

Corporate Governance

The basic policy and purpose of the Wacoal Group's corporate governance is to continuously enhance corporate 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/en/group/files/governance_guidelineen.pdf

Corporate Governance Structure

We, as a holding company, have adopted the company with Audit & Supervisory Board system in accordance with the Companies Act for the purpose of ensuring the corporate governance of group companies, and have both the Board of Directors and the Audit & Supervisory Board monitor and audit the management and operation of the Company. In addition, we have voluntarily established the Nomination of Directors Advisory Committee and Remuneration of Directors Advisory Committee, the majority of which are composed of independent external directors, as the advisory bodies to the Board of Directors.

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 businesses and external directors with diverse professional backgrounds, and an Audit & Supervisory Board, including external 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. In addition, the Nomination of Directors Advisory Committee and the Remuneration of Directors Advisory Committee have been established as advisory bodies to the Board of Directors. The fairness, independence and objectivity are enhanced by having a majority of both of these Committees composed of independent external directors and by having an independent external director serve as the Chair of each of these Committees.

The Board of Directors comprises seven directors, five of whom are external directors and two of whom are 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 external members, the Audit & Supervisory Board aims to strengthen their supervision and auditing of business management.

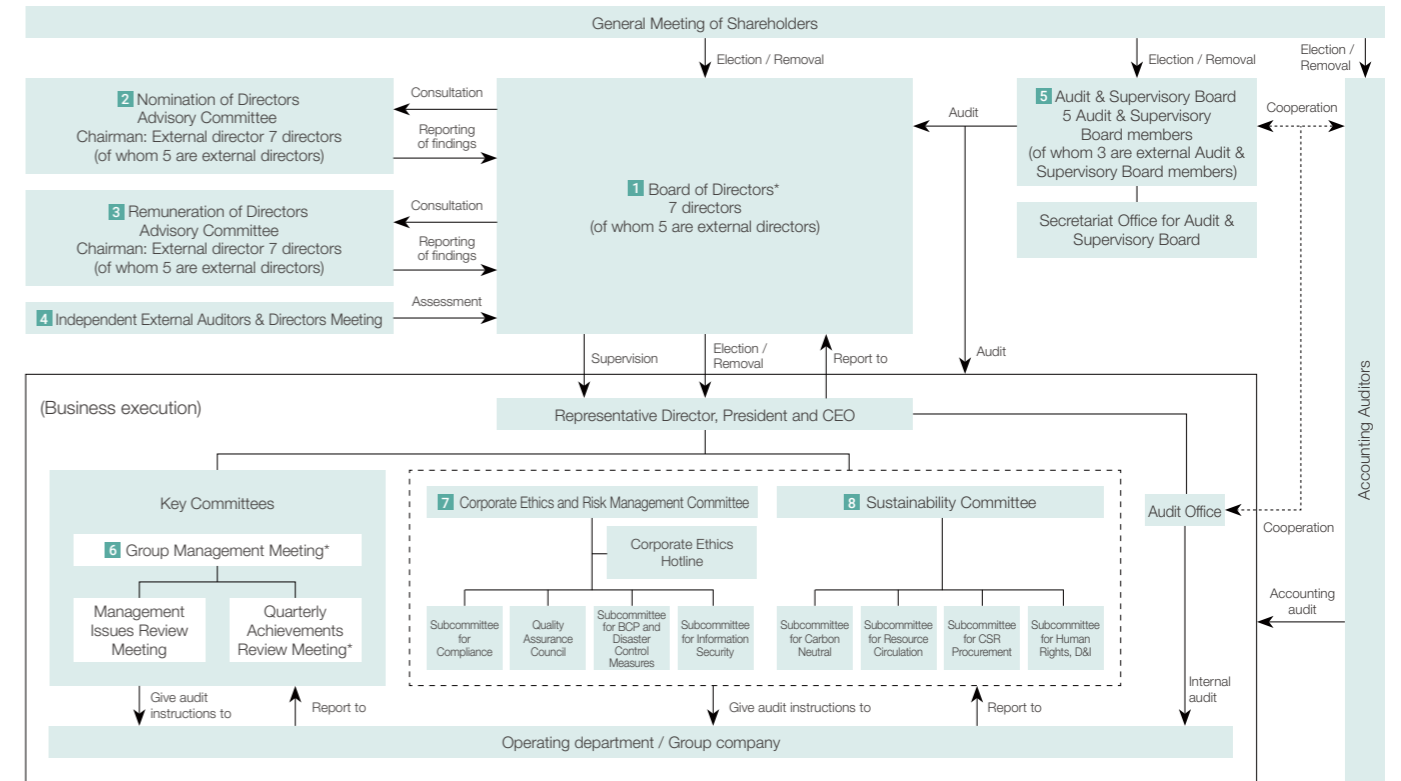
Overview of the Corporate Governance Structure (as of June 28, 2023)

