we have been focusing on developing new products that are not only comfortable for the wearer, but also have a positive physiological effect based on the basic study from three factors, which are pressure, heat, and touch. In 2005, we developed and created a new market for our breakthrough Style Science series products, which support the creation of a healthy and beautiful body by changing the idea of everyday walking to walking for exercise. In 2010, we conducted an analysis and announced principles on the physiological changes associated with the aging period from a person's 20s to their 50s. We also strengthened the development of new products coping with aging and have been working on developing new functional products based on the lifestyle habits of people as they undergo small physical changes associated with aging.

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

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

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

Our research and development activities cover a wide range of research from basic research to product development, mainly of women's innerwear. Therefore, it is difficult to relate each of such activities to a specific segment, and thus, we do not provide information regarding such research and developments by segment.

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