Annual Securities Report

(The 72nd Fiscal Year)
From April 1, 2019 to March 31, 2020

WACOAL HOLDINGS CORP.

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

E00590

The 72nd Fiscal Year (from April 1, 2019 to March 31, 2020)

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 26, 2020.

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. 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 26, 2020
【Fiscal Year】	The 72nd Fiscal Year (from April 1, 2019 to March 31, 2020)
【Company Name】	*KABUSHIKI KAISHA* WACOAL HOLDINGS
【Company Name in English】	WACOAL HOLDINGS CORP.
【Position and Name of Representative】	Hironobu Yasuhara, Representative Director, President and Corporate Officer of the Company
【Address of Head Office】	29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto
【Phone No.】	Kyoto (075) 682-1007
【Contact Person】	Katsuya Hirooka, General Manager of Accounting Department
【Contact Address】	29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto
【Phone No.】	Kyoto (075) 682-1007
【Contact Person】	Katsuya Hirooka, 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		68th	69th	70th	71st	72nd
Year-End		March 2016	March 2017	March 2018	March 2019	March 2020
Sales		202,917	195,881	195,725	194,201	186,760
Operating income		12,274	10,282	11,494	4,879	6,632
Net income attributable to Wacoal Holdings Corp.		11,159	12,525	9,745	341	3,472
Comprehensive income (loss)		(49)	12,296	16,448	(5,046)	1,521
Wacoal Holdings Corp. shareholders' equity		224,374	227,568	232,712	216,494	205,371
Total assets		292,854	294,958	298,534	281,767	277,688
Shareholders' equity per share	(yen)	3,185.80	3,317.05	3,454.40	3,321.57	3,291.06
Net income per share attributable to Wacoal Holdings Corp.	(yen)	158.46	180.26	143.46	5.16	54.26
Diluted net income attributable to Wacoal Holdings Corp. per share	(yen)	158.00	179.71	142.98	5.14	54.05
Shareholders' equity ratio	(%)	76.6	77.2	78.0	76.8	74.0
Return on equity	(%)	4.9	5.5	4.2	0.2	1.6
Price earnings ratio	(times)	16.95	15.24	21.47	533.33	43.25
Net cash provided by operating activities		12,635	16,351	15,493	13,620	13,325
Net cash provided by (used in) investing activities		(11,407)	(3,032)	(7,362)	(2,474)	2,569
Net cash used in financing activities		(4,547)	(13,055)	(12,303)	(10,872)	(17,471)
Cash and cash equivalents, end of year		34,059	33,995	29,487	30,133	27,905
Number of employees [Average number of part-time employees, etc.]	(person)	20,655 [1,237]	21,139 [1,018]	20,904 [771]	20,662 [739]	20,984 [675]

(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 68th 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 applied since the beginning of the 71st fiscal year. Accordingly, key financial data for the 70th and earlier 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		68th	69th	70th	71st	72nd
Year-End		March 2016	March 2017	March 2018	March 2019	March 2020
Operating revenue		10,934	13,139	12,644	15,715	13,346
Ordinary income		7,044	9,215	6,308	11,255	9,111
Net income		6,739	11,453	6,461	5,968	8,762
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	71,689	70,689	68,589
Net assets		143,135	145,496	140,510	134,813	130,996
Total assets		163,938	165,022	160,086	154,554	156,000
Net assets per share	(yen)	2,026.40	2,114.38	2,078.38	2,060.13	2,090.11
Dividends per share (Interim dividends per share)	(yen)	33.00 (−)	36.00 (−)	54.00 (18.00)	72.00 (36.00)	60.00 (40.00)
Net income per share	(yen)	95.70	164.85	95.12	90.24	136.93
Diluted net income per share	(yen)	95.40	164.32	94.47	89.91	136.39
Shareholders' equity ratio	(%)	87.1	87.9	87.5	86.9	83.6
Return on equity	(%)	4.7	7.9	4.5	4.3	6.6
Price earnings ratio	(times)	28.06	16.67	32.38	30.50	17.14
Dividend payout ratio	(%)	68.9	43.7	75.7	79.8	43.8
Number of employees [Average number of part-time employees, etc.]	(person)	81 [−]	81 [−]	95 [−]	90 [−]	94 [−]
Total shareholders' return	(%)	101.8	106.7	121.7	112.2	99.4
(Benchmark: TOPIX incl. dividends)	(%)	(89.2)	(102.3)	(118.5)	(112.5)	(101.8)
Highest share price	(yen)	1,768	1,463	3,640 (1,648)	3,485	3,115
Lowest share price	(yen)	1,220	970	3,015 (1,309)	2,595	2,110

(Note) 1. Operating revenue does not include consumption taxes, etc.

2. 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 per share" and "Diluted net income per share" have been calculated assuming that such share consolidation had been conducted at the beginning of the 68th fiscal year.
3. 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.
4. 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 70th and earlier fiscal years are the amounts after the retroactive application of such accounting guidance.
5. The highest and lowest share prices are market prices on the first section of the Tokyo Stock Exchange.
6. 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.
7. The amount of dividends per share for the 72nd fiscal year includes the special anniversary dividend of 8.00 yen.

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.)
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
July 2019	Intimates Online, INC. became a wholly owned Wacoal subsidiary through the acquisition of all of the issued and outstanding shares.

3. 【Description of Business】

Our corporate group consists of one holding company (Wacoal Holdings Corp.), 58 subsidiaries, and seven 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 31 overseas subsidiaries, nine companies are located in North and Central America; six companies are located in Europe; and 16 companies are located in Asia/Oceania. Six overseas affiliates are located in Asia.

Among our nine 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 six overseas subsidiaries in Europe, WACOAL EMEA LTD. sells products such as innerwear, which are supplied by WACOAL TIMEX LTD., 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 eight 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 one investment company 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

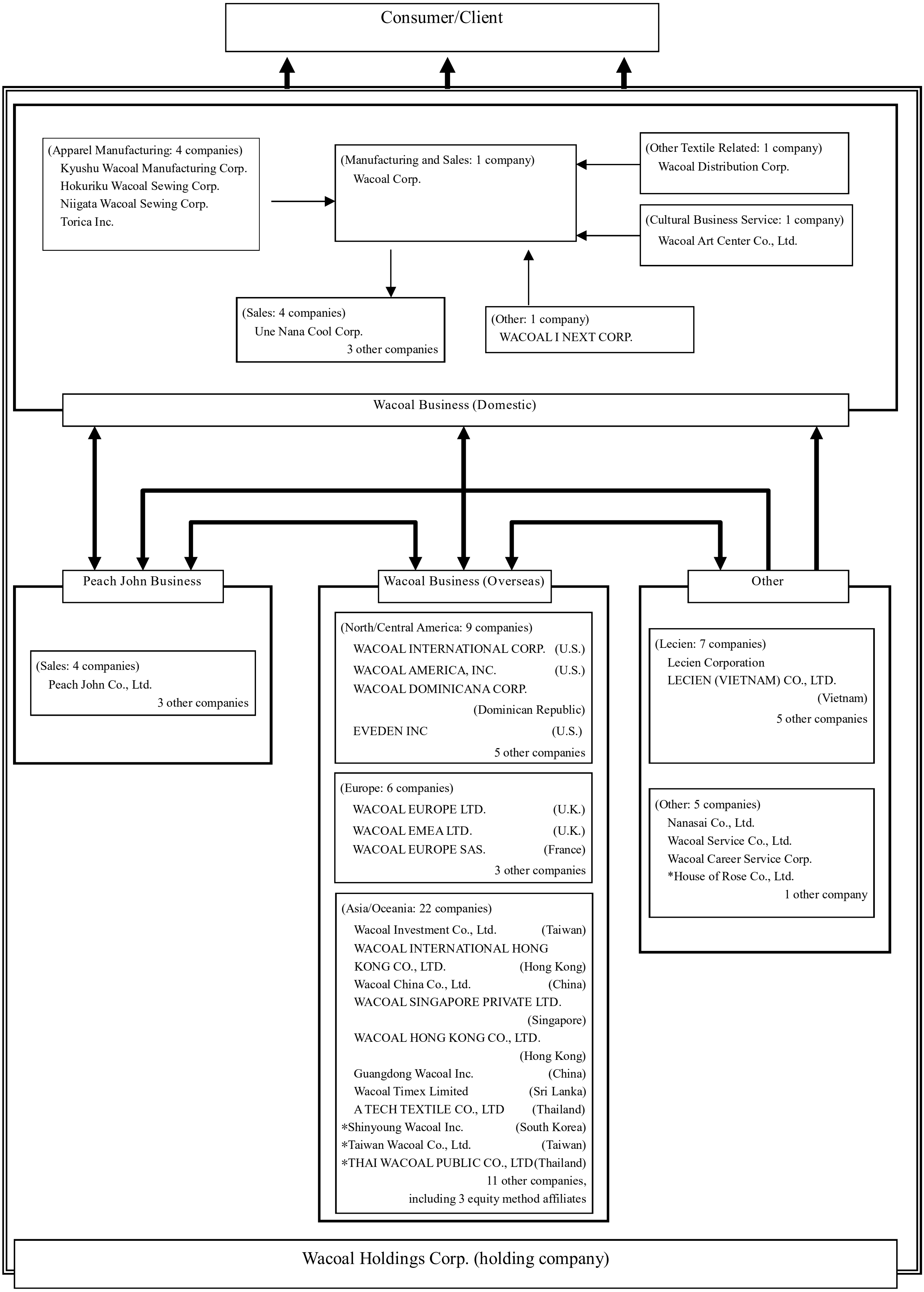
This segment is composed of a total of 12 companies, including five domestic subsidiaries, six overseas subsidiaries and one domestic affiliate.

Among the five domestic subsidiaries, Nanasai Co., Ltd. ("Nanasai") engages in manufacturing, sales and rental 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	2	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, etc.)	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.	Nishiura-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)	1	–
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 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)	1	–
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)	–	–
38 other companies						
(Equity Method Affiliate) THAI WACOAL PUBLIC CO., LTD.	Bangkok, Thailand	120 million THB	Wacoal Business (Overseas) (Product planning, 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)	2	–
*4, *5 House of Rose Co., Ltd.	Minato-ku, Tokyo	934	Other (Development and sale of cosmetics	21	–	–

			and healthcare products, etc.)			
2 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	100,946 million yen
	(ii) Ordinary income	6,070 million yen
	(iii) Net income	11,469 million yen
	(iv) Net assets	99,408 million yen
	(v) Total assets	128,048 million yen

5. 【Employees】

(1) Employees within group

As of March 31, 2020

Name of Operating Segment	Number of Employees	
Wacoal Business (Domestic)	7,464	[539]
Wacoal Business (Overseas)	11,089	[58]
Peach John Business	514	[60]
Other	1,917	[18]
Total	20,984	[675]

(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, 2020

Number of Employees	Average Age	Average Years of Service	Average Annual Salary (Yen)
94	46.9	20.6	5,850,266

(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. Our group 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.