Format	Audit & Supervisory Board system
Number of directors	7
Of whom, external directors	5
Term of directors	1 year
Number of Audit & Supervisory Board members	5
Of whom, external Audit & Supervisory Board members	3
Number of independent officers	8
Participation of external directors in determination of remuneration	Yes
Organizations to assist in decision-making	Nomination of Directors Advisory Committee and Remuneration of Directors Advisory Committee
Key committees	Group Management Meeting, Management Issues Review Meeting, and Quarterly Achievements Review Meeting
Results-linked remuneration	Yes

Corporate Governance Initiatives

	2005	2010	2015	2020
Topics	2005 Establishment of a pure holding company		2013 Wacoal stopped listing ADRs on the U.S. NASDAQ market and de-registered with the SEC.	2022 Changed the structure of the Group Philosophy for the first time since our founding and defined our new Mission in modern society
Representative Director and President	Yoshikata Tsukamoto			2018 Hironobu Yasuhara 2023 Masaaki Yajima
Compensation/Evaluation				2021 Introduction of Compensation Framework in the Form of Transfer-Restricted Stock 2022 Revised the ratio of base compensation and stock compensation
Number of independent external officers	2005 Increased the number of external directors by two members and the number of external Audit & Supervisory Board members by one member	2010 Increased the number of external directors by one member		2023 Increased the number of external directors by two members
	External directors: 2 External Audit & Supervisory Board members: 3	External directors: 3; External Audit & Supervisory Board members: 3 (For the period of 2013-2014 only, there were 2 external directors and 3 external Audit & Supervisory Board members)		External directors: 5 External Audit & Supervisory Board members: 3
Establishment of committees		2007 Establishment of the Remuneration of Directors Advisory Committee		2015 Establishment of the Independent External Auditors & Directors Meeting 2017 Establishment of the Corporate Ethics and Risk Management Committee by integrating the Risk Management Committee and Corporate Ethics Committee 2022 Establishment of the Sustainability Committee

Corporate Governance Structure



* Both internal and external 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 FY2023
1 Board of Directors	Our Board of Directors is entrusted by shareholders and makes the best decisions based on fair judgment. In addition, our Board of Directors exercises its supervisory function for the execution of its business and aims to maximize corporate value. Our Board of Directors conducts a review of our medium- to long-term management strategy and social issues, as well as decision-making regarding material matters as stipulated in applicable laws and regulations or in our Articles of Incorporation. The Company will formulate basic policies on sustainability issues, and monitor the allocation of management resources and the implementation of business portfolio strategies to contribute to sustainable growth.	17
2 Nomination of Directors Advisory Committee	This Committee discusses and provides recommendations to our Board of Directors on matters related to evaluation, election, dismissal, and promotion of directors, and on matters regarding establishment and revisions of rules and bylaws of directors. Attendance and approval of all committee members is required to pass resolutions.	8
3 Remuneration of Directors Advisory Committee	This Committee discusses and provides recommendations to our Board of Directors on matters regarding performance review and remuneration of directors, and matters regarding remuneration system of directors. Attendance and approval of all committee members is required to pass resolutions.	7
4 Independent External Auditors & Directors Meeting	The meeting attendees, mainly composed of our independent external officers, exchange and share opinions regarding corporate governance and our Board of Directors. The meeting attendees analyze and evaluate the effectiveness of our Board of Directors, identify issues, compile improvement measures, and provide recommendations to our Board of Directors.	2
5 Audit & Supervisory Board	The Audit & Supervisory Board is entrusted by shareholders to discuss or resolve important matters relating to the audit and establish a high-quality corporate governance system that responds to social trust. The Board builds a system to enhance the effectiveness of audit by each Audit & Supervisory Board member.	18
6 Group Management Meeting	The Meeting considers matters concerning the management strategy of the Group and important management issues. The Meeting also conducts preliminary deliberations on important matters mainly related to business execution, prior to resolutions by the Board of Directors, from the viewpoint of legality, objectivity and rationality.	23
7 Corporate Ethics and Risk Management Committee	The Committee identifies risks related to the overall management of the Group, and build and strengthen our risk management system. This Committee prescribes the "Risk Management Basic Rules" subject to the approval of the Board of Directors. The Committee clarifies the responsibilities by risk category pursuant to these rules, and formulates a risk management system that thoroughly and/or comprehensively controls potential risk within the Group. This Committee promotes risk-mitigation initiatives, identifies risks, monitors the implementation of countermeasures, and reports the operation status of our risk management system to the Board of Directors a regular basis.	6
8 Sustainability Committee	In order to accelerate our initiatives to achieve balancing "to resolve social issues" and "sustainable growth" through our business, this Committee formulates specific measures, monitors progress, and evaluates the status of achievement based on our basic policy on sustainability issues including climate change, global environmental issues and human rights issues. The Board of Directors monitors the allocation of management resources and the implementation of strategies related to the business portfolios to ensure that the initiatives of the Sustainable Committee contribute to sustainable growth.	7

