

Annual Securities Report

(The 71st Fiscal Year)
From April 1, 2018 to March 31, 2019

WACOAL HOLDINGS CORP.

29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto, Japan

E00590

The 71st Fiscal Year (from April 1, 2018 to March 31, 2019)

Annual Securities Report

1. This is an English translation of the Annual Securities Report filed pursuant to Paragraph 1, Article 24 of the Financial Instruments and Exchange Act via the Electronic Disclosure for Investors' Network ("EDINET") as set forth in Article 27-30-2 of the same Act.
2. This does not contain English translations of the attachments to the Annual Securities Report filed as set out in 1. above, other than the audit report, the English translation of which is included at the end of this document.

WACOAL HOLDINGS CORP.

Certain References and Information

This report is prepared for overseas investors and compiled based on the contents of the Annual Securities Report (“Yukashoken Hokokusho”) of WACOAL HOLDINGS CORP. filed with the Director of the Kanto Local Finance Bureau of Japan on June 27, 2019.

As used in this report, unless the context otherwise requires, “the Company” and “Wacoal Holdings” refer to Wacoal Holdings Corp., and “Wacoal,” “we,” “us,” “our” and similar terms refer to Wacoal Holdings Corp. and its consolidated subsidiaries. References to “U.S. dollars” or “\$” are to the currency of the United States and references to “yen” or “¥” are to the currency of Japan.

All financial statements and information contained in this report have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP except where otherwise noted.

A Cautionary Note on Forward-Looking Statements

This report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our companies and our industry. You can identify these statements by the fact that they do not relate strictly to historic or current facts. The forward-looking statements discuss future expectations, identify strategies, contain projections of results of operation or of financial position, or state other “forward-looking” information. In particular, the forward-looking statements may include statements relating to the impact of weak consumer spending in Japan and our other markets on our sales and profitability; the impact on our business of anticipated continued weakness of department stores and other general retailers in Japan; our ability to successfully develop, manufacture and market products in Japan and our other markets that meet the changing tastes and needs of consumers and to deliver high quality products; the highly competitive nature of our business and the strength of our competitors; our ability to successfully expand our network of our directly managed retail stores and achieve profitable operations at these stores; our ability to further develop our Internet sales capabilities; our ability to effectively manage our inventory levels, and effects of irregular weather events; our ability to reduce costs; our ability to recruit and maintain qualified personnel; risks related to conducting our business internationally; risks from acquisitions and other strategic transactions with third parties; risks relating to return of investment for the development of new markets; risks relating to intellectual property; risks relating to information system; risks relating to the protection of personal information and our confidential information; risks relating to internal controls over financial reporting; the impact of weakness in the Japanese equity markets on our holdings of Japanese equity securities; the impact of any natural disaster or epidemic on our business; risks in relation to liability for termination and retirement benefit; and risks related to realizability of deferred tax assets and transfer pricing; and compliance risk. Forward-looking statements are contained in the sections entitled “II. Business Overview, 2. 【Risk Factors】” and elsewhere in this report.

The forward-looking statements are subject to various risks and uncertainties. Information contained in the sections listed above and elsewhere in this annual report identifies factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in any forward-looking statement.

We undertake no obligation to update any forward-looking statements contained in this annual report, whether as a result of new information, future events or otherwise.

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【Cover】

【Document Filed】	Annual Securities Report (“Yukashoken Hokokusho”)
【Applicable Law】	Paragraph 1, Article 24 of the Financial Instruments and Exchange Act
【Filed to】	Director, Kanto Local Finance Bureau
【Filing Date】	June 27, 2019
【Fiscal Year】	The 71st Fiscal Year (from April 1, 2018 to March 31, 2019)
【Company Name】	<i>KABUSHIKI KAISHA WACOAL HOLDINGS</i>
【Company Name in English】	WACOAL HOLDINGS CORP.
【Position and Name of Representative】	Hironobu Yasuhara, President and Representative Director
【Address of Head Office】	29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto
【Phone No.】	Kyoto (075) 682-1007
【Contact Person】	Shinichi Kitagawa, General Manager of Accounting Department
【Contact Address】	29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto
【Phone No.】	Kyoto (075) 682-1007
【Contact Person】	Shinichi Kitagawa, General Manager of Accounting Department
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I 【Information on Wacoal Holdings Corp. and its consolidated subsidiaries.】

I. 【Overview of Wacoal Holdings Corp. and its consolidated subsidiaries.】

1. 【Key Financial Data】

(1) Consolidated Financial Data, etc.

(Millions of yen, unless otherwise stated)

Fiscal Year	67th	68th	69th	70th	71st
Year-End	March 2015	March 2016	March 2017	March 2018	March 2019
Sales	191,765	202,917	195,881	195,725	194,201
Operating income	6,377	12,274	10,282	11,494	4,879
Net income attributable to Wacoal Holdings Corp.	8,444	11,159	12,525	9,745	341
Comprehensive income (loss)	28,813	(49)	12,296	16,448	(5,046)
Wacoal Holdings Corp. shareholders' equity	228,857	224,374	227,568	232,712	216,494
Total assets	300,272	292,854	294,958	298,534	281,767
Shareholders' equity per share (yen)	3,249.87	3,185.80	3,317.05	3,454.40	3,321.57
Net income per share attributable to Wacoal Holdings Corp. (yen)	119.91	158.46	180.26	143.46	5.16
Diluted net income attributable to Wacoal Holdings Corp. per share (yen)	119.60	158.00	179.71	142.98	5.14
Shareholders' equity ratio (%)	76.2	76.6	77.2	78.0	76.8
Return on equity (%)	3.9	4.9	5.5	4.2	0.2
Price earnings ratio (times)	22.55	16.95	15.24	21.47	533.33
Net cash provided by operating activities	14,337	12,635	16,351	15,493	13,620
Net cash (used in) provided by investing activities	164	(11,407)	(3,032)	(7,362)	(2,474)
Net cash used in financing activities	(8,391)	(4,547)	(13,055)	(12,303)	(10,872)
Cash and cash equivalents, end of year	38,410	34,059	33,995	29,487	30,133
Number of employees [Average number of part-time employees, etc.] (person)	18,986 [1,210]	20,655 [1,237]	21,139 [1,018]	20,904 [771]	20,662 [739]

- (Notes)
1. The foregoing consolidated financial data has been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). In the above table, operating income is stated instead of ordinary income.
 2. Sales do not include consumption taxes, etc.
 3. We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, "Shareholders' equity per share," "Net income per share attributable to Wacoal Holdings Corp." and "Diluted net income attributable to Wacoal Holdings Corp. per share" have been calculated assuming that such share consolidation had been conducted at the beginning of the 67th fiscal year.

4. New accounting guidance, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU No. 2017-07), has been adopted from the beginning of the current consolidated fiscal year. Accordingly, key financial data for the previous fiscal years are the amounts after the retroactive application of such accounting guidance.

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal Year	67th	68th	69th	70th	71st
Year-End	March 2015	March 2016	March 2017	March 2018	March 2019
Operating revenue	10,898	10,934	13,139	12,644	15,715
Ordinary income	7,350	7,044	9,215	6,308	11,255
Net income (loss)	△541	6,739	11,453	6,461	5,968
Common stock	13,260	13,260	13,260	13,260	13,260
Total number of issued and outstanding shares (thousand shares)	143,378	143,378	143,378	71,689	70,689
Net assets	140,578	143,135	145,496	140,510	134,813
Total assets	168,678	163,938	165,022	160,086	154,554
Net assets per share (yen)	1,990.97	2,026.40	2,114.38	2,078.38	2,060.13
Dividends per share (Interim dividends per share) (yen)	30.00 (—)	33.00 (—)	36.00 (—)	54.00 (18.00)	72.00 (36.00)
Net income (loss) per share (yen)	(7.70)	95.70	164.85	95.12	90.24
Diluted net income per share (yen)	—	95.40	164.32	94.47	89.91
Shareholders' equity ratio (%)	83.1	87.1	87.9	87.5	86.9
Return on equity (%)	—	4.7	7.9	4.5	4.3
Price earnings ratio (times)	—	28.06	16.67	32.38	30.50
Dividend payout ratio (%)	—	68.9	43.7	75.7	79.8
Number of employees [Average number of part-time employees, etc.] (person)	80 [—]	81 [—]	81 [—]	95 [—]	90 [—]
Total shareholders' return (%)	131.2	133.5	139.9	159.1	146.9
(Benchmark: TOPIX incl. dividends) (%)	(130.7)	(116.5)	(133.7)	(154.9)	(147.1)
Highest share price (yen)	1,471	1,768	1,463	3,640 (1,648)	3,485
Lowest share price (yen)	992	1,220	970	3,015 (1,309)	2,595

- (Note)
1. Operating revenue does not include consumption taxes, etc.
 2. Diluted net income per share data for the 67th fiscal year is not presented since a net loss was recorded.
 3. Return on equity, price earnings ratio and dividend payout ratio for the 67th fiscal year are not presented since a net loss was recorded.

4. We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, “Net assets per share,” “Net income (loss) per share” and “Diluted net income per share” have been calculated assuming that such share consolidation had been conducted at the beginning of the 67th fiscal year.
5. Dividends per share of 54.00 yen for the 70th fiscal year are a total of the interim dividend (18.00 yen) and the year-end dividend (36.00 yen). As we have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017, such interim dividend and year-end dividend are the amounts before such share consolidation and after such share consolidation, respectively. Dividends per share for the 70th fiscal year will be 72.00 yen if calculated based on the per share information after such share consolidation.
6. We have adopted ASBJ Statement No. 28 Partial Amendments to the Accounting Standard for Tax Effect Accounting (February 16, 2018) starting from the beginning of the 71st fiscal year. Accordingly, key financial data for the previous fiscal years are the amounts after the retroactive application of such accounting guidance.
7. The highest and lowest share prices are market prices on the first section of the Tokyo Stock Exchange.
8. We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. The share prices for the 70th fiscal year indicate the highest and lowest prices after such share consolidation, and the share prices in brackets indicate the highest and lowest prices before such share consolidation.

2. 【History】

June 1946	Wako Shoji founded by late Koichi Tsukamoto
November 1949	Wako Shoji Corp. established with 1 million yen in capital (Nakagyo-ku, Kyoto)
June 1951	Head office relocated to Anekoji-agaru, Muromachi-dori, Nakagyo-ku, Kyoto; plant opened; self-manufacturing begins
November 1957	Company name changed to Wacoal Inc.
November 1959	Tokai Wacoal Sewing Corp. established as a domestic manufacturing company, and seven sewing subsidiaries established in Japan
June 1964	Company name changed to Wacoal Corp.
September 1964	Wacoal listed on the Second Section of the Tokyo and Osaka Stock Exchanges and the Kyoto Stock Exchange
August 1970	A joint venture company, Korea Wacoal Corp. established in Korea
October 1970	A joint venture company, THAI WACOAL CO., LTD. (current THAI WACOAL PUBLIC CO., LTD.) established in Thailand
October 1970	Taiwan Wacoal Co., Ltd. established as joint venture company
January 1971	Wacoal listed on the First Section of the Tokyo and Osaka Stock Exchanges
April 1978	Singapore office (current WACOAL SINGAPORE PRIVATE LTD.) opened
August 1979	Acquired shares from Torica Inc., a subsidiary of the Company, by way of capital increase through third-party allocation
June 1981	WACOAL AMERICA, INC. (current WACOAL INTERNATIONAL CORP.) established as an overseas subsidiary
March 1982	Acquired shares from Nanasai Co., Ltd., a subsidiary of the Company, by way of capital increase through third-party allocation
February 1983	WACOAL HONG KONG CO., LTD., established as an overseas subsidiary
December 1983	Acquired all shares in Teenform Inc., an American corporation (current WACOAL AMERICA, INC.)
December 1983	THAI WACOAL CO., LTD., listed on The Stock Exchange of Thailand
January 1986	Beijing Wacoal Co., Ltd. (current Wacoal China Co., Ltd.), established as joint venture company
April 1989	PHILIPPINE WACOAL CORP. established as joint venture company
January 1990	WACOAL FRANCE S.A. established as an overseas subsidiary (current WACOAL EUROPE SAS)
January 1991	INDONESIA WACOAL CO., LTD. (current PT.INDONESIA WACOAL), established as a joint venture company
April 1993	Joint venture agreement for Korea Wacoal Corp. canceled; investment made into Shinyoung Inc. (current Shinyoung Wacoal Inc.) in Republic of Korea
January 1995	Guangdong Wacoal Inc. established as an overseas subsidiary
June 1997	VIETNAM WACOAL CORP. established as an overseas subsidiary
December 2000	Joint venture agreement for Beijing Wacoal Co., Ltd. (current Wacoal China Co., Ltd.), canceled and reestablished as Beijing Wacoal Co., Ltd., a wholly owned subsidiary
May 2003	WACOAL MALAYSIA SDN BHD established as a joint venture company
August 2003	Dalian Wacoal Co., Ltd., established as an overseas subsidiary
October 2005	Company name changed to Wacoal Holdings Corporation pursuant to the transition to holding company system Wacoal Corp. established through incorporation-type company split
January 2008	Peach John Co., Ltd. (“Peach John”), became a wholly owned Wacoal subsidiary through share exchange
August 2009	Lecien Corp. became a wholly owned Wacoal subsidiary through stock exchange
April 2012	Eveden Group Limited (currently Wacoal Europe Ltd.) became a wholly owned Wacoal subsidiary through the acquisition of all of the issued and outstanding shares of Eveden Group Limited
January 2016	A TECH TEXTILE CO., LTD. and one other company established as joint venture companies

3. 【Description of Business】

Our corporate group consists of one holding company (Wacoal Holdings Corp.), 57 subsidiaries, and eight affiliates, and is principally engaged in the manufacturing and wholesale distribution of innerwear (primarily women's foundation wear, lingerie, nightwear, and children's underwear), outerwear, sportswear, and other textile goods and related products, as well as the direct sale of certain products to consumers. Our corporate group also conducts business in the restaurant, culture, service, and interior design businesses.

The Company falls under the definition of "Specified Listed Companies" as prescribed under Paragraph 2, Article 49 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. For this reason, whether an incident is minor (and not a material fact) under the insider trading restrictions will be determined on the basis of consolidated figures.

Segment information and a summary of the various companies that make up our corporate group are as follows:

(1) Wacoal Business (Domestic)

This segment is composed of Wacoal Holdings Corp. and 12 subsidiaries in Japan.

Wacoal Corp. engages in the planning and designing of the above-mentioned products, procurement of materials for the above-mentioned products, commercialization of semifinished products purchased from sewing companies in Japan and overseas and other business associates after inspection, and distribution to end consumers through department stores, general merchandisers, and other general retailers in Japan, as well as directly managed retail stores, E-commerce(EC) websites and distributors in Japan and overseas. Each of our 4 apparel manufacturing companies, including Kyushu Wacoal Manufacturing Corp., receives a supply of raw materials from Wacoal Corp., conducts sewing and processing of innerwear and sportswear, and delivers the semifinished products to Wacoal Corp. We have 4 sales companies, including Une Nana Cool Corp., which conduct retail sales of innerwear, outerwear and swimsuit products.

(2) Wacoal Business (Overseas)

This segment is composed of 37 companies, including our overseas subsidiaries and affiliates.

Among our 30 overseas subsidiaries, eight companies are located in North and Central America; five companies are located in Europe; and 17 companies are located in Asia/Oceania. Seven overseas affiliates are located in Asia.

Among our eight overseas subsidiaries in North and Central America, Wacoal Dominicana Corp., an apparel manufacturing company of innerwear products, ships its products to WACOAL AMERICA, INC., a manufacturing and sales company, which supplies these products to end consumers through local department stores, specialty retail stores and EC websites. In addition, Eveden Inc., a sales company, distributes innerwear products, which are mainly supplied from Wacoal Timex LTD. and WACOAL EMEA LTD.

Among our five overseas subsidiaries in Europe, WACOAL EMEA LTD., distributes products to end consumers through department stores and specialty retail stores mainly in the United Kingdom.

Our two subsidiaries and four affiliates in Asia/Oceania are manufacturing and sales companies, which distribute products to end-consumers through their local department stores and specialty retail stores, and also distribute a part of their products to Wacoal Corp. and sales companies in Asia. Our sales companies include six subsidiaries, including Wacoal Singapore Private Ltd., Eveden Israel Ltd., and one affiliate. These sales companies distribute innerwear products, which are mainly supplied from the group companies, to their local department stores, specialty retail stores and directly managed retail stores. Our nine remaining subsidiaries include four apparel manufacturing companies producing innerwear, two raw materials manufacturing companies, one company that procures materials for subsidiaries and affiliates in Asia, and two investment companies which make investments in the local subsidiaries and local affiliates that manufacture and sell innerwear.

(3) Peach John Business

This segment is composed of four companies, including our domestic and overseas subsidiaries. The one domestic subsidiary and three overseas subsidiaries are sales companies, and Peach John mainly engages in the retail sales of products that are independently supplied mainly from nongroup companies.

(4) Other

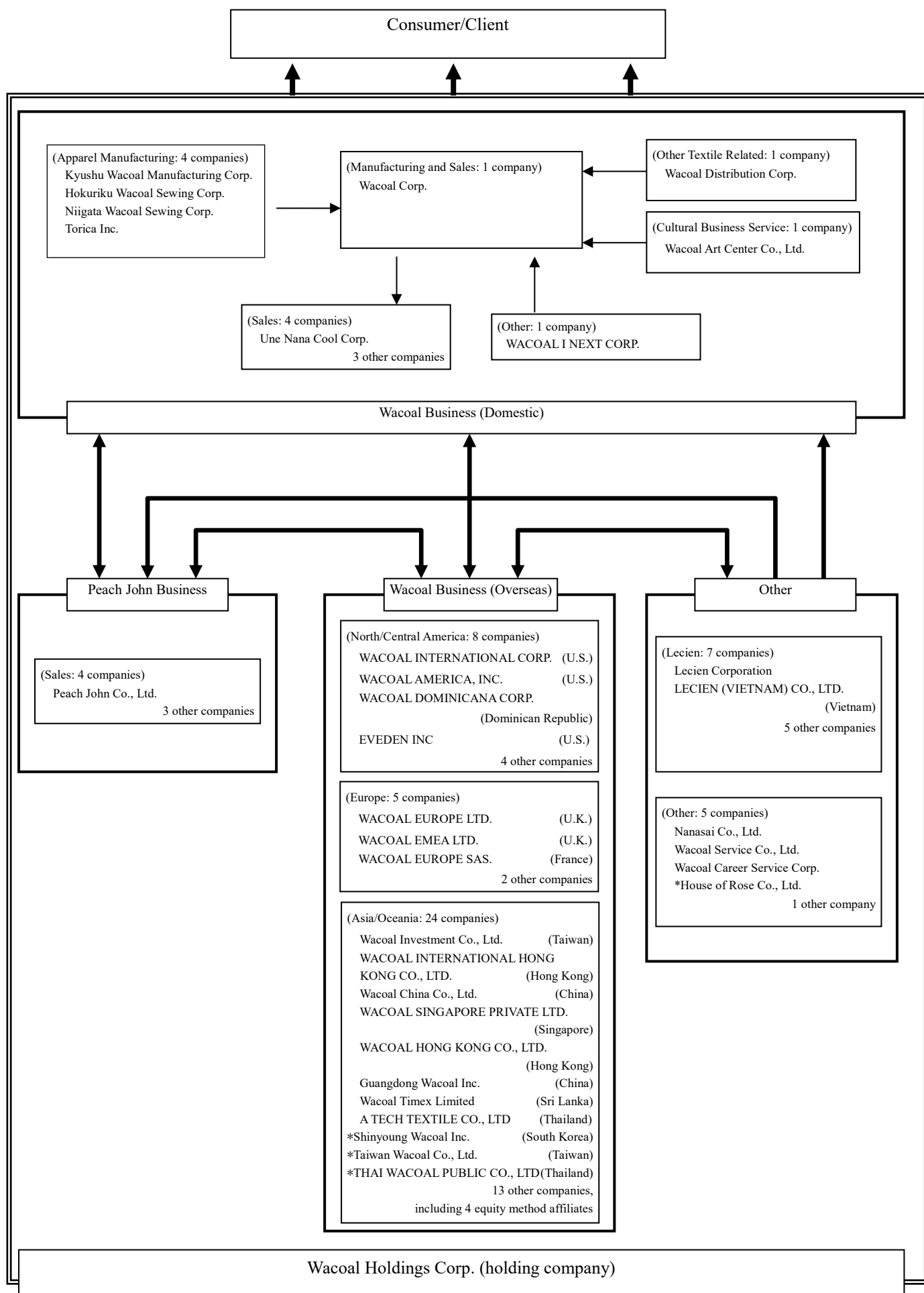
This segment is composed of a total of 12 companies, including five domestic subsidiaries, six overseas subsidiaries and one domestic affiliate.

Among the five domestic subsidiaries, Nanasai Co., Ltd. ("Nanasai") engages in the manufacture and sale of mannequins and fixtures, and interior design work and Lecien Corporation engages in the manufacture and wholesale distribution of women's innerwear and clothing, lace, thread, and fabrics for handicrafts. Our three remaining subsidiaries include an apparel manufacturing company and two other subsidiaries which engage in other textile-related business, real estate leasing business, and other business.

Overseas, six subsidiaries are located in Asia.

Four of our subsidiaries in Asia are apparel manufacturing companies. The other two subsidiaries engage in the manufacture and sale of mannequins and fixtures, interior design work and other textile-related business.

The business distribution diagram of these subsidiaries and affiliates follows on the next page:



Without mark: a consolidated subsidiary

*: an equity method affiliate

4. 【Information on Subsidiaries and Affiliated Companies】

Company Name	Location	Capital (Millions of yen)	Principal Business	Percentage of Voting Rights Owned or Held (%)	Relationship	
					Number of Company Officer(s) holding a Position as Officer in such Subsidiaries and Affiliated Company	Lease/Rent of Facilities
(Consolidated Subsidiary)						
*1, *6 Wacoal Corp.	Minami-ku, Kyoto	5,000	Wacoal Business (Domestic) (Research and development, product planning and sale of innerwear products, etc.)	100	3	Rent of office building
Peach John Co., Ltd.	Minato-ku, Tokyo	90	Peach John Business (Product planning and sale of innerwear products)	100	2	—
Lecien Corp.	Minami-ku, Kyoto	90	Other (Product planning and sale of innerwear products)	100	2	Rent of office · storage building
Kyushu Wacoal Manufacturing Corp.	Unzen-shi, Nagasaki	70	Wacoal Business (Domestic) (MTO (make to order) of innerwear products)	100 (100)	—	Rent of office building
Niigata Wacoal Sewing Corp.	Nishikan-ku, Niigata	50	Same as above	100 (100)	—	Same as above
Torica Inc.	Ibaraki-shi, Osaka	92	Same as above	57 (57)	—	—
Nanasai Co., Ltd.	Minami-ku, Kyoto	90	Other (Leasing of mannequins, interior design and construction work of stores)	99	2	Rent of office building
*1 WACOAL INTERNATIONAL CORP.	New York, USA	20,000 thousand USD	Wacoal Business (Overseas) (a US holding company)	100 (100)	2	—
WACOAL AMERICA, INC.	New York, USA	2,062 thousand USD	Wacoal Business (Overseas) (Product planning and sale of innerwear products)	100 (100)	2	—
WACOAL DOMINICANA CORP.	Santo Domingo, Dominican Republic	20 thousand USD	Wacoal Business (Overseas) (MTO of innerwear products)	100 (100)	—	—
WACOAL EUROPE LTD.	Northamptonshire, UK	175 thousand GBP	Wacoal Business (Overseas) (a holding company)	100	2	—
WACOAL EMEA LTD.	Northamptonshire, UK	250 thousand GBP	Wacoal Business (Overseas) (Product planning and sale of innerwear products)	100 (100)	—	—
WACOAL EUROPE SAS.	Saint-Denis, France	8 thousand EUR	Wacoal Business (Overseas) (Sale of innerwear products)	100 (100)	—	—
WACOAL HONG KONG CO., LTD.	Hong Kong	3,000 thousand HK\$	Same as above	80 (80)	1	—
*1 WACOAL INTERNATIONAL HONG KONG CO., LTD.	Hong Kong	373,690 thousand HK\$	Wacoal Business (Overseas) (Procurement of innerwear products and raw materials)	100 (100)	1	—
VIETNAM WACOAL CORP.	Bien Hoa, Vietnam	54,604 million VND	Wacoal Business (Overseas) (MTO and sale of innerwear products)	100 (100)	—	—
Wacoal Investment Co., Ltd.	Taipei, Taiwan	59,000 thousand NT\$	Wacoal Business (Overseas) (a Taiwan holding company)	100 (100)	3	—
Guandong Wacoal Inc.	Guangzhou, China	17,730 thousand RMB	Wacoal Business (Overseas) (MTO of innerwear products)	100 (100)	—	—
*1 Wacoal China Co., Ltd.	Beijing, China	189,364 thousand RMB	Wacoal Business (Overseas) (Product planning, manufacturing and sale of innerwear products)	100 (100)	1	—
*1 A TECH TEXTILE CO., LTD.	Bangkok, Thailand	1,000 million THB	Wacoal Business (Overseas) (Manufacturing of raw materials)	54 (54)	—	—
37 other companies						
(Equity Method Affiliate)						
THAI WACOAL PUBLIC CO., LTD.	Bangkok, Thailand	120 million THB	Wacoal Business (Overseas) (Manufacturing and sale of innerwear products)	34 (34)	2	—
PT.INDONESIA WACOAL	Bogor, Indonesia	2,500 million IDR	Same as above	42 (42)	2	—
Shinyoung Wacoal Inc.	Seoul, South Korea	4,500 million WON	Same as above	25	1	—
Taiwan Wacoal Co., Ltd.	Taoyuan, Taiwan	800 million NT\$	Same as above	50 (50)	3	—

*4, *5 House of Rose Co., Ltd.	Minato-ku, Tokyo	934	Other (Development and sale of cosmetics and healthcare products, etc.)	21	—	—
3 other companies						

(Note) *1 Wacoal Corp., WACOAL INTERNATIONAL CORP., WACOAL INTERNATIONAL HONG KONG CO., LTD, Wacoal China Co., Ltd. and A TECH TEXTILE CO., LTD. are categorized as a specified subsidiary under the Financial Instruments and Exchange Act.

2 The number in brackets under the “Percentage of Voting Rights Owned or Held” column means the percentage of indirect holding.

3 The name of operating segments is shown under the “Principal Business” column.

*4 The Company executed a business alliance agreement between House of Rose Co., Ltd.

*5 House of Rose Co., Ltd. is a company that is obliged to file an annual securities report.

*6 Wacoal Corp.’s sales (excluding the internal sales recorded among consolidated subsidiaries) account for more than 10% in our consolidated sales.

Key Income Summary

(i) Sales	103,989 million yen
(ii) Ordinary income	9,634 million yen
(iii) Net income	8,280 million yen
(iv) Net assets	107,167 million yen
(v) Total assets	140,560 million yen

5. 【Employees】

(1) Employees within group

As of March 31, 2019

Name of Operating Segment	Number of Employees	
Wacoal Business (Domestic)	7,457	[637]
Wacoal Business (Overseas)	10,781	[45]
Peach John Business	531	[33]
Other	1,893	[24]
Total	20,662	[739]

- (Note) 1 The number of employees is the number of individuals working within our group (excludes individuals seconded from our group to third parties, but includes individuals seconded from third parties to our group). The average number of temporary employees is indicated in brackets for the current consolidated fiscal year.
- 2 Temporary employees include temporary staff and part-time workers whose working period is about 3 months.

(2) Employees of the Company

As of March 31, 2019

Number of Employees	Average Age	Average Years of Service	Average Annual Salary (Yen)
90	46.7	20.6	5,919,069

- (Note) 1 The number of employees is the number of individuals working within the Company.
- 2 The average annual salary includes bonus and extra wages.
- 3 All employees of the Company belong to the Wacoal Business (Domestic) segment.

(3) Relationship with Labor Union

Employees of the Company are members of the Wacoal Labor Union. The Wacoal Labor Union is a member of The Japanese Federation of Textile, Chemical, Food, Commercial, Service, and General Workers' Unions.

Certain subsidiaries have their own labor unions.

Our relationship with Labor Unions is very stable and we have nothing to report on this matter.

II. Business Overview

1. 【Management Policy, Business Environment and Management Issues】

Any forward-looking statement contained below is based on our judgements as of the end of the current fiscal year. Actual results and performance may differ from the estimates set out in this document due to various risks, uncertainties and other factors arising in the future.

