

## Corporate Governance

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



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

## Corporate Governance Structure

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

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

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

The Board of Directors comprises seven directors, three of whom are outside directors and one of whom is a woman, who carry out management decision-making and supervision from an objective perspective. They aim to reinforce supervisory functions and enhance decision-making. To clarify management responsibility, directors are appointed for one year. Thus, we have built a business management system that enables rapid responses to changes in business conditions.

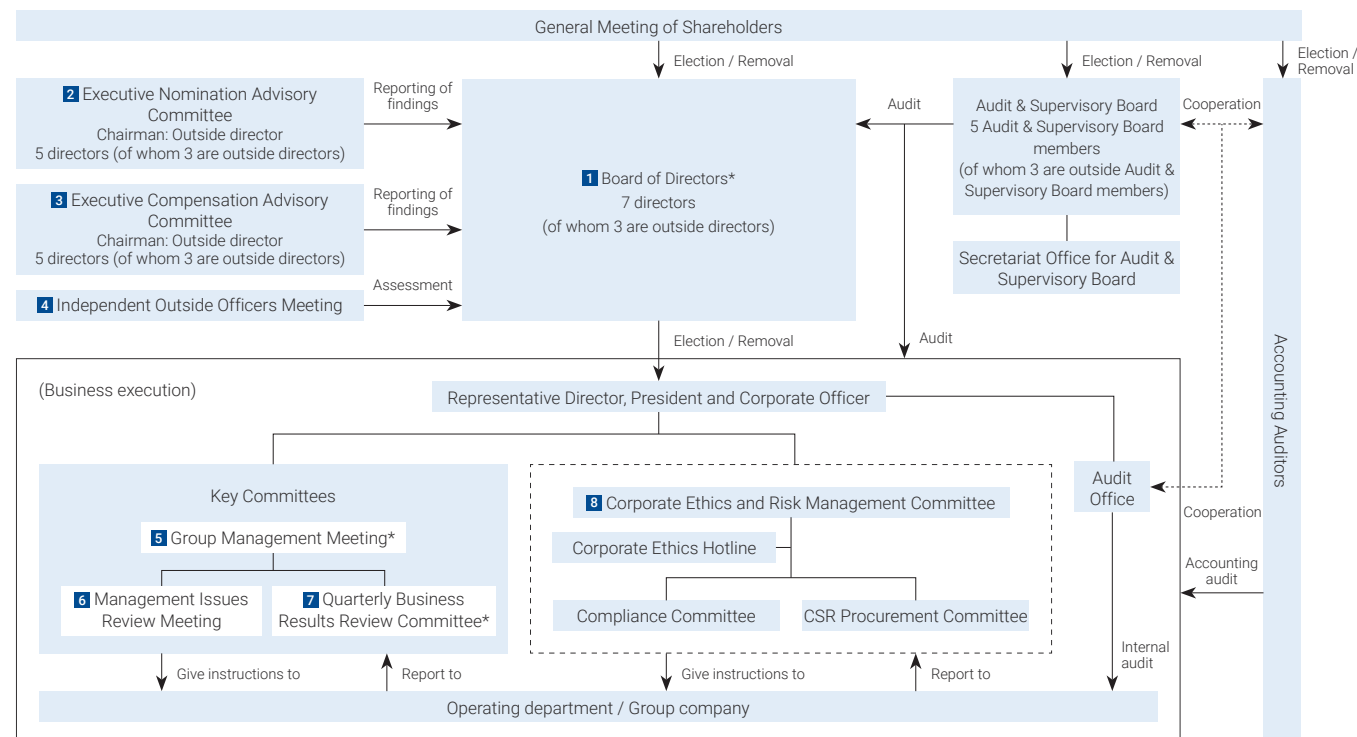
Comprising five Audit & Supervisory Board members, three of whom are outside members, the Audit & Supervisory Board aims to strengthen their supervision and auditing of business management.