External Directors and External Audit & Supervisory Board Members

Criteria to Ensure the Independence of Outside Officers
https://www.wacoalholdings.jp/group/files/governance_outsidedirectors_en.pdf

We have elected those persons having extensive knowledge and experience as executives and persons having insight into investment and financial capital markets, to our external directors, and each of such persons takes a role in improving the appropriateness of the decision made by the Board of Directors by giving objective and independent advice based on their long careers in each business area and extensive professional knowledge. Also, we have elected those persons who have experiences as business administrators in financial industry, and extensive knowledge from his experience as a member of the Policy Board of the Bank of Japan, independent attorneys at law or independent certified public accountants having a considerable degree of finance and accounting knowledge, to our external Audit & Supervisory Board members. Each external Audit & Supervisory Board member conducts a strict audit on the legality of directors' decision making and performance of their businesses from a technical perspective by maintaining high levels of independence.

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

External Directors	Reason for election	Expected field of expertise and knowledge	Attendance at Board of Directors' meetings (fiscal year ended March 31, 2023)
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 and chairman of another company.	Company management, global awareness, and digital transformation	17/17
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.	Company management, legal, compliance, sustainability, diversity and inclusion, marketing, technology, and production quality control	17/17
Chizuru Yamauchi	In addition to extensive knowledge and experience as an executive, Chizuru Yamauchi has expertise in diversity and inclusion. We expect she will provide advice that contributes to human resource strategies, such as women's empowerment and personnel development, while further enhancing the supervisory function of our corporate management.	Company management, sustainability, diversity & inclusion	—
Hisae Sato	In addition to knowledge and insight related to investment and financial capital markets, Hisae Sato has experience overseeing pension assets on a global level. We expect she will help improve the Company's corporate value and further enhance the supervisory function of the Board of Directors.	Investment/financial/capital market, finance/accounting, sustainability, diversity & inclusion	—
Koji Nitto	Koji Nitto has extensive experience as a manager who can incorporate finance into management strategies. We expect he will help improve the Company's corporate value and further enhance the supervisory function of the Board of Directors.	Company management, investment/financial/capital market, finance/accounting, global awareness	—

External Audit & Supervisory Board members	Reason for election	Attendance at Board of Directors' meetings and Audit & Supervisory Board meetings (fiscal year ended March 31, 2023)	
		Board of Directors' meetings	Audit & Supervisory Board meetings
Mitsuhiro Hamamoto	Mitsuhiro Hamamoto's experience and specialized knowledge as an attorney make him an appropriate external Audit & Supervisory Board member.	17/17	18/18
Hitoshi Suzuki	As a manager with many years of experience in the financial industry, we expect Hitoshi Suzuki will apply his knowledge and experience to our auditing system.	—	—
Motoko Tanaka	As a certified public accountant, we expect Motoko Tanaka will apply her specialized knowledge and experience in accounting and finance to our auditing system.	—	—