(1) Basic Business Policy

Our business activities are built upon “relationships founded in mutual trust,” which are based on our listening to the voice of each and every one of our customers, and continuously transforming our business with a sense of humility. This spirit of mutual trust and respect for humanity serves as the starting point for all of our business activities and has been our management philosophy since our establishment. We will continuously enhance our corporate value by making efforts to increase transparency in our corporate management and ensuring fairness and independence of our corporate management in order to build “mutual trust” in relationships with every stakeholder, including shareholders, customers, employees, business partners and the local community.

(2) Measures for Business Targets

Our target is to achieve consolidated operating income margin of 7% or higher and a consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders’ equity for the current fiscal year) of 6% or higher as our mid-term financial data.

(3) Our Medium- and Long-term Business Strategy

We aim to achieve sustainable growth and enhancement of our corporate value, and to become a company that is expected by consumers to exist for 100 years or more, by making further achievements as we listen to the voice of the society and continuously improve our management foundation.

We continue to move forward with efforts to become “Wacoal of the World as a Group”, that is, to continue to offer pioneering products to the global markets by taking full advantage of our management resources and our group’s network, and to gain reputation for our reliability from stakeholders around the world with our group’s products and services as well as our commitments to social issues by cultivating new market opportunities for the garment industry.

Furthermore, in order to achieve a competitive edge in the global markets, we will invest in new business areas and growth opportunities and rise to the challenge of realizing unprecedented growth, thereby further enhancing our corporate value.

(4) Business and Financial Issues to Address

While the domestic market is expected to steadily recover with the improvement in the job market and income environment, consumer spending on innerwear and clothing remains unpredictable, led by deep-rooted concern for the future, which continued to make consumers budget-conscious, as non-consumption expenditures tightened the household budgets.

Overseas markets are starting to show signs of instability due to factors such as the US-China trade war, political uncertainties in European countries, business restructuring of mass merchandisers including department stores, and the emergence of new distribution channels and marketing with innovative digital technologies.

Under such environment, our most important issue is to build a stronger market position in the most core market, our domestic market, with the most recognized brand, by improving our customer service using digital technology and implementing unrivaled plans for our distribution channels. We also need to continue to achieve stable profit growth by optimizing brand and product composition, promoting structural reform of the value chain, and maximizing organizational productivity.

The major challenge in the overseas markets is to flexibly react to changing market conditions where digital transformation is accelerating, and to maintain the current growth rate. Further, we need to build our operating foundation, as well as to make investments for business expansion in countries and regions where we have a market presence but our business remains small in size. Our overseas business is and will always be our group’s biggest growth engine.

We also believe that we need to commit ourselves to solving critical social issues in order to become a company that continues to prosper with the society, is trusted in the globalizing world and is expected be necessary for the society.

Basic Policies for Medium-Term Management Plan (Three Years; FY2020 – FY2022)>

We will continue to move forward with efforts to achieve our future vision to become “Wacoal of the World as a Group”.

We will grow our business so that we gain reputation not only for the reliability of our group’s products and services but also for our commitments to social issues, among stakeholders all around the world, including shareholders, investors and customers.

In light of the expectations that stakeholders have for us, we have set the following three highly important management goals for our group:

- Achieve strong growth in Japan and overseas
- Examine the potential of unprofitable businesses and brands, and promote review and structural reform of group businesses where no business will be safe from such review or structural reform
- Enhance corporate value by improving economic and social values

Based on these goals, we will pick up pace to address operational issues by expanding our customer service advanced by digital technology; implementing plans for unrivaled omni-channel services; launching new high-value added products without regional boundaries; strengthening cooperation with key third-party EC websites and building our EC websites that match country and geographical characteristics; making investments in growth for business expansion in countries and regions where we have a market presence but our business remains small; reforming business models suffering from systemic fatigue; and building a highly competitive supply chain network.

To realize a sustainable society, we will make efforts to achieve advanced CSR procurement in cooperation with manufacturers that we outsource to, better live within the global environment through efforts to reduce plastic use and unsold inventory, and build an organization that encourages diversity and inclusion by taking advantage of diverse human resources. We will commit in a responsible manner to create new value through cultivation of a sustainable business foundation.

We will make stable distributions and make repurchases in a flexible manner, and will make efforts to improve profitability and capital efficiency through our business activities. We will also make efforts to maintain a real total return ratio of 100% excluding any gain (loss) on valuation of marketable securities and investments (recognized as other income (expenses) under the statements of income under the U.S. accounting standards). In addition, while we prioritize investments that support sustainable growth of our business, we will seek to hold an adequate cash balance by reducing, as appropriate, cross-shareholdings with other companies.

Under the above-described initiatives, our target for the fiscal year 2022, which is the last year of our new medium-term management plan, is to achieve net sales of 210,000 million yen, operating income of 14,000 million yen (ratio of operating income to net sales of 6.7%), net income attributable to Wacoal Holdings Corp. of 12,000 million yen, and a consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders’ equity for the current fiscal year) of 6% or higher.

2. 【Risk Factors】

Our business, performance, and financial position are subject to risks and uncertainties, including those described in the risk factors below. These risks and uncertainties could result in a material adverse effect on our results of operation and financial position, and a material decline in the trading price of our common stock.

Forward-looking statements in this report are made based on information available as of the end of fiscal year 2019.

(1) We may be adversely affected by the domestic and global economy

In the major markets in which we operate, any weakness or deterioration in the economy may have a material adverse effect on our sales, results of operation and financial position.

(2) Continued difficulties faced or changes in business policies made by department stores, general merchandisers, and other general retailers in Japan would hurt our business

In fiscal year 2019, a substantial majority of our net sales were generated in department stores, general merchandisers, and other general retailers in Japan. Due to the ongoing structural change in the retail market, however, we expect that the share of sales from department stores, general merchandisers and other general retailers in the overall retail market will remain weak and may continue to decline.

If the business of one or more of our important general retail customers fails as a result of continued weakness in the department stores, general merchandise and other general retail sector, such a business failure may result not only in decreased sales, but we may also be unable to collect some or all of our outstanding accounts receivable from such customers.

Likewise, increased consolidation of Japanese department stores and general merchandisers in preparation for a shrinking market due to the future anticipated decrease in the population of Japan may allow our customers to increase their bargaining power in negotiating pricing and other terms of trade. Any change in business policy by Japan's leading retailers would have an adverse impact on our performance, such as net sales or return on sales.

(3) Our sales may decline if we are unable to effectively anticipate and respond to consumer tastes and preferences and deliver high-quality products

Customer tastes and fashion trends change continuously and are difficult to predict. If we are unable to successfully anticipate or respond to changing styles or trends, and if we lose the support of our customers, we may be unable to achieve our sales targets and our financial results would suffer as a result.

In addition, our brand image may suffer if we misjudge the market or sell defective merchandise causing customers to believe that we are not able to offer attractive fashions and top-quality products. If any event were to occur that harms our reputation for producing high-quality products, our sales, results of operation and financial position could be materially adversely affected.

(4) The apparel market is highly competitive, and our share of sales or profitability may decline if we are unable to maintain our competitiveness

In the domestic innerwear market, in addition to competition from wholesalers and direct retailers in the mid- to high-end garment market in Japan, we must also compete against catalog and Internet sales, including mass-market and specialty apparel companies, as well as non-store retailing. In addition, competition may intensify with new entrants.

Increased competition could result in price reductions, increased marketing expenditures, and loss of sales volume and market share, all of which could have a material adverse effect on our sales, financial position, and results of operation.

(5) Expansion of our specialty retail store may not lead to improved sales and profits

Further investment is necessary in order to expand our specialty retail store business, including expenses for the development of new stores and the closure of underperforming stores, and improvement expenses for the specialty retail store brand. While we continue to make efforts in improving profitability, if new shops fail to secure the expected sales levels, if expenses such as shop rent or personnel costs increase due to changes in the market environment, or if the specialty retail store brand fails to be popular with customers, we may not be able to make sufficient gains to recover the investment.

(6) We may experience difficulties in successfully increasing our catalogue and Internet sales

We believe that our Internet sales will be increasingly important, and we are seeking to strengthen our capabilities in these channels. We also believe that we need to make further investments in systems for Internet sales in order to expand the Internet sales of our entire group. However, as the system environment surrounding our catalogue and Internet sales evolves rapidly, we cannot predict whether our accumulated investments would contribute to the benefit of the entire group. We may not be successful in increasing Internet sales and profits sufficiently to compensate for continued flat or declining sales through our core general retailer channel.

(7) Our business may be adversely affected by poor sales or production plans or weather events

If we fail to properly judge the market for our products, we may face a significant amount of unsold inventory as a result of poor sales and excess production because we generally manufacture our products in advance of the applicable season. Also, if a season is unusually warm, cold, short or long, sales of our seasonal campaign products or our seasonal products may be adversely affected by irregular weather events. In response, we may be forced to reduce our product prices, increase our marketing promotions, or revalue our inventory, which could have a material adverse effect on our sales, results of operation, and financial position.

(8) Costs related to procurement of raw materials and products may rise due to changes in the environment

Raw materials such as nylon, polyester, polyurethane and cotton are used for our products and the price of such raw materials fluctuates based on market conditions. We have gradually increased the amount of goods we produce and raw materials we procure for our products in lower-cost countries in Asia. However, labor costs and prices have been rising consistently, and we also face high political and social instability in those countries in Asia. Increases in product material prices or labor or product costs at our places of production would increase our production costs, and additional costs may be incurred in response to changes in business environment. Any of the foregoing may have a material adverse effect on our results of operation and financial position.

(9) It may be difficult for us to attract and retain highly qualified personnel

The growth of our business depends significantly on our ability to attract, train, and retain qualified personnel in areas such as product planning, manufacturing technology, and sales and marketing. Our ability to attract qualified personnel depends in large part on our ability to establish and maintain a positive image in the labor market. We may not be successful in attracting and retaining qualified personnel, which may have a material adverse effect on our results of operation and financial position.

(10) We may face increasing risks relating to conducting business internationally

It is expected that the overseas production ratio will continue to expand, especially in Asian countries, in procurement and manufacturing of products that our group sells in Japan. In addition, we are making efforts to expand our product sales in overseas markets, including in the United States, Europe, and China. These initiatives and trends may increasingly expose us to various risks relating to the conduct of our business abroad, including:

- (i) the risk that our business may be adversely affected as a result of our failing to suit consumer tastes and preferences in overseas markets;
- (ii) the risk that political, social, and economic instability in countries where we source, manufacture, or sell our products may adversely affect our group;
- (iii) the risk that unexpected tax, legal, or regulatory changes or actions may adversely affect our group;
- (iv) the risk of our being unable to adjust to cultural differences which may lead to staffing or management failure that may adversely affect our group business;
- (v) the risk that the procurement costs of our group products or our consolidated business results may fluctuate due to changes in exchange rates;
- (vi) the risk of our not being able to protect our intellectual property as a result of different intellectual property protection systems or our infringing on the intellectual property of other companies that may adversely affect our group business; and
- (vii) the risk that public health or similar problems in our important overseas markets or sourcing/production centers may adversely affect our group.

(11) We may not be successful with acquisitions and other strategic transactions with third parties

We intend to evaluate and pursue opportunities for acquisitions, investments, and other strategic transactions that we believe will help us achieve our business objectives, including extending our product offerings in Japan and in overseas markets and strengthening our capabilities in Internet, catalogue, and other marketing channels.

Any acquisitions or other strategic transactions, or any licensing business that we have pursued or may pursue in the future may have an adverse effect on our group's business results as a result of poor performance of the target company or business partner due to deterioration in the economy, unsuccessful management integration or business collaboration, or failure to achieve satisfying results from synergy effects or the relevant business model. Also, there is the risk of possible impairment charges on goodwill and other intangible assets which we obtained through business acquisitions recorded on our consolidated balance sheet as a result of a decline in anticipated future cash flows.

(12) We may not be able to recover the cost of investments we make in developing new markets

Our pursuit of growth opportunities and new markets through international expansion, acquisitions, strategic alliances, or otherwise will require significant resources, time, and costs. There is no guarantee that we will generate results that are sufficient to cover the cost of making any such investment, even if we conduct an extensive due diligence investigation and other analyses prior to making the investment to maximize the probability of success and minimize the risks. Failure to recover the cost of investments could have a material adverse effect on our results of operation and financial position.

(13) We may face infringement of our intellectual property rights or claims that we infringe the intellectual property rights of others

We believe that our intellectual property rights, our brands and related trademarks in particular, are important to our ability to create and sustain demand for our products and to the value of our business. We may encounter trademark and related disputes in the future, and imitation of our products or the infringement of our trademarks and intellectual property rights by other could materially harm our operations and financial position. Additionally, other parties have asserted in the past, and may assert in the future, that we have infringed their intellectual property rights. We cannot predict whether any such assertions or related claims will substantially harm our results of operation and financial position.

(14) We may be exposed to risks in the occurrence of information system intrusion

Our computer system may be subject to an attack from external sources resulting in website defacement, leaking of material data, or erasing of material data due to a computer virus, or occurring system problems as a result of system development failures or delays. If any of these events occur, our sales may decline as a result of interruption of our business activities and deterioration in our corporate image, which could have a material impact on our results of operation and financial position.

(15) If we fail to protect our customers' privacy and data and maintain the confidentiality of our trade secrets we may face proceedings against us, lose customer confidence, or lose our market position

Any failure for us to comply with laws and regulations regarding privacy and the protection of customer information could result in proceedings against us by governmental entities or others, which could potentially have an adverse effect on our business, results of operation and financial position. Complying with varying privacy requirements could not only cause us to incur substantial costs and force us to change our business practices, but also could cause customers to lose confidence in our business and products, which could result in a material adverse effect on our sales and profitability.

Additionally, in order for us to secure and maintain an advantageous position in the market, we need to protect our trade secrets, such as manufacturing technology and product information. If these trade secrets are divulged by any party related to us or infringed by another company, our business or financial position could be materially affected.

(16) If we fail to maintain adequate internal controls over financial reporting we may not be able to produce reliable financial reports in a timely manner or prevent financial fraud

Beginning with our annual report for fiscal year 2007, we are required to document and test our internal control procedures.

Effective internal controls are necessary for us to prepare reliable financial reports and important in helping prevent financial fraud. If we cannot provide reliable financial reports on a timely basis or prevent financial fraud, our business and results of operation could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

(17) Our holdings of equity securities expose us to market risks

We hold equity securities in publicly traded Japanese and other companies. A significant drop in the value of these securities or in the Japanese equity markets in general, could have an adverse impact on our financial results in the relevant reporting period.

(18) Natural disasters, epidemics, dispute, terrorism and riot could affect our manufacturing abilities, results of operation, or financial position

Japan is one of the most seismically active countries in the world and regularly experiences typhoons and other natural disasters. In the event of a large earthquake, other natural disaster, or outbreak of an epidemic that affects our employees or our ability to continue using any of our sales or manufacturing facilities, our sales and marketing efforts would be adversely affected and we would face the possibility of work delays or stoppages, any of which could have a negative effect on our business. Any such natural disaster, epidemic, dispute, terrorism and riot could also cause disruptions in the transportation networks that our business relies upon and could interfere with our normal course of production and distribution. Furthermore, any such natural disaster, epidemic, dispute, terrorism or riot would also have a large impact on consumer activity, which would have a significant impact on the sales of our products.

(19) We may be exposed to risks in relation to liability for termination and retirement benefit

Costs and liability for termination and retirement benefits are based on the actuarial assumptions that are used for the calculation of the expected rate of return on plan assets or future liabilities for termination and retirement benefits. Such costs and liability for termination and retirement benefits may increase if the actual results differ from the assumptions or if there is any change to the assumptions, due to fluctuations in the market for securities as well as the interest rate environment. Further, additional obligations may arise if the retirement benefit scheme is amended. As a result, our group's results of operation and financial position could be adversely affected.

(20) *We may be exposed to risks related to realizability of deferred tax assets and transfer pricing*

According to our current accounting standards, deferred tax assets are recorded based on reasonable assumptions about our future taxable income. However, deferred tax assets may decrease due to changes in the estimated amount of future taxable income or changes in tax rates following tax reforms, which could have an adverse impact on our results of operation and financial position.

As the international tax avoidance by certain multinational enterprises turned into a political issue, OECD prepared and released a report on BEPS (base erosion and profit shifting) at the request of the G20 in October 2015 in efforts to improve tax rules. Following the release of this report, each country is reforming and reviewing its domestic tax laws and tax treaties.

We believe that formulation of the international taxation rules will not have a material impact on our group; however, the opinion of the tax authorities in each country may differ from our opinion regarding the newly prescribed transfer pricing documentation.

(21) *Compliance Risk*

We conduct our business activities pursuant to the Wacoal Code of Ethics and in full compliance with applicable laws and rules, and are taking various risk prevention measures by providing training for our employees, for which our Compliance Committee plays a key role to bring awareness of compliance and by making efforts to strengthen our internal control process. However, if our reputation is damaged or significant compensation losses are incurred due to events attributable to deceptive illegal acts or to business partners in our supply chain, it may have a material impact on our results of operation.

3. 【Analyses of Financial Position, Results of operation, and Cash Flows by Management】

(1) Overview of Status of Business Performance etc.

The overview of financial position, results of operation and cash flows (“business performance etc.”) of our group (the Company, consolidated subsidiaries and equity-method affiliates) for the current fiscal year are as follows.

(i) Status of Financial Position and Results of operation

a. Status of Financial Position

Total assets at the end of fiscal year 2019 was 281,767 million yen, a decrease of 16,767 million yen as compared to the end of the previous fiscal year, due to a decrease in investment resulting from decrease in market value and impairment charges on goodwill.

Total liabilities at the end of fiscal year 2019 was 60,623 million yen, a decrease of 414 million yen as compared to the end of the previous fiscal year, due to decreases in trade payables and deferred tax liabilities, despite an increase in short-term bank loans and a recognition of refund liabilities.

Total Wacoal Holdings Corp. shareholders' equity at the end of fiscal year 2019 was 216,494 million yen, an decrease of 16,218 million yen as compared to the end of the previous fiscal year, due to cash dividend payments, repurchase of treasury stock and decreases in pension liability adjustments.

As a result of the above, shareholders' equity ratio at the end of fiscal year 2019 was 76.8%, an decrease of 1.2% as compared to the end of the previous fiscal year.

b. Results of operation

	Previous Fiscal Year (ended March 31, 2018)	Current Fiscal Year (ended March 31, 2019)	(Millions of Yen)	
			Changes from Previous Fiscal Year	
			Amount	%
Net sales	195,725	194,201	△ 1,524	△ 0.8%
Cost of sales	92,032	89,804	△ 2,228	△ 2.4%
Sales profit	103,693	104,397	+ 704	+ 0.7%
Selling, general and administrative expenses	92,701	93,684	+ 983	+ 1.1%
Compensation income	△ 708	—	+ 708	—
A: Impairment charges on goodwill and other intangible assets	206	5,834	+ 5,628	—
Operating income	11,494	4,879	△ 6,615	△ 57.6%
Other income/expenses	2,789	2,894	+ 105	+ 3.8%
B: Valuation gain / loss (△) on marketable securities and investments - net	3	△ 5,570	△ 5,573	—
Income before income taxes and equity in net income of affiliated companies	14,286	2,203	△ 12,083	△ 84.6%
Net income attributable to Wacoal Holdings Corp.	9,745	341	△ 9,404	△ 96.5%

Reference figure (i): Operating income not taking into account A	11,700	10,713	△ 987	△ 8.4%
Reference figure (ii): Income before income taxes and equity in net income of affiliated companies not taking into account A and B	14,489	13,607	△ 882	△ 6.1%

Our consolidated sales for the current fiscal year was 194,201 million yen, a decrease of 0.8% or 1,524 million yen from such sales for the previous fiscal year. Consolidated operating income was 4,879 million yen, a decrease of 57.6% or 6,615 million yen from such consolidated operating income for the previous fiscal year, and consolidated income before income taxes and equity in net income of affiliated companies was 2,203 million yen, a decrease of 84.6% or 12,083 million yen from such consolidated income for the previous fiscal year.

Our group uses the U.S. accounting standards and we are required to record impairment charges on goodwill and other intangible assets of 5,834 million yen as operating costs and expenses. As a result, operating income decreased significantly. Consolidated income before income taxes and equity in net income of affiliated companies also decreased significantly due to recognition of valuation loss of 5,570 million yen following the changes in the U.S. accounting standards that required us to record “gain (loss) on valuation of marketable securities and investments” as “Other income (expenses)” starting from the current fiscal year.

As a result of the above, net income attributable to Wacoal Holdings Corp. was 341 million yen, a decrease of 96.5% or 9,404 million yen from the previous fiscal year. 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, 2.5% and 0.2%, respectively.

As references, we have provided in the above statements of income the real operating income and income before income taxes and equity in net income of affiliated companies not taking into account this series of impairment charges and valuation loss on marketable securities and investments which were not accompanied by decreases in cash flows. Both operating income and income before income taxes and equity in net income of affiliated companies decreased from the previous fiscal year but exceeded, the respective estimates that we provided at the beginning of the current fiscal year, i.e., 10,000 million yen of operating income and 13,000 million yen of income before income taxes and equity in net income of affiliated companies. Accordingly, the real ratio of operating income to net sales and the real ratio of net income attributable to Wacoal Holdings Corp. to shareholders’ equity were 5.5% and 4.2%, respectively.

During the current fiscal year (from April 1, 2018 to March 31, 2019), which is the last year of our current mid-term (3 year) business plan (from fiscal year 2017 to fiscal year 2019), in order for our business to return to growth during the period covered by our next mid-term business plan, our group proceeded to build the foundation to enhance our business efficiency and to invest in fields where we can expect growth. Wacoal Corp. improved business efficiency in our wholesale business through reorganization and profitability of our retail business through improved brand value, and completed preparation for introduction of 3D body scanning and AI (artificial intelligence)-based customer service as a part of our omni-channel strategy. In the overseas markets, we have strengthened our business framework in response to the e-commerce channels, which continue to show a high rate of growth in sales, and expanded our brand awareness in Chinese, North America and European markets. On the other hand, in improving the production base, we were successful in enhancing the production capability of highly competitive products in Dalian and Vietnam, while the structural reform in the raw materials factory in Thailand required time.

While e-commerce sales from our business in China expanded and sales from Nanasai showed significant growth resulting from its active construction business, overall sales were affected by the slow growth in our domestic wholesale business of Wacoal Corp. due to weak sales from department stores and decreased revenue from our domestic consolidated subsidiaries, including Lecien Corporation (“Lecien”), Ai Co., Ltd., Peach John Co., Ltd. (“Peach John”), due to delays in addressing market changes. While Wacoal Corp. recorded an increase in profit as a result of a record-high gross profit rate and our overseas business recorded an increase in profit as a result of an increase in revenue, operating income were affected by the impairment charges on goodwill and other intangible assets with respect to Peach John.

Although we have recorded impairment charges on goodwill, etc. with respect to Peach John several times in the past, we took one step further of examining the future potential of our “Peach John” brand, as the current fiscal year was the last year of our current mid-term (3 year) business plan to complete the building of our business foundation. Accordingly, we recorded impairment charges of 5,639 million yen as a result of our reevaluation of fair value of goodwill and trademarks.

Our “Peach John” brand products are well known among influencers in China and East Asia as a Japan-originated high fashion brand and have high brand equity when compared to competitive brands. Peach John has a fan base and strong name recognition all over Japan, and the fact remains that it is one of our important brands in our group that creates fashion trends. It has potential to be recognized as one of the “Cool Japan” products in the Asian markets. We plan to focus on strategies aimed at revitalizing Peach John, based on the current brand value, by confronting bold and unprecedented challenges, with an understanding of the changes in consumer consciousness and trends.

The key exchange rates used for the current fiscal year (previous fiscal year) were: 110.91 yen (110.85 yen) to the U.S. dollar; 145.68 yen (147.03 yen) to the Sterling pound; and 16.72 yen (16.63 yen) to the Chinese yuan.

The following is a summary of results of operation by operating segments.

(Millions of Yen)

		Previous Fiscal Year (ended March 31, 2018)		Current Fiscal Year (ended March 31, 2019)		Changes from Previous Fiscal Year	
		Amount	% to Sales	Amount	% to Sales	Amount	% Change
Total Net Sales		195,725	100.0%	194,201	100.0%	△ 1,524	△ 0.8%
	Wacoal Business (Domestic)	116,085	59.3%	113,400	58.4%	△ 2,685	△ 2.3%
	Wacoal Business (Overseas)	51,888	26.5%	53,100	27.3%	+ 1,212	+ 2.3%
	Peach John Business	10,795	5.5%	10,491	5.4%	△ 304	△ 2.8%
	Other	16,957	8.7%	17,210	8.9%	+ 253	+ 1.5%

(Millions of Yen)

		Previous Fiscal Year (ended March 31, 2018)		Current Fiscal Year (ended March 31, 2019)		Changes from Previous Fiscal Year	
		Amount	% to Sales	Amount	% to Sales	Amount	%Change
Operating Income/Loss		11,494	5.9%	4,879	2.5%	△ 6,615	△ 57.6%
	Wacoal Business (Domestic)	6,845	5.9%	6,325	5.6%	△ 520	△ 7.6%
	Wacoal Business (Overseas)	3,852	7.4%	4,581	8.6%	+ 729	+ 18.9%
	Peach John Business	441	4.1%	△ 5,859	—	△ 6,300	—
	Other	356	2.1%	△ 168	—	△ 524	—

Wacoal Business (Domestic)

Sales attributable to our “Wacoal Business (Domestic)” segment decreased by 2% as compared to such sales for the previous fiscal year. As a result of developing high-value-added products that are comfortable and have good design for both “Wacoal” and “Wing” brand products, sales of our core brassieres products in our wholesale business of Wacoal Corp. were strong. However, overall sales from our wholesale business decreased due to weak sales of nightwear, maternity innerwear, junior’s innerwear, as well as weak sales of “CW-X” brand products. In our retail business, although overall sales were driven by sales of our wireless brassieres “BRAGENIC”, which showed significant growth throughout the year, sales increased only slightly in our retail business as a result of a reduced volume of discount sales intended to improve profitability and a decrease in sales due to the expiration period for points earned under the customers’ loyalty program. Sales from Ai Co., Ltd. decreased by 18% as compared to such sales for the previous fiscal year, as we were significantly affected by the weak sales from our core swimwear business in the summer season, which is the period of peak demand.

Operating income decreased by 8% as compared to such operating income for the previous fiscal year. While Wacoal Corp. recorded an increase in operating profit as a result of improving the gross profit rate, operating income was affected by the increase in profit recorded in the previous fiscal year in respect of the one-time compensation income from leaving a factory space occupied by our subsidiary.

Wacoal Business (Overseas)

Overall sales attributable to our “Wacoal Business (Overseas)” segment on the Japanese Yen basis increased by 2% as compared to such sales for the previous fiscal year. Sales on a local currency basis decreased by 1% from Wacoal International Corp. (the United States), increased by 2% from Wacoal Europe, and increased by 10% from Wacoal China Co., Ltd. as compared to such corresponding sales for the previous fiscal year. In the United States, while e-commerce sales through our e-commerce website and third-party e-commerce websites were strong, sales were affected by the weak over-the-counter sales at department stores (physical stores) and closings of certain department stores that went bankrupt. E-commerce sales in Europe showed significant growth along with the strong sales of our plus-size brand “elomi”, despite the impact of the inventory adjustments at certain department stores in the United Kingdom, where business conditions deteriorated. In China, we enhanced our customer data marketing and distribution system, and expanded growth through third-party EC websites. Over-the-counter

sales at department stores were also strong as a result of our successful sales promotion conducted during China's high-demand seasons.

Operating income on a Japanese yen basis increased by 19% as compared to such operating income for the previous fiscal year. Positive factors attributable to the increase in the operating income include: increased revenue, an improvement in inventory efficiency, and an improvement in the gross profit rate resulting from a higher percentage of e-commerce sales in China; reevaluation of suggested retail price and closings of our unprofitable directly managed retail stores in the United Kingdom; productivity enhancement in our factory in Vietnam; gain on sale of property related to raw materials factory and the absence of one-time impairment charges recorded during the previous fiscal year in Thailand.

Peach John Business

Overall sales attributable to our "Peach John Business" segment fell by 3% as compared to such sales for the previous fiscal year. This decrease was due to poor sales from our own EC website and failure to expand the number of customers visiting our domestic retail stores, although we made efforts to develop products and cultivate sales channels that respond to changes in the market trend. On the other hand, sales in Taiwan, where we commenced operations in May 2017, increased by 34% for the current fiscal year as a result of the expansion of brand awareness through events and blogs.

Operating income was affected by decreased revenue from our domestic business, weak growth from our Chinese business resulting from aggressive competition, an increase in labor costs to retain personnel and distribution expenses, as well as the impact of non-recurring expenses incurred for the relocation of the head office. As a result, we recorded an operating loss of 220 million yen, as well as impairment charges of 5,639 million yen on goodwill and other intangible assets.