■Our Mission

We will contribute to society by helping women to express their beauty.

■Our Vision

We, the employees and management of Wacoal, will maintain a refined corporate culture based on mutual trust and will continually strive to make the Company a global leader in the industry.

■Our Value

1. Create products loved by customers
2. Develop new products that meet the needs of the times
3. Conduct business in a fair manner with a forward focus
4. Build a better Wacoal through better human resources
5. Fear not failure and boast not of success

(2) Our Medium- and Long-term Business Strategy and Measures for Business Targets

(i)Environmental awareness

The outlook for the domestic market is increasingly uncertain due to a decline in consumer spending attributable to a series of natural disasters such as typhoons and heavy rains and unusual weather conditions, with the most recent record-cold summer and record-warm winter, in addition to the increasing budget consciousness of consumers following the consumption tax increase.

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.

Consumer behavior is changing globally, and consumers are increasingly accessing information through various networks and spending money using their own selective judgment, as a result of increased value diversity. As consumers are no longer accepting standardized value propositions, we are required to provide services that are better tailored to each consumer who seeks to realize her own beauty.

In this environment, we should reassess all of our activities through the eyes of our customers and take actions to transform our business. Accordingly, it is our major challenge to flexibly react to changing market conditions where digital transformation is accelerating while maintaining the current growth rate. Further, we need to develop a diversified workforce that supports our sustainable growth and to build a business culture that can meet the challenges of the future. We also believe that we need to commit ourselves to solving critical social issues and to strengthening our ability to coexist with the global environment and local communities in order to become a company that continues to prosper with society, be trusted in the globalizing world and be needed by society.

Change in the environment surrounding our business (change and trends in consumer behavior)

Change in distribution channels

- Weak sales at department stores/general merchandise stores
- E-commerce and global SPA breakthroughs

Acceleration of technology & innovation
- Accelerated digitization of consumption of products and experience
- Expansion of society of people able to connect with each other directly via SNS, C2C, D2C

Change in consumers
- Increase in the number of women taking active roles in the society
- Increase in the number of consumer segments seeking to realize their own personalized beauty
- Casualization of clothing
- Continued budget-consciousness of consumers in Japan due to uncertainties about the future

Trends in business and industrial structure
- Closure of companies that are capable of producing high quality underwear
- Difficulty in securing sales forces
- Accelerated needs to social and ethical business activities

(ii) Long-term vision and Medium-Term Management Plan

＜Long-term vision＞

We continue to move forward with efforts to become "Global Wacoal 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 undergarment 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. In addition, we will make efforts to continuously improve our management foundation, generate greater results, and thereby aim to achieve sustainable growth and enhance our corporate value, and make progress toward becoming a global company that is expected to continue to exist in 100 years.

Our vision of a "Global Wacoal"
1. The Wacoal Group's products and services and efforts to address social issues are highly trusted by customers and all other stakeholders in markets worldwide.
2. The number of countries and regions in which we operate continues to increase.
3. Under our Group network, we are operating businesses in a coordinated manner on a global scale.
4. We always provide pioneering products to the world and continue to lead the industry of innerwear culture.
5. The Group mission and philosophy are instilled in employees across the world.

＜Medium-Term Management Plan (Three Years; FY2020 – FY2022)＞

Aiming to realize our vision of "Global Wacoal", we will continue to make efforts to understand the actual situation, conduct fast reform and achieve strong growth domestically and globally under the new three-year medium-term management plan (FY2020-FY2022).

Basic policy

- Understand the actual situation, estimate future demand and implement drastic reform, while emphasizing growth
- 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, the medium-term management plan 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.

(Please see the "Business and Financial Issues to Address on a Priority Basis" section for priority strategies.)

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.

<Plan for FY2021, the second year of the medium-term management plan>

The COVID-19 outbreak continues to have a very significant impact on our group's business activities due to measures such as suspension of operations and stay-at-home measures in efforts to prevent the spread of infection. As the measures to prevent the spread of the outbreak continue, we expect that the slowdown in consumer spending due to anticipated deterioration in the employment and income environment will continue to have a negative impact on our group's management as well as sales and/or profit.

At this point, it is difficult to assess the impact of the COVID-19 on our group and to reasonably make any business forecast. Accordingly, our forecast of consolidated business results for the fiscal year ending March 31, 2021 is undetermined and will be announced as soon as the details become available.

Under such difficult circumstances, our group will reassess all of our business activities, decrease costs such as advertising expenses and officers' remuneration and review the timing of new investments. These will be implemented while taking into consideration the health and safety of our group's customers, employees and related parties. In addition, we will seek to expand loan programs from financial institutions to ensure liquidity for our group companies.

We will conduct bold revision of our initiatives and costs, further accelerate our efforts to introduce digital transformation, and establish a new road map to achieve growth in business by effectively utilizing our customer database, coordinating and merging the physical stores and e-commerce channels, and strengthening our efforts on improving CX (customer experience). In addition, we will reform our business structure to generate stable profit by steadily identifying changes in consumer values and distribution and by making further progress in our efforts to be selective and concentrated in our businesses within the entire group.

(3) Business and Financial Issues to Address on a Priority Basis

We are working on the following priority issues under the new medium-term management plan.

(i) Advance business measures

●Sustain the growth and enhance the profitability of Wacoal Corp.

- Evolve into one of the world's leading companies in the aggregation and utilization of data on customer physiques and preferences
  - Develop differentiated stores throughout Japan based on the omni-channel strategy and strengthen service infrastructure
  - Create new products and services by leveraging multifaceted personal data on customers
- Reduce product groups and product varieties and review terms of transactions with department stores in the wholesale business
- Enhance the corporate brand by strengthening communication
- Reform work styles and leave systems to heighten productivity
- Advance personnel measures that heighten job satisfaction

●Revitalize domestic consolidated subsidiaries

- Peach John: capture demand arising from behavior and trends among young consumers and focus boldly on e-commerce
- Ai: establish a value-added brand that earns the endorsement of "adult" women

- Lecien: select and concentrate business fields; develop a new business model through collaboration with general merchandise stores
- Nanasai: develop new value-added mannequins and acquire new customers in interior construction businesses

●Expand and grow the overseas business
- United States: begin developing new distribution channels and business opportunities; reform cost structure
- Europe: expand and enhance the brand portfolio and marketing activities based on the characteristics of countries, regions, and sales channels; cultivate new market
- China: foster undeveloped customer groups by stepping up branding and marketing in the e-commerce market

●Reform the group's production and supply systems
- Establish a groupwide production management system that supplies competitive products and materials
- Build an optimal supply system in anticipation of overseas business growth

●Pursue the expansion of the business portfolio and new business
- Invest to realize rapid improvements in growth from the medium- to long-term viewpoints and while staying focused on the selection and concentration of business fields

(ii) Enhance social value (tackle ESG issues)

●Create a vibrant corporate culture based on human rights, ethics, and diversity
- Strengthen measures for CSR-focused procurement (improve continuously and extend coverage)
- Establish environments that enable various work styles
- Promote diversity and inclusion to create new value

●Coexist with the earth's environment and local communities
- Take steps to eliminate plastic from product packaging
- Reduce the disposal of unsold products

(iii) Conduct business management with an awareness of equity cost

●Invest for future growth and enhance shareholder returns
- Realize ROE of 6% above equity cost
- Maintain a total payout ratio of 100%
- Reduce strategic shareholdings (target: 30% reduction)

We will promote our operational management based on the priority issues above as basic policies in the fiscal year ending March 31, 2021. We will promptly disclose any change or reassessment to our strategies that are outlined under our medium-term management plan, or any material impact on our initial plan, in connection with the spread of the COVID-19 outbreak.
(Please see "3. Analyses of Financial Position, Results of Operation, and Cash Flows by Management (2) Analysis and Consideration on the Status of Business Performance etc. from the Viewpoint of Management" for the impact of the COVID-19 outbreak and future policies.)

2. 【Risk Factors】

Major risk factors related to business and financial conditions described in this report as identified by the management that may significantly impact the financial position, results of operation and cash flows within group are as follows.

Forward-looking statements in this report are made based on information available as of the end of fiscal year 2020.

(1) Risks related to business environment and strategies

(i) Risks related to economic environment

In the major domestic and overseas markets in which we operate, the deteriorating economy will have a material adverse effect on our sales, results of operation and financial position. For example, weak consumer spending resulting from the consumption tax increase of 2% in October 2019 in Japan has had a material adverse effect on our domestic sales and results of operation (net sales for the consolidated third quarter (from October 2019 to December 2019) at Wacoal Corp., our group's core operating company, was 89% of such sales for the corresponding period of the previous fiscal year due to the impact of the tax increase).

(ii) Risks related to domestic business

Approximately 66% of our net sales at Wacoal Corp., our group's core operating company, was 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 continue to decline. During the current fiscal year, sales are estimated to have decreased by 700 million yen due to the closure of 12 department stores, 52 general merchandisers, and 51 other general retails that had business transactions with Wacoal Corp. Six department stores and 11 general merchandisers have already announced that they will close during the fiscal year ending March 31, 2021. Our group has addressed these risks by shifting to an area-based sales system that cuts across business categories and strengthening directly managed retail stores and e-commerce sales. In order to address the accounts receivable collection risk following store closures and bankruptcies, we manage our credit exposure at all times and keep adequate inventory at stores.

While sales in the domestic women's innerwear market have been declining for seven consecutive years, different types of competitors are increasing their presence in the market. 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 e-commerce vendors and fast fashion manufacturers across sales channels (our e-commerce website for the current consolidated fiscal year showed strong sales, achieving 117% of such sales for the previous fiscal year). Competition may intensify with new entrants. Increased competition could result in declines in prices, increased marketing expenditures, and loss of sales volume and market share, all of which may have a material adverse effect on our sales, financial position, and results of operation.

In order to address these risks, we have set out and promote the "Wacoal Omni-Channel Strategy" as our major initiative under our medium-term management plan to restore growth and improve profitability of Wacoal Corp. Under this strategy, we aim to retain customers with digital technology-based innovation of our strength in sales service, which we have developed over many years, by developing our relationship with our customers through coordination among physical stores and e-commerce channels. During the current fiscal year, we have installed "*Wacoal 3D smart & try*", our next generation system at the core of the omni-channel strategy, at six shops, mainly at department stores, and we plan to expand the number of stores installing the *3D smart & try* system.

We also make efforts to improve profitability of our domestic group companies other than Wacoal Corp. through drastic measures including selection and concentration of businesses, reforming the structure of businesses and personnel deployment and bolstering collaboration within the Group and alliances with other companies. With these efforts and initiatives to improve earnings within the entire Wacoal Group, we have established as our target a 3~5% operating margin.

(iii) Risks related to overseas business

We operate our business overseas and aim to expand sales in Europe and North America, as well as in Asia. We may be exposed to the following risks related to our overseas business.