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 external Audit & Supervisory Board members. In addition, one full-time staff member is assigned as the secretariat of the Audit & Supervisory Board to assist the Audit & Supervisory Board members in their duties as needed. The Audit & Supervisory Board makes decisions on the preparation of the audit report, selection and dismissal of full-time Audit & Supervisory Board members, audit policies, methods of investigation of businesses and financial conditions, and other matters related to the execution of duties by Audit & Supervisory Board members, in accordance with the Companies Act, and also makes decisions on matters related to the election, dismissal or non-reappointment of accounting auditors, consent to compensation, etc., of accounting auditors, consent to the appointment of Audit & Supervisory Board members, and other matters related to the resolution of the Audit & Supervisory Board. In addition, the Audit & Supervisory Board exchanges information and opinions on matters related to audits, including prior consideration of the agenda of Board of Directors meetings and sharing of the agenda of important meetings attended by full-time Audit & Supervisory Board members, exchanges opinions with representative directors, and interviews with executive directors and directors of important subsidiary Wacoal Corp. on the status of execution of their duties.

At meetings of the Audit & Supervisory Board, external 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. External Audit & Supervisory Board members also receive various types of reports from the accounting 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, external 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

Pursuant to the "Internal Audit Regulations," our Audit Office, the internal audit division, which is directly under the control of the Representative Director and President, audits the legality and appropriateness of the execution of operations at the Company and our domestic and overseas subsidiaries, and evaluates the effectiveness of the internal controls. The number of staff of our internal audit department (Audit Office) was 7 as of March 31, 2023.

Our Audit & Supervisory Board members and internal audit department (Audit Office) have a regular meeting for reporting and confirmation once a month. The main purpose of such meeting is to report the discussions at major meetings at which our Audit & Supervisory Board members attended, and plans and achievements by our Audit Office. We have implemented an audit system allowing the sharing of documents and information necessary for audit so that audit working papers are mutually exchanged and confirmed by our Audit & Supervisory Board members and Audit Office, and the audit can be performed more efficiently and effectively through alliance between our Audit & Supervisory Board members and Audit Office. Audit & Supervisory Board members and accounting auditors hold regular reporting and review meetings. The contents included explanations of audit plan, report on results of audit pursuant to Companies Act, report on quarterly review, and report on results of audit pursuant to Financial Instruments and Exchange Act and internal control audit.

Measures to Strengthen the Effectiveness of Corporate Governance

The Company conducts an annual evaluation on the effectiveness of the Board of Directors, and strives to continuously enhance the functions and effectiveness of the Board of Directors. We work on the improvement measures for issues identified by the evaluation, and confirm the status of improvement during the evaluation of the Board of Directors in the following fiscal year, while at the same time continuing to confirm the evaluation of the current issues.

Evaluation Process

Starting from the fiscal year ended March 31, 2022, we have changed to a method of analyzing and/or evaluating the effectiveness of the Board of Directors using a third-party evaluation design (including, among other things, preparation of questionnaire survey, analysis, and comparison with other companies, identifying issues, drafting action plans). With the aim of further improving the effectiveness of the Board of Directors from the viewpoints of "enhancing trust from stakeholders (creating social value)" and "improving organizational performance (enhancing corporate value)", we conduct a questionnaire survey for all directors and Audit & Supervisory Board member, and conduct interviews of external directors and external Audit & Supervisory Board members through a third party organization to gain a deeper understanding of their responses and awareness of the issues raised in their comments. We compile improvement measures based on the analysis of such responses and issues. The improvement measures are discussed at the Independent External Auditors & Directors Meeting and recommendations are provided to the Board of Directors.

The evaluation items of the questionnaire survey are as follows:

1. Roles and responsibilities of the Board
2. Composition of the Board
3. Quality of deliberations (agenda items and document contents), and
4. Constructive dialogue with stakeholders

The analysis and/or evaluation based on the questionnaire survey and interviews using the third-party evaluation design is conducted every other year. During the interval year, we focus on initiatives to improve the issues identified from the questionnaire survey, while at the same time conducting evaluation through monitoring and sharing opinions at the Independent External Auditors & Directors Meeting.

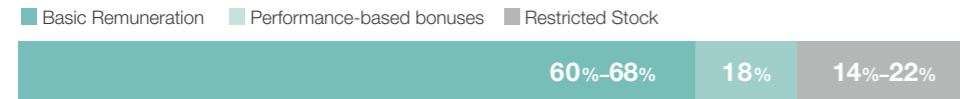
Evaluation Results of Effectiveness and Progress on Initiatives for Improvement (Fiscal Year Ended March 31, 2023)

Based on the evaluation results, we plan to further strengthen the supervisory and advisory functions of the Board of Directors, while continuing to make efforts for improvement and further utilizing the knowledge of external directors.