Other

Overall sales attributable to our "Other" segment increased by 2% from such sales for the previous fiscal year. Sales from Lecien decreased by 10% from such sales for the previous fiscal year. This was due to weak sales of our core innerwear business, which was affected by a decrease in the number of our private products handled at general merchandise stores, as well as sales from our material business, art & hobby business and apparel business which were also weak. On the other hand, Nanasai was successful in receiving new orders for interior finishes, in addition to renovating a major department store's headquarters, and as a result, sales from Nanasai increased by 14% as compared to such sales for the previous fiscal year due to significant growth in our construction business along with an expansion in our sales business.

Although gross profit rate decreased due to higher percentage of construction business at Nanasai, we recorded an increase in operating income resulting from increased revenue. However, we recorded an operating loss for our "Other" segment in total as the amount of operating income from Nanasai was not enough to offset the amount of operating loss recorded with regard to Lecien.

(ii) Cash Flow Status

The balance of cash and cash equivalents at the end of fiscal year 2019 was 30,133 million yen, an increase of 646 million yen as compared to the end of the previous fiscal year.

(Cash flow provided by operating activities)

Cash flow provided by operating activities during the fiscal year 2019 was 13,620 million yen, a decrease of 1,873 million yen as compared to the previous fiscal year. It is the result after the net income of 395 million yen was adjusted for depreciation expenses, deferred taxes and changes in assets and liabilities.

(Cash flow used in investing activities)

Cash flow used in investing activities during the fiscal year 2019 was 2,474 million yen, a decrease of 4,888 million yen as compared to the previous fiscal year due to acquisition of property, plant and equipment and intangible assets, despite proceeds from sale of equity securities.

(Net cash used in financing activities)

Cash flow used in financing activities during the fiscal year 2019 was 10,872 million yen, a decrease of 1,431 million yen as compared to the previous fiscal year, due to the cash dividend payments and repurchase of treasury stock.

(iii) Production, Orders Received, and Sales

a. Production Results

Our consolidated production results by operating segment for fiscal year ended March 2019 are as follows. No data is available for the Peach John Business since all of its entities are sales companies. The production results for other segment are not shown since it is hard to define such term in this segment.

Name of Operating Segment	Amount (Millions of yen)	Changes as Compared to Previous Fiscal Year (%)
Wacoal Business (Domestic)	42,813	97.5
Wacoal Business (Overseas)	16,873	105.1
Total	59,686	99.6

(Note) The amount of results of operation is based on the manufacturing costs and does not include consumption tax, etc.

b. Orders Received

Among Other, the department of Nanasai, which handles interior design and construction of general housings and stores at commercial facilities, adopts the build-to-order production system.

The status of orders received for other segment for fiscal year ended March 2019 is as follows:

Name of Operating Segment	Amount of Orders Received (Millions of yen)	Changes as Compared to Previous Fiscal Year (%)	Balance of Amount of Orders Received (Millions of yen)	Changes as Compared to Previous Fiscal Year (%)
Other	6,237	112.7	418	78.0

(Note) The amounts in the above table do not include consumption tax, etc.

c. Sales Results

Our consolidated sales results by operating segment for fiscal year ended March 2019 are as follows:

Name of Operating Segment	Amount (Millions of yen)	Changes as Compared to Previous Fiscal Year
Wacoal Business (Domestic)	113,400	97.7
Wacoal Business (Overseas)	53,100	102.3
Peach John Business	10,491	97.2
Other	17,210	101.5
Total	194,201	99.2

(Note) 1 None of the purchasers' sales accounts for 10% or more of the total sales results.

2 The amounts in the above table do not include consumption tax, etc.

(2) Analysis and Consideration on the Status of Business Performance etc. from the Viewpoint of Management

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.

(i) Significant Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements requires our management to make estimates and assumptions. We believe that the followings are some of the more critical judgment areas in applying our accounting policies in the preparation of our consolidated financial statements.

a. ***Revenue Recognition***

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

B. ***Allowance for Doubtful Receivable***

We are required to assess the collectibility of notes and accounts receivable. A considerable amount of judgment is required in assessing the ultimate realization of these notes and receivables, including the current creditworthiness of each applicable customer, taking into account business conditions, turnover of receivables, and financial positions for significant customers. In the event that a customer's financial condition worsens, the allowance for doubtful receivables may increase and may adversely affect our financial condition and performance.

b. ***Allowance for Returns***

We are required to assess the collectibility of notes and accounts receivable. A considerable amount of judgment is required in assessing the ultimate realization of these notes and receivables, including the current creditworthiness of each applicable customer, taking into account business conditions, balance of receivables, and financial positions for significant customers. In the event that a customer's financial position worsens, the allowance for doubtful receivables may increase and may adversely affect our business performance etc.

c. ***Valuation Loss on Inventories***

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out basis for raw materials and on an average cost basis for work in process and finished products. Market value, or net realizable value, is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. A periodic review of inventory is performed in order to determine if inventory is properly stated at the lower of cost or market. Inventories are written down to the estimated net realizable values, if appropriate. Factors, such as expected average selling price, expected average cost to make a sale, markdown rate, and class or type of inventories, including historical results, judgments regarding future consumer demand, and other factors, are analyzed to determine estimated net realizable value. We also consider potential disposal of inventories. We believe that the amount written down is appropriate. However, if market conditions and demand are less favorable than our projections, the amount we write down may increase and may adversely affect our business performance etc.

d. ***Deferred Tax Assets***

We currently have significant deferred tax assets, which are subject to periodic recoverability assessments. Realization of our deferred tax assets is principally dependent upon the realization of projected future taxable income. In estimating our future taxable income, we consider past results of operation, the feasibility of ongoing tax planning strategies, and other factors. Our judgments regarding future profitability may change due to future market conditions and other factors. These changes, if any, may require recognition of a significant valuation allowance for these deferred tax asset balances. In the event we determine that certain deferred tax assets may not be recoverable, such amounts will be reserved for and may adversely affect net income. We believe our deferred tax assets after adjustments for valuation allowance are recoverable. If we record lower-than-expected earnings and our deferred tax assets become unrecoverable, however, a valuation allowance must be recorded against the amount that is not likely to be recovered, and this may have a negative impact on our profit and loss.

e. ***Valuation Loss on Marketable securities and Investments***

Valuation loss on debt securities are charged to earnings when a decline in fair value below the cost is other than temporary. We periodically determine whether a decline in the fair value of debts securities and investments is deemed to be other-than-temporary decline, based on criteria that include the duration and severity of market decline, the extent to which cost exceeds market value, our financial position and business outlook, and our intent and ability to retain the impaired marketable securities and investments for sufficient period of time for anticipated recovery in fair value.

Equity securities are measured at fair value and unrealized holding gain or loss is recorded in net profit or loss.

We believe that the criteria for evaluating impairment are reasonable. However, changes in the market or circumstances of each individual investment due to unforeseen changes in economic and business assumptions could affect the valuations of marketable securities and investments.

As of March 31, 2019, we held debt securities which we did not recognize any impairment charges even though those securities had been in an unrealized loss position. Based on our assessment of the period of the decline in the fair values and our assessment of the relevant companies' earnings outlook, we concluded that the decline in fair value for the

securities not subject to impairment charges was only temporary and thus impairment charges did not need to be recognized for these particular securities.

As of March 31, 2019, we did not hold any debt securities that had a material unrealized holding loss.

f. *Impairment of Long-Lived Assets*

The carrying values of long-lived assets, held and used by the Companies, are evaluated for impairment whenever there is an event or change in circumstances that indicates that such assets have been impaired or that the carrying amounts of such assets might not be recoverable. When we determined impairment, we evaluate the carrying amount of the assets based on their fair value.

In fiscal year 2019, we performed an impairment test for fixed assets with respect to certain asset classes. As a result, the carrying value of equipment in G TECH TEXTILE CO., LTD was reduced by 105 million yen. Also building and structure, fixtures in Ai Co., Ltd. was reduced by 43 million yen and 19 million yen, respectively. The impairment charges of 167 million yen was recognized as impairment loss under operating costs and expenses of the “Wacoal Business (Domestic)” segments in the fiscal year ended March 2019.

g. *Impairment of Goodwill and Other Intangible Assets*

We are required to perform an annual impairment test of our intangible assets with indefinite useful lives and goodwill at least once a year. We also assess the impairment of such goodwill and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Some of the factors we consider important that could trigger an impairment review include the following: significant negative industry or economic trends; significant underperformance relative to projected future operation results; significant changes in the manner of the strategy for our overall business; and significant changes in risk-adjusted discount rates.

When we determine that the carrying amount of goodwill and intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we evaluate the carrying amount of the assets based on their fair value. If the fair value is less than the carrying amount of the assets, we record an impairment charge based on the difference between the carrying amount and the fair value of the assets.

If we make an initial determination that the carrying amount of goodwill and intangible assets may not be recoverable, we engage an independent appraiser to assist us in our determination of the fair values of our reporting units. In our determination of the fair value of goodwill, we utilize the net present value method and incorporate relevant unobservable inputs. In our determination of the fair value of trademark, we utilize the relief-from-royalty method and incorporate relevant unobservable inputs.

As a result of evaluation performed for fiscal year 2019, we recorded 4,325 million yen, 1,314 million yen and 195 million yen of impairment charges on goodwill, trademark and software, respectively.

h. *Employee Retirement Benefits*

We provide a number of retirement benefit plans to a substantial portion of our employees. Our wholly owned subsidiary, Wacoal Corp., has a contributory retirement plan. The amount of the projected retirement benefit obligation and pension costs are dependent on management’s assumptions used by actuaries in calculating such amount. The key assumptions include discount rates, the expected long-term rate of return on plan assets, retirement rates, mortality expectations, and other factors. Our management believes that these actuarial assumptions and methods are appropriate in light of our circumstances. However, due to a change in an actuarial assumption, the amount of the projected retirement benefit plan liabilities and costs may be adversely affected.

Our approach to establishing the discount rate is based upon domestic bond rates. The discount rate assumption is based upon the effective yields as of March 31, 2019 on Japanese government bonds whose maturity dates approximate the timing of the expected future benefit payments. On March 31, 2019, the discount rate used for the contributory retirement plan was 0.5%.

We determine the expected long-term rate of return on plan asset assumptions by evaluating both historical returns, as well as estimates of future returns. The expected return on assets was based on expected equity and debt securities returns weighted by the percentage of each of the major asset classes. The estimate of the long-term rate of return on assets for the contributory retirement plan is 2.5% for fiscal years 2018 and 2019. The estimated long-term rate of return is based on an asset allocation of equity securities of 26.0%, debt securities of 54.0%, life insurance company general accounts of 18.0%, and short-term financing of 2.0%.

These assumptions have a significant effect on the amount of the obligation and periodic benefit cost reported. A change of 0.5% in the discount rate and the expected long-term rate of return on plan assets would have the following effects:

	Effect on net periodic benefit costs	Effect on benefit obligation
Discount rate: 0.5% decrease	an increase of 170 million yen	an increase of 2,005 million yen
Discount rate: 0.5% increase	a decrease of 177 million yen	a decrease of 1,954 million yen
Expected long-term rate of return on plan assets: 0.5% decrease	an increase of 148 million yen	-
Expected long-term rate of return on plan assets: 0.5% increase	a decrease of 151 million yen	-

The other retirement plans provide for either lump-sum termination benefits or periodic payments under certain conditions. Benefits are usually paid as a lump sum at the employee's termination before the mandatory retirement age.

i. **Recent Accounting Pronouncements:**

Please see “V. Financial Information – Notes to Consolidated Financial Statements – 1. Summary of Significant Accounting Policies – Recent Accounting Pronouncements”.

(ii) Understanding, Analysis and Consideration with respect to Status of Business Performance etc. for the Current Fiscal Year

Our understanding on the management accomplishments and issues in the medium-term management plan for the 3-year period, the last year of which was the current fiscal year, is as follows.

The management accomplishments in our domestic business include the successful exit from and rebuilding of our wholesale-oriented business model, and completion of introduction of next-generation customer service using digital technology. On the other hand, issues that we faced include increased customer defection as a result of reduced competitiveness of our Peach John brand products, as well as that of Lecien's private products handled at general merchandise stores, fashion swimwear products from Ai Co., Ltd. and CW-X sports leggings in our major markets, as a result of failure to adapt to changes in the competitive environment of their major market.

Under the new medium-term management plan period, we believe that we need to push forward to implement unrivaled plans for distribution channels by providing customer service advanced by digital technology, and to pursue maximization of organizational productivity throughout the entire group or business collaboration by promoting structural reform of and cooperation within the value chain, as well as making efforts to reduce the number of and/or optimize the composition of brands and products.

As a result of promoting brand portfolio strategies that match the geographical characteristics in our overseas business, we improved brand awareness of “elomi” products in Europe and “Peach John” products in China, each as our second signature brand after Wacoal brand products. In addition, we actively cultivated e-commerce sales channels and reinforced growth. Sales from our e-commerce business now account for 20-30% of entire sales in the United States, Europe and China. On the other hand, the issue that we face in our overseas business is the declining business of department stores and specialty stores in key countries as has been the case in Japan. Also, we need to accelerate building of the supply chain for the raw materials factory in Thailand as we are behind in schedule. We also need to enhance the competitiveness of our sewing factory in Myanmar with respect to quality, cost and technology perspectives.

Under the new medium-term management plan, we need to strengthen our business framework so that we can flexibly adapt to changing market conditions where digital transformation is accelerating and accelerate our growth rate. At the same time, we need to make investments and build our operating foundation for business expansion in countries and regions where our business remains small, and establish a more competitive ASEAN supply chain network.

We also believe that our group needs to aim for higher social value, and not only pursue the enhancement of economic value, by committing ourselves to achieving sustainable growth along with the society surrounding our business. “Wacoal Group CSR-based Procurement Guidelines” were established in October 2017, and we established and began operation of a series of CSR procurement cycles which include cooperation with the manufacturing outsourcees, and identify, correct and/or improve the outsourcees' compliance with respect to human rights and labor practices. Through each dialogue, we have gained an understanding of society's expectations toward us and the highly important social issues from our stakeholders' perspectives and confirmed which important issues should be addressed by our CSR activities in light of their importance for

our business. We are also facing new challenges along with the changes in trends. We need to reduce and avoid reputational risk of controversial SNS posts from advertisement, and address the increasing risk of information leakage while digital transformation of customer information continues to accelerate. We also need to work harder on reducing plastic use and unsold inventory to better live within the global environment.

We also made efforts to establish a system to enhance corporate governance with a high degree of transparency. We decided to discontinue our defensive measures against takeovers during the fiscal year ended March 31, 2018. In addition, in line with the enforcement of the amended Corporate Governance Code, we have revised our corporate governance guidelines to reflect such amendments, under the policy of reducing cross-shareholdings was established and the committees for the appointment and remuneration for officers were revised. As one of the challenges that we face, we believe that we need to make appropriate disclosure in terms of both quality and quantity regarding our medium-to long-term vision that contributes to the enhancement of corporate value, KPI that enhances both economic and social values, and succession plans. We also plan to make appropriate disclosure about targets for reducing cross-shareholdings.

In order to achieve a vital corporate culture that respects diversity, we promoted a friendly working environment through the introduction of a leave policy for self-education and accompanying their family members, in addition to the introduction of teleworking. Our challenge is to build an inclusive organizational system with more diverse human resources by recruiting personnel at core career levels to create new value and create a results-oriented environment where one is proud to be working.

The understanding, 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 medium-term management plan which ended upon the end of the current fiscal year, our target was to reduce shareholders' equity to 220,000 million yen and to increase the consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for the current fiscal year) to 5% or higher, by the end of the current fiscal year, based on the business results for the fiscal year ended March 2016. However, we achieved very low levels of net income attributable to Wacoal Holdings Corp. and the consolidated ROE for the current fiscal year, at 341 million yen and 0.2%, respectively, due to the impact of the impairment charges on intangible assets and valuation loss on marketable securities and investments. The real net income attributable to Wacoal Holdings Corp. not taking into account the impact of these impairment charges and valuation loss which were not accompanied by decreases in cash flows was 9,636 million yen. Accordingly, the real consolidated ROE was 4.2%, which was lower than the target.

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. The amount of capital investment for the fiscal year ended March 31, 2019 was 5,783 million yen. Our capital investment was used in IT infrastructure for omni-channel services in Japan, and introduction of a management system for operations of planning and designing, as well as construction of overseas factory facilities. We will return profits to our shareholders in the amount of 11,730 million yen in total, 4,811 million yen, in the form of dividends, and 6,919 million yen, in the form of repurchases.

We will continue to make efforts to improve our potential business profitability by prioritizing on making optimal growth investment choices. We will also implement an active capital policy and shareholder returns in anticipation of an increase in the ROE level on a medium-to long-term perspective.

(iii) 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, 2019, we had credit facilities at financial institutions totaling 31,336 million yen, and the balance of short-term loan which established line of credit amounted to 8,253 million yen. Of these short term loan, 4,000 million yen is available to Wacoal Holdings Corp., 1,505 million yen is available to Wacoal Europe Ltd., 2,611 million yen is available to Wacoal Service Co., Ltd., and 137 million yen 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. We believe our working capital is adequate for our present requirements and for our business operations in the short to long term.

a. Capital Investments

Please see “III. Property, Plants and Equipment – 1. Summary of Capital Investment, etc.”

b. Cash Flows

Please see “(1) Overview of Status of Business Performance etc. (ii) Cash Flow Status.”

4. 【Material Agreements, etc.】

The Company resolved at the Board of Directors’ meeting held on August 30, 2018 to conclude a Comprehensive Business Alliance Agreement (this “alliance”) with and between Descente Ltd. (“Descente”) which was executed on August 30, 2018, to strengthen and develop business foundations and to improve corporate value through this alliance.

(1) Reason for this alliance

We have developed the innerwear market toward the realization of a “Global Wacoal” with the goal of contributing to society at large through the promotion of feminine beauty and wellbeing throughout the world. Today, as a leading company in the global innerwear market, we have firmly established ourselves not only in Japan, but also in China, Asia, Europe and the United States.

In the sports apparel industry, Descente has created a healthy lifestyle through sports based on the corporate philosophy of “bringing the enjoyment of sports to all”, developing products tailored for multiple sports with advanced concepts that bring together state-of-the-art technology and function. In recent years, we have focused on enhancing our global presence, while maintaining our corporate philosophy and business domain, the cornerstones of corporate value, which we are dedicated to improving further.

Under this new partnership, we have decided to pursue opportunities in beauty, health and comfort to take maximum advantage of Wacoal’s dominant position in the innerwear market and Descente’s accumulated sportswear know-how built with elite athlete participation. Using our respective management resources we will cooperate comprehensively to create new value beyond our current fields of fashion and sports, and by doing so, strengthen, develop and expand both our domestic and global business.

We believe this partnership will contribute to an expansion into new markets and further strengthen overseas business, and Descente will strengthen and expand product development for the women’s market, which is expected to grow significantly and it is expected this will contribute to further global expansion. This alliance has been forged with a mutual commitment to all those who wish to look and feel better and healthier. A comprehensive partnership will commence here with a view to further strengthening the relationship in the future and in doing so improve corporate values.

(2) Purpose of this Alliance

- (i) Creating new business beyond the boundaries of current operations
- (ii) Developing commercial materials that utilize both companies’ craftsmanship strengths
- (iii) Effective use of assets owned by both companies

5. 【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 introduced, and a senior generation.

During the fiscal year ended March 31, 2019, we worked on research and development focusing on "anti-gravity" to target the market for comfort products and on research and development of high value-added products, to cultivate new market opportunities.

As a result of the above, we recorded 739 million yen for our research and development during the fiscal year ended March 2019.

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.

III. 【Property, Plants, and Equipment】

1. 【Summary of Capital Investment, etc.】

The amount of capital investment for the fiscal year ended March 31, 2019, was 5,783 million yen. A majority of our capital investment was used in the information system investment for 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 3,382 million yen, 1,837 million yen, 494 million yen, and 70 million yen, respectively.

2. 【Major Property, Plants, and Equipment】

The table below shows our major property, plants, and equipment within our group (Company and consolidated subsidiaries).

(1) Wacoal Holdings Corp.

As of March 31, 2019

Facility (Location)	Operating Segment	Type of Equipment and Facilities	Book Value (Millions of yen)				Number of Employee(s)
			Buildings and structures	Machinery and Equipment	Land (m ²)	Total	
Head Office (Minami-ku, Kyoto) and other	Wacoal Business (Domestic)	Facilities for administration affairs, etc.	19,427	1,229	18,342 (266,637)	38,999	90 [—]

(2) Domestic Subsidiaries

As of March 31, 2019

Name of Company (Location)	Operating Segment	Type of Equipment and Facilities	Book Value (Millions of yen)				Number of Employee(s)
			Buildings and structures	Machinery, Vehicle, Equipment, and Fixtures	Land (m ²)	Total	
Wacoal Corp. Head Office (Minami-ku, Kyoto) Two other business office in Kyoto district	Wacoal Business (Domestic)	Facilities for administration affairs	36	272	—	308	2,169 [143]
Wacoal Corp. Tokyo Office (Chiyoda-ku, Tokyo) One other business office in Tokyo	Wacoal Business (Domestic)	Facilities for administration affairs	26	29	—	56	1,517 [77]
Wacoal Corp. Spiral Business Department (Minato-ku, Tokyo)	Wacoal Business (Domestic)	Sales facilities	63	45	—	109	— [—]
Wacoal Distribution Corp. Moriyama Distribution Center (Moriyama, Shiga)	Wacoal Business (Domestic)	Facilities for merchandise management	18	86	—	104	351 [—]
Kyushu Wacoal Manufacturing Corp., Nagasaki Plant (Unzen, Nagasaki)	Wacoal Business (Domestic)	Manufacturing facilities	0	69	—	69	331 [—]
Torica Inc. (Saihakugun Nanbucho, Tottori) Three other plants	Wacoal Business (Domestic)	Manufacturing facilities	394	71	180 (40,840)	645	147 [49]
Nanasai Co., Ltd. Osaka Commodity Center (Yodogawa-ku, Osaka)	Other	Manufacturing facilities	199	8	150 (2,790)	357	24 [—]

(3) Overseas Subsidiaries

As of March 31, 2019

Name of Company (Location)	Operating Segment	Type of Equipment and Facilities	Book Value (Millions of yen)				Number of Employees
			Buildings and structures	Machinery, Vehicle, Equipment, and Fixtures	Land (m ²)	Total	
WACOAL AMERICA, INC. (New York, USA)	Wacoal Business (Overseas)	Facilities for administration affairs/ merchandise management	997	99	268 (32,300)	1,364	204 [—]
WACOAL DOMINICANA CORP. (Santo Domingo, Dominican Republic)	Wacoal Business (Overseas)	Manufacturing facilities	625	222	91 (24,459)	938	1,809 [—]
WACOAL SINGAPORE PRIVATE LTD. (Singapore)	Wacoal Business (Overseas)	Facilities for administration affairs	10	27	202 (235)	240	53 [15]
WACOAL HONG KONG CO., LTD. (Hong Kong)	Wacoal Business (Overseas)	Facilities for administration affairs	340	—	—	340	163 [29]
Wacoal China Co., Ltd. (Beijing, China)	Wacoal Business (Overseas)	Facilities for adm inistration affairs/ manufacturing Facilities	264	26	— (—) [11,871]	290	563 [—]
Guandong Wacoal Inc. (Guandong, China)	Wacoal Business (Overseas)	Manufacturing facilities	92	123	— (—) [11,224]	215	403 [—]
VIETNAM WACOAL CORP. (Bien Hoa City, Vietnam)	Wacoal Business (Overseas)	Facilities for adm inistration affairs/ manufacturing Facilities	106	101	— (—) [25,159]	206	1,744 [1]
Dalian Wacoal Co., Ltd. (Dalian, China)	Wacoal Business (Overseas)	Manufacturing facilities	243	239	— (—) [27,543]	482	629 [—]
A TECH TEXTILE CO., LTD. (Kabin Buri, Thailand)	Wacoal Business (Overseas)	Manufacturing facilities	262	982	234 (58,481)	1,478	324 [—]

- (Note) 1 The amount of book value above does not include consumption taxes, etc.
2 Area of land under lease by the Company is shown in brackets.
3 None of our major facilities is currently out of service.
4 Buildings and land regarding certain domestic subsidiaries under (2) above are under lease by the Company. The book value of the buildings and land are as follows:

Name of Business Office (Location)	Operating Segment	Type of Equipment and Facilities	Book Value (Millions of yen)	
			Buildings and structures	Land (m ²)
Wacoal Corp. Head Office (Minami-ku, Kyoto) Two other business office in Kyoto district	Wacoal Business (Domestic)	Facilities for administration affairs	11,437	1,885 (11,208)
Wacoal Corp. Tokyo Office (Chiyoda-ku, Tokyo) One other business office in Tokyo	Wacoal Business (Domestic)	Facilities for administration affairs	1,235	1,945 (1,471)
Wacoal Corp. Spiral Business Department (Minato-ku, Tokyo)	Wacoal Business (Domestic)	Sales facilities	1,112	3,972 (1,739)

Wacoal Distribution Corp. Moriyama Distribution Center(Moriyama, Shiga)	Wacoal Business (Domestic)	Facilities for merchandise management	1,717	1,419 (38,923)
Kyushu Wacoal Manufacturing Corp., Nagasaki Plant (Unzen, Nagasaki)	Wacoal Business (Domestic)	Manufacturing facilities	205	52 (19,369)

5 The average number of temporary employees during the period is in brackets.

6 The details of the major leased facilities by other entities other than the above consolidated subsidiaries are as follows.

(1) Domestic Subsidiaries

Name of Business Office (Location)	Operating Segment	Type of Equipment and Facilities	Buildings (m ²)	Land (m ²)	Annual Lease Amount (Millions of yen)
Peach John Co., Ltd. Head Office (Shibuya-ku, Tokyo)	Peach John Business	Facilities for administration affairs	1,554	—	57

(2) Overseas Subsidiaries

Name of Company (Location)	Operating Segment	Type of Equipment and Facilities	Buildings (m ²)	Land (m ²)	Annual Lease Amount (Millions of yen)
WACOAL AMERICA, INC. (New York, USA)	Wacoal Business (Overseas)	Facilities for administration affairs	4,599	—	140
PHILIPPINE WACOAL CORP. (Manila, Philippines)	Wacoal Business (Overseas)	Facilities for administration affairs	926	—	14

3. 【Plans for Capital Investment, Disposals of Property, Plants, and Equipment, etc.】

(1) Additions of Important Facilities

Not applicable.

(2) Disposals of Important Facilities

Not applicable.

IV. 【Information on the Company】

1. 【Information on the Company's Stock, etc.】

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total Number of Shares Authorized to be Issued
Common stock	250,000,000 shares
Total	250,000,000 shares

(ii) Number of Shares Issued

Class	Number of Shares Issued as of the end of Fiscal Year (March 31, 2019) (shares)	Number of Shares Issued as of the Filing Date (June 27, 2019) (shares)	Names of Stock Exchanges on which the Company is listed or Names of Authorized Financial Instruments Firms Association	Description
Common stock	70,689,042	68,589,042	First section of Tokyo Stock Exchange	Shareholders have unlimited standard rights. The number of shares constituting a unit is 100.
Total	70,689,042	68,589,042	—	—

(Note) The total number of shares issued decreased to 68,589,042 shares following the cancellation of treasury stock of 2,100,000 shares conducted on May 24, 2019 as resolved by the Board of Directors' meeting held on May 15, 2019.

(2) Status of Stock Acquisition Rights

(i) 【Stock Option Plans】

(1st Stock Acquisition Rights / 2nd Stock Acquisition Rights)

Date of resolution	July 30, 2008	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 5
Number of stock acquisition rights	19 (Note 1)	8 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 9,500 shares (Note 2)	Common stock 4,000 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2008 until September 1, 2028	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,275 yen Amount capitalized as common stock: 1,138 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

(Note) 1 The number of shares represented by one (1) stock acquisition right is 500 shares.

2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
 - (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2027
From September 2, 2027 until September 1, 2028.
 - (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid

after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.

(5) Exercise Period for Stock Acquisition Rights:

From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.

(6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:

(i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 40-1 of the Japanese Company Accounting Regulations. Any amount less than one (1) yen shall be rounded up to the nearest yen.

(ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.

(7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:

The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.

(8) Provisions for the Acquisition of Stock Acquisition Rights:

In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:

- (i) a proposed merger agreement under which the Company is to be dissolved;
- (ii) a proposed corporate division agreement or plan under which the Company would be split;
- (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
- (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer;
- (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.