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

## Overview of the Corporate Governance Structure (as of June 29, 2021)

Format	Audit & Supervisory Board system
Number of directors	7
Of whom, outside directors	3
Term of directors	1 year
Number of Audit & Supervisory Board members	5
Of whom, outside Audit & Supervisory Board members	3
Number of independent officers	6
Participation of outside directors in determination of remuneration	Yes
Organizations to assist in decision-making	Executive Nomination Advisory Committee, Executive Compensation Advisory Committee
Key committees	Independent Outside Officers Meeting, Group Management Meeting, Corporate Ethics and Risk Management Committee
Results-linked remuneration	Yes

## Corporate Governance Structure



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

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

Name	Description	Number of meetings convened in FY2021
1 Board of Directors	Based on its regulations, the Board of Directors convenes regular meetings every month and convenes extraordinary meetings as required. It makes decisions on management policy and strategy and other important business-related matters as well as on matters stipulated by statutory laws and regulations or the Company's articles of incorporation.	14
2 Executive Nomination Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors and two internal directors. In principle, the committee convenes annually on the day of the January meeting of the Board of Directors, considers the nomination or promotion of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members are required to pass resolutions.	3
3 Executive Compensation Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors, one internal director, and one other member. In principle, the committee convenes on the days of the April, July, and February meetings of the Board of Directors, considers the compensation of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members are required to pass resolutions.	6
4 Independent Outside Officers Meeting	Primarily comprising independent officers, this meeting evaluates the Board of Directors by exchanging opinions. Further, the details of these evaluations are reported to the Board of Directors and then disclosed through a corporate governance report.	1
5 Group Management Meeting	Comprising directors and key members of the management team, the meeting is convened twice every month in principle. The meeting considers items related to the Group's management strategy and other important management issues and conducts prior examinations of agenda items to be discussed by the Board of Directors.	22
6 Management Issues Review Meeting	This meeting is convened as required to analyze medium- to long-term Companywide strategies and important management issues and to prepare drafts of management strategies and medium- to long-term plans.	16
7 Quarterly Business Results Review Committee	Convening three times a year, these committees check business results and the progress of measures. Also, if targets are not achieved, the committees consider improvement measures and revise targets as required.	3
8 Corporate Ethics and Risk Management Committee	With the president and representative director acting as the administrative manager and the director of the Administrative Department acting as the chairperson, the committee comprises internal directors, the directors of operating companies, and corporate officers. The committee promotes the establishment of a compliance system, consideration of compliance issues that have a serious impact on the Wacoal Group, enhancement of awareness and enlightenment on corporate ethics, and the effective control of any management risks to the Wacoal Group.	4

## Diversity of the Board of Directors and the Audit &amp; 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	Tomoyasu Ito		●			●		
4	Akira Miyagi		●	●	●	●	●	
5	Madoka Mayuzumi	●						●
6	Shigeru Saito	●	●			●		
7	Tsunehiko Iwai	●	●		●	●		

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

## Audit &amp; 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	Shinichi Kitagawa		●	●			●	
2	Katsuhiro Okamoto		●			●		
3	Hiroshi Shirai	●		●				
4	Mitsuhiro Hamamoto	●			●			
5	Minoru Shimada	●	●	●		●		

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

Corporate Governance

Measures to Strengthen the Effectiveness of Corporate Governance

Analysis and Assessment through the Independent Outside Officers Meeting

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

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

	FY2019	FY2020	FY2021
Issues identified	1. Need for revision of both the regulations of the Board of Directors and the establishment of agenda items in order to extend the scope of responsibilities entrusted to corporate officers and to increase the opportunities for reporting on agenda items that require continuous confirmation of progress 2. Need to consider making meeting documents paperless	1. Need to conduct on-site inspections of factories, stores, and other facilities to further understanding of the Group's businesses 2. Need to facilitate constructive discussions of growth strategies by providing opportunities that enable understanding of brand merchandising strategies	1. Further improve the efficiency of the Board of Directors by improving the content of the materials distributed in advance of Board of Directors' meetings and accelerating the timing of their distribution 2. Reconsider the agenda, meeting frequency, participating members, and management methods of the Executive Nomination Advisory Committee, the Executive Compensation Advisory Committee, and the Independent Outside Officers Meeting 3. Increase contact points among executive management, such as executive officers and general managers
Improvement measures	1. Revised regulations on the submission of agenda items to the Board of Directors and revised the establishment of agenda items 2. Made documents used by the Group Management Meeting and the Board of Directors paperless	1. Considered organizing on-site inspections of stores that have introduced 3D body scanners and other facilities 2. Considered the establishment of an inspection program for newly appointed outside directors with the aim of cultivating understanding of the Group's businesses	1. Implement a review of meeting management and regulations of the Board of Directors (including agenda items and the application of internal rules for agenda items) 2. Convene the Executive Nomination Advisory Committee and Executive Compensation Advisory Committee whenever appropriate to respond to meeting agendas. Consider a review of the way the Independent Outside Officers Meeting evaluates the Board of Directors, among other issues 3. Implement the expansion of contact points among executive management, including establishing the agenda for the content of business strategies