Evaluation Result (Issues and Concerns)	Progress/Plan of Initiatives for Improvement
Allocation of more time to the consideration of important business matters, such as medium to long-term strategies, and at the same time, utilization of knowledge of external directors and promotion of more active discussion at the meetings of the Board of Directors.	We have increased the number of agenda items other than decision-making items related to business execution, such as consideration of medium- to long-term business issues, reporting and/or sharing important brand strategies or promotion strategies. We also have moved forward with advance preparation and environmental arrangement that led to active discussion.
Further improvement in the quality of deliberations based on communication with our employees and inspection of local business offices in order to understand the reality of business conditions as well as risks and opportunities.	We have set up an opportunity for a planned visit and/or inspection at stores, factories and business offices including overseas, as well as opportunities for communicating with the Corporate Officers and managers.

Executive Remuneration System

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. Further, in July 2022 the Company revised the ratios of stock compensation to basic compensation so that stock compensation accounts for a larger percentage of the compensation of officers as they rise in rank. The breakdown of rank-based percentages reflecting said change will be within the ranges shown below. Further, this breakdown assumes calculation methods for performance-based bonuses that are in accordance with standard values.



Roles and Activities of Remuneration of Directors Advisory Committee

As an advisory body to Board of Directors, the Remuneration of Directors Advisory Committee discusses and resolves matters related to officers' remuneration and system from an independent and objective perspective. A majority of the members of the Remuneration of Directors Advisory Committee, chaired by independent external director Mr. Tsunehiko Iwai, are independent external directors. The Remuneration of Directors Advisory Committee is also attended by the external Audit & Supervisory Board member(s) as an observer to ensure transparency.

August 10, 2022: Review of the system for the compensation of officers
 September 29, 2022: Method of Calculating of executive bonus
 February 24, 2023: Compensation (monthly compensation) for FY2024
 March 29, 2023: Performance-based Bonus for FY2023
 April 28, 2023: Performance-based Bonus for FY2023

Roles and Agenda at the Board of Directors' Meeting

Board of Directors discusses and resolves matters related to officers' remuneration based on recommendations received from the Remuneration of Directors Advisory Committee.

May 12, 2022: Review of total transfer-restricted stock
 May 12, 2023: Performance-linked bonus for FY2023
 May 31, 2023: Remuneration (monthly remuneration) for FY2024

Basic Remuneration

The basic remuneration is based on the so-called single rate remuneration system, in which the same remuneration is paid for the same position. The Company annually verifies the adequacy of the level of remuneration, which has been set according to the business results and scale of the Company and is based on comparison with other companies within the same industry or of the same scale through the investigation results on remuneration prepared by an external agency.

Performance-Based Bonuses

The total amount of the performance-based bonus is based on achievement as a percentage of the consolidated operating income recorded for each fiscal year, plus other performance factors (consolidated net sales, consolidated income before income taxes), to increase the degree of linkage between bonuses and consolidated business performance. Performance-based bonus is paid once a year after approval at the general meeting of shareholders for the relevant fiscal year.

Restricted Stock

The restricted stock are determined in consideration of the monthly amount of basic remuneration and the fair value of stock, which in turn are determined pursuant to the recommendations of the Remuneration of Directors Advisory Committee, which is composed of members, majority of which are independent external directors and will be allotted in the number determined and resolved at a Board of Directors meeting once a year. Allotted shares will be subject to transfer restriction during the period from the date allotted shares are granted until the date such director, Audit & Supervisory Board member or Corporate Officer designated by the Company retires from their position. The transfer restrictions on all allotted shares will be removed upon the expiration of the transfer restriction period if such eligible grantee has continuously held the position of director, Audit & Supervisory Board member or Corporate Officer until the date of the first Ordinary General Meeting of Shareholders. The Company may repurchase all of the allotted shares bearing transfer restrictions as a result of a breach of restricted stock allotment agreement without consideration.