While the number of global transactions continues to increase, there is a risk of being subject to regulations and new custom duties in various countries due, for example, to the U.S.-China trade war and Brexit. While our transaction volume between the United States and China is not significant, if new custom duties are imposed between the United Kingdom and EU member states during or after the fiscal year ending March 31, 2021, there may be a material adverse effect on the business results of Wacoal Europe Ltd., our subsidiary headquartered in the United Kingdom, as a result of an increase in cost of sales. We will continue to watch the situation closely as the post-Brexit talks with EU member states have been suspended due to the global spread of the COVID-19 outbreak.

We may be exposed to the risk that our business will be adversely affected if we fail to understand consumer tastes and preferences in overseas markets, and the risk of not being able to adjust to cultural differences, which may lead to staffing or management failure adversely affecting our group business. In order to address these risks, we have continued to invest in our three major corporate entities in the United States, Europe, and China to achieve business growth. In the United States, for example, we acquired Intimates Online, Inc. ("Intimates Online") to appeal to the millennials as customers, to create growth opportunities in the e-commerce market, and to strengthen our competitiveness. We acquired Intimates Online for 86,041 thousand U.S. dollars (approximately 9,348 million yen using the exchange rate at the date of acquisition), and we also agreed to pay contingent consideration to the current shareholders of Intimates Online based on performance achievements ("earn-out consideration"). We expect under our growth scenario to achieve an operating profit in two years (for the fiscal year ending March 31, 2022), net sales of 100 million dollars and an operating margin of 12%~15% (for the fiscal year ending March 31, 2024). In addition, we are making efforts to develop our distribution channels and continue to expand our e-commerce business in Europe and China. As our initiatives to expand our presence in the emerging countries, we will accelerate opening shops and will actively invest in advertisement to expand our business in India.

We have gradually increased the amount of goods we produce and raw materials we procure for our products in lower-cost countries in Asia. In recent years, we have shifted our overseas production base from China to ASEAN countries in response to changes in the social and/or working environment. At the same time, we are facing challenges in productivity and profit performance at a number of our production bases that we newly launched. Under such circumstances, we are aiming to build a global production base that is capable of supplying competitive products and raw materials and making efforts to establish a management system within our group based on our medium-term management plan.

(2)Risks related to business administration

(i) Risks related to quality and quality labeling

Our ability to provide high-quality products on a global basis is one of our strengths. If we sell defective products or if our products harm our customers' health, we may suffer costs for product recalls and brand damage. In such an event, our reputation as a producer of high-quality products may be damaged and we may lose trust from society, which may adversely affect our business results. In 2014, Une Nana Cool Corp., our subsidiary, voluntarily recalled certain sleepwear products to prevent accidents after discovering that the sleepwear could cause "surface flash" (clothing flammability) failing to meet our group's quality standards. Any violation of law concerning misrepresentation of quality labeling or exaggeration of functionality may cause us to lose trust from society, incur costs for product recalls and label corrections, and loss of sale opportunity, any of which may have a material adverse effect on our results of operation and financial position.

In order to address these risks, each of our group companies formulates safety guidelines, ensures strict clearance rules on product development, implements measures to thoroughly trace causes of problems and prevent reoccurrence with respect to each defect and engages in efforts to maintain and improve product quality. At the same time, we have established the "Quality Assurance Inquiry Committee" to advance quality assurance efforts within our group and introduced such efforts to Group companies to raise the basic level of the entire group.

(ii) Compliance-related risks

We are subject to various laws and regulations in Japan and overseas, and if we violate these laws or act in contrary to any social order, we may suffer an economic and/or social impact as a result of punishment or loss of trust from society. Our group makes efforts to prevent violation of law by implementing measures, through the Compliance Committee, such as compliance awareness training for employees, an internal alert system, and compliance review by external experts. We also address this issue as one of our material issues as part of our ESG initiatives under the current medium-term management plan. In particular, we focus on labor and human rights issues in our supply chain for our group's businesses. We have begun working on these issues in response to the concerns raised by a non-profit human rights organization about working conditions and human rights issues at an overseas sewing factory with which we contract. In April 2018, we established the CSR Procurement Committee and are proactively making efforts such as self-assessment, on-site audit and disclosure of our supplier list.

(iii) Risks related to personal information

We possess personal information of our customers for business purposes. Under our medium-term management plan, Wacoal Corp., our core operating company, has established the Wacoal Omni-Channel Strategy as the pillar of our growth strategy and promotes business strategies using digital data including collected personal information. In addition, our overseas subsidiaries directly obtain the personal information of customers in the course of sales through their websites, which they have strengthened as a pillar of growth. In 2014, our website was defaced by a hacker and we were forced to suspend sales for a month. With the growing significance of personal information protection for our business activities, we have launched an IT

Governance department with a specialized mission in April 2020. This department focuses on security measures to protect personal information against external threats, including strengthening of management of personal information, implementing responses to amendments of applicable laws and regulations, and providing training for employees. Any leak or alteration of personal information, deletion of material data or system failures may impact our business management and strategies, and as a result, may have a material adverse effect on our results of operation and financial position.

(iv) Risk of 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. Such assertions or related claims may substantially harm our results of operation and financial position. As cross-border e-commerce has expanded and become borderless, our brand may be less competitive in the market if we fail to implement measures globally to control our brand, in addition to any brand management measures in each country. In order to address these risks, the Intellectual Property Committee has been established, and we also provide annual e-learning programs to enhance the awareness of employees, improve the research capability of responsible personnel, use external researchers, and cooperate with outside experts.

(3)Risks related to accounting/tax matters

(i) Risks of price fluctuation of equity securities

We hold equity securities in publicly traded Japanese and other companies. Our group adopts the U.S. accounting standards and we are required to recognize any fluctuation in the value of equity securities under the consolidated statements of income. A significant fluctuation in the value of these equity securities could have an adverse impact on our financial results in the relevant reporting period.

During the current fiscal year, we recorded a loss of 3,760 million yen as (Loss) gain on sale, exchange and valuation of marketable securities and investments – net, due to a significant decline in the value of equity securities.

Under the current medium-term management plan, we plan to reduce cross-shareholdings with other companies by at least 20,000 million yen as of March 31, 2019 by the fiscal year ending March 31, 2022 and have sold shares in a total amount of 15,200 million yen (13,600 million in market price as of March 31, 2019 during the current fiscal year. In addition, we examine from time to time whether it is appropriate to hold shares from a medium- to long-term perspective and whether benefits and risks associated with such holdings are worth the cost of capital, and the results are reported to the Board of Directors on a regular basis. The Board of Directors then examines whether the holdings will enhance the corporate value of the Company from a medium-to long-term perspective based on such examination results, and determines whether to continue to hold or dispose of such shares.

(ii) Risks of impairment charges on fixed assets

We may be required to record impairment charges on fixed assets upon the occurrence of negative industry or economic trends or underperformance relative to projected future operation results. During the current fiscal year, we recorded 191 million yen, 834 million yen and 217 million yen of impairment charges on trademark for Peach John, on property, plant and equipment etc. for A Tech Textile Co., Ltd., and on goodwill for G Tech Material Co., Ltd., respectively. The amount of goodwill outstanding was 10,800 million yen for Wacoal Europe Ltd. and 11,571 million yen for Intimates Online. Because valuation of goodwill is based on the future management plan, we may be required to reassess the fair value and record impairment charges if new custom duties between the United Kingdom and EU member states are imposed and the interest rate is raised for Wacoal Europe, and if business growth and synergies at Intimates Online do not sufficiently exceed the level we anticipated upon investment, in addition to the impact of the deterioration in the economy due to the COVID-19 outbreak. Goodwill is tested for impairment annually, or more frequently if conditions indicate an earlier review is necessary.

(iii) Risks in relation to liability for termination and retirement benefits

Costs and obligations 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 projected benefit obligations for termination and retirement benefits. Such costs and obligations 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. In addition, our group's results of operation and financial position could be adversely affected if the retirement benefit scheme is amended. Our approach to establishing the discount rate is based upon corporate bond indices. For discount rates, please see

3.(2)(iii) “Significant Accounting Policies and Estimates”. Wacoal Corp., our core operating company, which accounts for a majority of costs and obligations for termination and retirement benefits, has established the Pension Committee, which reviews the status of assets under management on a quarterly basis and takes necessary measures.

(iv) Risks relating to tax matters

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 G20 in October 2015 in efforts to improve tax rules. Following the release of this report, each country has reformed and reviewed its domestic tax laws and tax treaties. We do not believe that implementation of any new international taxation rules will have a material impact on our group; however, the opinion of the tax authorities in a country may differ from our opinion regarding any newly prescribed transfer pricing documentation and we may suffer additional tax obligations. In order to address these risks, we have a system to obtain the latest tax-related information internally and externally, and receive advice from external experts. We plan to formulate and disclose a tax administration manual to conduct tax management with a high degree of transparency and earn the trust of all stakeholders in the fiscal year ending March 31, 2021.

(4)Risks related to human resources

Securing personnel domestically and internationally is a key issue for our group. If we fail to secure and/or foster highly qualified personnel for manufacturing, sales representative, personnel specialized in the areas of management of foreign companies and new technology, we may not achieve future growth or gain advantages against competitors. As a result, there may be a material adverse effect on the results of operation and financial position. In order to address these risks, we secure necessary personnel by implementing new recruiting methods such as lateral hires and alumni referrals and develop human resources through improvement of group lectures, online training for professional expertise, and strengthen onsite training through on-the-job training and overseas training programs.

(5)Risk related to natural disasters or epidemics

In the event of a large-scale natural disaster such as an earthquake, outbreak of an epidemic, dispute, act of terror or riot that affects our ability to continue using any of our sales or manufacturing facilities or many of our employees or triggers confusion in our operation or delays or stoppages in logistics resulting from closed traffic, energy outage or blocked communication, our sales and marketing efforts will be adversely affected. We will face the possibility that consumption will stagnate, which could have a significant negative effect on the sales of our products, if a large natural disaster such as an earthquake, outbreak of an epidemic, dispute, act or terror or riot occurs in any area where our products are sold.

In particular, a large earthquake that directly hits the Tokyo metropolitan area or a “Nankai Trough Earthquake” will cause damage at large consumption markets where the main offices or stores of our group are located and it will have a significant impact on our business continuity. We have set up the BCP project within the Incident and Disaster Control Committee and intend to make a BCP and BCM basic plan for the whole group as well as BCP plans for specific disasters such as a large earthquake that directly hits the Tokyo metropolitan area.