Outside Directors and Outside Audit & Supervisory Board Members

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

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



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

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

Outside directors	Reason for election	Expected field of expertise and knowledge	Attendance at Board of Directors' meetings
Madoka Mayuzumi	As a haiku poet, Madoka Mayuzumi has made wide-ranging contributions to the fields of art and culture in Japan and overseas. Her expertise and experience is expected to contribute to our efforts to realize business management that emphasizes diversity, making her an appropriate outside director for the Group.	Art, culture, and social insight	13/14
Shigeru Saito	It is anticipated that Shigeru Saito will enhance management supervisory functions by providing input from various perspectives based on his extensive knowledge and experience as a representative director of another company.	Corporate management, operational management, and international insight	14/14
Tsunehiko Iwai	In addition to his extensive knowledge and experience as a business manager, Tsunehiko Iwai can also be expected to contribute to management using his specialist knowledge relating to research, production, and various fields of technology.	Corporate management, operational management, law, compliance, and international insight	14/14

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

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

The Audit & Supervisory Board comprises two internal full-time Audit & Supervisory Board members and three outside Audit & Supervisory Board members. Convening monthly to coincide with the meetings of the Board of Directors, the Audit & Supervisory Board also holds extraordinary meetings as required. Audit & Supervisory Board members make decisions on matters concerning policies on the preparation of audit reports and the implementation of audits, methods of examining the statuses of business performance and assets, and other matters related to business execution, in accordance with the regulations of the Audit & Supervisory Board. In addition, the Company assigns an independent, dedicated secretariat to the Secretariat Office for the Audit & Supervisory Board to assist in their duties.

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

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

Internal Control

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

Further, the Office of Corporate Auditors comprises 9 personnel and holds monthly report verification meetings with Audit & Supervisory Board members. These meetings primarily verify reports on the main points of meetings that Audit & Supervisory Board members attend and report on the activities of the Office of Corporate Auditors. The Company has established a system for sharing documents and other information required for audits. To facilitate efficient, effective audits, both parties coordinate through such measures as mutual exchanges and the verification of audit working papers.

Compensation of Officers

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

For fiscal 2021, a breakdown of the fixed basic compensation, performance-based bonuses, and share-based stock options as percentages of the compensation of officers is shown below. Further, this breakdown assumes calculation methods for performance-based bonuses that are in accordance with standard values.



• Basic Compensation

The amount of basic compensation is designed to set a single rate for each position in principle and is fixed as a monthly payment. With reference to the results of a compensation survey conducted by an external organization, every year the Company verifies the range of appropriate levels of compensation for companies in the same industry as well as for companies of a similar size and then sets a level of compensation commensurate with the Company's business results and size. Further, a resolution of the Ordinary General Meeting of Shareholders convened on June

29, 2005, set upper limits of ¥350 million for the aggregate annual basic compensation of all directors (excluding employee salaries of directors who concurrently serve as employees) and ¥75 million for the aggregate annual basic compensation of all Audit & Supervisory Board members.

• Performance-Based Bonuses

To increase the degree of linkage between bonuses and consolidated business performance, the aggregate amount of performance-based bonuses is determined for each fiscal year based on the percentage achievement of a reference value of consolidated operating income and, to a lesser extent, based on certain other business results (consolidated net sales, consolidated income before taxes, etc.). The payment will be made once in the month in question after the total amount has been approved at the Ordinary General Meeting of Shareholders for the relevant fiscal year.

• Share-Based Stock Options

The amount of share-based stock options is determined by a resolution of the Board of Directors in consideration of the monthly amount of the basic compensation and the fair value of stocks, which are determined based on reports issued by the Executive Compensation Advisory Committee, three of whom are independent outside directors, and the number of shares decided upon is allocated once a year.

Additionally, at the Ordinary General Meeting of Shareholders held on June 29, 2021, the Company resolved to abolish the share-based stock option incentive and introduce a new transfer-restricted stock compensation plan for directors (excluding outside directors). This was done so that directors would share the risk of stock price fluctuations with shareholders and further increase their motivation to improve the stock price and corporate value. Further, a resolution of the Ordinary General Meeting of Shareholders convened on June 27, 2008, set an upper limit of ¥70 million for aggregate annual share-based stock options.