(9) Other Conditions relating to the Exercise of Stock Acquisition Rights:

To be determined pursuant to Note 3 above:

(3rd Stock Acquisition Rights / 4th Stock Acquisition Rights)

Date of resolution	July 30, 2009	
Category and number of eligible grantees	Director of the Company 4	Director of subsidiary 4
Number of stock acquisition rights	20 (Note 1)	8 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 10,000 shares (Note 2)	Common stock 4,000 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2009 until September 1, 2029	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,169 yen Amount capitalized as common stock: 1,085 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	

Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)
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Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note)
- 1 The number of shares represented by one stock acquisition right is 500 shares.
 - 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3
 - (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the "Exercise Start Date.
 - (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
 - (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2028
From September 2, 2028 until September 1, 2029.
 - (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
 - (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:

- Common stock of the Surviving Company.
- (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
- (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
- (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
- (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
- (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
- (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer.
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
- (8) Provisions for the Acquisition of Stock Acquisition Rights.
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
- (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer;
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights.
To be determined pursuant to Note 3 above.

(5th Stock Acquisition Rights / 6th Stock Acquisition Rights)

Date of resolution	July 30, 2010	
Category and number of eligible grantees	Director of the Company 4	Director of subsidiary 3
Number of stock acquisition rights	21 (Note 1)	7 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 10,500 shares (Note 2)	Common stock 3,500 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	

Exercise period	From September 2, 2010 until September 1, 2030
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,163 yen Amount capitalized as common stock: 1,082 yen
Terms and conditions for exercising the stock acquisition rights	(Note 3)
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note) 1 The number of shares represented by one stock acquisition right is 500 shares.
- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
- (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2029
From September 2, 2029 until September 1, 2030.
- (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following

terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:

- (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
- (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
- (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
- (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
- (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
- (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
 - (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
- (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
- (8) Provisions for the Acquisition of Stock Acquisition Rights:
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
 - (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer;
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(7th Stock Acquisition Rights / 8th Stock Acquisition Rights)

Date of resolution	July 29, 2011	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 5
Number of stock acquisition rights	31 (Note 1)	18 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 15,500 shares (Note 2)	Common stock 9,000 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2011 until September 1, 2031	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 1,757 yen Amount capitalized as common stock: 879 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note) 1 The number of shares represented by one stock acquisition right is 500 shares.
- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
- (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2030
From September 2, 2030 until September 1, 2031.

- (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
 - (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
 - (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
 - (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
 - (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
 - (8) Provisions for the Acquisition of Stock Acquisition Rights:
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
 - (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;

- (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(9th Stock Acquisition Rights / 10th Stock Acquisition Rights)

Date of resolution	July 31, 2012	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 4
Number of stock acquisition rights	40 (Note 1)	10 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 20,000 shares (Note 2)	Common stock 5,000 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 4, 2012 until September 3, 2032	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 1,599 yen Amount capitalized as common stock: 800 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note) 1 The number of shares represented by one stock acquisition right is 500 shares.
- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3
 - (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
 - (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
 - (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2031
From September 2, 2031 until September 3, 2032.
 - (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
 - (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
 - (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
 - (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
 - (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
 - (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.

(8) Provisions for the Acquisition of Stock Acquisition Rights:

In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:

- (i) a proposed merger agreement under which the Company is to be dissolved;
- (ii) a proposed corporate division agreement or plan under which the Company would be split;
- (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
- (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
- (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.

(9) Other Conditions relating to the Exercise of Stock Acquisition Rights:

To be determined pursuant to Note 3 above.

(11th Stock Acquisition Rights / 12th Stock Acquisition Rights)

Date of resolution	July 31, 2013	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 6
Number of stock acquisition rights	39 (Note 1)	17 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 19,500 shares (Note 2)	Common stock 8,500 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 3, 2013 until September 2, 2033	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 1,837 yen Amount capitalized as common stock: 919 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

(Note) 1 The number of shares represented by one stock acquisition right is 500 shares.

- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the

record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
 - (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2032
From September 2, 2032 until September 2, 2033.
 - (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
 - (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.

- (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
- (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
- (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
- (8) Provisions for the Acquisition of Stock Acquisition Rights:
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
- (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(13th Stock Acquisition Rights / 14th Stock Acquisition Rights)

Date of resolution	July 31, 2014	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 5
Number of stock acquisition rights	39 (Note 1)	17 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 19,500 shares (Note 2)	Common stock 8,500 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2014 until September 1, 2034	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 1,875 yen Amount capitalized as common stock: 938 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

(Note) 1 The number of shares represented by one stock acquisition right is 500 shares.

- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
- (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2033
From September 2, 2033 until September 1, 2034.
- (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
- (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
- (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
- (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
- (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:

The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.

- (5) **Exercise Period for Stock Acquisition Rights:**
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
- (6) **Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:**
- (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
- (7) **Limitation on Acquisition of Stock Acquisition Rights by Transfer:**
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
- (8) **Provisions for the Acquisition of Stock Acquisition Rights:**
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
- (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) **Other Conditions relating to the Exercise of Stock Acquisition Rights:**
To be determined pursuant to Note 3 above.

(15th Stock Acquisition Rights / 16th Stock Acquisition Rights)

Date of resolution	July 31, 2015	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 4
Number of stock acquisition rights	37 (Note 1)	12 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 18,500 shares (Note 2)	Common stock 6,000 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2015 until September 1, 2035	

Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,839 yen Amount capitalized as common stock: 1,420 yen
Terms and conditions for exercising the stock acquisition rights	(Note 3)
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

(Note) 1 The number of shares represented by one stock acquisition right is 500 shares.

- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
- (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2034
From September 2, 2034 until September 1, 2035.
- (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the

absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:

- (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
- (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
- (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
- (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
- (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
- (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
 - (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
- (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
- (8) Provisions for the Acquisition of Stock Acquisition Rights:
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
 - (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(17th Stock Acquisition Rights / 18th Stock Acquisition Rights)

Date of resolution	July 29, 2016	
Category and number of eligible grantees	Director of the Company 4	Director of subsidiary 6

Number of stock acquisition rights	43 (Note 1)	26 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 21,500 shares (Note 2)	Common stock 13,000 shares (Note 1)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2016 until September 1, 2036	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,089 yen Amount capitalized as common stock: 1,045 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note) 1 The number of shares represented by one stock acquisition right is 500 shares.
- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
- (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2035
From September 2, 2035 until September 1, 2036.
- (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):

For 15 days from the day after the date of said approval.

- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
 - (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
 - (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
 - (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
 - (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
 - (8) Provisions for the Acquisition of Stock Acquisition Rights:
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
 - (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the

acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.

- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(19th Stock Acquisition Rights / 20th Stock Acquisition Rights)

Date of resolution	July 31, 2017	
Category and number of eligible grantees	Director of the Company 4	Director of subsidiary 7
Number of stock acquisition rights	28 (Note 1)	18 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 14,000 shares (Note 2)	Common stock 9,000 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From September 2, 2017 until September 1, 2037	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,919 yen Amount capitalized as common stock: 1,460 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note) 1 The number of shares represented by one stock acquisition right is 500 shares.
2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the

- expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
 - (i) if the Exercise Start Date of the Option holder has not occurred by September 1, 2036
From September 2, 2036 until September 1, 2037.
 - (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
 - (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
- (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
 - (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
 - (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:
 - (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
 - (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
 - (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
 - (8) Provisions for the Acquisition of Stock Acquisition Rights:

In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:

- (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(21st Stock Acquisition Rights / 22nd Stock Acquisition Rights)

Date of resolution	July 20, 2018	
Category and number of eligible grantees	Director of the Company 5	Director of subsidiary 5
Number of stock acquisition rights	147 (Note 1)	62 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 14,700 shares (Note 2)	Common stock 6,200 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From August 18, 2018 until August 17, 2038	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 3,006 yen Amount capitalized as common stock: 1,503 yen	
Terms and conditions for exercising the stock acquisition rights	(Note 3)	
Matters related to transfer of the stock acquisition rights	Subject to the approval of the Board of Directors	
Matters related to the grant of stock acquisition rights accompanying reorganization acts	(Note 4)	

Above is based on information available as of the end of the current fiscal year (March 31, 2019). No change has been made as of the end of the month preceding the filing date (May 31, 2019).

- (Note) 1 The number of shares represented by one stock acquisition right is 100 shares.
- 2 In the event that the Company conducts a stock split (including the free allocation of shares of common stock of the Company; hereinafter the same) or a reverse split of its common stock, the Conversion Ratio will be adjusted in accordance with the following formula:

$$\text{Adjusted Conversion Ratio} = \text{Conversion Ratio prior to adjustment} \times \text{Ratio of stock split or reverse stock split}$$

This adjustment will apply from the day following the record date in the case of a stock split and from the day on which the reverse stock split becomes effective in the case of a reverse stock split. However, in the event that the Company conducts a stock split that is conditioned on approval at a general meeting of shareholders of the Company of an increase in stockholders' equity or additional paid-in capital by decreasing the amount of surplus, and provided that the record date for such stock split is set prior to the conclusion of such general meeting of shareholders, from the day following the conclusion of such general meeting of shareholders, the adjustment will apply retroactively from the day following the record date.

In addition to the above, the Conversion Ratio shall be reasonably adjusted as may be required in unavoidable circumstances.

Any fractional shares that result from the above adjustment will be rounded down to the nearest whole share.

Furthermore, in case of any adjustment of the Conversion Ratio, the Company shall make any necessary notification or announcement to Option holders no later than the day immediately preceding the day on which the adjusted Conversion Ratio becomes effective. However, if the Company is unable to provide such notification or announcement by such date, the Company shall provide prompt notification or announcement thereafter.

- 3 (1) Option holders may exercise their stock acquisition rights on the Date of Loss of Status; provided, however, that in such case, such Option holder may only exercise his or her stock acquisition rights until the earlier of (i) the expiration date of the exercise period as stipulated in the table above and (ii) the five-year anniversary of the Exercise Start Date.
- (2) Notwithstanding the foregoing, during the exercise period set forth in the table above, the Option holders may exercise their stock acquisition rights in the following cases (for item (ii), excluding the case where the stock acquisition rights of the Surviving Company are granted to the Option holders pursuant to Note 4 below) only during the respective periods designated below:
 - (i) if the Exercise Start Date of the Option holder has not occurred by August 17, 2037
From August 18, 2037 until August 17, 2038.
 - (ii) if the general meeting of shareholders of the Company approves a merger agreement pursuant to which the Company is to be dissolved or a stock swap agreement or share transfer plan that makes the Company a wholly owned subsidiary (or, in the event a resolution of the general meeting of shareholders is not required, if a resolution of the board or determination by the chief executive officer of the Company is passed):
For 15 days from the day after the date of said approval.
- (3) If an Option holder waives his or her stock acquisition rights, such Option holder may not exercise the said stock acquisition rights.
- 4 In the event that the Company conducts an Organizational Restructuring, stock acquisition rights of the Surviving Company shall be granted to each holder of the Residual Stock Acquisition Rights in accordance with the following terms and conditions. In such case, the remaining stock acquisition rights shall be canceled, and the Surviving Company shall issue new stock acquisition rights; provided, however, that this shall be limited to the case where the grant of stock acquisition rights of the Surviving Company pursuant to the following conditions is stipulated in the absorption-type demerger agreement, incorporation-type demerger agreement, merger and spin-off agreement, new spin-off plan, stock swap agreement, or share transfer plan:
 - (1) Number of Stock Acquisition Rights of the Surviving Company to be Granted:
The number of stock acquisition rights to be granted shall be equal to the number of Residual Stock Acquisition Rights.
 - (2) Class of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
Common stock of the Surviving Company.
 - (3) Number of Shares of the Surviving Company to be Issued upon Exercise of the Stock Acquisition Rights:
To be determined pursuant to Note 2 above after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Amount Capitalized upon Exercise of Stock Acquisition Rights:
The amount capitalized upon the exercise of each stock acquisition right to be granted shall be the amount paid after restructuring as prescribed below multiplied by the number of shares of the Surviving Company to be issued upon the exercise of the stock acquisition rights as determined in accordance with (3) above. The amount paid after restructuring shall be one yen per share of the Surviving Company, which may be granted upon exercise of each stock acquisition right to be granted.
 - (5) Exercise Period for Stock Acquisition Rights:
From the later of (i) the starting date of the exercise period for stock acquisition rights as stipulated in the table above and (ii) the effective date of Organizational Restructuring, and lasting until the expiration date for the exercise of stock acquisition rights as stipulated in the table above.
 - (6) Matters concerning Increases in Capital Stock and Additional Paid-in Capital in case of Issuance of Shares due to the Exercise of Stock Acquisition Rights:

- (i) In the event that shares are issued due to the exercise of stock acquisition rights, shareholders' equity shall be increased by half the limit for increases in common stock that are calculated in accordance with Article 17-1 of the Japanese Company Accounting Regulations. Any amount less than one yen shall be rounded up to the nearest yen.
- (ii) In the event that shares are issued due to the exercise of stock acquisition rights, additional paid-in capital shall be increased by the amount remaining after deducting the increase in the limit for increase in common stock stipulated in (i) above.
- (7) Limitation on Acquisition of Stock Acquisition Rights by Transfer:
The acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the board.
- (8) Provisions for the Acquisition of Stock Acquisition Rights:
In the event that a general meeting of shareholders of the Company approves any of the following (or, when shareholder approval is not necessary, in the event that the board or the representative executive officer approves of any of the following), the Company may acquire stock acquisition rights without compensation on a date separately specified by the board:
 - (i) a proposed merger agreement under which the Company is to be dissolved;
 - (ii) a proposed corporate division agreement or plan under which the Company would be split;
 - (iii) a proposed share transfer agreement or plan that makes the Company a wholly owned subsidiary;
 - (iv) a proposed amendment of the Articles of Incorporation to add a provision that prescribes that the Company, with respect to all of its issued shares, shall be required to obtain the approval of the shareholders of the Company for the acquisition of such shares by transfer; or
 - (v) a proposed approval for an amendment of the Articles of Incorporation to add a provision that prescribes that the Company shall be required to obtain the approval of the shareholders of the Company for the acquisition of the shares to be issued upon the exercise of stock acquisition rights by transfer or that the Company shall obtain all of the shares of said class by a resolution of the general meeting of shareholders.
- (9) Other Conditions relating to the Exercise of Stock Acquisition Rights:
To be determined pursuant to Note 3 above.

(ii) **【Right Plans】**

Not applicable.

(iii) **【Other Stock Acquisition Rights】**

Not applicable.

(3) Status of Exercise of Bonds with Stock Acquisition Rights containing a Clause for Exercise Price Adjustment

Not applicable.

(4) Trends in the Total Number of Shares Issued, Common Stock, etc.

Date	Changes in the Total Number of Shares Issued (Thousands of shares)	Balance of Total Number of Shares Issued (Thousands of shares)	Changes in Common Stock (Millions of yen)	Balance of Common Stock (Millions of yen)	Changes in Additional Paid-in Capital (Millions of yen)	Balance of Additional Paid-in Capital (Millions of yen)

October 1, 2017 (Note 1)	△71,689	71,689	—	13,260	—	29,294
May 25, 2018 (Note 2)	△1,000	70,689	—	13,260	—	29,294

- (Note) 1 Reflect the share consolidation pursuant to which two (2) shares were consolidated into one (1) share.
2 The decrease was due to the cancellation of treasury stock.
3 The total number of shares issued decreased by 2,100,000 shares following the cancellation of treasury stock on May 24, 2019, as resolved by the Board of Directors' meeting held on May 15, 2019.

(5) Status of Shareholders

As of March 31, 2019

Category	Status of Shares (1 unit = 100 shares)								Shares Less Than One Unit (share)
	National and Local Governments	Financial Institutions	Securities Companies	Other Corporations	Foreign Shareholders		Individuals and Other	Total	
					Foreign shareholders other than individuals	Individuals			
Number of shareholders	—	52	29	193	264	9	11,673	12,220	—
Number of shares held (units)	—	290,091	7,333	134,309	118,402	47	155,285	705,467	142,342
Ratio (%)	—	41.12	1.04	19.04	16.78	0.01	22.01	100	—

- (Note) 1 Out of the treasury stock of 5,510,891 shares, 55,108 units are included under “Individuals and Other,” and 91 shares of less than one unit are included under “Shares less than One Unit.”
2 Shares under “Other Corporations” and “Shares less than One Unit” include 2 units and 27 shares, respectively, held under the name of the Japan Securities Depository Center.

(6) Status of Major Shareholders

As of March 31, 2019

Name of Shareholder	Address	Number of Shares held by Shareholder (Thousands of shares)	Shareholding Ratio (%)
The Bank of Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	3,195	4.90
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	3,050	4.68
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	2,870	4.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	2,851	4.38
The Bank of Kyoto, Ltd.	700, Yakushimae-cho, Karasuma-dori, Matsubara-agaru, Shimogyo-ku, Kyoto	2,352	3.61
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo (Nippon Life Insurance Securities Services)	1,836	2.82
The Shiga Bank, Ltd.	1-38, Hamamachi, Otsu-shi, Shiga	1,823	2.80
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	1,525	2.34
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,366	2.10
Asahi Kasei Corporation	1-2 Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,241	1.90
Total	—————	22,111	33.92

- (Note) 1 The Company is holding 5,510 thousand shares of treasury stock, which are not listed in the above list of major shareholders.
- 2 The numbers of shares held by Japan Trustee Services Bank, Ltd. (Trust Account) and The Master Trust Bank of Japan, Ltd. (Trust Account) are related to their respective trust services.
- 3 The substantial shareholding report dated April 13, 2018, filed by Mitsubishi UFJ Financial Group, Inc., which is publicly available, indicates that the shareholders in the below table are holding the respective number of the Company's shares as of April 9, 2018. However, as we were unable to confirm the actual status of the shareholdings of these shareholders as of the end of fiscal year 2019, those shareholdings have not been reflected in the above list. In addition, the content of such substantial shareholding report (the amended report) is as follows:

Name of Shareholder	Address	Number of Shares held by Shareholder (Thousands of shares)	Shareholding Ratio (%)
The Bank of Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	3,295	4.60
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	3,167	4.42
Mitsubishi UFJ International Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	187	0.26
Total		6,649	9.28

(7) Status of Voting Rights

(i) Shares Issued

As of March 31, 2019

Category	Number of Shares (Shares)	Number of Voting Rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights – treasury stock, etc.	—	—	—
Shares with restricted voting rights – other	—	—	—
Shares with full voting rights – treasury stock, etc.	(Treasury stock) Common stock 5,510,800	—	Shareholders have unlimited standard rights. The number of shares constituting a unit is 100.
Shares with full voting rights – other	Common stock 65,035,900	650,359	Same as above.
Shares less than one unit	Common stock 142,342	—	Same as above.
Total number of shares issued	70,689,042	—	—
Total voting rights held by all shareholders	—	650,359	—

- (Note) 1 Shares under “Shares with full voting rights – other” include 200 shares held under the name of the Japan Securities Depository Center. Also, 2 units of the voting right under the “Number of Voting Rights” are related to the shares with full voting rights held under the name of the Japan Securities Depository Center.

(ii) Treasury Stock, etc.

As of March 31, 2019

Name of Shareholder	Address	Number of Shares held under Own Name	Number of Shares held under the Name of Others	Total Number of Shares held	Shareholding Ratio (%)
(Treasury stock) Wacoal Holdings Corp.	29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto	5,510,800	—	5,510,800	7.80
Total	—	5,510,800	—	5,510,800	7.80

2. 【Information on Acquisition etc. of Treasury Stock】

<Class of shares>

Acquisition of shares of common stock under the condition set forth in Article 155, Item 3 of the Companies Act, and acquisition of shares of common stock under the condition set forth in Article 155, Item 7 of the Companies Act

(1) Acquisition of Treasury Stock based on a Resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Stock based on a Resolution of Board of Directors

Acquisition pursuant to Article 155, Item 3 of the Companies Act

Category	Number of Shares (Shares)	Total Amount (Yen)
Status of Resolution of Board of Directors (May 15, 2018) (Period for acquisition: From May 21, 2018 to December 31, 2018)	2,200,000	7,000,000,000
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired during the current fiscal year	2,200,000	6,918,217,200
Total number of remaining shares resolved and total amount	—	81,782,800
Unexercised percentage as of the end of the current fiscal year (%)	—	1.2
Treasury stock acquired during the current period	—	—
Unexercised percentage as of the filing date of this report (%)	—	1.2

Category	Number of Shares (Shares)	Total Amount (Yen)
Status of Resolution of Board of Directors (May 15, 2019) (Period for acquisition: From May 16, 2019 to December 31, 2019)	1,900,000	5,000,000,000
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired during the current fiscal year	—	—
Total number of remaining shares resolved and total amount	—	—
Unexercised percentage as of the end of the current fiscal year (%)	—	—
Treasury stock acquired during the current period	226,000	620,831,300
Unexercised percentage as of the filing date of this report (%)	88.1	87.6

(Note) The number of shares of treasury stock acquired during the current period does not include the number of shares of treasury stock acquired during the period from June 1, 2018 until the filing date of this report.

(3) Acquisition of Treasury Stock not based on a Resolution of Ordinary General Meeting of Shareholders or Board of Directors

Acquisition pursuant to Article 155, Item 7 of the Companies Act

Category	Number of Shares (Shares)	Total Amount (Yen)
Treasury stock acquired during the current fiscal year	406	1,241,100
Treasury stock acquired during the current period	161	456,227

(Note) The number of shares of treasury stock acquired during the current period does not include the number of shares less than one unit purchased during the period from June 1, 2019 until the filing date of this report.

(4) Status of Disposition and Holding of Acquired Treasury Stock

Category	Current Fiscal Year		Current Period	
	Number of Shares (Shares)	Total Disposition Amount (Yen)	Number of Shares (Shares)	Total Disposition Amount (Yen)
Acquired treasury stock that was offered to subscribers for subscription	—	—	—	—
Acquired treasury stock that was canceled	1,000,000	2,631,119,119	2,100,000	5,934,652,279
Acquired treasury stock that was transferred due to merger, stock swap, or company split	—	—	—	—
Other (transfer of shares less than one unit per purchase request)	136	417,520		
Other (exercise of stock acquisition rights)	11,500	32,522,000		
Other (decrease as a result of share consolidation)	—	—	—	—
Number of shares of treasury stock held	5,510,891	—	3,637,052	—

(Note) The number of shares of treasury stock held during the current period does not include shares less than one unit purchased or sold during the period from June 1, 2019 until the filing date of this report.

3. 【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 36.00 yen 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 36.00 yen per share, will be 72.00 yen 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, 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.

(Note) The distribution of earnings for which record date belongs to the current fiscal year is as follows:

Date of Resolution	Total Dividend Amount (Millions of yen)	Dividend Amount per Share (Yen)
October 31, 2018 Resolution of Board of Directors' meeting	2,386	36.00
May 15, 2019 Resolution of Board of Directors' meeting	2,346	36.00

4 【Corporate Governance, etc.】

(1) 【Status of Corporate Governance】

(i) Fundamental Policies for Corporate Governance:

The purpose and basic policy of our group's corporate governance is to continuously enhance our corporate value by increasing transparency and securing the fairness and independence of our corporate management to establish mutual confidence relationship with all stakeholders, including our shareholders, customers, employee, client and community.

(ii) Outline of System of Corporate Governance and Reason for Adoption of such System

a. Outline of System of Corporate Governance

We, as a holding company, use an “Audit & Supervisory Board Member system” 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 supervise the management operating the Company.

Our Board of Directors is composed of seven Directors (including three Outside Directors) and one of them is female. Their roles are to supervise and make business judgments from an objective perspective. We have been working to enhance the supervisory function and to improve the decision-making process. Further, the term of office of each Director is one year for the purpose of clarifying the responsibilities of our management, and establishing a management system that may respond promptly to changes in the business environment.

In addition to the supervisory function of the Board of Directors, the Audit & Supervisory Board is composed of five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members). Their function is to monitor and supervise our management.

We have designated the above-stated three Outside Directors and three Outside Audit & Supervisory Board Members (i.e., six persons in total) as our independent officers.

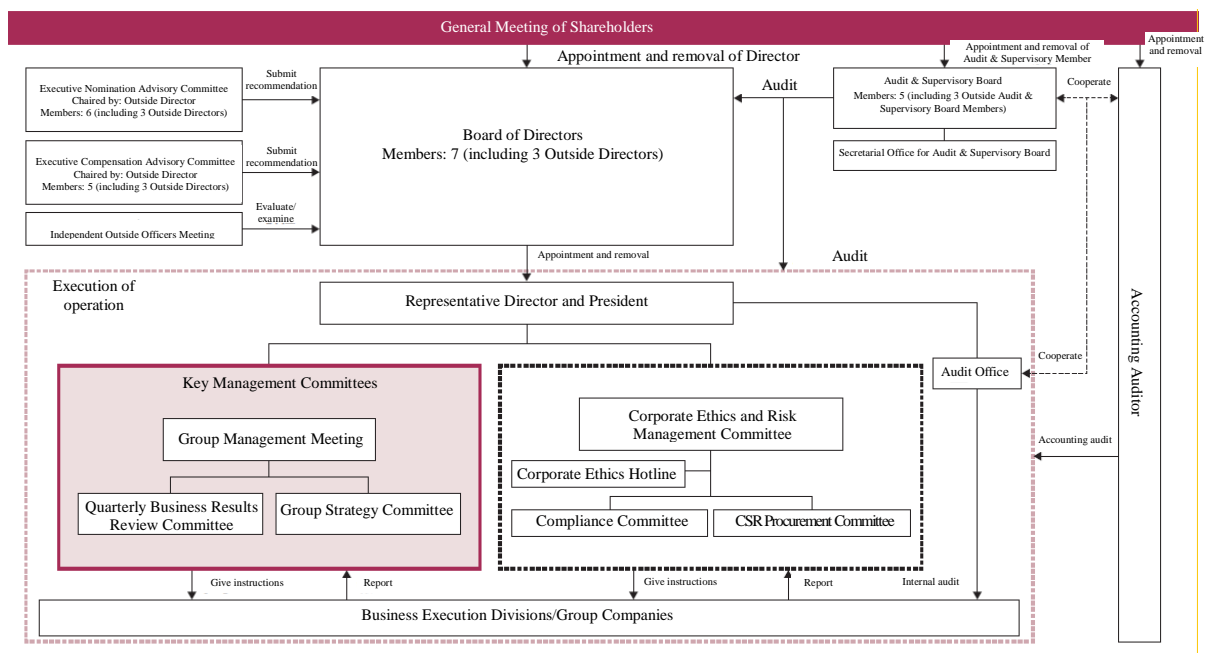
We, as a holding company, seek to govern our group companies with the management, audit, and supervisory systems as set out below:

- The Board of Directors shall hold a regular Board of Directors' meeting every month and also hold a special Board of Directors' meeting from time to time, as necessary, in accordance with the rules of the Board of Directors, to make decisions on matters concerning important business, such as management policy and management strategy and matters stipulated by laws or ordinances or our Articles of Incorporation. Further, we have established the “Group Management Meeting” comprising our Directors and major management members, which considers matters concerning the management strategy of our group and other important management issues and conducts preliminary reviews of matters for review by our Board of Directors.
- The Audit & Supervisory Board shall hold regular monthly meetings at the same time as the Board of Directors' meetings and also hold special meetings from time to time, as necessary, in accordance with the rules of the Audit & Supervisory Board, to make decisions on matters concerning the preparation of audit reports and audit policies, method of investigation and asset status and execution of duties by the Audit & Supervisory Board Members.
- We have established the “Executive Nomination Advisory Committee” and “Executive Compensation Advisory Committee”, which are each chaired by the Independent Outside Director and half of which is filled by the Outside Directors. These Committees discuss and provide recommendations on nomination, promotion and remuneration of Directors. The “Executive Nomination Advisory Committee” shall be held, in principle, in January when the Board of Directors' meeting is held, and the “Executive Compensation Advisory Committee” shall be held, in principle, in April, July and February when the Board of Directors' meeting is held. Each Committee is operated with a high degree of transparency and fairness pursuant to resolutions approved unanimously with all members in attendance.
- The Independent Outside Officers Meeting, which is joined mainly by the Independent Officers, performs an evaluation on the Board of Directors after exchange of views among the members of such Meeting. The details of discussions are reported to the Board of Directors, which are also disclosed in our Corporate Governance Report.
- In order to improve our system of compliance, we have established a Corporate Ethics and Risk Management Committee, for which our Representative Director and President acts as administrative manager and the Director of Supervisor of Group Business Management acts as chairman, which will consider any compliance issues which may have a material impact on the Wacoal Group, enhance awareness and enlightenment on corporate ethics and effectively promote control of any management risks on the Wacoal Group.