The COVID-19 pandemic has had a significant impact on the sales and production of our group. In the current fiscal year, our group has established a COVID-19 Infection Control Committee (chaired by the Director and Vice President), as a subcommittee of the Corporate Ethics and Risk Management Committee which implements appropriate measures depending on the status of the outbreak in order to prioritize the safety of our customers, partner companies and employees and prevent the spread of infection. Since April 1, 2020, Wacoal Corp. has introduced one additional holiday per week for all of its employees and encourages its back office staff to work from home. All of our in-store sales staff were on call at home as a result of the declaration of the state of emergency throughout the country on April 16, 2020, with many stores such as department stores in urban areas closed. In the current fiscal year, the impact of COVID-19 outbreak on sales is estimated to be 2,000 million yen for Wacoal Corp., our core operating company, and 3,000 million yen for the whole group, respectively. If the situation is prolonged or the infection spreads again, the business results and financial position of our group will be adversely affected even more. In order to address these risks, we have expanded our borrowing facilities with financial institutions in order to build a strong financial foundation. The sales of Wacoal Corp. in April 2020 decreased by approximately 70 % as compared to the previous fiscal year. The sales of our major overseas subsidiaries from physical stores also decreased by 30 to 70 %. The sales from e-commerce website were strong in each county and increased by more than 70 % for Wacoal Corp as compared to such sales of the previous fiscal year.

We will anticipate change in individual consumer behavior as they adopt a new lifestyle following the outbreak, strengthen services that meet the customers' needs such as e-commerce, introduce new products, reduce costs substantially and reassess new investments in order to ensure sound management.

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

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

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

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

b. Results of operation

(Millions of Yen)

	Previous Fiscal Year (ended March 31, 2019)	Current Fiscal Year (ended March 31, 2020)	Changes from Previous Fiscal Year	
			Amount	%
Net sales	194,201	186,760	(7,441)	(3.8%)
Cost of sales	89,804	84,959	(4,845)	(5.4%)
Sales profit	104,397	101,801	(2,596)	(2.5%)
Selling, general and administrative expenses	93,517	93,927	＋410	＋0.4%
Compensation income	167	769	＋602	+360.5%
A: Impairment charges on goodwill and other intangible assets	5,834	473	(5,361)	(91.9%)
Operating income	4,879	6,632	+1,753	+35.9%
Other income/expenses	2,894	1,487	(1,407)	(48.6%)
B: Valuation gain / loss (△) on marketable securities and investments - net	(5,570)	(3,760)	+1,810	－
Income before income taxes and equity in net income of affiliated companies	2,203	4,359	＋2,156	+97.9%
Net income attributable to Wacoal Holdings Corp.	341	3,472	+3,131	+918.2%

Reference figure (i): Operating income not taking into account A	10,713	7,105	(3,608)	(33.7%)
Reference figure (ii): Income before income taxes and equity in net income of affiliated companies not taking into account A and B	13,607	8,592	(5,015)	(36.9%)

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

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

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

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

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

The exchange rates used for the current fiscal year (previous fiscal year) were: 108.74 yen (110.91 yen) to the U.S. dollar; 138.24 yen (145.68 yen) to the Sterling pound; and 15.78 yen (16.72 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, 2019)		Current Fiscal Year (ended March 31,2020)		Changes from Previous Fiscal Year	
	Amount	% to Sales	Amount	% to Sales	Amount	% Change
Total Net Sales	194,201	100.0%	186,760	100.0%	△7,441	△3.8%
Wacoal Business (Domestic)	113,400	58.4%	109,709	58.7%	△3,691	△3.3%
Wacoal Business (Overseas)	53,100	27.3%	50,552	27.1%	△2,548	△4.8%
Peach John Business	10,491	5.4%	10,480	5.6%	△11	△0.1%
Other	17,210	8.9%	16,019	8.6%	△1,191	△6.9%

(Millions of Yen)

	Previous Fiscal Year (ended March 31, 2019)		Current Fiscal Year (ended March 31, 2020)		Changes from Previous Fiscal Year	
	Amount	% to Sales	Amount	% to Sales	Amount	% Change
Operating Income/Loss	4,879	2.5%	6,632	3.6%	+1,753	+35.9%
Wacoal Business (Domestic)	6,325	5.6%	5,782	5.3%	△543	△8.6%
Wacoal Business (Overseas)	4,581	8.6%	1,493	3.0%	△3,088	△67.4%
Peach John Business	△5,859	—	△351	—	+5,508	—
Other	△168	—	△292	—	△124	—

(Reference) Net Sales and Operating Income/ (Loss) of Major Subsidiaries

(Millions of Yen)

Net Sales	Previous Fiscal Year (ended March 31, 2019)		Current Fiscal Year (ended March 31, 2020)		Increased/(Decreased) from previous fiscal year	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Wacoal Corp	102, 356	52. 7%	99, 224	53. 1%	△3, 132	△3. 1%
Ai Co., Ltd.	4, 181	2. 2%	3, 597	1. 9%	△584	△14. 0%
Wacoal International Corp. (U.S)	18, 486	9. 5%	19, 194	10. 3%	+708	+3. 8%
Wacoal Europe Ltd.	14, 106	7. 3%	12, 988	7. 0%	△1, 118	△7. 9%
Wacoal China Co., Ltd.	11, 617	6. 0%	11, 081	5. 9%	△536	△4. 6%
Peach John Co., Ltd.	10, 491	5. 4%	10, 480	5. 6%	△11	△0. 1%
Lecien Corporation	6, 284	3. 2%	5, 760	3. 1%	△524	△8. 3%
Nanasai Co., Ltd.	9, 414	4. 8%	8, 717	4. 7%	△697	△7. 4%

*Sales to external customers only

(Millions of Yen)

Operating Income/(Loss)	Previous Fiscal Year (ended March 31, 2019)	Current Fiscal Year (ended March 31, 2020)	Increased/(Decreased) from previous fiscal year

	Amount	% to Sales	Amount	% to Sales	Amount	%
Wacoal Corp	5, 099	5. 0%	3, 140	3. 2%	△1, 959	△38. 4%
Ai Co., Ltd.	△321	－	△269	－	＋52	－
Wacoal International Corp. (U.S)	2, 095	11. 3%	401	2. 1%	△1, 694	△80. 9%
Wacoal Europe Ltd.	1, 407	10. 0%	1, 007	7. 8%	△400	△28. 4%
Wacoal China Co., Ltd.	913	7. 9%	923	8. 3%	＋10	＋1. 1%
Peach John Co., Ltd.	△5, 859	－	△351	－	＋5, 508	－
Lecien Corporation	△375	－	△478	－	△103	－
Nanasai Co., Ltd.	282	3. 0%	218	2. 5%	△64	△22. 7%

Wacoal Business (Domestic)

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

Wacoal Corp.:

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

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

Wacoal Business (Overseas)

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

Wacoal International Corp. (U.S.):

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

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

Wacoal Europe Ltd.:

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

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

Wacoal China Co., Ltd.:

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

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

Peach John Business

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

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

Other

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

Lecien Corporation:

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

Nanasai Co., Ltd.:

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

(ii) Cash Flow Status

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

(Cash flow provided by operating activities)

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

(Cash flow used in investing activities)

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

(Net cash used in financing activities)

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

(iii) Production, Orders Received, and Sales

a. Production Results

Our consolidated production results by operating segment for fiscal year ended March 2020 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)	42,178	98.5
Wacoal Business (Overseas)	14,959	88.7
Total	57,137	95.7

(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 2020 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	5,924	95.0	268	64.1

(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)	109,709	96.7
Wacoal Business (Overseas)	50,552	95.2
Peach John Business	10,480	99.9
Other	16,019	93.1
Total	186,760	96.2

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

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

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

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

In "Wacoal Business (Overseas)", we expanded our brand portfolio to gain new millennial customers after we acquired Intimates Online, which operates the LIVELY brand. We also succeeded in achieving strong growth of our e-commerce business, which has been our core challenge, in various countries. We are facing challenges in dealing with the continued slowdown in sales from the physical stores, mainly in Europe and North America. It is essential that we accelerate the speed of growth of our e-commerce business to offset the negative performance of the physical stores. It is also necessary to stabilize production capacity and improve our product development capability at our raw materials factory in Thailand where the number of orders received continues to decrease.
In our "Peach John Business" and "Other" segments, our achievements include our decisions to close certain underperforming stores and cease distribution of catalogues at Peach John, and to withdraw from certain underperforming businesses at Lecien, in an effort to improve business efficiency. The issue resides in the fact that operating loss was recorded for both segments. We continue to implement measures to improve profitability.

Our view of the impact of the COVID-19 outbreak and future policies is as follows.
We believe that the COVID-19 outbreak will adversely and significantly impact our group's management. As business uspensions, lockdown measures and requests for self-isolation in response to the COVID-19 outbreak have gradually been eased, economic activities have resumed and shown some positive signs in many countries and regions. We believe, however, that it will take a certain amount of time for the world to return to normal and for consumers to be able to enjoy shopping. Also, there is concern that consumer spending will remain weak due to the deterioration of employment and income environment, and if we suffer from another outbreak, consumer activity may further slow down.
In addition, the most significant impact of the outbreak has been to cause drastic changes in the sales channels, consumer value and purchasing behavior. While there is no significant change to our direction to promote evolution of digital technology and to focus on consumer-based business models, we will calmly assess the changes in the consumer values and distribution.
Below are our policies for regrowth within three timeframes.

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

Short-Term Policies
Firstly, we aim to boldly reassess our current initiatives and spending plans in all business fields. We will reassess our existing business activities from scratch, decrease costs such as advertising expenses, take further steps toward reforming working styles, make efforts to lower business travel expenses, and review the timing of new investments.
Secondly, to strengthen liquidity on hand in preparation for the prolonged impact of the COVID-19 outbreak, we have already expanded our borrowing facilities with financial institutions, and are moving to ensure liquidity on hand for our group companies. We expect that we will temporarily have excess inventory following the weak sales resulting from the outbreak. We plan to lower our inventory level to the March 31, 2020 level by adjusting production of autumn/winter products and the following spring/summer season products at all subsidiaries.

Mid- and Long-Term Policies

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

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

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

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

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

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

For the fiscal year ended March 31, 2020, we actively made investment for our future growth, including in IT infrastructure for omni-channel services in Japan and acquisition of Intimates Online to strengthen e-commerce in the U.S. We will return profits to our shareholders in the amount of 12,600 million yen in total, 4,900 million yen, in the form of dividends, and

7,700 million yen, in the form of repurchases. In late March, we announced suspension of stock repurchases that had been scheduled before April 30, 2020 partly because of the spread of the COVID-19 outbreak, while we maintain the total return ratio of 100% through this year.

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

(ii) Capital Resources and Liquidity

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

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

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."

(iii) 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.

The assumptions on future business results are subject to uncertainties such as the impact of the COVID-19 outbreak and other factors that may arise in the future, and are based on information currently available. Please see "*Use of Estimates*" under "V. Financial Information – 1. Consolidated Financial Statements (1) Consolidated Financial Statements – Notes to Consolidated Financial Statements – 1. Summary of Significant Accounting Policies" for the impact of the COVID-19 outbreak on estimates.

a. ***Revenue Recognition***

We recognize revenue when control of promised products are transferred to customers and performance obligations are satisfied. Our 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.

b. ***Allowance for Doubtful Receivable***

We are required to assess the collectability 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, to take 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.