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

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

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

**Compensation of Officers in FY2021**

Classification	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc., by type (¥ million)			Number of eligible recipients
		Basic compensation	Performance-based bonuses	Share-based stock options	
Directors (excluding outside directors)	263	219	—	43	5
Audit & Supervisory Board members (excluding outside members)	32	32	—	—	3
Outside directors and outside Audit & Supervisory Board members	50	50	—	—	6

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

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

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

**Reference: Shareholdings of Wacoal Corp.**

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

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

**Compliance and Risk Management Structure**

The Company's Corporate Ethics and Risk Management Committee has the president and representative director acting as the administrative manager, supervisor, and director of Group business management as its chairperson. The committee is tasked with developing the compliance structure, examining compliance issues that could significantly affect the Wacoal Group, ensuring all employees understand and internalize corporate ethics, and effectively promoting control of any management risks to the Wacoal Group.

**Compliance Structure**

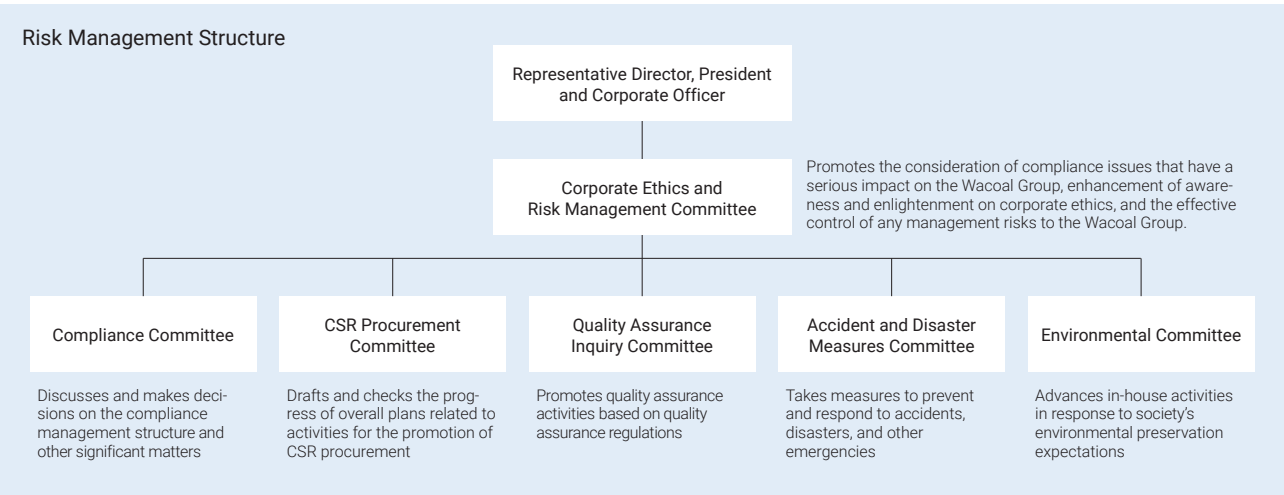
The Company has established the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct to ensure that directors and employees perform their duties in compliance with laws, regulations, and the articles of incorporation and sound social norms.

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

**Risk Management Structure**

Subject to the approval of the Board of Directors, the Corporate Ethics and Risk Management Committee stipulates basic regulations for risk management. Pursuant to these regulations, the

committee clarifies the responsibilities for each category of risk and advances the construction of a risk management system that comprehensively encompasses the Wacoal Group's overall risks.



**Risk Management during the COVID-19 Pandemic**


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

**Basic Policy on Information Disclosure**

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

We have identified three basic requirements for information disclosure. First, important information must be disclosed accurately and in a timely manner, regardless of whether it is positive or negative. Second, information must be expressed in language


that is easy for all stakeholders to understand and disclosed using various methods to ensure ease of access and fairness. Third, organizational, personal, physical, and technical steps must be taken to prevent information leakage before timely, appropriate disclosure.

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

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

We have adopted and published a basic policy on constructive dialogue with shareholders and other stakeholders. Dialogue with shareholders and other stakeholders is under the overall control of the director of the Administrative Department and is the responsibility of the division in charge of investor relations as well as the Group officers and employees that said division designates. Various factors are considered in relation to requests for meetings with directors, including the proposed subject matter of the meeting and the affiliations of the person seeking the meeting. In addition to fair, timely, and accurate disclosure about our business

management and financial situation to shareholders and other investors in Japan and overseas, we help them gain a better understanding of our viewpoint and approach by actively distributing information about the market environment and our unique strengths.

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