The members of each Committee/Meeting are as follows (● indicates chair or chairman, ○ indicates members and * indicates supervisor):

Title	Name	Board of Directors' Meeting	Audit & Supervisory Board Meeting	Executive Nomination Advisory Committee	Executive Compensation Advisory Committee	Independent Outside Officers Meeting	Group Management Meeting	Corporate Ethics and Risk Management Committee
Representative Director and Chairman	Yoshikata Tsukamoto	○					○	
Representative Director and President	Hironobu Yasuhara	●		○			○	*
Director and Vice President	Masashi Yamaguchi	○		○	○	●	●	●
Managing Director	Akira Miyagi	○		○	○	○	○	○
Outside Director	Madoka Mayuzumi	○		○	○	○		
Outside Director	Shigeru Saito	○		○	○	○		
Outside Director	Tsunehiko Iwai	○		●	●	○		
Standing Audit & Supervisory Board Member	Tomoki Nakamura	○	●			○	○	
Standing Audit & Supervisory Board Member	Kiyotaka Hiroshima	○	○			○	○	
Audit & Supervisory Board Member	Hiroshi Shirai	○	○			○		
Audit & Supervisory Board Member	Mitsuhiro Hamamoto	○	○			○		
Audit & Supervisory Board Member	Minoru Shimada	○	○			○		
	Other					○	○	○

The following diagram illustrates the outline of our corporate governance system:



b. Reason for Adoption of Corporate Governance System

The Company has adopted a governance system by a “Board of Directors” composed of Directors who are experts in each business area and Outside Directors with diverse careers, and an “Audit & Supervisory Board” including Outside Audit & Supervisory Board Members. We, as a holding company, believe that this governance system is effective in supervising and auditing the execution of duties at our group companies and to realize and maintain high-quality management. For the foregoing reason, we have adopted our current governance system.

(iii) Other Matters regarding Corporate Governance System

a. Status of Improvement of Internal Control System

Our fundamental philosophy toward the internal control system and the status of improvement thereof, details of which have been determined at the Board of Directors’ meetings, are as follows:

<System to Ensure Appropriate Business Conduct>

(System to ensure that execution of duties by Directors and/or employees is in compliance with laws and regulations and the Articles of Incorporation)

- To ensure that all Directors and employees of the business group comprised of the Company and its subsidiaries (“the Wacoal Group”) comply with laws and regulations and the Articles of Incorporation and conduct business based on sound social norms, we have enacted the “Wacoal Code of Ethics” and the “Corporate Ethics: Wacoal Standards of Conduct”.
- In order to improve our system of compliance, we have established a Corporate Ethics and Risk Management Committee, for which our Representative Director and President acts as administrative manager and the Director of Supervisor of Group Business Management acts as chairman, which will consider any compliance issues which may have a material impact on the Wacoal Group, enhance awareness and enlightenment on corporate ethics and effectively promote control of any management risks on the Wacoal Group. The Management Planning Department shall act as organizer, and shall be responsible for the corporate ethics and risk management related to the Wacoal Group.
- We have established a system under which our legal/compliance department could be promptly notified if the fact that a Director and/or employee of the Wacoal Group may have violated the “Wacoal Code of Ethics” or the “Corporate Ethics: Wacoal’s Code of Conduct”, or any other compliance issues is found. We have also established an internal alerting system (corporate ethics hotline to the legal/compliance department and a law firm). After being notified and/or alerted, the legal/compliance department conducts an investigation and formulates preventive measures after discussions with the related department. If the issue is critical, the legal/compliance department will refer the matter to the Corporate Ethics and Risk Management Committee and will report the results of its deliberation to the Board of Directors and/or Audit & Supervisory Board.
- “The Corporate Ethics: Wacoal Standards of Conduct” prescribes that Directors, and employees shall firmly refuse to comply with demands of antisocial forces. In order to handle unjust demands of antisocial forces, we cooperate with outside specialized institutions, collect and/or control information related to antisocial forces and are building an internal system.

(System concerning the Storage and Management of Information related to Execution of Duties by Directors)

- With the approval of the Board of Directors, we have enacted the “Document Management Rules” pursuant to which we store the following documents (including electromagnetic records; hereafter the same) along with any related materials:
 - Minutes of the General Meeting of Shareholders, minutes of the Board of Directors’ meetings, minutes of the Group Management meetings, documents for which a Director is the final decision maker, and any other documents prescribed in the “Document Management Rules”.
- The retention period and the place for storage of the documents prescribed in the preceding paragraph shall be subject to the “Document Management Rules”, but such retention period shall be at least ten years. The Directors and Audit & Supervisory Board Members shall have access to these documents at all times.

(Rules and Other Systems Concerning Risk Management of Losses)

- In order to understand the management risk within the Wacoal Group in general and to improve and/or strengthen our risk management system, we have established the Corporate Ethics and Risk Management Committee, for which our Representative Director and President acts as administrative manager and the Director of Supervisor of Group Business Management as Chairman. The Management Planning Department shall act as the organizer.

- The Corporate Ethics and Risk Management Committee prescribes “the Risk management basic rules”, subject to the approval of the Board of Directors, which form the basis for our risk management system. The Corporate Ethics and Risk Management 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 Wacoal Group.
- The Corporate Ethics and Risk Management Committee regularly reports on the operations of the Wacoal Group’s risk management system to the Board of Directors.

(System to Ensure Effective Execution of Duties by Directors)

- In order to enhance appropriate decision-making by our Directors, we will appoint several independent Outside Directors.
- We will formulate a medium-term management plan to be shared by the Directors and/or employees within the Wacoal Group and will direct and confirm courses of action and business targets in the mid to short term that are consistent with such plan.
- We will follow the business results of each Wacoal Group company on a monthly basis and report back to the Board of Directors. In addition, by holding “Quarterly Business Results Review Committee” and “Group Strategy Committee”, we will confirm the business results and the implementation of measures and policies, consider measures in the event targets are not achieved, and review such targets, as may be necessary.

(System to Ensure Appropriate Business Conduct within Group Companies)

- We have enacted “the Group Management Rules”, which prescribe basic policies regarding the management of Group companies and matters to be decided by our Board of Directors, as well as matters to be reported to the Company and manage our Group companies in accordance with the rules.
- We conduct any intercompany transaction fairly in compliance with laws and regulations, accounting principles and the tax system.
- Our audit office will conduct internal audits, including an audit of the establishment and/or operation of our compliance system and risk management system, within the group companies and will report the results of its audits to the Board of Directors and appropriate departments and give guidance and/or advice related to the above group companies to ensure the appropriate conduct of business.
- We adopt a corporate officer system under which we seek to build an appropriate and efficient management system which clearly defines the delegation of authority and responsibilities in major subsidiaries.
- Our foreign subsidiaries will comply with the laws and regulations of their respective home countries and will adopt a system that is in line with our policies to the extent reasonable.

(Matters Concerning Assistants to Audit & Supervisory Board Members)

- Audit & Supervisory Board Members may appoint employees of the Company as their assistants who are to assist the duties of the Audit & Supervisory Board Members.
- Such assistants shall be full-time employees. In order to ensure the effectiveness and independence of such assistants, decisions on personal affairs, including appointment, evaluation, relocation and discipline of such assistants will be subject to the consent of the Audit & Supervisory Board Members. (Reporting System of Directors and Employees to the Audit & Supervisory Board Members and Other Reporting System to Audit & Supervisory Board Members)

- Directors of the Wacoal Group will promptly report to the Audit & Supervisory Board Members if they become aware of a material fact that violates the applicable laws and regulations and/or our Articles of Incorporation, misconduct or a fact that may cause significant damage to any company of the Wacoal Group.
- Employees of the Wacoal Group may directly report to the Audit & Supervisory Board Members if they become aware of a material fact that violates the applicable laws and regulations and/or our Articles of Incorporation, misconduct or a fact that may cause significant damage to any company of the Wacoal Group. Any employee who makes such report will not be at a disadvantage for the reason of making such report.
- Through the reporting of the following matters in addition to statutory matters to the Audit & Supervisory Board Members by Directors and employees of the Wacoal Group, we strive to have the Audit & Supervisory Board Members audit conducted effectively.

Matters referred to the Group Management Meeting

Monthly and quarterly group management conditions

Results of internal audits

The condition of our internal reporting to our internal alert system

Other significant matters

(Other Systems to Ensure Effective Audit by the Audit & Supervisory Board Members)

- The majority of the Audit & Supervisory Board Members will be independent Outside Audit & Supervisory Board Members to enhance the transparency and neutrality of management.
- The Audit & Supervisory Board Members may order employees who belong to the audit office to perform any tasks that are required to provide audit services. In addition, the Audit & Supervisory Board Members may request the Company for reimbursement of expenses incurred for performing their duties.
- Audit & Supervisory Board Members will attend meetings of the Board of Directors and may also attend other primary meetings of the Wacoal Group.
- The Audit & Supervisory Board Members will regularly meet with the audit office and the Accounting Auditor to receive reports and to exchange opinions.
- The Audit & Supervisory Board may consult legal counsel, certified public accountants, consultants, or other outside advisers as it deems necessary.

< Outline of Operation of our “System to Ensure Appropriate Business Conduct” >

(System to ensure that execution of duties by Directors and/or employees is in compliance with laws and regulations and the Articles of Incorporation)

- We have a Compliance Committee which specifically establishes and operates our compliance system. The Compliance Committee held a meeting each quarter and discussed and reviewed awareness of compliance and matters reported to us through the internal alert system.
- Our legal/compliance department continued to provide level-specific group education and e-learning programs as part of our educational activities for our employees. We have also worked on awareness activities and fulfilling the internal alert system for our foreign group companies by expanding the use of our external corporate ethics hotline.

(System concerning the Storage and Management of Information related to Execution of Duties by Directors)

- Documents prescribed in the “Document Management Rules” have been properly stored in accordance with the “Document Management Rules” and the Directors and Audit & Supervisory Board Members have access to these documents on a timely basis.

(Rules and Other Systems Concerning Risk Management of Losses)

- The Corporate Ethics and Risk Management Committee assessed risks, monitored the implementation of measures taken, and reported to the Board of Directors on a quarterly basis.
- In April 2018, we established the CSR Procurement Committee as a subcommittee of the Corporate Ethics and Risk Management Committee. As part of our group purchase policy, we launched an initiative that links together the following functions in order to check the outsourcees’ compliance with the “Wacoal Group CSR-based Procurement Guidelines”, which includes provisions such as promotion of business transactions with business enterprises that emphasize attention to social needs towards human rights, labor practices, environment and ethics; monitoring of self-evaluation by outsourcees; analysis/assessment feedback; correction/improvement plans; and follow-up.

(System to Ensure Effective Execution of Duties by Directors)

- We engage in highly transparent decision-making by appointing three independent Outside Directors among our seven Directors. In addition, “Criteria for Appointment of Officers” and “Criteria for Appointment of Outside Officers (to ensure independence)” were newly stipulated in April, 2015.
- We held discussions and prepared Wacoal Group’s mid-term business plan, with the first year starting fiscal year ending 2020.
- We held meetings of the “Quarterly Business Results Review Committee” and “Group Strategy Committee” on a quarterly basis and confirmed and reviewed the business results and implementation of measures.

(System to Ensure Appropriate Business Conduct within Group Companies)

- Matters to be decided and reported by our subsidiaries are appropriately managed in accordance with the “Group Management Rules”.
- Our audit office develops an audit plan for each fiscal year and conducts audits on the operation and internal controls of the Company and our domestic and overseas subsidiaries.

(Matters Concerning Assistants to Audit & Supervisory Board Members)

- Our audit office is currently assisting the duties of the Audit & Supervisory Board Members upon their request from time to time. Audit & Supervisory Board Members have not requested or appointed any assistant for their duties.

(Reporting System of Directors and Employees to the Audit & Supervisory Board Members and Other Reporting System to Audit & Supervisory Board Members)

- The Audit & Supervisory Board Members attended primary meetings and received reports on matters that were discussed and on the management condition, and also received reports, from time to time, on the results of internal audits and matters reported through the internal alert system.

(Other Systems to Ensure Effective Audits by Audit & Supervisory Board Members)

- We enhance the effectiveness of audit by appointing three independent Outside Audit & Supervisory Board Members among the five Audit & Supervisory Board Members.
- The Company reimburses any and all expenses incurred by the Audit & Supervisory Board Members for performing their duties.
- The Audit & Supervisory Board Members conducted hearings with the Directors and visited our domestic and overseas subsidiaries to conduct audits. In addition, the Audit & Supervisory Board Members presided at “Audit & Supervisory Board Group Meetings” and received periodic reports from the audit & supervisory board members of the domestic subsidiaries.
- The Audit & Supervisory Board Members have, regularly and whenever necessary, exchanged information and opinions with the Accounting Auditor and the audit office.

b. Matters Concerning Limitation of Liability Agreements with Outside Directors and Outside Audit & Supervisory Board Members

Pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act and our Articles of Incorporation, the Company has executed an agreement with its Directors (excluding executive directors, etc.) and Audit & Supervisory Board Members to limit their liability for damages as stipulated in Paragraph 1, Article 423 of the Companies Act.

The maximum amount of liability under such agreement is the minimum amount as provided by laws and regulations.

c. Number of Directors

Our Articles of Incorporation prescribe that the number of Directors of the Company shall be not more than eight.

d. Requirement for Appointment of Directors

Our Articles of Incorporation prescribe that resolutions to appoint Directors shall be made by a majority vote of the voting rights of shareholders present at a General Meeting of Shareholders, where such shareholders present shall hold shares representing one-third or more of the voting rights of all shareholders who are entitled to exercise such voting rights and that resolutions to appoint Directors shall not be adopted by cumulative voting.

e. Requirement for Special Resolutions at General Meeting of Shareholders

Our Articles of Incorporation prescribe that a resolution as stipulated in Paragraph 2, Article 309 of the Companies Act shall be adopted by a two-thirds majority of the voting rights held by the shareholders present at the General Meeting of Shareholders, who shall represent one-third or more of the total number of voting rights of the shareholders who are entitled to exercise such voting rights. The purpose of this provision is to more surely secure the quorum for a special resolution at any General Meeting of Shareholders.

f. Decision-Making Body for Distribution of Earnings, etc.

Our Articles of Incorporation prescribe that matters set out in each Item of Paragraph 1, Article 459 of the Companies Act (including the matters concerning distribution of earnings) shall be determined by a resolution of the Board of Directors, unless otherwise provided for in any laws or regulations, for the purpose of performing an expeditious profit return to our shareholders.

(2) 【Directors and Audit & Supervisory Board Members】

(i) List of Officers

Male: 11 persons

Female: 1 person (which accounted for 8.3% of the total number of directors and audit & supervisory board members)

Title	Name	Date of Birth	Business Experience and Position(s) and Office(s)		Office Term	Number of Shares Owned (Thousands of shares)
Representative Director and Chairman	Yoshikata Tsukamoto	Jan. 29, 1948	Apr. 1972 Nov. 1977 Nov. 1981 Sep. 1984 Sep. 1984 Jun. 1987 Oct. 2005 Apr. 2011 Jun. 2018	Joined the Company Director of the Company Managing Director of the Company Executive Vice President of the Company Representative Director (acting) President and Director of the Company Representative Director, President and Corporate Officer of Wacoal Corp. Representative Director and Chairman of Wacoal Corp. Representative Director and Chairman of the Company (acting)	Note 1	288
Representative Director and President	Hironobu Yasuhara	Dec. 28, 1951	Mar. 1975 Apr. 2005 Jun. 2006 Apr. 2010 Apr. 2011 Jun. 2011 Jun. 2013 Jun. 2016 Apr. 2018 Jun. 2018	Joined the Company Corporate Officer/General Manager of Wing Brand Business Department of the Company Director and Managing Corporate Officer, General Manager of Wing Brand Business Department, of Wacoal Corp. Director and Senior Managing Corporate Officer, and General Manager of Wacoal Brand Business Department, of Wacoal Corp. Representative Director, President and Corporate Officer of Wacoal Corp. Director of the Company Senior Managing Director of the Company Vice President and Director of the Company Representative Director and Chairman of Wacoal Corp.(acting) Representative Director of the Company and President(acting)	Note 1	9
Director and Vice President	Masashi Yamaguchi	Nov 26, 1957	Apr. 1981 Apr. 2006 Apr. 2011 Apr. 2013 Apr. 2014 Apr. 2015 Jun. 2015 Apr. 2017 Jun. 2017 Apr. 2019 Jun.2019	Joined the Company Business Administration Manager of Wing Brand Operation Division of Wacoal Corp. Corporate Officer and Manager of Personnel Division of Wacoal Corp. Director and Corporate Officer, and General Manager of Personnel and Administration Division of Wacoal Corp. Director and Managing Corporate Officer, and General Manager of Personnel and Administration Division of Wacoal Corp. Director and Senior Managing Corporate Officer in charge of Administration, and General Manager of Personnel and Administration Division of Wacoal Corp. Director in charge of Personnel and Administration of the Company Director, Vice President Corporate Officer in charge of Administration, and General Manager of Personnel and Administration Division of Wacoal Corp. Managing Director and Supervisor of Personnel and Administration and Future Business of the Company Appointed Director, Vice President Corporate Officer in charge of Administration of Wacoal Corp. Director and Vice President and Supervisor of Group Business Management of the Company (acting)	Note 1	3
Managing Director	Akira Miyagi	Oct. 18,1960	Mar. 1984 Oct. 2007 Apr. 2011 Apr. 2014	Joined the Company Manager of Business Management and Administration of Wacoal Brand Operation Division of Wacoal Corp. Director and Deputy General Manager of Wacoal China Co., Ltd. General Manager of Corporate Planning of the Company(acting)	Note 1	2

			Apr. 2017 Jun. 2018 Jun. 2019	Corporate Officer of Wacoal Corp. Director of the Company Managing director of the Company(acting)		
Director	Madoka Mayuzumi	Jul. 31, 1962	Aug. 1996 Jan. 2001 Dec. 2004 May. 2013 Apr. 2014 Apr. 2014 Jun. 2015	Launched and organized monthly <i>haiku</i> magazine <i>Gekkan Hepburn</i> Member of “National Language Subdivision” of Council for Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology Member of “Council for the Promotion of Cultural Diplomacy”, Cabinet Secretariat Member of “Forum to Realize Culture and Arts-Oriented Nation” held by Minister of Education, Culture, Sports, Science and Technology Member of “Cultural Policy Subdivision” of Council for Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology Advisor of the Company Director of the Company (acting)	Note 1	—
Director	Shigeru Saito	Jan 26, 1957	Nov. 1979 Oct. 1985 Feb. 1987 Sep. 2004 Dec. 2015 Jun. 2017	Joined TOSE CO., LTD. General Manager of Development Department Director of TOSE CO., LTD. Representative Director and President of TOSE CO., LTD. Representative Director and President, and CEO of TOSE CO., LTD. Appointed Representative Director and Chairman, and CEO of TOSE CO., LTD. (acting) Director of the Company (acting)	Note 1	0
Director	Tsunehiko Iwai	May 28, 1953	Apr. 1979 Apr. 2002 Apr. 2008 Jun. 2014 Jan. 2016 Mar. 2018 Jun. 2018	Joined Shiseido Co., Ltd. General Manager of Product Commercialization, Planning Department, Shiseido Co., Ltd. Corporate Officer, General Manager of Technical Department, Shiseido Co., Ltd. Director, Corporate Executive Officer in charge of Research & Development, Production and Technical Affairs, Shiseido Co., Ltd. Representative Director, Executive Vice President Chief Technology & Innovation Officer, Shiseido Co., Ltd. Senior Advisor, Shiseido Co., Ltd. (acting) Director of the Company (acting)	Note 1	—
Standing Audit & Supervisory Board Member	Tomoki Nakamura	Jan 22, 1958	Apr. 1980 Oct. 2007 Apr. 2008 Apr. 2012 Jun. 2012	Joined the Company Accounting Manager of Wacoal Corp. Accounting Manager of the Company Audit & Supervisory Board Member/Secretariat of Board of Audit & Supervisory Board Members Audit & Supervisory Board Member of the Company (acting)	Note 3	41
Standing Audit & Supervisory Board Member	Kiyotaka Hiroshima	Jan 4, 1958	Apr. 1981 Apr. 2008 Apr. 2009 Apr. 2010 Apr. 2011 Apr. 2015 Jun. 2015 Jun. 2015	Joined the Company Materials Control Manager of Technology/Production Division of Wacoal Corp. Production Control Manager of Technology/Production Division of Wacoal Corp. Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp. Director and Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp. Director and Corporate Officer and Supervisor of Technology/Production of Wacoal Corp. Audit & Supervisory Board Member of Wacoal Corp. (acting) Audit & Supervisory Board Member of the Company (acting)	Note 6	3
Audit & Supervisory Board Member	Hiroshi Shirai	Oct. 21, 1953	Nov. 1977 Aug. 1982 Jul. 1992 Aug. 2007 Jun. 2010 Sep. 2011	Joined Pricewaterhouse Registered as Certified Public Accountant Joined Aoyama Audit Corporation Joined Deloitte Touche Tohmatsu Vice Chairman of The Japanese Institute of Certified Public Accountants Kinki Chapter Left Deloitte Touche Tohmatsu	Note 6	2

			Oct. 2011	Established Shirai public accounting firm, Managing Partner (acting)		
			Jun. 2015	Audit & Supervisory Board Member (acting)		
Audit & Supervisory Board Member	Mitsuhiro Hamamoto	Apr. 18, 1970	Oct. 2000 Oct. 2000 Oct. 2004 Apr. 2008 Jun. 2017 Feb. 2019	Admitted to the Bar Joined the Law Office of Tadashi Yamada Joined the Kikkawa Law Office Partner at the Kikkawa Law Office Audit & Supervisory Board Member of the Company (acting) Managing Partner of Hamamoto Law Office (acting)	Note 4	0
Audit & Supervisory Board Member	Minoru Shimada	Feb. 22, 1955	Apr. 1977 Jun. 2004 May. 2005 Apr. 2008 Jun. 2010 Jun. 2011 Jun. 2012 Jun. 2018	Joined The Bank of Tokyo, Ltd. (current "MUFG Bank, Ltd.") Corporate Officer, General Manager of Corporate Banking Group No.1, Corporate Banking Division No.4, The Bank of Tokyo Mitsubishi, Ltd. (current "MUFG Bank, Ltd.") Corporate Officer, Manager of New York Branch Managing Corporate Officer, General Manager of Corporate Banking Group, Nagoya Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current "MUFG Bank, Ltd.") Representative Director and Vice President, SOTSU CORPORATION Representative Director and President, NAIGAI Construction Co., Ltd. Representative Director and President, SOTSU CORPORATION Representative Director and President, Sotsu Amenity Service Corporation Director and Chairman, SOTSU CORPORATION (acting) Audit & Supervisory Board Member of the Company (acting)	Note 5	0
Total						352

- (Note)
- 1 The term of office of a Director is one year from the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2019.
 - 2 Directors Ms. Madoka Mayuzumi, Mr. Shigeru Saito and Mr. Tsunehiko Iwai are Outside Directors.
 - 3 The term of office of an Audit & Supervisory Board Member is four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 29, 2016.
 - 4 The term of office of an Audit & Supervisory Board Member is four years from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 29, 2017.
 - 5 The term of office of an Audit & Supervisory Board Member is four years from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 28, 2018.
 - 6 The term of office of an Audit & Supervisory Board Member is four years from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 27, 2019.
 - 7 Audit & Supervisory Board Members Mr. Hiroshi Shirai, Mr. Mitsuhiro Hamamoto and Mr. Minoru Shimada are Outside Audit & Supervisory Board Members.

(ii) Status of Outside Officers

We have three Outside Directors and three Outside Audit & Supervisory Board Members.

We have elected those persons playing an active role widely in the field of arts and culture in Japan and overseas and persons having extensive knowledge and experience as executives to our Outside 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 services, independent attorneys at law or independent certified public accountants having a considerable degree of finance and accounting knowledge, to our Outside Audit & Supervisory Board Members. Each Outside 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.

The Company prescribes "Criteria for Appointment of Officers" and "Criteria for Appointment of Outside Officers (that ensures independence)" for appointing an Outside Director and an Outside Audit & Supervisory Board Member.

Upon the appointment of an Outside Director Board Member, the "Executive Nomination Advisory Committee" will submit a list of candidates based on the following criteria to the Board of directors, and a candidate for Audit & Supervisory Board Member is appointed at a Board of Directors' meeting with the approval of the Audit & Supervisory Board.

The list of candidates for Audit & Supervisory Board Member is then submitted to a general meeting of shareholders as an agenda item.

- A candidate with superior character and knowledge and is mentally and physically healthy;
- A candidate pursues a law-abiding spirit;
- A candidate has comprehensive experience in business operation, company management, legal community, administration, accounting, education or culture and art and upon re-appointment, his/her management performance and contribution to the group management during the term of office shall be considered;
- A candidate is not in violation of the “Criteria for Appointment of Outside Officers (that ensures independence)” separately prescribed by the Company;
- A candidate is not currently holding a position as an officer of 4 or more listed companies;
- By appointing such candidate, Board of Directors and the Audit & Supervisory Board will each have a balanced knowledge, experience and expertise that ensures diversity such as gender and internationalism;

We also believe that an Outside Director and an Outside Audit & Supervisory Board Member shall maintain an independent position so that each will not cause any conflict of interest with general shareholders. From this aspect, the Company shall appoint a candidate for an Outside Officer who does not fall under any of the following items:

1. Has held a position to execute duties at any of our group companies;
2. A major shareholder holding the shares of the Company under its name or other name, is equal to or higher than 5% as percentage of voting rights; in case such major shareholders is a legal entity or an association such as general partnership (“Entities”), a candidate who is holding a position to execute duties at such Entities;
3. A candidate who:
 - is the major client of our group or considers our group as the candidate’s major client; in case such candidate is an Entity, a candidate who is holding a position to execute duties at such Entity;
 - is the major lender of our group; in case such lender is an Entity, a candidate who is holding a position to execute duties at such Entity;
 - is holding a position to execute duties at lead manager securities company; or
 - is holding a position to execute duties at any Entity in which our group hold shares, whose percentage of voting rights is equal to or greater than 5%.
4. A certified public accountant who works at an audit firm, which is the Accounting Auditor of our group;
5. Any legal counsel, accountant, tax accountant, patent attorney, consultant or other expert who receives large amount of monies or other assets from our group; in case such candidate is an Entity, an expert who works at such Entity;
6. Anyone who receives large amount of donation from our group; in case such candidate is an Entity, a candidate who is holding a position to execute duties at such Entity;
7. A candidate who is holding a position to execute duties at other companies having a relationship involving mutual appointment of outside officers;
8. A spouse or second-degree relative of a person (limited to those significant) who falls under any of the items under 1 through 7 above;
9. A candidate who used to fall under any of the items under 1 through 8 above during the past three years;
10. A candidate who is deemed to have a special circumstance where a possible conflict of interest with general shareholders of the Company may arise.

It should be noted, however, that a candidate who falls under any of the items under 2 through 9 above, but who fulfills the requirements of an outside officer under the Companies Act, and if the Company deems it appropriate for such candidate to be appointed as an outside officer, may exceptionally become a candidate for an outside officer by describing the reasons of the Company for making such judgment.

For our Outside Directors, the Management Planning Department hands out documents setting out the proposals presented to the Board of Directors’ meetings in advance and gives prior explanations on important matters to them. For Outside Audit & Supervisory Board Member, Standing Audit & Supervisory Board Member does it.

One of our Outside Director and three of our Outside Audit & Supervisory Board Members hold 0 and 3,000 shares of common stock of the Company, respectively. Other than the foregoing, there are no special interests between our Outside Directors or Outside Audit & Supervisory Board Members and the Company.