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, based on judgments regarding historical results 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, 2020, 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, 2020, 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 2020, the carrying values of buildings, machinery and equipment, vehicles and tools, furniture and fixtures in A TECH TEXTILE CO., LTD, whose fair values fell below the book values, were reduced as a result of an impairment test for fixed assets. The impairment charges of 769 million yen was recognized as impairment loss under operating costs and expenses of the "Wacoal Business (Overseas)" segments in the fiscal year ended March 2020.

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, the appraiser utilizes the net present value method with incorporate relevant unobservable inputs. In our determination of the fair value of trademark, the appraiser utilizes the relief-from-royalty method with incorporate relevant unobservable inputs.
As a result of evaluation performed for fiscal year 2020, we recorded 217 million yen, 191 million yen and 65 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 obligations 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, 2020 on Japanese government bonds whose maturity dates approximate the timing of the expected future benefit payments. On March 31, 2020, the discount rate 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 274 million yen	an increase of 2,008million yen
Discount rate: 0.5% increase	a decrease of 228 million yen	a decrease of 1,826 million yen
Expected long-term rate of return on plan assets: 0.5% decrease	an increase of 140 million yen	-
Expected long-term rate of return on plan assets: 0.5% increase	a decrease of 142 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".

4. 【Material Agreements, etc.】

Our board of directors resolved at its meeting held July 30, 2019 to enter into a share purchase agreement to acquire through our U.S. subsidiary Wacoal International Corp. (“Wacoal International”) all of the issued and outstanding shares of Intimates Online, a women’s innerwear design and sales company in the U.S. Wacoal International entered into the share purchase agreement as of the same day (U.S. time). Please see “V. Financial Information – 1. Consolidated Financial Statements – Notes to Consolidated Financial Statements” - 7.Aquisitions.

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 are introduced, and a senior generation.

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

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

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

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

III. 【Property, Plants, and Equipment】

1. 【Summary of Capital Investment, etc. 】

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

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were 4,619 million yen, 2,106 million yen, 129 million yen, and 127 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, 2020

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.	18,558	1,207	18,342 (266,637)	38,108	94 [－]

(2) Domestic Subsidiaries

As of March 31, 2020

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	48	229	－	277	2,158 [120]
Wacoal Corp. Tokyo Office (Chiyoda-ku, Tokyo) One other business office in Tokyo	Wacoal Business (Domestic)	Facilities for administration affairs	22	31	－	54	1,495 [69]
Wacoal Corp. Spiral Business Department (Minato-ku, Tokyo)	Wacoal Business (Domestic)	Sales facilities	55	33	－	89	－ [－]
Wacoal Distribution Corp. Moriyama Distribution Center (Moriyama, Shiga)	Wacoal Business (Domestic)	Facilities for merchandise management	16	64	－	80	343 [－]
Kyushu Wacoal Manufacturing Corp., Nagasaki Plant (Unzen, Nagasaki)	Wacoal Business (Domestic)	Manufacturing facilities	0	64	－	64	322 [－]
Torica Inc. (Saihakugun Nanbucho, Tottori) Three other plants	Wacoal Business (Domestic)	Manufacturing facilities	389	68	180 (40,840)	637	155 [49]
Nanasai Co., Ltd. Osaka Commodity Center (Yodogawa-ku, Osaka)	Other	Manufacturing facilities	172	6	150 (2,790)	328	26 [－]

(3) Overseas Subsidiaries

As of March 31, 2020

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	914	231	263 (32,300)	1,407	193 [−]
WACOAL DOMINICANA CORP. (Santo Domingo, Dominican Republic)	Wacoal Business (Overseas)	Manufacturing facilities	591	288	88 (24,459)	967	2,187 [−]
WACOAL SINGAPORE PRIVATE LTD. (Singapore)	Wacoal Business (Overseas)	Facilities for administration affairs	11	12	189 (235)	212	52 [16]
WACOAL HONG KONG CO., LTD. (Hong Kong)	Wacoal Business (Overseas)	Facilities for administration affairs	311	−	−	311	145 [26]
Wacoal China Co., Ltd. (Beijing, China)	Wacoal Business (Overseas)	Facilities for adm inistration affairs/ manufacturing Facilities	221	21	− (−) [11,871]	242	458 [−]
Guandong Wacoal Inc. (Guandong, China)	Wacoal Business (Overseas)	Manufacturing facilities	69	106	− (−) [11,224]	175	420 [−]
VIETNAM WACOAL CORP. (Bien Hoa City, Vietnam)	Wacoal Business (Overseas)	Facilities for adm inistration affairs/ manufacturing Facilities	85	166	− (−) [25,195]	251	1,865 [1]
Dalian Wacoal Co., Ltd. (Dalian, China)	Wacoal Business (Overseas)	Manufacturing facilities	207	231	− (−) [27,543]	439	617 [13]
A TECH TEXTILE CO., LTD. (Kabin Buri, Thailand)	Wacoal Business (Overseas)	Manufacturing facilities	109	324	249 (58,481)	682	322 [−]

(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	11,027	1,885 (11,208)
Wacoal Corp. Tokyo Office (Chiyoda-ku, Tokyo) One other business office in Tokyo	Wacoal Business (Domestic)	Facilities for administration affairs	1,175	1,945 (1,471)
Wacoal Corp. Spiral Business Department (Minato-ku, Tokyo)	Wacoal Business (Domestic)	Sales facilities	1,020	3,972 (1,739)

Wacoal Distribution Corp. Moriyama Distribution Center(Moriyama, Shiga)	Wacoal Business (Domestic)	Facilities for merchandise management	1,612	1,419 (38,923)
Kyushu Wacoal Manufacturing Corp., Nagasaki Plant (Unzen, Nagasaki)	Wacoal Business (Domestic)	Manufacturing facilities	195	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	—	104

(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	4,772	—	328
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

Name of Company Name of Business Office	Location	Segment	Type of Equipment and Facilities	Expected investment amount		Financing method	Start and completion date	
				Total amount (Millions of yen)	Amount paid (Millions of yen)		Start	Completion
Wacoal Distribution Corp. Moriyama Distribution Center	Moriyama , Shiga	Wacoal Business (Domestic)	Facilities for merchandise management	4, 290	—	Own resources and debt	2020. 7	2022. 1

(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, 2020) (shares)	Number of Shares Issued as of the Filing Date (June 26, 2020) (shares)	Names of Stock Exchanges on which the Company is listed or Names of Authorized Financial Instruments Firms Association	Description
Common stock	68,589,042	65,589,042	First section of Tokyo Stock Exchange	Shareholders have unlimited standard rights. The number of shares constituting a unit is 100.
Total	68,589,042	65,589,042	—	—

(Note) The total number of shares issued decreased to 65,589,042 shares following the cancellation of treasury stock of 3,000,000 shares conducted on May 25, 2020 as resolved by the Board of Directors' meeting held on May 15, 2020.

(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)	4 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 9,500 shares (Note 2)	Common stock 2,000 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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 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)	4 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 10,000 shares (Note 2)	Common stock 2,000 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)	

Above is based on information available as of the end of the current fiscal year (March 31, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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)	4 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 10,500 shares (Note 2)	Common stock 2,000 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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)	4 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 15,500 shares (Note 2)	Common stock 2,000 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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	36 (Note 1)	3 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 18,000 shares (Note 2)	Common stock 1,500 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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)	13 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 19,500 shares (Note 2)	Common stock 6,500 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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)	14 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 19,500 shares (Note 2)	Common stock 7,000 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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)	10 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 18,500 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 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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.

(23rd Stock Acquisition Rights / 24th Stock Acquisition Rights)

Date of resolution	July 20, 2019	
Category and number of eligible grantees	Director of the Company 4	Director of subsidiary 6
Number of stock acquisition rights	172 (Note 1)	113 (Note 1)
Class, description and number of shares represented by stock acquisition rights	Common stock 17,200 shares (Note 2)	Common stock 11,300 shares (Note 2)
Amount to be paid upon exercise of stock acquisition rights	One yen per share	
Exercise period	From July 23, 2019 until July 22, 2039	
Issue price for shares issued through the exercise of the stock acquisition rights and the amount capitalized as common stock	Issue price: 2,517 yen Amount capitalized as common stock: 1,259 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, 2020). No change has been made as of the end of the month preceding the filing date (May 31, 2020).

(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 July 22, 2038
From July 23, 2038 until July 22, 2039.

(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
May 24, 2019 (Note 2)	△2,100	68,589	–	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 3,000,000 shares following the cancellation of treasury stock on May 25, 2020, as resolved by the Board of Directors' meeting held on May 15, 2020.

(5) Status of Shareholders

As of March 31, 2020

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	–	57	27	191	240	11	12,262	12,788	–
Number of shares held (units)	–	293,655	6,187	121,115	100,515	54	163,005	684,531	135,942
Ratio (%)	–	42.90	0.90	17.69	14.68	0.01	23.82	100	–

(Note) 1 Out of the treasury stock of 6,186,410 shares, 61,864 units are included under "Individuals and Other," and 10 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, 2020

Name of Shareholder	Address	Number of Shares held by Shareholder (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	3,447	5.52
The Bank of Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	3,195	5.12
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	3,081	4.94
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	3,050	4.89
The Bank of Kyoto, Ltd.	700, Yakushimae-cho, Karasuma-dori, Matsubara-agaru, Shimogyo-ku, Kyoto	2,352	3.77
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo (Nippon Life Insurance Securities Services)	1,836	2.94
The Shiga Bank, Ltd.	1-38, Hamamachi, Otsu-shi, Shiga	1,775	2.84
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	1,525	2.44
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,366	2.19
Asahi Kasei Corporation	1-2 Yurakucho 1-chome, Chiyoda-ku, Tokyo	1,241	1.99
Total	————	22,869	36.65

(Note) 1 The Company is holding 6,186 thousand shares of treasury stock, which are not listed in the above list of major shareholders.

2 The numbers of shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Japan Trustee Services Bank, 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 2020, 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, 2020

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 6,186,400	―	Shareholders have unlimited standard rights. The number of shares constituting a unit is 100.
Shares with full voting rights – other	Common stock 62,266,700	622,667	Same as above.
Shares less than one unit	Common stock 135,942	―	Same as above.
Total number of shares issued	68,589,042	―	―
Total voting rights held by all shareholders	―	622,667	―

(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, 2020

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	6,186,400	―	6,186,400	9.02
Total	―	6,186,400	―	6,186,400	9.02

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, 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	1,828,000	4,999,832,200
Total number of remaining shares resolved and total amount	72,000	167,800
Unexercised percentage as of the end of the current fiscal year (%)	3.8	0.0
Treasury stock acquired during the current period	—	—
Unexercised percentage as of the filing date of this report (%)	3.8	0.0

Category	Number of Shares (Shares)	Total Amount (Yen)
Status of Resolution of Board of Directors (January 31, 2020) (Period for acquisition: From February 3, 2020 to April 30, 2020)	2,000,000	6,000,000,000
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired during the current fiscal year	969,500	2,743,744,700
Total number of remaining shares resolved and total amount	1,030,500	3,256,255,300
Unexercised percentage as of the end of the current fiscal year (%)	51.5	54.3
Treasury stock acquired during the current period	—	—
Unexercised percentage as of the filing date of this report (%)	51.5	54.3

(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, 2020 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	554	1,524,333
Treasury stock acquired during the current period	30	64,680

(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, 2020 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	2,100,000	5,934,652,279	3,000,000	8,404,303,715
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)	35	97,545	—	—
Other (exercise of stock acquisition rights)	22,500	63,041,000		
Number of shares of treasury stock held	6,186,410	—	3,186,440	—

(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, 2020 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 20.00 yen (including special anniversary dividend of 4.00 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 40.00 yen per share, is 60.00 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 taking into account the level of free cash flow as well as the market environment, and will make efforts to improve capital efficiency and return profits to our shareholders.