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

The Remuneration of Directors 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:

- 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)

Remunerations Paid to Officers in FY2023

Classification	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc., by type (¥ million)				Number of eligible recipients
		Basic compensation	Performance-based bonuses	Stock compensation	Non-monetary remuneration	
Directors (excluding external directors)	216	172	–	44	44	5
Audit & Supervisory Board members (excluding external members)	40	40	–	–	–	2
External directors and external Audit & Supervisory Board members	50	50	–	–	–	6

Policy on Cross-Shareholdings and Standards for Exercising Voting Rights

From the viewpoint of improving asset efficiency, the Company intends to reduce its cross-shareholdings by approximately ¥30 billion during the revised medium-term management plan period (from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026), and to reduce the ratio of cross-shareholdings to net assets to 10% or less.

Furthermore, the Corporate Governance Guidelines stipulate that the purpose of the Company's cross-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 cross-shareholdings are appropriate from a medium- to long-term perspective and whether the attendant benefits and risks of cross-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 cross-shareholdings contribute to the enhancement of the Company's corporate value over the medium to long term and decides whether to continue or dispose of cross-shareholdings. Stocks that have lost value as holdings are gradually disposed of or reduced, taking into consideration the situation of the counterparty company. The Board of Directors reviews the significance of each stock holding on a case-by-case basis. With respect to the exercise of voting rights for cross-shareholdings, we determine whether to approve or disapprove of proposals based on a comprehensive consideration of whether they contribute to the enhancement of the corporate value of the companies concerned and the Company, while fully respecting the management policies of the companies in which we have invested.

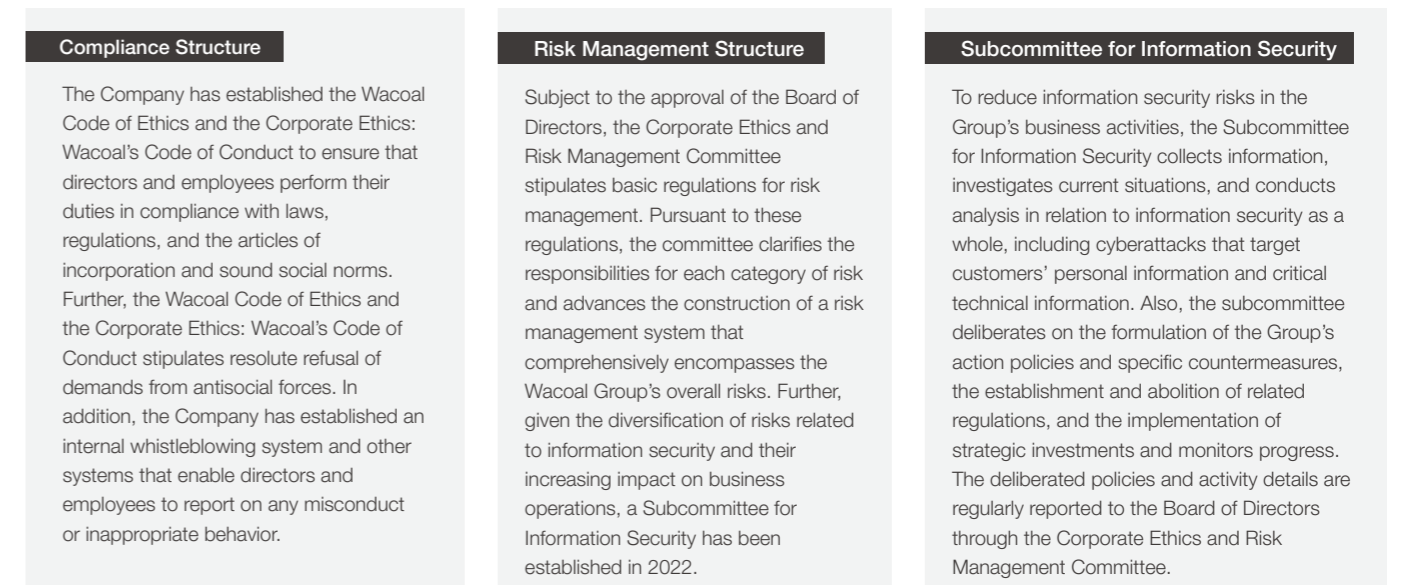
Reference: Shareholdings of Wacoal Corp.

	FY2020	FY2021	FY2022	FY2023
Number of stocks	84	73	63	59
Monetary amount (¥ billion)	42.2	50.1	46.0	44.0
As a percentage of total assets	15.2%	15.5%	15.2%	15.4%

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 Representative Director, President and CEO acting as the administrative manager, supervisor, and the director, vice president and managing corporate officer in charge 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.



System for Promoting Risk Management