The reasons for the election of our Outside Directors and Outside Audit & Supervisory Board Members are as follows:

Title	Name	Reasons for Election
Outside Director	Madoka Mayuzumi	<p>Ms. Mayuzumi plays an active role as a haiku poet in the field of arts and culture in Japan and overseas. While serving as Advisor of the Company from April 2014, she has provided advice that addresses social challenges and educational training for employees of the Company and Wacoal Corp. We expect that, with her knowledge and experience, she will contribute to the Company's management which respects diversity.</p> <p>Although Ms. Mayuzumi has never been involved in the Company's management other than by way of serving as an Outside Director or Outside Audit & Supervisory Board Member in the past, we believe that she will be able to perform her duties appropriately for the above-stated reasons.</p> <p>Also, because she meets the eligibility requirements which the Company prescribes under "Criteria for Appointment of Outside Officers (to ensure independence)" and because there are no concerns that any conflict of interest with general shareholders may arise, we have designated her as an independent officer.</p>
Outside Director	Shigeru Saito	<p>Mr. Saito currently serves as the Representative Director and Chairman at another company, and has many years of experience and knowledge as a business manager. We believe that he is qualified to be an Outside Director to further strengthen the supervisory function of the Company management.</p> <p>Also, because he meets the eligibility requirements which the Company prescribes under "Criteria for Appointment of Outside Officers (to ensure independence)" and because there are no concerns that any conflict of interest with general shareholders may arise, we have designated him as an independent officer.</p>
Outside Director	Tsunehiko Iwai	<p>We believe that Mr. Iwai is qualified to be an Outside Director to further strengthen the supervisory function of the Company management, as he has extensive knowledge and experience as management, as well as specialized knowledge in the fields of research & development, production and technology.</p> <p>Also, because he meets the eligibility requirements which the Company prescribes under "Criteria for Appointment of Outside Officers (to ensure independence)" and because there are no concerns that any conflict of interest with general shareholders may arise, we have designated him as an independent officer.</p>
Outside Audit & Supervisory Board Member	Hiroshi Shirai	<p>We believe that Mr. Shirai is qualified to be our Outside Audit & Supervisory Board Member, as he has knowledge and experience in accounting and finance (including U.S. accounting standards) as a certified public accountant.</p> <p>Mr. Shirai worked at Deloitte Touche Tohmatsu LLC, our accounting auditor, from August 2007 to September 2011, but he was never involved in the audit services engaged for the Company during such period. It has been seven years and eight months since Mr. Shirai left Deloitte Touche Tohmatsu LLC.</p> <p>Also, because he meets the eligibility requirements which the Company prescribes under "Criteria for Appointment of Outside Officers (to ensure independence)" and because there are no concerns that any conflict of interest with general shareholders may arise, we have designated him as an independent officer.</p>
Outside Audit & Supervisory Board Member	Mitsuhiro Hamamoto	<p>We believe that Mr. Hamamoto is qualified to be our Outside Audit & Supervisory Board Member, as he has legal knowledge and great store of experience of business and commercial issues as an attorney at law.</p> <p>Also, because he meets the eligibility requirements which the Company prescribes under "Criteria for Appointment of Outside Officers (to ensure independence)" and because there are no concerns that any conflict of interest with general shareholders may arise, we have designated him as an independent officer.</p>

Outside Audit & Supervisory Board Member	Minoru Shimada	<p>We believe that Mr. Shimada is qualified to be our Outside Audit & Supervisory Board Member, as he has years of experience in the financial industry and also has extensive experience and expertise in different industrial sectors.</p> <p>Also, because he meets the eligibility requirements which the Company prescribes under “Criteria for Appointment of Outside Officers (to ensure independence)” and because there are no concerns that any conflict of interest with general shareholders may arise, we have designated him as an independent officer.</p>
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(iii) Supervision or Audit and Internal Audit by Outside Directors or Outside Audit & Supervisory Board Members, Audit by Audit & Supervisory Board Members and Mutual Collaboration with Accounting Auditor, as well as Relationship with Internal Control Division

Outside Directors fulfill the supervisory function of management by providing recommendations at the Board of Directors meetings based on their extensive knowledge and experience as well as necessary documents and explaining agenda items which they receive prior to the Board of Directors meetings, as well as by serving as the chair or a member of the “Executive Nomination Advisory Committee” and/or “Executive Nomination Advisory Committee”. Outside Directors also contribute to the implementation and/or maintenance of the internal control system by receiving various reports from the internal control division.

Outside Audit & Supervisory Board Members perform the audit of the internal control system, including fair presentation of financial statements, by attending meetings of the Audit & Supervisory Board, and by establishing sufficient communication channels and coordinating with the Standing Audit & Supervisory Board Members, who in turn report to the Outside Audit & Supervisory Board Members the status of audit on operations, details of important meetings and other matters as necessary, as well as by receiving various reports from the Accounting Auditor and internal control division. In addition, based on matters discussed at the meetings of the Audit & Supervisory Board, Outside Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings and enhance the effectiveness of audit by visiting and conducting hearings at our subsidiaries.

In addition to the above, Outside Directors and Outside Audit & Supervisory Board Members exchange opinions on issues raised in connection with the operation of the Board of Directors’ meeting.

(3) 【Status of Audit】

(i) Status of Audit by Audit & Supervisory Board Members

As of June 27, 2019, the Audit & Supervisory Board is composed of two Standing Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members. In conformity with the audit standards prescribed by the Audit & Supervisory Board, each Audit & Supervisor Board Member attended meetings of Board of Directors and other important meetings, conducted an audit on the status of business and assets, received reports and explanations from the Accounting Auditor, examined the fair presentation of the financial statements and appropriateness of the accounting audit, and monitored and inspected the status of implementation and operation of the internal control system. We have a full-time and independent employee at the Secretarial Office who assists the Audit & Supervisory Board.

Standing Audit & Supervisory Board Member Mr. Tomoki Nakamura has many years of accounting experience at our Accounting Department with a respectable degree of finance and accounting knowledge. Also, Audit & Supervisory Board Member Mr. Hiroshi Shirai is qualified as a certified public accountant with a considerable degree of finance and accounting knowledge as well.

(ii) Status of Internal Audit

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 results of such audit and evaluation are regularly reported to the Representative Director and President.

The number of staff of our internal audit department (audit office) as of June 27, 2019, was 7.

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, activities conducted by our audit office, and other matters. 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.

Further, our Audit & Supervisory Board Members and Accounting Auditor have regular meetings for discussion six times a year. The purpose of such discussion is mainly to report and confirm the plan and status of the audit and to exchange opinions on the management. In addition, they have meetings from time to time as necessary.

(iii) Status of Accounting Audit

a. Name of Audit Firm

An accounting audit agreement has been executed between the Company and Deloitte Touche Tohmatsu LLC (“Tohmatsu”) pursuant to the Companies Act and the Financial Instruments and Exchange Act.

b. Names of the certified public accountants who were engaged in the audit:

Designated Limited Liability Partners and Managing Members: Wakyu Shinmen, Hiroaki Sakai,
Seiichiro Nakashima

c. Composition of the assistants for the audit services:

11 certified public accountants, 6 persons who passed the certified public accountant examination and 12 other persons

d. Policies and Reason for Appointing Audit Firm

The Audit & Supervisor Board selects the certified public accountants, etc. on the condition that such certified public accountant does not fall under any of the item under Paragraph 1, Article 340 of the Companies Act and that there are no event that may impair the eligibility and independence of such certified public accountant.

e. Evaluation of Audit Firm by Audit & Supervisory Board Members and Audit & Supervisory Board

Upon the discussion and resolution on the appointment and non-reappointment of Tohmatsu at a meeting held on April 26, 2018, the Audit & Supervisory Board performed an evaluation from the following perspectives: (1) how the compliance system has been established and operated; (2) ensuring and/or monitoring of independence; (3) system to ensure audit quality; (4) high level of audit and/or accounting expertise; (5) communication with the Audit & Supervisory Board Members; and (6) sufficiency of time taken for audit procedures and adequacy of remuneration for audit. Also, the evaluation of certified public accountants or accounting auditor is performed by the Audit & Supervisory Board from the following perspectives:

(iv) Audit Fees

The temporary measures of the provisions of (i) through (iii) under Note (56)d(f) described in the Form 2 of the amended “Cabinet Office Order on Disclosure of Corporate Affairs” following the enforcement of “Amendment of Cabinet Office Order” (Cabinet Office Order No. 3 of January 31, 2019) are applied.

A. Fees to Certified Public Accountants

Category	Fiscal Year Ended March 31, 2018		Fiscal Year Ended March 31, 2019	
	Fees for Audit Services (Millions of yen)	Fees for Nonaudit Services (Millions of yen)	Fees for Audit Services (Millions of yen)	Fees for Nonaudit Services (Millions of yen)

The Company	141	32	141	9
Consolidated subsidiaries	14	—	14	—
Total	155	32	155	9

For both fiscal years ended March 31, 2018 and 2019, the Company paid fees to the accounting auditor or certified public accountants as compensation for the advice and guidance regarding the creation of Group Accounting Rules and consulting services for CSR procurement activities, which are out of the scope of the services that are set forth in Paragraph 1, Article 2 of the Certified Public Accountants Act.

B. Other fees

(Fiscal year ended March 31, 2018)

Wacoal International Corp., one of the Company's consolidated subsidiaries, and its consolidated subsidiaries paid 60 million yen as fees for audit services to Deloitte & Touche LLP, which belongs to the same network as the Company's certified public accountant, etc.

(Fiscal year ended March 31, 2019)

Wacoal International Corp., one of the Company's consolidated subsidiaries, and its consolidated subsidiaries paid 58 million yen as fees for audit services to Deloitte & Touche LLP, which belongs to the same network as the Company's certified public accountant, etc.

C. Policy on determination of audit fees

The Company determines the amount of audit fees to be paid to the certified public accountants, etc., taking into account the number of days required for the audit, the characteristics of services, and other factors.

D. Reason by Audit & Supervisory Board Members for giving consent on the amount of fees payable to the accounting auditor

The Audit & Supervisory Board has obtained necessary documents and received explanations regarding the comparison of the estimated time under the audit plan from the previous fiscal year and the actual time used for audit performance and the trend in the amount of fees paid for the audit performance during the past fiscal years from the relevant departments and the accounting auditor, has reviewed the details of audit planning, basis for calculating fees and level of fees presented by the accounting auditor for the current fiscal year, and after deliberating whether the amount of fees for the audit performance is appropriate to maintain the independence of the accounting auditor and to carry out its accounting audit under appropriate audit system and audit plan for the assessment of risks related to the audit environment and internal control system of the business group (including the Company and its consolidated subsidiaries), the Audit & Supervisory Board has deemed the amount of fees for the current fiscal year is appropriate. Based on the above, the Audit & Supervisory Board has given its consent, pursuant to the provisions of Paragraph 1, Article 399 of the Companies Act, on the amount of fees payable to the accounting auditor.

(4) 【Remunerations Paid to Officers】

(i) Details and Policies of Calculation methods for Amount of Remunerations, etc., Paid to Officers or Method of Calculating such Amount

The remunerations paid to Directors under our compensation system for officers consists of “Basic Remuneration,” the amount of which is fixed, and “Bonus,” which is linked to the business results of each fiscal year, as well as “Stock Option,” which is linked to medium- and long-term business results. In the case of Outside Directors and Audit & Supervisory Board Members who shall be in the position independent from the management, only “Basic Remuneration” is paid because any remuneration linked to business results are not appropriate in such case.

<Basic Remuneration>

The basic remuneration is designed to be determined for each position, but may be increased, within a certain range, based on the contribution made to the management of the Company in the past years. 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.

The basic remuneration amount for Directors is determined after discussion within the Executive Compensation Advisory Committee and resolution by the Board of Directors. The basic remuneration amount for Audit & Supervisory Board Members is determined after discussion within the Audit & Supervisory Board.

<Performance-Linked Bonus>

The total amount of the performance-linked bonus is based on achievement as a percentage of the consolidated operating income recorded for each fiscal year, plus other performance factors. The consolidated operating income is the base amount so that the amount of the bonus is highly linked to the consolidated business results. The base amount has been set as 1,350 million yen based on the business results from previous fiscal years, and the consolidated operating income for the current fiscal year was 4,879 million yen.

The amount of the performance-linked bonus is determined after discussion within the Executive Compensation Advisory Committee, resolution by the Board of Directors, and approval by the general meeting of shareholders.

The review of the calculation method for the performance-linked bonus will be performed on an ongoing basis to establish a system with a higher degree of transparency.

<Share-Based Compensation>

Share-based compensation in the form of stock options is resolved by the Executive Compensation Advisory Committee after discussion within the Executive Compensation Advisory Committee.

The maximum annual amounts of the basic remuneration paid to Directors and Audit & Supervisory Board Members were determined to be 350 million yen (excluding the amount paid as salaries for employees to the Directors who concurrently serve as employees) and 75 million yen, respectively, by the resolution adopted at the 57th Ordinary General Meeting of Shareholders held on June 29, 2005. Totaling seven directors jointed to the resolution.

The amount of Performance-Linked bonuses was determined to be such amount as is determined according to the business results of each fiscal year, which was resolved at each Ordinary General Meeting of Shareholders held for the relevant year. Further, the maximum annual amount of stock options was determined to be 70 million yen by the resolution adopted at the 60th Ordinary General Meeting of Shareholders held on June 27, 2008. Totaling eight directors jointed to the resolution.

The ratio of the basic remuneration, performance-linked bonuses and stock options is as follows:

basic remuneration 71%; performance-linked bonuses 18%; and stock options 11%.

(assuming the performance-linked bonuses meet the base amount)

The retirement allowance system for officers was abolished by the resolution adopted at the 57th Ordinary General Meeting of Shareholders held on June 29, 2005.

<Roles and Activities of Executive Compensation Advisory Committee>

As an advisory body to Board of Directors, the Executive Compensation Advisory Committee discusses and resolves matters related to officers' compensation and system from an independent and objective perspective. Half of the members of the Executive Compensation Advisory Committee, chaired by Independent Outside Director Mr. Tsunehiko Iwai, are Independent Outside Directors. The Executive Compensation Advisory Committee is also attended by the Outside Audit & Supervisory Board Member(s) as an observer to ensure transparency.

Up to December 25, 2018, the Committee acted under the name of "Executive Compensation and Nomination Advisory Committee" which was chaired by our internal Directors and attended by one (1) Independent Outside Director. From December 26, 2018, the Executive Compensation and Nomination Advisory Committee was changed to "Executive Compensation Advisory Committee" and "Executive Nomination Advisory Committee" after reviewing our system.

The Executive Compensation Advisory Committee has resolved after discussion on the matters related to the remuneration paid to officers for the current fiscal year as follows:

We have resolved upon discussion the matters below related to the remuneration of officers for the current fiscal year:

February 26, 2018: Verification of the level of remuneration for officers and basic remuneration amount

July 20, 2018: Issuance of stock options
 April 25, 2019: Performance-linked bonus for officers

<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 Executive Compensation Advisory Committee.

The Board of Directors has resolved after discussion on the matters related to the remuneration paid to officers for the current fiscal year as follows:

June 28, 2018: Basic remuneration amount for the current fiscal year
 July 20, 2018: Issuance of stock options
 May 15, 2019: Activities of Executive Compensation Advisory Committee
 May 30, 2019: Performance-linked bonus for officers

(ii) Aggregate amount of remunerations, etc., paid to each category of officers, aggregate amount of remunerations, etc., by type thereof, as well as the number of relevant officers:

Category of Officers	Aggregate Amount of Remunerations, etc. (Millions of yen)	Aggregate Amount of Remunerations, etc., by Type Thereof (Millions of yen)				Number of Relevant Officers
		Basic Remuneration	Bonus	Stock Option	Retirement Allowance	
Directors (Excluding Outside Directors)	313	230	40	43	—	5
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	38	38	—	—	—	2
Outside Officers	46	46	—	—	—	8

(Note) As of March 31, 2019, the numbers of Directors, Audit & Supervisory Board Members, and Outside Officers were five, two, and six, respectively. These numbers were inconsistent with the numbers described above because the numbers described above include two Outside Officers who resigned as Director upon the close of the 70th Ordinary General Meeting of Shareholders held on June 28, 2018.

(iii) Aggregate amount, etc., of the consolidated remunerations, etc., of the person who receives 100 million yen or more as remunerations, etc., on a consolidated basis:

Name	Aggregate Amount of Consolidated Remunerations, etc. (Millions of yen)	Category of Officers	Relevant Company	Amount of Consolidated Remunerations, etc., by Type Thereof (Millions of yen)			
				Basic Remuneration	Bonus	Stock Option	Retirement Allowance
Yoshikata Tsukamoto	164	Director	Wacoal Holdings Corp.	126	17	20	—

(5) 【Information on Shareholdings】

① Standard and Concept for Categories of Investment Stocks

With respect to the category of the investment stocks that are held for the purpose of pure investment and that are held for the purposes other than pure investment, the Company does not hold any shares for the purpose of pure investment as part of asset management, but holds shares of other companies for purposes other than pure investment that are strategically important for our

group, to maintain and enhance business transactions, to build, maintain and enhance cooperative and transactional relationships for business expansion, and to maintain steady financial transactions.

② Equity securities held by Wacoal Corp.

Shares held by Wacoal Corp., which is among the Company and our consolidated subsidiaries and holds the largest amount of equity securities on the balance sheet (i.e., the balance sheet amount of investment stocks) are as follows:

A. Equity securities held for purposes other than pure investment

- a. Policies and method to verify the rationality of shareholding, as well as the verification process at meeting of Board of Directors regarding appropriateness of holding certain stock of shares

The Company examines whether it is appropriate to hold shares from a medium-to long-term perspective, whether risks associated with such holding are worth the cost of capital, or profits and dividend income indices in connection with the transaction and the results are reported to the Board of Directors on a regular basis. The Board of Directors then examines whether the holding will be enhance corporate value of the Company from a medium-to long-term perspective based on such verification results, and determines whether to continue to hold or dispose such shares.

b. Number of Stock and Amount Recorded in the Balance Sheet

	Number of Stocks	Total Amount Recorded in the Balance Sheet (Millions of yen)
Unlisted Stock of Shares	28	1,398
Shares Other than Unlisted Stock of Shares	67	59,434

(Name of stock of shares which increased during the current fiscal year)

	Number of Stocks	Total Acquisition Amount for Increased Shares (Millions of yen)	Reason for Increase in the Number of Shares
Unlisted Stock of Shares	1	200	Acquired for the purpose of building cooperative relationship
Shares Other than Unlisted Stock of Shares	2	7	Converted convertible bond into common stock of shares

(Name of stock of shares which decreased during the current fiscal year)

	Number of Stocks	Total Disposal Amount for Decreased Shares (Millions of yen)
Unlisted Stock of Shares	—	—
Shares Other than Unlisted Stock of Shares	3	1,829

c. Information on specified investment stocks and stocks deemed to be held, including number of shares by stock, and the amount recorded in the balance sheet

Specified investment stocks:

Issuer Name	Fiscal Year 2019	Fiscal Year 2018	Purpose of Holding, Quantitative Effects of Shareholding (Note 2) and Reason for Increase in Number of Shares	Whether Issuer Holds Company Shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Amount Recorded in the Balance Sheet (Millions of yen)	Amount Recorded in the Balance Sheet (Millions of yen)		
KDDI Corporation	3,520,500	3,520,500	We engage in a transaction involving communications equipment and infrastructure with the issuer and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	No
	8,396	9,563		
Nissin Foods Holdings Co., Ltd.	575,100	575,100	We continue to hold the issuer's shares to maintain and strengthen our good relationship as we have cooperative and close connections through information sharing in business expansion.	Yes
	4,370	4,244		
Aeon Co., Ltd.	1,542,264	1,539,247	We engage in a transaction involving women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value. The number of shares has increased due to participation in the stock ownership association.	Yes
	3,572	2,923		
Shiseido Co., Ltd.	383,000	383,000	We have close connections with the issuer through joint product development and information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	3,059	2,609		
Kyocera Corporation	445,900	445,900	We have close connections with the issuer, as a local firm, through information sharing, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	2,898	2,677		
Shimadzu Corporation	825,000	825,000	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	2,640	2,468		
Bank of Kyoto, Ltd.	569,997	569,997	We engage in a financial transaction with the issuer, as a major local financial firm, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	2,639	3,385		

Kokuyo Co., Ltd.	1,509,400	1,509,400	We have close connection with the issuer as a major supplier of office furniture and stationery and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	2,451	3,159		
Saha Pathana Inter-Holding PCL	7,606,666	4,940,000	We have close cooperative relationship in business deployment in the Kingdom of Thailand and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value in the Kingdom of Thailand. The number of shares held increased as a result of converting convertible bond into common stock of shares.	No
	1,891	1,293		
Mitsubishi UFJ Financial Group, Inc.	2,885,850	2,885,850	We engage in overall financial transactions with the issuer as a major financial institution and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	1,587	2,011		
Aeon Financial Service Co., Ltd.	687,300	687,300	Issuer is a group company of Aeon Co., Ltd. with whom we engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship with Aeon group from the perspective of business strategy.	No
	1,548	1,680		
Isetan Mitsukoshi Holdings Ltd.	1,315,769	1,315,769	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	1,472	1,544		
Tokio Marine Holdings, Inc.	274,000	274,000	We have various general insurances to minimize business risks and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	1,469	1,297		
Horiba, Ltd.	230,000	230,000	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	1,414	1,895		
Nippon Shinyaku Co., Ltd.	175,000	175,000	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	1,410	1,246		

Taisho Pharmaceutical Holdings Co., Ltd.	132,000	132,000	We continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value in a close and cooperative connection in business deployment.	Yes
	1,392	1,380		
Takara Holdings Inc.	1,000,000	1,000,000	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	1,309	1,181		
Shiga Bank, Ltd.	462,408	2,312,040	We engage in a financial transaction with the issuer, as a major local financial firm, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	1,219	1,239		
Heiwado Co., Ltd.	517,531	517,531	We engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	1,219	1,331		
SCREEN Holdings Co., Ltd.	217,719	217,179	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	968	2,119		
Fukuyama Transporting Co., Ltd.	204,400	204,400	We have close connection in logistics transaction and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	870	959		
Chori Co., Ltd.	548,890	548,890	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	Yes
	854	1,151		
Mitsubishi UFJ Lease & Finance Company Limited	1,320,000	1,320,000	We engage in a transaction of leases, mainly auto leases, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	744	823		
J. Front Retailing Co., Ltd.	541,388	541,388	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	713	979		

Toppan Printing Co., Ltd.	426,000	852,000	We have close connection with the issuer in printing advertisements, mainly catalogues, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	711	743		
Asahi Kasei Corporation	598,195	598,195	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	Yes
	683	836		
Seven & i Holdings Co., Ltd.	154,969	154,969	We engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	647	707		
Tokyo Broadcasting System Holdings, Inc.	310,700	310,700	We have close connection with the issuer through informational programs on TBS Broadcasting System, Inc., where our products are being advertised and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	629	701		
Odakyu Electric Railway Co., Ltd.	197,500	197,500	We engage in a transaction of various products, mainly the women's garments with Odakyu Department Store Co., Ltd, which is the issuer's subsidiary, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	529	425		
Hankyu Hanshin Holdings, Inc.	120,200	120,200	Issuer is a group company of H2O Retailing Corporation with whom we engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	498	474		
H2O Retailing Corporation	310,759	310,759	We engage in a transaction of various products, mainly the women's garments at the issuer's subsidiaries such as department store and general merchandise stores and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	479	604		
Hisamitsu Pharmaceutical Co., Inc.	90,000	90,000	We continue to hold the issuer's shares to maintain and strengthen our good relationship as we have close connection in building cooperative and transactional	Yes
	458	741		

			relationship in business deployment.	
Seino Holdings Co., Ltd.	283,000	283,000	We have close connection in logistics transaction and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	417	554		
Chuo Warehouse Co., Ltd.	381,300	381,300	We have close connection in logistics transaction and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	385	425		
I.C.C INTERNATIONAL PCL	2,677,300	2,677,300	We have close cooperative relationship in business deployment in the Kingdom of Thailand, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value in the Kingdom of Thailand.	Yes
	371	366		
Yomeishu Seizo Co., Ltd.	170,500	170,500	We continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy, as we have close connection in building cooperative and transactional relationship in business deployment.	Yes
	363	408		
Aoyama Trading Co., Ltd.	141,500	141,500	We have close connection with the issuer through information sharing as apparel manufacturers and exploring potential cooperation in business strategy and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	356	592		
Kintetsu Department Store Co., Ltd.	100,000	100,000	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	348	383		
Marui Group Co., Ltd.	151,487	151,487	We engage in a transaction of various products, mainly the women's garments and continue to hold issuer's shares to maintain and strengthen good relationship from the perspective of enhancing corporate value.	Yes
	338	328		
Nichikon Corporation	296,500	296,500	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	300	357		

IZUMI Co., Ltd.	45,648	45,648	We engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	No
	235	331		
Matsuya Co., Ltd.	205,000	205,000	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	205	309		
Sanyo Shokai Ltd.	100,000	100,000	We have close connection with the issuer through information sharing as apparel manufacturers and exploring potential cooperation in business strategy and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	172	232		
Nissha Printing Co., Ltd.	147,000	147,000	We have close connection with the issuer, as a local firm, through information sharing and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	171	419		
Dai Nippon Printing Co., Ltd.	58,000	58,000	We have close connection with the issuer in printing advertisements, mainly catalogues, and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	153	127		
Fuji Company, Limited	62,600	62,600	We engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	Yes
	119	141		
YAGI & CO., LTD.	71,100	71,100	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	Yes
	107	177		
King Co., Ltd.	168,000	168,000	We have close connection with the issuer through information sharing as apparel manufacturers and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	95	101		
Takashimaya Co., Ltd.	60,000	120,000	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of	Yes
	88	122		

			enhancing corporate value.	
Takihyo Co., Ltd.	46,800	46,800	We have close connection with the issuer through information sharing as apparel manufacturers and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	82	109		
Toray Industries, Inc.	100,000	100,000	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	Yes
	70	100		
Fujibo Holdings, Inc.	20,000	20,000	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	Yes
	52	77		
Toda Corporation	75,891	75,891	We have close connection with the issuer through proposals and information sharing related to facilities and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	51	58		
Sankyo Seiko Co., Ltd.	94,380	94,380	We have close connection with the issuer through information sharing as apparel manufacturers and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	Yes
	44	46		
Teijin Limited	23,347	23,347	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	No (Note 3)
	42	46		
Kurabo Industries Ltd.	20,043	200,432	As the issuer is one of major suppliers of textile-related products, we continue to hold the issuer's shares to enhance corporate value and to maintain and strengthen our good relationship through a stable supply.	Yes
	40	67		
ARCS Co., Ltd.	6,913	6,913	We engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	No
	16	17		
Tenmaya Store Co., Ltd.	11,000	*	We engage in a transaction of women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of	Yes
	13	*		

			enhancing corporate value.	
PARCO CO., LTD.	9,369	*	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	No
	9	*		
Izutsuya Co., Ltd.	25,364	*	We engage in a transaction of various products, mainly the women's garments and continue to hold the issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	No
	6	*		
Ezaki Glico Co., Ltd.	—	159,500	We have close connection with the issuer to build a cooperative and transactional relationship toward business expansion, and previously held the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	No
	—	888		
NTT DOCOMO, INC.	—	209,200	We engage in transactions involving communications equipment and infrastructure with the issuer and previously held the issuer's shares to maintain and strengthen our good relationship with the issuer from the perspective of enhancing corporate value.	No
	—	568		
Ono Pharmaceutical Co., Ltd.	—	130,000	We have a close connection with the issuer to build a cooperative and transactional relationship toward business expansion, and previously held the issuer's shares to maintain and strengthen our good relationship from the perspective of business strategy.	No
	—	428		

- (Note) 1 “—” indicates that the Company does not hold any shares of such stock. “*” indicates that the amount has been omitted since the amount recorded on the balance sheet does not reach one-hundredth of the stated capital of the Company and is below the top sixty stocks based on the amounts recorded on the balance sheet.
- 2 The quantitative effects of shareholding are difficult to describe as it relates to an individual transaction.
- 3 Teijin Limited does not hold any shares of the Company, while its subsidiary Teijin Frontier Co., Ltd. holds shares of the Company.

Stocks deemed to be held:

Issuer Name	Fiscal Year 2019	Fiscal Year 2018	Purpose of Holding, Quantitative Effects of Shareholding (Note2) and Reason for Increase in Number of Shares	Whether Issuer Holds Company Shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Amount Recorded in the Balance Sheet (Millions of yen)	Amount Recorded in the Balance Sheet (Millions of yen)		
KDDI Corporation	2,544,000	2,544,000	We engage in a transaction of communications equipment and infrastructure with the issuer and continue to hold issuer's shares to maintain and strengthen good relationship with the	No
	6,067	6,910		

			issuer from the perspective of enhancing corporate value. We currently have retirement benefit trust agreement under which we withhold our right to give directions on the exercise of voting rights.	
Mitsubishi UFJ Financial Group, Inc.	3,365,000	3,365,000	We engage in overall financial transactions with the issuer as a major financial institution and continue to hold issuer's shares to maintain and strengthen good relationship with the issuer from the perspective of enhancing corporate value. We currently have retirement benefit trust agreement under which we withhold our right to give directions on the exercise of voting rights.	Yes
	1,850	2,345		

- (Note) 1 The information on the specified investment stocks held by the Company are shown above although the amount recorded on the balance sheet for the above stock does not reach one-hundredth of the stated capital of the Company.
- 2 The quantitative effects of shareholding are difficult to describe as it relates to an individual transaction.

d. Equity securities held for pure investment

N/A.

e. Equity securities reclassified from held for pure investment to held for purposes other than pure investment during the current fiscal year:

N/A.

f. Equity securities reclassified from held for purposes other than pure investment to held for pure investment during the current fiscal year:

N/A.