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

(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, 2019 Resolution of Board of Directors' meeting	2,560	40.00
May 15, 2020 Resolution of Board of Directors' meeting	1,248	20.00

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 eight 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.

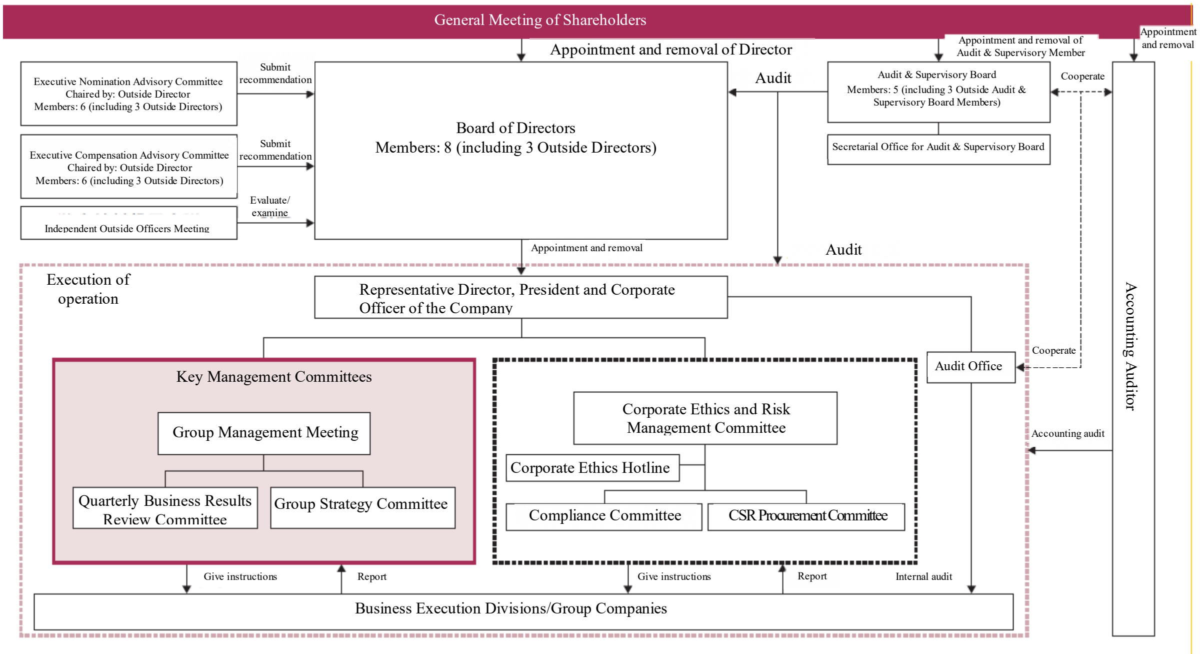
We, as a holding company, seek to govern our group companies with the management, audit, and supervisory systems as set out below:

- 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 asset status investigation 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 Nomination 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 head in charge of the committee 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, President and Corporate Officer of the Company	Hironobu Yasuhara	●		○			○	∗
Director and Vice President Corporate Officer	Masashi Yamaguchi	○		○	○	●	●	●
Director and Vice President Corporate Officer	Tomoyasu Ito	○					○	○
Director and Managing Corporate Officer	Akira Miyagi	○		○	○	○	○	○
Outside Director	Madoka Mayuzumi	○		○	○	○		
Outside Director	Shigeru Saito	○		○	○	○		
Outside Director	Tsunehiko Iwai	○		●	●	○		
Standing Audit & Supervisory Board Member	Kiyotaka Hiroshima	○	●			○		
Standing Audit & Supervisory Board Member	Shinichi Kitagawa	○	○			○		
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 at least one-third of all Directors will be 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.
- 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 with respect to major Group companies

(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.
- 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 audits of operations

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 audit.
- 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 are also making step-by-step efforts to strengthen the internal alert system for our overseas Group companies by providing compliance awareness training and carrying out compliance review by a third-party as well as by expanding 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, which we continue to expand, in order to check the outsources' 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 outsources; 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 eight 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 discussed and drafted Wacoal Group's plan which is during fiscal year 2021.
- 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.
- We have resolved at the Board of Directors' Meeting held in February 2020 to adopt the corporate officer system starting from April 1, 2020 in order to further enhance the Group's business execution functions as a group.

(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 attend meetings of the Board of Directors and other important meetings, 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: 12 persons
Female: 1 person (which accounted for 7.7% 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 Apr. 2020	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) Chairman of Kyoto Chamber of Commerce and Industry (acting)	Note 1	278
Representative Director, President and Corporate Officer	Hironobu Yasuhara	Dec. 28, 1951	Mar. 1975 Apr. 1997 Apr. 2005 Jun. 2006 Apr. 2010 Apr. 2011 Jun. 2011 Jun. 2013 Jun. 2016 Apr. 2018 Jun. 2018 Apr. 2020	Joined the Company President of Wacoal China Co., Ltd. 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) Representative Director, President and Corporate Officer of the Company (acting)	Note 1	10
Director and Vice President Corporate Officer	Masashi Yamaguchi	Nov 26, 1957	Apr. 1981 Apr. 2011 Apr. 2013 Apr. 2014 Apr. 2015 Jun. 2015 Apr. 2017 Jun. 2017 Apr. 2019	Joined the Company 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.	Note 1	3

			Jun.2019 Apr.2020	Director and Vice President and Supervisor of Group Business Management of the Company Director and Vice President Corporate Officer and Supervisor of Group Business Management (acting)		
Director and Vice President Corporate Officer	Tomoyasu Ito	Jan. 18,1960	Apr. 1983 Apr. 2006 Apr. 2007 Apr. 2011 Apr. 2014 Apr. 2015 Apr. 2016 Apr. 2018 Apr. 2020 Jun.2020	Joined the Company General Manager of Sales Planning Division, Wacoal-Brand Operations of Wacoal Corp. Representative Director and President of Studio Five Corp. General Manager of Innerwear Merchandising Division, Wacoal-Brand Operations of Wacoal Corp. Director, Corporate Officer, Head of Wacoal-Brand Operations of Wacoal Corp. Director, Managing Corporate Officer, Head of Wacoal-Brand Operations of Wacoal Corp. Director, Senior Managing Corporate Officer, Head of Wacoal-Brand Operations of Wacoal Corp Appointed Representative Director, President and Corporate Officer of Wacoal Corp (acting). Vice President Corporate Officer Director and Vice President Corporate Office (acting)	Note 1	3
Director and Managing Corporate Office	Akira Miyagi	Oct. 18,1960	Mar. 1984 Oct. 2007 Apr. 2011 Apr. 2014 Apr. 2017 Jun. 2018 Jun.2019 Apr. 2020	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) Corporate Officer of Wacoal Corp. Director and General Manager of Corporate Planning of the Company Managing director and General Manager of Corporate Planning of the Company Director and Managing Corporate Officer in charge of Group Finance of the Company (acting)	Note 1	3
Director	Madoka Mayuzumi	Jul. 31, 1962	Aug. 1996 Jan. 2001 Dec. 2004 Apr. 2010 May. 2013 Apr. 2014 Apr. 2014 Jun. 2015	Launched and organized monthly *haiku* magazine *Gekkan Hepburn* 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 “Japan Cultural Envoy” appointed by the Agency for Cultural Affairs 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. 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	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.	Note 1	—

			Jan. 2016 Mar. 2018 Jun. 2018	Representative Director, Executive Vice President Chief Technology & Innovation Officer, Shiseido Co., Ltd. Senior Advisor, Shiseido Co., Ltd. Director of the Company (acting)		
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 5	4
Standing Audit & Supervisory Board Member	Shinichi Kitagawa	Dec. 29, 1962	Mar. 1985 Apr. 2008 Apr. 2009 Apr. 2013 Apr. 2018 Jun. 2020	Joined the Company Director and General Manager of Accounting and Administration Division of Studio Five Corp. Director and General Manager of Business Control Division of Studio Five Corp. IR/Public Relations Officer of the Company. General Manager of Accounting Department of the Company Audit & Supervisory Board Member of the Company (acting)	Note 6	―
Audit & Supervisory Board Member	Hiroshi Shirai	Oct. 21, 1953	Nov. 1977 Aug. 1982 Jul. 1992 Aug. 2007 Jun. 2010 Sep. 2011 Oct. 2011 Jun. 2015	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 Established Shirai public accounting firm, Managing Partner (acting) Audit & Supervisory Board Member (acting)	Note 5	3
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 3	1
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 Audit & Supervisory Board Member of the Company (acting)	Note 4	1
Total						310

(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 26, 2020.

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, 2017.

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 28, 2018.

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 27, 2019.

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 26, 2020.

7 Audit & Supervisory Board Members Mr. Hiroshi Shirai, Mr. Mitsuhiro Hamamoto and Mr. Minoru Shimada are Outside Audit & Supervisory Board Members.

8 We have adopted the corporate officer system in order to clarify executive responsibility and accelerate the speed of execution of duties.

The Corporate Officers who do not concurrently serve as Directors are as follows:

	Title	Name
Corporate Officer	General Manager of Corporate Planning and IT Governance	Hiroaki Miyake
Corporate Officer	in charge of Group Personnel, Director and Corporate Officer and General Manager of Personnel and Administration Division of Wacoal Corp.	Takahiko Hasegawa
Corporate Officer	in charge of Group Technology and Production, Director and Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp.	Kazuhiro Shibahara
Corporate Officer	in charge of Group International Business, Director and Corporate Officer and General Manager of Global Division of Wacoal Corp.	Mitsuru Sekiguchi
Corporate Officer	in charge of Group Research and Development, Corporate Officer and Director of Human Science Research Center of Wacoal Corp.	Hiroshi Imai
Corporate Officer	in charge of Group IT Promotion, Corporate Officer and Manager of IT Promotion Division of Wacoal Corp.	Shuji Morimoto

(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 6,000 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	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. 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. 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.
Outside Director	Shigeru Saito	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. 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.
Outside Director	Tsunehiko Iwai	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. 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.
Outside Audit & Supervisory Board Member	Hiroshi Shirai	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. 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 eight years and eight months since Mr. Shirai left Deloitte Touche Tohmatsu LLC. 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.
Outside Audit & Supervisory Board Member	Mitsuhiro Hamamoto	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. 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.
Outside Audit & Supervisory Board Member	Minoru Shimada	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. 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.

(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 after they receive necessary documents and are explained about 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 Compensation 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

a. Organization and Members

Our Audit & Supervisor Board are composed of five members, who are two Standing Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members. Standing Audit & Supervisory Board Member Mr. Kiyotaka Hiroshima serves as the head of the Audit & Supervisor Board. Standing Audit & Supervisory Board Member Mr. Shinichi Kitagawa and out side Audit & Supervisory Board Member Mr. Hiroshi Shirai, qualified as a certified accountant, has a considerable degree of finance and accounting knowledge. Standing Audit & Supervisory Board Member Mr. Kiyotaka Hiroshima provides audit and advices based on his experience as a Director of Wacoal Corp., our core operating entity, and extensive knowledge of the production and technology divisions. Outside Audit & Supervisory Board Member Mr. Mitsuhiro Hamamoto provides audit and advices based on his legal knowledge as a lawyer and experience in business law, which is his area of specialization. Outside Audit & Supervisory Board Member Mr. Minoru Shimada provides audit and advices based on extensive experience in financial industry and extensive knowledge as a corporate executive. The foregoing members have enhanced the effectiveness of audit. In addition, we have a full-time assistant for the Secretarial Office for the Audit & Supervisory Board to assist the duties of the Audit & Supervisory Board Members and our Audit Office assists the duties of the Audit & Supervisory Board Members upon their request from time to time.

b. Activities of Audit & Supervisory Board

The Audit & Supervisory Board generally meets once a month before the Board of Directors meeting and also from time to time as necessary. We held 15 meetings during the current fiscal year. The attendance record of each Audit & Supervisory Board Member is as follows.

Title	Name	Meeting attendance (Attendance rate)
Standing Audit & Supervisory	Tomoki Nakamura	14/15 (93%)

Board Member		
Standing Audit & Supervisory Board Member	Kiyotaka Hiroshima	15/15 (100%)
Outside Audit & Supervisory Board Member	Hiroshi Shirai	14/15 (93%)
Outside Audit & Supervisory Board Member	Mitsuhiro Hamamoto	15/15 (100%)
Outside Audit & Supervisory Board Member	Minoru Shimada	15/15 (100%)

The Audit & Supervisory Board prepares an audit report, determines appointment and removal of Standing Audit & Supervisory Board Members, audit policies, procedures of investigation on the conduct of the business and the assets and properties and matters regarding the execution of duties of Audit & Supervisory Board Members in accordance with the Companies Act. The Audit & Supervisory Board also examines matters to be resolved by the Audit & Supervisory Board such as matters regarding appointment and removal or non-reappointment of the accounting auditor, consent on the amount of remuneration, etc. paid for the accounting auditor, consent on appointment of Audit & Supervisory Board Members, examines the agenda of the Board of Directors in advance, exchanges information and opinions in relation to audit, exchanges opinions with the Representative Director and Chairman and the Representative Director and President, and conducts hearings on the execution of duties with the Directors of Wacoal Corp., our major subsidiary. The Audit & Supervisory Board monitors and inspects the status of the audit by the accounting auditor through results of quarterly review and the status of its accounting audit at the end of the fiscal year, as well as hearings on the system to ensure the appropriate execution of duties of the accounting auditor and the results of audits on the internal controls as appropriate.

c. Activities of Audit & Supervisory Board Members

The Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings such as Group Management Meeting, express their opinions as necessary and hear explanation on important operational matters from the Directors etc. in accordance with the audit standards prescribed by the Audit & Supervisory Board. The Audit & Supervisory Board Members also monitors and inspects the system to ensure appropriate business conduct to perform audits on legality and validity of the execution of duties of the Directors. In addition, Outside Audit & Supervisory Board Member Mr. Minoru Shimada attends the Executive Nomination Advisory Committee and the Executive Compensation Advisory Committee as an observer and expresses his opinions as necessary and Standing Audit & Supervisory Board Members attend the Corporate Ethics and Risk Management Committee, the Compliance Committee and the CSR Procurement Committee as an observer and express their opinions as necessary in order to strengthen the monitoring function on operations.

Standing Audit & Supervisory Board Members make efforts to communicate with the Directors and employees, maintain an environment for information gathering and auditing, conduct audits on the status of principal offices and the assets and properties, receive monthly reports from Audit Office and share the information with Outside Audit & Supervisory Board Members in accordance with the audit standards and the assignment of work responsibilities prescribed by the Audit & Supervisory Board. Standing Audit & Supervisory Board Members also hold Audit & Supervisory Board group meetings, receive annual reports from the Audit & Supervisory Board Members of the domestic subsidiaries and visit the domestic and overseas subsidiaries to conduct audits with Outside Audit & Supervisory Board Members as much as possible in order to understand the management condition through hearings from the management. Standing Audit & Supervisory Board Members receive reports regarding the management conditions of the major overseas subsidiaries from Global division from time to time.

During the current fiscal year, we focused on compliance with the business judgement rule in the meeting of Board of Directors, dealing with the Corporate Governance Code, enhancement of compliance in areas such as CSR procurement and strengthening audits on the adequacy of the accounting auditor, including the audit results that took into consideration the Key Audit Matters (KAM) which will be adopted starting with the fiscal year ending March 31, 2021.

(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 26, 2020, was 11.

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. Consecutive Number of Years during which Audit Was Performed

52 years

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

Designated Limited Liability Partners and Managing Members: Wakyu Shinmen, Hiroaki Sakai, Tomomi Tsuji

d. Composition of the assistants for the audit services:

8 certified public accountants, 6 persons who passed the certified public accountant examination and 7 other persons

e. 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.

We have selected Tohmatsu based on the fact that it has the required independence, expertise, and appropriateness and adequacy in auditing activities, and on our judgment that it has the system to ensure that the accounting audit of the Company will be conducted appropriately and sufficiently.

f. 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 25, 2019, 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.

(iv) Audit Fees

A. Fees to Certified Public Accountants

Category	Fiscal Year Ended March 31, 2019		Fiscal Year Ended March 31, 2020	
	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	9	146	82
Consolidated subsidiaries	14	—	14	—
Total	155	9	160	82

For both fiscal years ended March 31, 2019 and 2020, 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. Compensation for the same network as the CPA (Deloitte) (excluding a)

Category	Fiscal Year Ended March 31, 2019		Fiscal Year Ended March 31, 2020	
	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	—	10	—	22
Consolidated subsidiaries	97	31	111	57
Total	97	41	111	79

For both fiscal years ended March 31, 2019 and 2020, the Company paid fees to the accounting auditor or certified public accountants as compensation for the advice and guidance regarding tax.

In the fiscal year ended March 31, 2019, the consolidated subsidiaries paid fees to the accounting auditor or certified public accountants as compensation for the advice and guidance regarding tax. In the fiscal year ended March 31, 2020, the consolidated subsidiaries paid fees to the accounting auditor or certified public accountants as compensation for the advice and guidance regarding tax and M&A.

C. Other material audit fees

Not applicable.

D. 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.

E. 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 13,500 million yen based on the business results from previous fiscal years, and the consolidated operating income for the current fiscal year was 6,632 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.

<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 is 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.

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 25, 2019: Verification of the level of remuneration for officers and basic remuneration amount

July 21, 2019: Issuance of stock options

April 24, 2020: 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 27, 2019: Basic remuneration amount for the current fiscal year

June 27, 2019: Issuance of stock options

May 28, 2020: Performance-linked bonus for officers

The Executive Compensation Advisory Committee continues to work on restructuring the whole compensation system for executives including the following:

- Examination and formulation of the basic policy regarding the compensation for executives
- Composition of basic compensation, performance-linked bonuses and mid- and long-term incentives (reassessment of the amount and relative proportions)
- Calculation method for performance-linked bonuses (to strengthen their link to business targets in accordance with the medium- and long-term management plan)
- Mid- and long-term incentive (examination of compensation other than stock options)

(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	
Directors (Excluding Outside Directors)	282	227	12	43	5
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	39	39	—	—	2
Outside Officers	49	49	—	—	6

(Note) As of March 31, 2020, the numbers of Directors, Audit & Supervisory Board Members, and Outside Officers were four, two, and six, respectively. These numbers were inconsistent with the numbers described above because the numbers described above include one Director who resigned as Director upon the close of the 71th Ordinary General Meeting of Shareholders held on June 27, 2019.

(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
Yoshikata Tsukamoto	156	Director	Wacoal Holdings Corp.	129	5	21

(5)【Information on Shareholdings】

(i) 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.

(ii)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, and profits in connection with the transaction and dividend income indices 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	29	1,635
Shares Other than Unlisted Stock of Shares	55	40,536

(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	2	275	Acquired for the purpose of building cooperative relationship
Shares Other than Unlisted Stock of Shares	1	4	Increased through purchases made by share ownership plan for shares in clients

(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	14	15,248

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 2020	Fiscal Year 2019	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	1,520,500	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
	4,850	8,396		
Aeon Co., Ltd.	1,544,410	1,542,264	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
	3,705	3,572		
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
	2,857	2,898		
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
	2,347	2,640		
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
	2,282	2,451		
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
	1,960	2,639		
Saha Pathana Inter-Holding PCL	7,606,666	7,606,666	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	No
	1,664	1,891		

			enhancing corporate value in the Kingdom of Thailand.	
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
	1,484	1,410		
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 (Note 3)
	1,356	1,469		
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
	1,237	1,414		
Shiga Bank, Ltd.	462,408	462,408	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
	1,187	1,219		
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 (Note 3)
	1,162	1,587		
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
	985	1,219		
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
	876	1,392		
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
	868	968		
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	Yes
	843	854		

			stable supply.	
Isetan Mitsukoshi Holdings Ltd.	1,315,769 828	1,315,769 1,472	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 (Note 3)
Takara Holdings Inc.	1,000,000 810	1,000,000 1,309	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
Aeon Financial Service Co., Ltd.	687,300 795	687,300 1,548	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
Fukuyama Transporting Co., Ltd.	204,400 790	204,400 870	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
Toppan Printing Co., Ltd.	426,000 705	426,000 711	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
Mitsubishi UFJ Lease & Finance Company Limited	1,320,000 702	1,320,000 744	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
Seven & i Holdings Co., Ltd.	154,969 554	154,969 647	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
Odakyu Electric Railway Co., Ltd.	197,500 468	197,500 529	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
Chuo Warehouse Co., Ltd.	381,300	381,300	We have close connection in logistics transaction and continue to hold the	Yes