(iii) Equity securities held by Wacoal holdings Corp.

A. Equity securities held for purposes other than pure investment

a. Policies and method to verify the rationality of shareholding, as well as the verification process at meeting of Board of Directors regarding appropriateness of holding certain stock of shares

The Company examines whether it is appropriate to hold shares from a medium-to long-term perspective, whether risks associated with such holding are worth the cost of capital, such as profits and dividend income indices in connection with the transaction and the results are reported to the Board of Directors on a regular basis. The Board of Directors then examines whether the holding will be enhance corporate value of the Company from a medium-to long-term perspective based on such verification results, and determines whether to continue to hold or dispose such shares.

The information on quantitative effects of shareholding is omitted since it relates to an individual transaction.

b. Number of Stock and Amount Recorded in the Balance Sheet

	Number of Stock(shares)	Total Amount Recorded in the Balance Sheet (Millions of yen)
Unlisted Stock of Shares	2	2
Shares Other than Unlisted Stock of Shares	1	3

(Name of stock of shares which increased during the current fiscal year)

	Number of Stock (shares)	Total Acquisition Amount for Increased Shares (Millions of yen)	Reason for Increase in the Number of Shares
Unlisted Stock of Shares	—	—	—
Shares Other than Unlisted Stock of Shares	—	—	—

(Name of stock of shares which decreased during the current fiscal year)

	Number of Stock (shares)	Total Disposal Amount for Decreased Shares (Millions of yen)
Unlisted Stock of Shares	—	—
Shares Other than Unlisted Stock of Shares	—	—

- c. Information on specified investment stocks and stocks deemed to be held, including number of shares by stock, and the amount recorded in the balance sheet

Specified investment stocks:

Stock Name	Fiscal year 2019	Fiscal year 2018	Purpose of Holding, Quantitative Effects of Shareholding(Note2) and Reason for Increase in Number of Shares	Whether Issuer Holds Company Shares
	Number of Shares (shares)	Number of Shares (shares)		
	Amount Recorded in the Balance Sheet (Millions of yen)	Amount Recorded in the Balance Sheet (Millions of yen)		
The Dai-ichi Life Holdings, Inc.,	2,100	2,100	We continue to hold the issuer's shares to maintain and enhance a stable welfare program for employees through life insurance transactions	Yes
	3	4		

(Note) 1. The foregoing table shows the information of one specified investment stock held by the Company, although the amount recorded in the balance sheet as to such investment stock is not more than one-hundredth of the stated capital of the Company.

2. The quantitative effects of shareholding are difficult to describe as it relates to an individual transaction.

- d. Equity securities held for pure investment:

N/A.

- e. Equity securities reclassified from held for pure investment to held for purposes other than pure investment during the current fiscal year:

N/A.

- f. Equity securities reclassified from held for purposes other than pure investment to held for pure investment during the current fiscal year:

N/A.

V. 【Financial Information】

1. 【Consolidated Financial Statements】

Consolidated Balance Sheets March 31, 2019 and 2018

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2018	2019
CURRENT ASSETS:			
Cash and cash equivalents	¥ 30,133	¥ 29,487	\$ 272,253
Time deposits	4,004	4,296	36,177
Marketable securities (Notes 3, 18 and 19)	446	1,567	4,030
Notes and accounts receivable (Note 6)	24,989	25,873	225,777
Allowance for returns and doubtful receivables (Note 4)	(229)	(2,459)	(2,069)
Inventories (Note 5)	42,508	42,676	384,062
Return assets (Note 1)	1,180		10,661
Other current assets (Notes 6, 19 and 20)	4,985	4,372	45,040
Total current assets	108,016	105,812	975,931
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 8)	21,549	21,561	194,696
Buildings and structures (Notes 8 and 10)	74,033	73,618	668,892
Machinery and equipment (Note 19)	18,914	18,268	170,889
Construction in progress	478	254	4,319
Total	114,974	113,701	1,038,796
Accumulated depreciation	(61,704)	(59,368)	(557,499)
Net property, plant and equipment	53,270	54,333	481,297
OTHER ASSETS:			
Investments in affiliated companies (Note 6)	21,859	22,512	197,497
Investments (Notes 3, 18 and 19)	63,372	69,318	572,570
Goodwill (Notes 7 and 19)	11,954	16,594	108,005
Other intangible assets (Notes 7 and 19)	12,297	12,859	111,104
Prepaid pension expense (Note 11)	3,990	10,178	36,050
Deferred income taxes (Note 15)	1,362	1,194	12,306
Other	5,647	5,734	51,021
Total other assets	120,481	138,389	1,088,553
TOTAL	¥ 281,767	¥ 298,534	\$ 2,545,781

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2019	2018	2019
CURRENT LIABILITIES:			
Short-term bank loans (Note 8)	¥ 8,116	¥ 7,104	\$ 73,329
Notes and accounts payable:			
Trade notes payable	1,155	1,174	10,435
Trade accounts payable (Note 6)	10,638	11,393	96,115
Other payables	6,548	7,053	59,161
Accrued payroll and bonuses	7,209	7,213	65,134
Income taxes payable (Note 15)	2,759	1,979	24,928
Refund liabilities (Note 1)	3,482		31,460
Current portion of long-term debt (Notes 8 and 18)	50	50	452
Other current liabilities (Notes 11, 16, 19 and 20)	3,905	3,666	35,282
Total current liabilities	43,862	39,632	396,296
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 18)	88	138	795
Liability for termination and retirement benefits (Note 11)	1,828	1,852	16,516
Deferred income taxes (Note 15)	12,567	17,231	113,544
Other long-term liabilities (Notes 10, 11 and 15)	2,278	2,184	20,582
Total long-term liabilities	16,761	21,405	151,437
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)			
EQUITY:			
WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY:			
Common stock, no par value – authorized, 250,000,000 shares in 2019 and 2018; issued 70,689,042 shares and 71,689,042 shares in 2019 and 2018, respectively	13,260	13,260	119,805
Additional paid-in capital (Note 12)	29,807	29,765	269,307
Retained earnings	193,139	172,418	1,745,021
Accumulated other comprehensive income (Note 14):			
Foreign currency translation adjustments	1,551	2,274	14,013
Unrealized gain on securities		27,424	
Pension liability adjustments (Note 11)	(5,679)	(1,101)	(51,310)
Total accumulated other comprehensive (loss) income	(4,128)	28,597	(37,297)
Treasury stock, at cost – 5,510,891 shares and 4,322,121 shares in 2019 and 2018, respectively	(15,584)	(11,328)	(140,802)
Total Wacoal Holdings Corp. shareholders' equity (Note 13)	216,494	232,712	1,956,035
Noncontrolling interests	4,650	4,785	42,013
Total equity	221,144	237,497	1,998,048
TOTAL	¥ 281,767	¥ 298,534	\$ 2,545,781

See notes to consolidated financial statements.

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>
NET SALES (Notes 6 and 16)	¥ 194,201	¥ 195,725	¥ 195,881	\$ 1,754,617
OPERATING COSTS AND EXPENSES (REVENUE):				
Cost of sales (Notes 6 and 11)	89,804	92,032	93,073	811,384
Selling, general and administrative expenses (Notes 1, 9, 10, 11, 12 and 19)	93,684	92,701	92,526	846,440
Compensation income		(708)		
Impairment charges on goodwill (Notes 7 and 19)	4,325	206		39,077
Impairment charges on other intangible assets (Notes 7 and 19)	1,509			13,634
Total operating costs and expenses	189,322	184,231	185,599	1,710,535
OPERATING INCOME	4,879	11,494	10,282	44,082
OTHER INCOME (EXPENSES):				
Interest income	289	194	157	2,611
Interest expense	(11)	(10)	(27)	(100)
Dividend income (Note 6)	1,429	1,329	1,176	12,911
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net (Note 3)	(5,430)	206	442	(49,060)
Gain on sale of assets classified as held for sale (Note 21)			3,770	
Other – net (Notes 1, 11 and 20)	1,047	1,073	769	9,460
Total other (expenses) income – net	(2,676)	2,792	6,287	(24,178)
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	2,203	14,286	16,569	19,904
INCOME TAXES (Note 15):				
Current	5,350	4,880	4,830	48,338
Deferred	(2,817)	662	450	(25,452)
Total income taxes	2,533	5,542	5,280	22,886
(LOSS) INCOME BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	(330)	8,744	11,289	(2,982)
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	725	916	1,359	6,551
NET INCOME	395	9,660	12,648	3,569
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(54)	85	(123)	(488)
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 341	¥ 9,745	¥ 12,525	\$ 3,081

(Continued)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2019, 2018 and 2017

	Yen			U.S. Dollars (Note 2)
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 17):				
Basic	<u>¥ 5.16</u>	<u>¥ 143.46</u>	<u>¥ 180.26</u>	<u>\$ 0.05</u>
Diluted	<u>¥ 5.14</u>	<u>¥ 142.98</u>	<u>¥ 179.71</u>	<u>\$ 0.05</u>
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 17):				
Basic	<u>¥ 25.78</u>	<u>¥ 717.30</u>	<u>¥ 901.30</u>	<u>\$ 0.23</u>
Diluted	<u>¥ 25.68</u>	<u>¥ 714.89</u>	<u>¥ 898.55</u>	<u>\$ 0.23</u>

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

See notes to consolidated financial statements.

(Concluded)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>
NET INCOME	¥ 395	¥ 9,660	¥ 12,648	\$ 3,569
OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 14):				
Foreign currency translation adjustments:				
Amounts arising during the year	<u>(750)</u>	<u>1,113</u>	<u>(4,079)</u>	<u>(6,776)</u>
Total foreign currency translation adjustments	<u>(750)</u>	<u>1,113</u>	<u>(4,079)</u>	<u>(6,776)</u>
Unrealized (loss) gain on securities:				
Amounts arising during the year	<u>(7)</u>	<u>6,494</u>	<u>3,413</u>	<u>(63)</u>
Reclassification adjustments	<u>(97)</u>	<u>(139)</u>	<u>(304)</u>	<u>(877)</u>
Total unrealized (loss) gain on securities	<u>(104)</u>	<u>6,355</u>	<u>3,109</u>	<u>(940)</u>
Pension liability adjustments:				
Amounts arising during the year	<u>(4,787)</u>	<u>(487)</u>	<u>619</u>	<u>(43,251)</u>
Reclassification adjustments	<u>200</u>	<u>(193)</u>	<u>(1)</u>	<u>1,807</u>
Total pension liability adjustments	<u>(4,587)</u>	<u>(680)</u>	<u>618</u>	<u>(41,444)</u>
OTHER COMPREHENSIVE (LOSS) INCOME	<u>(5,441)</u>	<u>6,788</u>	<u>(352)</u>	<u>(49,160)</u>
COMPREHENSIVE (LOSS) INCOME	(5,046)	16,448	12,296	(45,591)
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(18)</u>	<u>21</u>	<u>(6)</u>	<u>(163)</u>
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	<u>¥ (5,064)</u>	<u>¥ 16,469</u>	<u>¥ 12,290</u>	<u>\$ (45,754)</u>

See notes to consolidated financial statements.

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Equity Years Ended March 31, 2019, 2018 and 2017

	Shares of Outstanding Common Stock (Thousands)	Millions of Yen							
		Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2016	70,429	¥ 13,260	¥ 29,686	¥ 162,196	¥ 22,108	¥ (2,876)	¥ 224,374	¥ 5,027	¥ 229,401
Net income				12,525			12,525	123	12,648
Foreign currency translation adjustments					(3,965)		(3,965)	(114)	(4,079)
Unrealized loss on securities					3,109		3,109	0	3,109
Pension liability adjustments					621		621	(3)	618
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥165 per 5 shares of common stock				(4,648)			(4,648)		(4,648)
Cash dividends paid to noncontrolling interests								(167)	(167)
Purchase of treasury stock	(1,851)					(4,522)	(4,522)		(4,522)
Share-based compensation granted (exercised) (Note 12)	27		21	(11)		64	74		74
Equity transactions with noncontrolling interests								48	48
BALANCE, MARCH 31, 2017	68,605	13,260	29,707	170,062	21,873	(7,334)	227,568	4,914	232,482
Net income				9,745			9,745	(85)	9,660
Foreign currency translation adjustments					1,062		1,062	51	1,113
Unrealized gain on securities					6,349		6,349	6	6,355
Pension liability adjustments					(687)		(687)	7	(680)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥270 per 5 shares of common stock				(7,386)			(7,386)		(7,386)
Cash dividends paid to noncontrolling interests								(194)	(194)
Purchase of treasury stock	(1,243)					(4,007)	(4,007)		(4,007)
Disposal of treasury stock	0					0	0		0
Share-based compensation granted (exercised) (Note 12)	5		58	(3)		13	68		68
Equity transactions with noncontrolling interests								86	86
BALANCE, MARCH 31, 2018	67,367	13,260	29,765	172,418	28,597	(11,328)	232,712	4,785	237,497
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03 (Note 1)				27,834	(27,320)		514		514
Net income				341			341	54	395
Foreign currency translation adjustments					(723)		(723)	(27)	(750)
Unrealized loss on securities					(104)		(104)		(104)
Pension liability adjustments					(4,578)		(4,578)	(9)	(4,587)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥360 per 5 shares of common stock				(4,811)			(4,811)		(4,811)
Cash dividends paid to noncontrolling interests								(191)	(191)
Purchase of treasury stock	(2,200)					(6,919)	(6,919)		(6,919)
Disposal of treasury stock	0					0	0		0
Cancellation of treasury stock				(2,631)		2,631			
Share-based compensation granted (exercised) (Note 12)	11		42	(12)		32	62		62
Equity transactions with noncontrolling interests								38	38
BALANCE, MARCH 31, 2019	<u>65,178</u>	<u>¥ 13,260</u>	<u>¥ 29,807</u>	<u>¥ 193,139</u>	<u>¥ (4,128)</u>	<u>¥ (15,584)</u>	<u>¥ 216,494</u>	<u>¥ 4,650</u>	<u>¥ 221,144</u>

As of October 1, 2017, Wacoal Holdings Corp. effected a one-for-two ordinary share reverse stock split. The number of outstanding shares is calculated assuming that the reverse stock split had occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

(Continued)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Equity Years Ended March 31, 2019, 2018 and 2017

	Thousands of U.S. Dollars (Note 2)							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2018	\$ 119,805	\$ 268,928	\$ 1,557,805	\$ 258,375	\$ (102,349)	\$ 2,102,564	\$ 43,234	\$ 2,145,798
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03 (Note 1)			251,482	(246,838)		4,644		4,644
Net income			3,081			3,081	488	3,569
Foreign currency translation adjustments				(6,532)		(6,532)	(244)	(6,776)
Unrealized loss on securities				(940)		(940)		(940)
Pension liability adjustments				(41,362)		(41,362)	(82)	(41,444)
Cash dividends paid to Wacoal Holdings Corp. shareholders, \$3.25 per 5 shares of common stock			(43,467)			(43,467)		(43,467)
Cash dividends paid to noncontrolling interests							(1,726)	(1,726)
Purchase of treasury stock					(62,513)	(62,513)		(62,513)
Disposal of treasury stock					0	0		0
Cancellation of treasury stock			(23,771)		23,771			
Share-based compensation granted (exercised) (Note 12)		379	(108)		289	560		560
Equity transactions with noncontrolling interests							343	343
BALANCE, MARCH 31, 2019	\$ 119,805	\$ 269,307	\$ 1,745,022	\$ (37,297)	\$ (140,802)	\$ 1,956,035	\$ 42,013	\$ 1,998,048

See notes to consolidated financial statements.

(Concluded)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>
OPERATING ACTIVITIES:				
Net income	¥ 395	¥ 9,660	¥ 12,648	\$ 3,569
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,647	5,492	5,032	51,021
Share-based compensation (Note 12)	62	68	74	560
Allowance for returns and doubtful receivables – net	(2,263)	18	264	(20,446)
Deferred income taxes	(2,817)	662	450	(25,452)
Loss (gain) on sales or disposal of property, plant and equipment – net	48	250	(3,374)	434
Impairment charges on property, plant and equipment (Note 19)	167			1,509
Compensation income		(708)		
Impairment charges on goodwill (Notes 7 and 19)	4,325	206		39,077
Impairment charges on other intangible assets (Notes 7 and 19)	1,509			13,634
Loss (gain) on sale, exchange and valuation of marketable securities and investments – net (Note 3)	5,430	(206)	(442)	49,059
Equity in net income of affiliated companies, less dividends received	(211)	(397)	(837)	(1,906)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	822	(232)	882	7,427
(Increase) decrease in inventories	(76)	1,012	(378)	(687)
Increase in return assets	(1,180)			(10,661)
(Increase) decrease in other current assets	(653)	270	475	(5,900)
(Decrease) increase in notes and accounts payable	(1,640)	676	(95)	(14,818)
Increase in refund liabilities	3,482			31,460
Decrease in liability for termination and retirement benefits	(620)	(833)	(417)	(5,602)
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	1,075	(518)	1,615	9,713
Other	118	73	454	1,066
Net cash provided by operating activities	<u>13,620</u>	<u>15,493</u>	<u>16,351</u>	<u>123,057</u>
INVESTING ACTIVITIES:				
Increase in time deposits	(4,783)	(5,129)	(4,336)	(43,215)
Decrease in time deposits	5,226	3,368	3,717	47,217
Proceeds from sales and redemption of equity securities	2,497	394	1,574	22,561
Payments to acquire equity securities	(323)	(22)	(356)	(2,918)
Proceeds from redemption of debt securities	1,008	567	516	9,107
Payments to acquire debt securities	(900)	(1,605)	(329)	(8,132)
Compensation income		708		
Proceeds from sales of property, plant and equipment	276	159	3,585	2,494
Payments to acquire property, plant and equipment	(2,603)	(3,429)	(5,504)	(23,518)
Payments to acquire intangible assets (Note 7)	(3,180)	(2,455)	(1,941)	(28,731)
Proceeds from sales of shares of affiliated companies	270		4	2,439
Other	38	82	33	343
Net cash used in investing activities	<u>(2,474)</u>	<u>(7,362)</u>	<u>(3,032)</u>	<u>(22,353)</u>
FORWARD	<u>¥ 11,146</u>	<u>¥ 8,131</u>	<u>¥ 13,319</u>	<u>\$ 100,704</u>

(Continued)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>
FORWARD	¥ 11,146	¥ 8,131	¥ 13,319	\$ 100,704
FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank loans with original maturities of three months or less – net	¥ 1,061	¥ (755)	¥ (3,613)	\$ 9,586
Proceeds from issuance of long-term debt			250	
Repayments of long-term debt	(50)	(47)	(403)	(452)
Purchase of treasury stock	(6,919)	(4,007)	(4,522)	(62,513)
Disposal of treasury stock	0	0		0
Dividends paid on common stock	(4,811)	(7,386)	(4,648)	(43,467)
Dividends paid to noncontrolling interests	(191)	(194)	(167)	(1,726)
Proceeds from share issuance to noncontrolling interests	38	86	48	343
Net cash used in financing activities	<u>(10,872)</u>	<u>(12,303)</u>	<u>(13,055)</u>	<u>(98,229)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>372</u>	<u>(336)</u>	<u>(328)</u>	<u>3,361</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	646	(4,508)	(64)	5,836
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>29,487</u>	<u>33,995</u>	<u>34,059</u>	<u>266,417</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 30,133</u>	<u>¥ 29,487</u>	<u>¥ 33,995</u>	<u>\$ 272,253</u>
ADDITIONAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	¥ 11	¥ 11	¥ 27	\$ 99
Income taxes	5,068	5,853	2,812	45,790
NONCASH INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment by assuming payment obligation	¥954	¥583	¥795	\$8,619

See notes to consolidated financial statements.

(Concluded)

Wacoal Holdings Corp. and Subsidiaries

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements – Wacoal Holdings Corp. (the "Company") and subsidiaries are predominantly engaged in one industry, the manufacturing and sale of apparel, including foundation garments, lingerie, nightwear, and outerwear in Japan, the United States of America, Europe and certain other countries in Asia.

The accompanying consolidated financial statements, stated in Japanese yen, have been prepared on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP").

Consolidation – The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (collectively, the "Companies"). All intercompany transactions and balances have been eliminated.

Some foreign subsidiaries of the Company have a fiscal year ending December 31. The accounts of those subsidiaries are included in the Company's consolidated financial statements based on the subsidiaries' fiscal year end. Necessary adjustments have been made for significant events related to subsidiaries that occurred during the period between their fiscal year ends and March 31.

Investments in affiliated companies where the Companies' ownership is 20% to 50% are accounted for using the equity method.

Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee from 20% to 50%, although other factors are considered in determining whether the equity method of accounting is appropriate.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Foreign currency translation gains (losses) for the years ended March 31, 2019, 2018 and 2017 were ¥76 million, ¥(189) million and ¥(175) million, respectively. They have been included in other – net of other income (expenses).

Marketable Securities and Investments – The Companies classify their marketable securities and investments in debt securities into one of two categories: available-for-sale or held-to-maturity. Available-for-sale securities are recorded at fair value with a corresponding recognition of unrealized holding gain or loss (net of tax) in accumulated other comprehensive income or loss, which is a separate component of equity, until realized. Held-to-maturity securities are measured at amortized cost. The Companies classify debt securities as held-to-maturity only if the Companies have the positive intent and ability to hold those securities to maturity. Gains and losses on sales of debt securities are computed based on cost determined using the average cost method. The Company periodically determines whether any decline in the value of debt securities is temporary, based on the period and extent of the decline, the issuer's financial position and prospects, and the intention to hold it for a sufficient period of expected recovery of fair value. If it is determined that the decline is not temporary, the difference between the carrying amount and its fair value is recognized as a valuation loss.

Equity securities are measured at fair value and unrealized holding gain or loss is recorded in net profit or loss.

Allowance for Doubtful Receivables – An allowance for doubtful notes and receivables is estimated based on historical collection experience and additional information including current economic conditions and the creditworthiness of each applicable customer.

Inventories – Inventories are stated at the lower of cost or net realizable value, cost being determined by the first-in, first-out method for raw materials and the average cost method for work in process and finished products. Cost includes net prices paid for materials purchased, production labor cost, factory overhead and charges for customs duties.

Property, Plant and Equipment – Property, plant and equipment is stated at cost less impairment charges. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired on or after April 1, 1998 as well as building improvements and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method based upon the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and structures	2 to 50 years (mainly 38 years)
Machinery and equipment (except for the part of the paintings)	2 to 20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2019, 2018 and 2017 were ¥3,538 million, ¥3,681 million and ¥3,443 million, respectively.

Impairment of Property, Plant and Equipment – The carrying amount of long-lived assets held and used by the Companies is evaluated for impairment whenever there is an event or change in circumstances that indicates that such assets have been impaired or that the carrying amounts of such assets might not be recoverable. The carrying amount of property, plant and equipment is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment is based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. The impairment charge is measured as the amount by which the carrying amount of property, plant and equipment exceeds its fair value. Impairment charges of ¥167 million on property, plant and equipment were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2019. The Companies recorded no impairment charges on long-lived assets for the years ended March 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

Shipping and Handling Costs – Shipping and handling costs are expensed as incurred.

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2019, 2018 and 2017 were ¥12,329 million, ¥12,719 million and ¥12,694 million, respectively, and have been included in selling, general and administrative expenses.

Research and Development Costs – Research and development costs are expensed as incurred. Research and development costs for the years ended March 31, 2019, 2018 and 2017 were ¥739 million, ¥781 million and ¥810 million, respectively, and have been included in selling, general and administrative expenses.

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

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

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

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

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

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

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

Recent Accounting Pronouncements:

Recently Adopted Accounting Guidance

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

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

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

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

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

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

Recent Accounting Guidance Not Yet Adopted

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

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

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

Disclosure on Fair Value Measurement – In August 2018, the FASB issued guidance related to the fair value measurement disclosure. This guidance removes, modifies, and adds some of the disclosure requirements on fair value. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within that annual period. The adoption of this guidance is not expected to have a material impact on the Company's balance sheets and statements of income.

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

2. TRANSLATION INTO U.S. DOLLAR STATEMENTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥110.68 to \$1, the noon buying rate for yen in New York City as of March 31, 2019. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. MARKETABLE SECURITIES AND INVESTMENTS

Debt Securities – The fair value of debt securities is based on quoted market prices as of March 31, 2019 and 2018. The cost, gross unrealized gain and loss and the fair value by major security type were as follows:

Millions of Yen				
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
<u>2019</u>				
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥446	¥0	¥1	¥445
Noncurrent:				
Corporate debt securities	¥1,124	¥1	¥4	¥1,121
Millions of Yen				
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
<u>2018</u>				
Available-for-sale securities:				
Current:				
Municipal bonds	¥10	¥0		¥10
Noncurrent:				
Corporate debt securities	¥ 464	¥ 150		¥ 614
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥967		¥8	¥959
Noncurrent:				
Corporate debt securities	¥646		¥12	¥634

Gross unrealized losses and fair values of debt securities, for those that have been in a continuous unrealized loss position for more than 12 month as of March 31, 2019 and 2018, were as follows:

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

Gross unrealized losses and fair values of debt securities, for those that have been in a continuous unrealized loss position for less than 12 months as of March 31, 2019 and 2018, were as follows:

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

The Companies periodically determine whether a decline in the fair value of debt securities is deemed to be other than temporary based on criteria that include the duration of the market decline, the extent to which cost exceeds fair value, the financial position and business outlook of the issuer, and the intent and ability of the Companies to retain the impaired held-to-maturity securities for a sufficient period of time for anticipated recovery in fair value as described in Note 1. No debt securities were identified that meet the Companies' criteria for recognition of an impairment charge on debt securities in an unrealized loss position presented above. Therefore, the Companies do not believe the unrealized losses represent an other-than-temporary impairment as of March 31, 2019 and 2018.

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

Millions of Yen	
Cost	Fair Value
Due within one year	¥ 446
Due after one year through five years	1,124
Total	¥ 1,570
	1,566

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

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

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

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

	Millions of Yen
	<u>2019</u>
Net losses recognized during the period on equity securities	¥ (5,570)
Less: Net losses recognized during the period on equity securities sold during the period	<u>(77)</u>
Unrealized losses recognized during the period on equity securities still held at March 31	<u>¥ (5,493)</u>

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES AND SALES RETURNS

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

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

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

	Millions of Yen	
	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	¥ 2,258	¥ 2,033
Charged to cost	2,252	2,258
Balances utilized	<u>(2,258)</u>	<u>(2,033)</u>
Balance at the end of the year	<u>¥ 2,252</u>	<u>¥ 2,258</u>

5. INVENTORIES

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

	Millions of Yen	
	<u>2019</u>	<u>2018</u>
Finished products	¥ 36,358	¥ 36,635
Work in process	3,793	3,678
Raw materials	<u>2,357</u>	<u>2,363</u>
Total	<u>¥ 42,508</u>	<u>¥ 42,676</u>

6. INVESTMENTS IN AFFILIATED COMPANIES

Certain investments are accounted for using the equity method if the Companies have the ability to exercise significant influence over an investee. Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee between 20% and 50%, although other factors are considered in determining whether the equity method of accounting is appropriate. The Companies record investments in equity method investees meeting these characteristics as "Investments in affiliated companies." Under the equity method, the Companies record their proportionate share of an affiliated company's income or loss based on the most recently available financial statements.

The primary affiliated companies and percentage of ownership as of March 31, 2019 and 2018 were as follows:

Name of Investee	Percentage of Ownership (%)	
	2019	2018
Shinyoung Wacoal Inc.	25	25
Taiwan Wacoal Co., Ltd.	50	50
THAI WACOAL PUBLIC CO., LTD.	34	34
PT. Indonesia Wacoal	42	42
House of Rose Co., Ltd.	21	24

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

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

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

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

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

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

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

The amounts of transaction with affiliated companies for the years ended March 31, 2019, 2018 and 2017 were follows:

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

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

7. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Millions of Yen		
	<u>2019</u>		
	<u>Wacoal Business (Overseas)</u>	<u>Peach John</u>	<u>Total</u>
Balance at the beginning of the year:			
Goodwill	¥ 12,269	¥ 11,203	¥ 23,472
Accumulated impairment charges		(6,878)	(6,878)
Total	<u>12,269</u>	<u>4,325</u>	<u>16,594</u>
Impairment charges		(4,325)	(4,325)
Foreign currency translation adjustments	(315)		(315)
Balance at the end of the year:			
Goodwill	11,954	11,203	23,157
Accumulated impairment charges		(11,203)	(11,203)
Total	<u>¥ 11,954</u>	<u>¥</u>	<u>¥ 11,954</u>

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

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

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

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

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

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

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

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

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

<u>Year Ending March 31</u>	<u>Millions of Yen</u>
Estimated amortization expense	
2020	¥ 1,977
2021	1,885
2022	1,673
2023	1,385
2024	<u>941</u>
Total	<u>¥ 7,861</u>

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

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

	<u>Millions of Yen</u>	
	<u>2019</u>	<u>2018</u>
Unsecured bank loans	¥8,116	¥7,104

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

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

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

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

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

<u>Year Ending March 31</u>	<u>Millions of Yen</u>
2020	¥ 50
2021	50
2022	<u>38</u>
Total	<u>¥ 138</u>

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

	Millions of Yen	
	<u>2019</u>	<u>2018</u>
Land	¥ 150	¥ 150
Buildings	<u>169</u>	<u>191</u>
Total	<u>¥ 319</u>	<u>¥ 341</u>

As is customary in Japan, both short-term and long-term loans are made under general agreements which provide for security and guarantees for future and present indebtedness to be given upon request of the bank. The bank has the right to offset cash deposits against obligations that have come due or, in the event of default, against all obligations due to the bank.

9. LEASES

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

<u>Year Ending March 31</u>	Millions of Yen
2020	¥ 695
2021	652
2022	497
2023	454
2024	454
Thereafter	<u>2,266</u>
Total	<u>¥ 5,018</u>

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

10. ASSET RETIREMENT OBLIGATIONS

The Companies recorded the fair value of asset retirement obligations in order to recognize legal obligations associated with the removal of leasehold improvements from leased facilities and return of the property to a specified condition when the lease terminates.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation is as follows:

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

11. TERMINATION AND RETIREMENT PLANS

Employee Retirement Plans – Certain subsidiaries of the Company sponsor termination and retirement benefit plans that cover substantially all employees. Benefits are based on the employee's years of service, position and performance. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination.

Certain subsidiaries of the Company have contributory defined retirement benefit plans and several unfunded termination plans administered by certain subsidiaries of the Company. Benefits under the contributory defined retirement benefit plan are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions. Benefits under the other termination and retirement benefit plan are paid either as lump-sum payments or periodic payments under certain conditions. The benefits are usually paid as a lump-sum payment, if the employee resigns before the mandatory retirement age.

Contributory Defined Retirement Benefit Plan – The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

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

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

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

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

	Millions of Yen	
	<u>2019</u>	<u>2018</u>
Actuarial loss	¥(6,820)	¥(35)

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

	Millions of Yen	
	<u>2019</u>	<u>2018</u>
Accumulated benefit obligations	¥38,531	¥34,580

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

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

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

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

The unrecognized net actuarial gain or loss and prior service benefits are amortized within 12 years (the average remaining service life of active participants) using the declining-balance method and the straight-line method, respectively.

Other changes in plan assets and benefit obligations recognized in other comprehensive income for the years ended March 31, 2019, 2018 and 2017 were as follows:

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

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

	Millions of Yen
Actuarial loss	¥1,185

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

	<u>2019</u>	<u>2018</u>
Discount rate	0.5 %	0.5 %

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate	0.5 %	0.6 %	0.5 %
Rate of increase in future compensation	5.3 %	5.3 %	5.3 %
Expected long-term rate of return on plan assets	2.5 %	2.5 %	2.5 %

Certain subsidiaries' of the Company approach to establishing the discount rate is based upon corporate bond indices. The discount rate assumption is based upon effective yields as of March 31, 2019 on the corporate bond indices for which maturity dates approximate the timing of the expected future benefit payments.

The retirement benefit plan of certain subsidiaries of the Company is a point-based benefits system, and, therefore, the rate of compensation increase has not been included in computing the benefit obligations.

The expected long-term rate of return on plan assets is derived proportionally from return assumptions determined for each of the major asset classes. The return expectations for each of the asset classes are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data. The estimated long-term rate of return is based on an asset allocation of equity securities of 26.0%, debt securities of 54.0%, life insurance company general accounts of 18.0% and other short-term investments of 2.0%.

The plan investment strategy of certain subsidiaries of the Company is to maintain actual asset weightings within a preset range of target allocations. The plan investment strategy of certain subsidiaries of the Company is broadly diversified, consisting primarily of equity and debt securities. Certain subsidiaries of the Company believe these ranges represent an appropriate risk profile for the planned benefit payments of the plans based on the timing of the estimated benefit payments.

The asset allocation as of March 31, 2019 and 2018 was as follows:

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

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2019 and 2018 are different from the target allocation percentages primarily because Wacoal Corp. maintained additional equity securities within a separate plan asset which is assigned to the plan based on an agreement between Wacoal Corp. and its employees and is not governed by the Pension Committee. As such, the actual allocation percentage of equity securities to the total plan assets is higher than the target allocation and, similarly, the actual allocation for some other types of assets is lower than the target allocation.

The following tables present the plan assets of certain subsidiaries of the Company using the fair value hierarchy as of March 31, 2019 and 2018. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value. For references to each level, see Note 19.

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

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

- (a) Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.
- (b) This class includes common stock of approximately 50% Japanese companies and 50% foreign companies as of March 31, 2019 and 52% and 48%, respectively, as of March 31, 2018.
- (c) This class includes approximately 79% of foreign government bonds and 21% of corporate bonds investments as of March 31, 2019 and 73% and 27%, respectively, as of March 31, 2018.
- (d) This class consists of hedge funds that invest in both long- and short-term debt securities and equity securities as of March 31, 2019 and 2018.
- (e) This class includes approximately 34% of corporate bonds, 1% of common stock of Japanese companies, 30% of common stock of foreign companies, 20% of real estate and 15% of other short-term investments as of March 31, 2019. This class includes approximately 34% of corporate bonds, 4% of common stock of Japanese companies, 16% of common stock of foreign companies, 26% of real estate and 20% of other short-term investments as of March 31, 2018.

Equity securities and debt securities presented in Level 1 are primarily valued using a market approach based on the quoted market prices of identical instruments. Life insurance company general accounts categorized in Level 2 include contracts with insurance companies with guaranteed rates of return and capital, and those values are based on the sum of principal amount and return. Pooled funds are valued using the net asset value per share provided by the administrator of the fund.

The funding policy for the funded plans of certain subsidiaries of the Company is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. Certain subsidiaries of the Company expect to contribute ¥572 million to their plans in the year ending March 31, 2020.

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

<u>Year Ending March 31</u>	<u>Millions of Yen</u>
2020	¥ 2,335
2021	2,220
2022	2,161
2023	2,349
2024	2,094
Thereafter	10,825

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

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

Termination Plan for Directors – The Company previously had, and a certain subsidiaries of the Company currently has, termination plans for directors. Payment of termination benefits to directors is made in a lump sum upon termination and requires the approval of the shareholders before payment. In June 2005, the Company rescinded its termination plan for directors upon the approval of its shareholders. The amount of benefits for each individual was fixed as of June 29, 2005 and will remain frozen until the retirement of each respective director. Outstanding liabilities of ¥349 million and ¥348 million as of March 31, 2019 and 2018, respectively, were recorded in other long-term liabilities. A certain subsidiary has plans for its directors and recorded a liability for termination benefits for directors at the amount that would be needed if all directors were to resign at each balance sheet date in accordance with the guidance for determination of vested benefit obligations for a defined benefit pension plan.

12. SHARE-BASED COMPENSATION

The Company adopted an annual stock option plan in the year ended March 31, 2009. Under the stock option plan, the Company granted shares of its common stock to directors of the Company, excluding outside directors and directors of the Company's wholly-owned subsidiary, Wacoal Corp., in the years ended March 31, 2019, 2018 and 2017. The Company believes that such awards better align the interests of its directors with those of its shareholders by sharing both risk and return from fluctuations in stock prices and giving motivation to enhance corporate value. Each stock option is exercisable to acquire 100 shares of the Company's common stock at ¥1 per share (for stock option granted prior to September 1, 2017, it is exercisable to acquire 500 shares of the Company's common stock). The compensation cost is measured at fair value on the grant date. Options vest over one year in proportion to the services rendered by the directors, and are exercisable from the day after the date of retirement up to (i) 20 years from the grant date or (ii) 5 years from the day after the date of retirement, whichever is earlier.

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

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

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

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

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

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

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

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

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

As of March 31, 2019, there was ¥11 million in total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plan. That cost is expected to be recognized over three months.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the companies so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

14. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen								
	2019			2018			2017		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥ 2,274	¥ 27,424	¥ (1,101)	¥ 1,212	¥ 21,075	¥ (414)	¥ 5,177	¥ 17,966	¥ (1,035)
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03 (Note 1)		(27,320)							
Amount arising during the year:									
Pre-tax amount	(795)	(10)	(6,866)	1,158	9,309	(655)	(4,109)	4,905	1,062
Tax credit	45	3	2,079	(45)	(2,815)	168	30	(1,492)	(443)
Net amount	<u>(750)</u>	<u>(7)</u>	<u>(4,787)</u>	<u>1,113</u>	<u>6,494</u>	<u>(487)</u>	<u>(4,079)</u>	<u>3,413</u>	<u>619</u>
Reclassification adjustments:									
Pre-tax amount		(140)	202		(201)	(278)		(438)	(2)
Tax credit		43	(2)		62	85		134	1
Net amount		<u>(97)</u>	<u>200</u>		<u>(139)</u>	<u>(193)</u>		<u>(304)</u>	<u>(1)</u>
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	<u>27</u>		<u>9</u>	<u>(51)</u>	<u>(6)</u>	<u>(7)</u>	<u>114</u>	<u>(0)</u>	<u>3</u>
Balance at the end of the year (after-tax)	<u>¥ 1,551</u>	<u>¥</u>	<u>¥ (5,679)</u>	<u>¥ 2,274</u>	<u>¥ 27,424</u>	<u>¥ 1,101</u>	<u>¥ 1,212</u>	<u>¥ 21,075</u>	<u>¥ (414)</u>

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in "(Loss) gain on sales, exchange, and valuation of marketable securities and investments – net" in the consolidated statements of income.

Reclassification adjustments (pre-tax) of pension liability adjustments are included in "Other – net" in the consolidated statements of income as the net periodic benefit costs.

15. INCOME TAXES

The Companies are subject to a number of different taxes based on income. The effective income tax rates differed from the normal effective statutory tax rates for the following reasons for the years ended March 31, 2019, 2018 and 2017:

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

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted into law, which significantly reduced corporate tax rates in the United States. As a result of the TCJA, deferred tax assets of foreign subsidiaries in the United States decreased and income tax expense increased by ¥290 million. The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2019 and 2018 were as follows:

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

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

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

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

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

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

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

	<u>Millions of Yen</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	¥ 5	¥ 4	¥ 300
Additions based on tax positions related to the current year	60	1	1
Addition based on tax position related to the previous years	36		
Reductions for tax positions of prior years	<u> </u>	<u> </u>	<u>(297)</u>
Balance at the end of the year	<u>¥ 101</u>	<u>¥ 5</u>	<u>¥ 4</u>

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

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. Total amounts of interest and penalties recognized in the consolidated statements of income for the years ended March 31, 2019, 2018 and 2017 were not material.

The Companies file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2017, with few exceptions. For other countries, the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2010, with few exceptions. For certain subsidiaries in Japan, the United States, and Asia, the transfer pricing examinations for the fiscal years ended March 31, 2016, 2010 and 2007 were completed.

16. REVENUE

The Group focuses on sales of innerwear (women's foundation garments and lingerie, nightwear and children's underwear), sportswear, and other textile products and related products ("Products"), and our customers include retail and wholesale distributors and consumers in Japan and overseas. See Note "21. Segment Information" for revenue information for each segment, by each product and service, and by geographic area.

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

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

Contract liabilities from contracts with customers consists mainly of customer royalty points. Some of subsidiaries have customer royal programs as part of the promotion and provide royalty points to customers when they purchase the products. The points provided to customers are identified as performance obligations, which are satisfied when the points are redeemed for the products. The unredeemed points as of the end of years are recorded as contract liabilities, which are estimated based on actual redemption amounts from previous fiscal year. Contract liability is included in other current liabilities, and the amount of contract liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of Yen	
	<u>2019</u>	<u>2018</u>
Contract liabilities	¥873	¥542

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

17. EARNINGS PER SHARE

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

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

* As of October 1, 2017, the Company effected a one-for-two ordinary share reverse stock split. Net income attributable to Wacoal Holdings Corp. per share is calculated assuming that the reverse stock split occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

18. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

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

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

The carrying amounts of all other financial instruments approximate their estimated fair values because of the short maturity of those instruments. For information about fair values of foreign exchange contracts and currency swaps, see Note 19.

Marketable Securities and Investments – The fair value of these held-to-maturity debt securities are based on Level 1 inputs. For all other investments included in marketable securities and investments, see Notes 3 and 19.

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

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

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

19. FAIR VALUE MEASUREMENTS

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

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

<u>2019</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Equity securities	¥ 59,911		¥ 2,287	¥ 62,198
Mutual funds	<u>50</u>	<u>—</u>	<u>—</u>	<u>50</u>
Total	<u>59,961</u>	<u>—</u>	<u>2,287</u>	<u>62,248</u>
Derivative instruments:				
Foreign exchange contracts	<u>—</u>	<u>¥ 27</u>	<u>—</u>	<u>27</u>
Total assets	<u>¥ 59,961</u>	<u>¥ 27</u>	<u>¥ 2,287</u>	<u>¥ 62,275</u>
Liabilities:				
Derivative instruments:				
Foreign exchange contracts	<u>—</u>	<u>¥ 18</u>	<u>—</u>	<u>¥ 18</u>
Currency swap	<u>—</u>	<u>36</u>	<u>—</u>	<u>36</u>
Total liabilities	<u>—</u>	<u>¥ 54</u>	<u>—</u>	<u>¥ 54</u>
<u>2018</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Mutual funds	<u>—</u>	<u>590</u>	<u>—</u>	<u>590</u>
Total	<u>—</u>	<u>600</u>	<u>—</u>	<u>600</u>
Investments:				
Equity securities	¥ 66,751			66,751
Corporate debt securities		614		614
Mutual funds	<u>46</u>	<u>—</u>	<u>—</u>	<u>46</u>
Total	<u>66,797</u>	<u>614</u>	<u>—</u>	<u>67,411</u>
Derivative instruments:				
Foreign exchange contracts	<u>—</u>	<u>6</u>	<u>—</u>	<u>6</u>
Total assets	<u>¥ 66,797</u>	<u>¥ 1,220</u>	<u>—</u>	<u>¥ 68,017</u>
Liabilities:				
Derivative instruments:				
Foreign exchange contracts	<u>—</u>	<u>¥ 13</u>	<u>—</u>	<u>¥ 13</u>
Currency swap	<u>—</u>	<u>31</u>	<u>—</u>	<u>31</u>
Total liabilities	<u>—</u>	<u>¥ 44</u>	<u>—</u>	<u>¥ 44</u>

Investments presented in Level 1 are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Bonds presented in Level 2 are valued by financial institutions using quoted market prices for identical instruments in markets that are not active. Mutual funds presented in Level 2 are valued by financial institutions based on quoted prices in an inactive market for identical instruments which are included in the mutual funds.

As discussed in Note 3, the Companies record impairment charges on debt securities if a decline in fair value of debt securities is determined to be other than temporary.

Foreign exchange contracts and currency swaps presented in Level 2 are valued by financial institutions based on market data in both active and inactive markets.

Equity securities in Level 3 are non-marketable equity securities and are valued by the comparable multiple valuation method using financial indicators, etc. as inputs or other appropriate valuation methods.

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

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

Assets Measured at Fair Value on a Nonrecurring Basis

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

	Millions of Yen				Impairment
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Losses</u>
Buildings and structures					¥ (43)
Machinery and equipment					(124)
Goodwill (Note 7)					(4,325)
Trademarks (Note 7)					(1,314)
Software (Note 7)			<u>¥ 680</u>	<u>¥ 680</u>	<u>(195)</u>
					<u>¥ (6,001)</u>
	Millions of Yen				Impairment
<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Losses</u>
Goodwill (Note 7)					¥ (206)
					<u>¥ (206)</u>

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

As of March 31, 2018, all the carrying amount of A Tech's goodwill was written off, resulting in an impairment charge of ¥206 million, which is included as a charge to earnings for the year ended March 31, 2018. The impairment arose due to the revision of the future business plan made in response to a decrease in sales. To measure the fair values of A Tech's reporting units, the Companies used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

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

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

Valuation process:

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

Quantitative information regarding Level 3 fair value measurements:

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

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

20. DERIVATIVE INSTRUMENTS

Risk Management Policy – The Companies are exposed to the risk of changes in foreign currency exchange rates. Derivative instruments are used to manage such risk. Derivative instruments are used based on Company policy and administrative provisions. There were no derivative instruments used for the purpose of speculative trading. The Companies consider the related credit risk to be low since these derivative instruments are provided by financial institutions with international credibility.

Foreign Exchange Risk – Assets and liabilities denominated in foreign currencies, which are primarily related to international business, are exposed to the risk of changes in foreign currency exchange rates. Foreign exchange contracts and currency swaps are used to mitigate such risk.

Derivative Instruments Not Designated as a Hedge – Foreign exchange contracts and currency swaps are classified as derivative instruments, which are not designated as a hedge since these derivative instruments do not qualify for hedge accounting. These derivative instruments are used to mitigate the risk of changes in foreign currency exchange rates, and the changes in fair value of such derivative instruments are recorded in earnings immediately.

Notional contract amounts of derivative instruments that are not designated as hedges as of March 31, 2019 and 2018 were as follow:

	<u>Millions of Yen</u>	
	<u>2019</u>	<u>2018</u>
Foreign currency exchange	¥1,837	¥1,598
Currency swaps	663	328

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

	<u>Balance Sheets Location</u>	<u>Millions of Yen</u>	
		<u>2019</u>	<u>2018</u>
Assets:			
Foreign currency exchange	Other current assets	¥27	¥6
Liabilities:			
Foreign currency exchange	Other current liabilities	¥18	¥13
Currency swaps	Other current liabilities	36	31

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

		Millions of Yen		
		<u>2019</u>	<u>2018</u>	<u>2017</u>
	<u>Statements of Income Location</u>			
Foreign currency exchange	Other – net	¥45	¥ 60	¥295
Currency swaps	Other – net	(5)	(31)	

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

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

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

22. SEGMENT INFORMATION

Operating Segment Information

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

The "Wacoal business (domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. The "Wacoal business (overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, and other textile-related products. The "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear), outerwear, and other textile-related products, which are sold under the "Peach John" brand. The "Other" produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, other textile-related products, and mannequins and also engages in construction of stores and interior design.

Information about operating results and assets for each segment as of and for the years ended March 31, 2019, 2018 and 2017 is as follows:

Millions of Yen						
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
<u>2019</u>						
Net sales:						
External customers	¥ 113,400	¥ 53,100	¥ 10,491	¥ 17,210		¥ 194,201
Intersegment	905	10,121	1,083	5,543	¥ (17,652)	
Total	114,305	63,221	11,574	22,753	(17,652)	194,201
Operating costs and expenses:						
Operating costs and expenses	104,286	57,055	11,400	22,752	(17,652)	177,841
Depreciation and amortization	3,499	1,585	394	169		5,647
Impairment charges on goodwill			4,325			4,325
Impairment charges on other intangible assets	195		1,314			1,509
Total	107,980	58,640	17,433	22,921	(17,652)	189,322
Operating income (loss)	6,325	4,581	(5,859)	(168)		4,879
Total assets and capital expenditures:						
Total assets	249,141	78,912	8,038	17,395	(71,719)	281,767
Capital expenditures	3,382	1,837	494	70		5,783
Millions of Yen						
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
<u>2018</u>						
Net sales:						
External customers	¥ 116,085	¥ 51,888	¥ 10,795	¥ 16,957		¥ 195,725
Intersegment	1,051	10,180	1,281	5,283	¥ (17,795)	
Total	117,136	62,068	12,076	22,240	(17,795)	195,725
Operating costs and expenses:						
Operating costs and expenses	106,822	56,504	11,290	21,712	(17,795)	178,533
Depreciation and amortization	3,469	1,506	345	172		5,492
Impairment charges on goodwill		206				206
Total	110,291	58,216	11,635	21,884	(17,795)	184,231
Operating income	6,845	3,852	441	356		11,494
Total assets and capital expenditures:						
Total assets	260,582	77,374	13,825	18,261	(71,508)	298,534
Capital expenditures	3,649	1,752	365	118		5,884
Millions of Yen						
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
<u>2017</u>						
Net sales:						
External customers	¥ 118,389	¥ 48,423	¥ 11,107	¥ 17,962		¥ 195,881
Intersegment	1,098	9,236	1,006	5,947	¥ (17,287)	
Total	119,487	57,659	12,113	23,909	(17,287)	195,881
Operating costs and expenses:						
Operating costs and expenses	110,063	53,320	11,427	23,044	(17,287)	180,567
Depreciation and amortization	3,248	1,284	312	188		5,032
Total	113,311	54,604	11,739	23,232	(17,287)	185,599
Operating income	6,176	3,055	374	677		10,282
Total assets and capital expenditures:						
Total assets	259,531	77,313	11,882	18,684	(72,452)	294,958
Capital expenditures	5,233	1,799	355	58		7,445

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

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

Products and Services Information

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

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

Geographic Information

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

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

Countries or areas are classified according to their geographical proximity.

Asia and Oceania includes East Asia, Southeast Asia, West Asia and Australia.

Net sales are attributed to countries or areas based on the location where sold.

Long-lived assets represent property, plant and equipment.

23. SUBSEQUENT EVENTS

(Purchase of Treasury Stock)

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

a. Reason for Purchase:

To return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment

b. Type of Shares to Be Purchased:

Common stock of the Company

c. Total Number of Shares to Be Purchased:

1,900,000 shares (at maximum)

d. Total Amount to Be Purchased:

¥5,000 million (at maximum)

e. Purchase Period:

From May 16, 2019 through December 31, 2019

(Cancellation of Treasury Stock)

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

a. Type of Shares to Be Retired:

Common stock of the Company

b. Total Number of Shares to Be Retired:

2,100,000 shares

c. Date for Retirement:

May 24, 2019

(Dividend Declaration)

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

* * * * *

VI. 【Stock-Related Administration for the Company】

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	To be held in June
Record date	March 31
Record date for distribution of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	<p>(Special Account) Osaka Securities Transfer Section Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi 3-chome, Chuo-ku, Osaka</p> <p>Securities Transfer Section Sumitomo Mitsui Trust Bank, Limited 1-10, Nikkocho, Fuchu-shi, Tokyo (Note 2) (Special Account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo</p> <p>-----</p> <p>Free of charge</p>
Office for handling business	
Transfer agent	
Forwarding office	
Handling charge for purchase and Sale	
Method of public notice	Public notice of the Company shall be in electronic form; provided that, where public notice cannot be provided electronically due to an accident or unavoidable event, it shall be published in <i>Nihon Keizai Shimbun</i> .
Special benefit for shareholders	<p>(i) Wacoal Essence Check (coupon for goods) shall be presented to the shareholders as follows (with the date of determination of the shareholders entitled thereto being the end of March and September):</p> <ul style="list-style-type: none"> - To shareholders holding 500 shares or more, but less than 1,500 shares: Wacoal Essence Check worth JPY3,000 shall be presented twice a year. - To shareholders holding 1,500 shares or more: Wacoal Essence Check worth JPY5,000 shall be presented twice a year. <p>(ii) Shareholder special discount shall be made for Wacoal products by means of catalogue sales and internet sales as follows:</p> <ul style="list-style-type: none"> - To shareholders holding 100 shares or more: 20% discount shall be made for the purchase of our products listed in catalogues issued by Wacoal or internet sales; provided, however, that the total purchase price applicable for the discount shall be 1,000,000 yen (before discount) per year.

- (Notes)
- Our Articles of Incorporation prescribe that the shareholders holding shares constituting less than one unit of the Company may not exercise any rights, except for the rights as prescribed under each item in Paragraph 2, Article 189 of the Companies Act, the claim rights pursuant to the provisions of Paragraph 1, Article 166 of the same law, the right to receive an allocation of share offerings and stock acquisition rights in proportion to the number of shares held, and the right to request the sale of additional shares not constituting one unit.
 - For those shareholders of the Company who held shares of Lecien Corporation at the special account as of August 16, 2009 (i.e., the day preceding the effective date of the share exchange between the Company and Lecien Corporation), Sumitomo Mitsui Trust Bank, Limited shall act as an account management institution of the special account.

VII. 【Reference Information on the Company】

1. 【Information on the Parent Company】

The Company does not have the parent company set out in Paragraph 1, Article 24-7 of the Financial Instruments and Exchange Act.

2. 【Other Reference Information】

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2018, to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (70th Fiscal Year)	From April 1, 2017 to March 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on June 28, 2018
(2)	Internal Control Report and the attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on June 28, 2018
(3)	Quarterly Report and Confirmation Letter	(First quarter of 71th Fiscal Year)	From April 1, 2018 to June 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on August 10, 2018
		(Second quarter of 71th Fiscal Year)	From July 1, 2018 to September 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on November 9, 2018
		(Third quarter of 71th Fiscal Year)	From October 1, 2018 to December 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on February 12, 2019
(4)	Extraordinary Report	Extraordinary Report on the Results of the Exercise of Voting Rights at General Meeting of Shareholders pursuant to Item 9-2, Paragraph 2, Article 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with the Director of the Kanto Local Finance Bureau on June 29, 2018
		Extraordinary Report on an Event which may have serious effects on the financial position, results of operation and cash flow status of a consolidated entity pursuant to Item 19, Paragraph 2, Article 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc..		Filed with the Director of the Kanto Local Finance Bureau on January 29, 2019
(5)	Share Repurchase Report	Reporting Period	From June 1, 2018 To June 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on July 4, 2018
		Reporting Period	From July 1, 2018 To July 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on August 6, 2018
		Reporting Period	From August 1, 2018 To August 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on September 6, 2018
		Reporting Period	From September 1, 2018 To September 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on October 5, 2018
		Reporting Period	From October 1, 2018 To October 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on November 7, 2018
		Reporting Period	From November 1, 2018 To November 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on December 6, 2018
		Reporting Period	From December 1, 2018 To December 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on January 10, 2019
		Reporting Period	From May 1, 2019 To May 31, 2019	Filed with the Director of the Kanto Local Finance Bureau on June 7, 2019

Part II 【Information on Guarantors etc. for the Company】

Not applicable.

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audit Opinion

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

Convenience Translation

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

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

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

June 27, 2019

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (TRANSLATION)

NOTE TO READERS

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

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

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

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

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

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

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

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

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

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

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

At the selected significant business units, we included in the scope of our assessment those business processes leading to sales or accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope assessment the following as business processes with greater materiality considering their impact on financial reporting:

(1) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and (2) those business processes relating to businesses or operations dealing with high-risk transactions.

3. [Matters Relating to the Results of Assessment]

As a result of the assessment above, we concluded that our ICFR was effective as of March 31, 2019.

4. [Supplementary Matters]

Not applicable.

5. [Special Information]

Not applicable.

NOTE TO READERS:

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

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

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

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

June 27, 2019

To the Board of Directors of Wacoal Holdings Corp.

Deloitte Touche Tohmatsu LLC

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

Wakyu Shinmen

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

Hiroaki Sakai

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

Seiichiro Nakashima

Audit of Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audit Opinion

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

Audit of Internal Control

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

Management's Responsibility for the Report on Internal Control

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

Auditors' Responsibility

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

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

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

Audit Opinion

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

Interest

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

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

【Cover】

【Document Filed】	Annual Securities Report (“Yukashoken Hokokusho”)
【Applicable Law】	Paragraph 1, Article 24 of the Financial Instruments and Exchange Act
【Filed to】	Director, Kanto Local Finance Bureau
【Filing Date】	June 27, 2019
【Company Name】	<i>KABUSHIKI KAISHA WACOAL HOLDINGS</i>
【Company Name in English】	WACOAL HOLDINGS CORP.
【Position and Name of Representative】	Hironobu Yasuhara, President and Representative Director
【Position and Name of Chief Financial Officer】	Masashi Yamaguchi, Director and Vice President
【Address of Head Office】	29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (TRANSLATION)

NOTE TO READERS

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

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

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

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

Yoshikata Tsukamoto, President and Representative Director, and Masashi Yamaguchi, Director and Vice President, are responsible for the designing and operating effective internal control over financial reporting of Wacoal Holdings Corp. (the "Company"), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

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

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

The assessment of internal control over financial reporting was performed as of March 31, 2017. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

Regarding the scope of assessment of internal control over business processes, we designated the business locations that accounted for approximately two-thirds of the aggregated sales for the previous fiscal year on a consolidated basis as "significant business locations" which should be subject to process-level controls.

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

3. 【Matters Relating to the Results of Assessment】

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2017.

4. 【Supplementary Matters】

Not applicable.

5. 【Special Information】

Not applicable.