	459	385	issuer's shares to maintain and strengthen our good relationship from the perspective of enhancing corporate value.	
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
	457	683		
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 relationship in business deployment.	Yes
	453	458		
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
	436	498		
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
	334	363		
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
	331	417		
I.C.C INTERNATIONAL PLC	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
	299	371		
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
	274	338		
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
	251	348		

H2O Retailing Corporation	310,759 245	310,759 479	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
Nichicon Corporation	296,500 200	296,500 300	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
IZUMI Co., Ltd.	45,648 136	45,648 235	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
Sanyo Shokai Ltd.	100,000 134	100,000 172	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
Dai Nippon Printing Co., Ltd.	58,000 133	58,000 153	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
Aoyama Trading Co., Ltd.	141,500 131	141,500 356	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
Matsuya Co., Ltd.	205,000 125	205,000 205	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
Fuji Company, Limited	62,600 112	62,600 119	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

Nissha Co., Ltd.	147,000 105	147,000 171	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
YAGI & CO., LTD.	71,100 97	71,100 107	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
King Co., Ltd.	168,000 90	168,000 95	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
Takihyo Co., Ltd.	46,800 72	46,800 82	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
Takashimaya Co., Ltd.	60,000 58	60,000 88	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
Fujibo Holdings, Inc.	20,000 57	20,000 52	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
Kurabo Industries Ltd.	20,043 51	20,043 40	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
Toda Corporation	75,891 47	75,891 51	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
Toray Industries, Inc.	100,000 46	100,000 70	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	Yes

			stable supply.	
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
	46	44		
Tenmaya Store Co., Ltd.	11,000	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 enhancing corporate value.	Yes
	10	13		
Toyobo Co., Ltd.	2,000	*	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
	2	*		
Izutsuya Co., Ltd.	13,564	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
	2	6		
Daiwa Co., Ltd.	7,400	*	We engage in a transaction of women's various products, mainly 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
	1	*		
Nissin Foods Holdings Co., Ltd.	—	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		
Shiseido Co., Ltd.	—	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.	No
	—	3,059		
J. Front Retailing Co., Ltd.	—	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.	No
	—	713		
Tokyo Broadcasting System Holdings, Inc.	—	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	No
	—	629		

			perspective of enhancing corporate value.	
Teijin Limited	—	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
	—	42		
ARCS Co., Ltd.	—	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		
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		

(Note) 1 “—” indicates that we do 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 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 The company in which we hold the stocks does not hold any shares of the Company, while its subsidiary holds shares of the Company.

Stocks deemed to be held:

Issuer Name	Fiscal Year 2020	Fiscal Year 2019	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 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.	No
	8,115	6,067		
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 (Note 3)
	1,356	1,850		

(Note) 1 The specified investment stock and stocks deemed to be held are not combined when selecting the top stocks based on the amount recorded in the balance sheet.

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

3 The company in which the Company holds the stocks does not hold any shares of the Company, while its subsidiary holds shares of the Company.

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, and profits in connection with the transaction and dividend income indices 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	—	—

(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	1	3

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 2020	Fiscal year 2019	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	We continued to hold the issuer's shares to maintain and enhance a stable welfare program for employees through life insurance transactions	No
	—	3		

(Note) "—" indicates that the Company does not hold any shares of such stock.

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/

V. 【Financial Information】

1. 【Consolidated Financial Statements】

Consolidated Balance Sheets
March 31, 2020 and 2019

ASSETS	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
CURRENT ASSETS:			
Cash and cash equivalents	¥ 27,905	¥ 30,133	$ 259,509
Time deposits	797	4,004	7,412
Marketable securities (Notes 3, 20 and 21)	656	446	6,101
Notes and accounts receivable (Note 6)	20,062	24,989	186,571
Allowance for doubtful receivables (Note 4)	(489)	(229)	(4,548)
Inventories (Note 5)	43,427	42,508	403,860
Return assets	868	1,180	8,072
Other current assets (Notes 6, 21 and 22)	4,964	4,985	46,164
Total current assets	98,190	108,016	913,141
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 9)	21,460	21,549	199,572
Buildings and structures (Notes 9, 11 and 21)	74,039	74,033	688,543
Machinery and equipment (Note 21)	18,782	18,914	174,668
Construction in progress	1,090	478	10,137
Total	115,371	114,974	1,072,920
Accumulated depreciation	(63,288)	(61,704)	(588,562)
Net property, plant and equipment	52,083	53,270	484,358
OTHER ASSETS:			
Operating leases right-of-use assets (Notes 1 and 10)	13,540		125,918
Investments in affiliated companies (Note 6)	21,595	21,859	200,828
Investments (Notes 3, 20 and 21)	43,904	63,372	408,296
Goodwill (Notes 7, 8 and 21)	22,371	11,954	208,044
Other intangible assets (Notes 7, 8 and 21)	14,547	12,297	135,283
Prepaid pension expense (Note 12)	4,974	3,990	46,257
Deferred income taxes (Note 17)	1,118	1,362	10,397
Other	5,366	5,647	49,902
Total other assets	127,415	120,481	1,184,925
TOTAL	¥ 277,688	¥ 281,767	$ 2,582,424

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 2) 2020
CURRENT LIABILITIES:			
Short-term bank loans (Note 9)	¥ 3,364	¥ 8,116	$ 31,284
Notes and accounts payable:			
Trade notes payable	1,112	1,155	10,341
Trade accounts payable (Note 6)	9,588	10,638	89,166
Other payables	7,107	6,548	66,093
Accrued payroll and bonuses	6,734	7,209	62,624
Income taxes payable (Note 17)	4,878	2,759	45,364
Refund liabilities	2,645	3,482	24,598
Short-term operating lease liabilities (Notes 1 and 10)	4,600		42,779
Other current liabilities (Notes 9, 12, 18, 20, 21 and 22)	4,079	3,955	37,934
Total current liabilities	44,107	43,862	410,183
LONG-TERM LIABILITIES:			
Liability for termination and retirement benefits (Note 12)	2,069	1,828	19,241
Deferred income taxes (Note 17)	7,911	12,567	73,570
Long-term operating lease liabilities (Notes 1 and 10)	9,101		84,637
Contingent consideration (Notes 7 and 21)	2,786		25,909
Other long-term liabilities (Notes 9, 11, 12, 20 and 21)	2,266	2,366	21,073
Total long-term liabilities	24,133	16,761	224,430
COMMITMENTS AND CONTINGENCIES (Notes 9, 10 and 13)			
EQUITY:			
WACOAL HOLDINGS CORP. SHAREHOLDERS' EQUITY:			
Common stock, no par value – authorized, 250,000,000 shares in 2020 and 2019; issued 68,589,042 shares and 70,689,042 shares in 2020 and 2019, respectively	13,260	13,260	123,314
Additional paid-in capital (Note 14)	29,836	29,807	277,467
Retained earnings	185,233	193,139	1,722,618
Accumulated other comprehensive (loss) income (Note 16):			
Foreign currency translation adjustments	(1,033)	1,551	(9,607)
Pension liability adjustments (Note 12)	(4,594)	(5,679)	(42,723)
Total accumulated other comprehensive loss	(5,627)	(4,128)	(52,330)
Treasury stock, at cost – 6,186,410 shares and 5,510,891 shares in 2020 and 2019, respectively	(17,331)	(15,584)	(161,174)
Total Wacoal Holdings Corp. shareholders' equity (Note 15)	205,371	216,494	1,909,895
Noncontrolling interests	4,077	4,650	37,916
Total equity	209,448	221,144	1,947,811
TOTAL	¥ 277,688	¥ 281,767	$ 2,582,424

See notes to consolidated financial statements.

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2020	2019	2018	2020
NET SALES (Notes 6, 10 and 18)	¥ 186,760	¥ 194,201	¥ 195,725	$ 1,736,818
OPERATING COSTS AND EXPENSES (REVENUE):				
Cost of sales (Notes 6, 10 and 12)	84,959	89,804	92,032	790,096
Selling, general and administrative expenses (Notes 10, 11, 12 and 14)	93,927	93,517	92,701	873,496
Impairment charges on property, plant and equipment (Note 21)	769	167		7,151
Compensation income			(708)	
Impairment charges on goodwill (Notes 8 and 21)	217	4,325	206	2,018
Impairment charges on other intangible assets (Notes 8 and 21)	256	1,509		2,381
Total operating costs and expenses	180,128	189,322	184,231	1,675,142
OPERATING INCOME	6,632	4,879	11,494	61,676
OTHER (EXPENSES) INCOME:				
Interest income	177	289	194	1,646
Interest expense	(19)	(11)	(10)	(177)
Dividend income (Note 6)	1,506	1,429	1,329	14,005
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net (Note 3)	(3,760)	(5,430)	206	(34,967)
Other – net (Notes 10, 12, 16 and 22)	(177)	1,047	1,073	(1,646)
Total other (expenses) income – net	(2,273)	(2,676)	2,792	(21,138)
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	4,359	2,203	14,286	40,538
INCOME TAXES (Note 17):				
Current	7,126	5,350	4,880	66,270
Deferred	(5,673)	(2,817)	662	(52,757)
Total income taxes	1,453	2,533	5,542	13,513
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	2,906	(330)	8,744	27,025
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	62	725	916	577
NET INCOME	2,968	395	9,660	27,602
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	504	(54)	85	4,687
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 3,472	¥ 341	¥ 9,745	$ 32,289

(Continued)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2020, 2019 and 2018

	Yen			U.S. Dollars (Note 2)
	2020	2019	2018	2020
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER SHARE (Note 19):				
Basic	¥ 54.26	¥ 5.16	¥ 143.46	$ 0.5
Diluted	¥ 54.05	¥ 5.14	¥ 142.98	$ 0.5
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP. PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 19):				
Basic	¥ 271.29	¥ 25.78	¥ 717.30	$ 2.52
Diluted	¥ 270.25	¥ 25.68	¥ 714.89	$ 2.51

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, 2020, 2019 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2020	2019	2018	2020
NET INCOME	¥ 2,968	¥ 395	¥ 9,660	$ 27,602
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX (Note 16):				
Foreign currency translation adjustments:				
Amounts arising during the year	(2,532)	(750)	1,113	(23,547)
Total foreign currency translation adjustments	(2,532)	(750)	1,113	(23,547)
Unrealized gain (loss) on securities:				
Amounts arising during the year		(7)	6,494	
Reclassification adjustments		(97)	(139)	
Total unrealized gain (loss) on securities		(104)	6,355	
Pension liability adjustments:				
Amounts arising during the year	125	(4,787)	(487)	1,162
Reclassification adjustments	960	200	(193)	8,928
Total pension liability adjustments	1,085	(4,587)	(680)	10,090
OTHER COMPREHENSIVE (LOSS) INCOME	(1,447)	(5,441)	6,788	(13,457)
COMPREHENSIVE INCOME (LOSS)	1,521	(5,046)	16,448	14,145
COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	452	(18)	21	4,203
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 1,973	¥ (5,064)	¥ 16,469	$ 18,348

See notes to consolidated financial statements.

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Equity
Years Ended March 31, 2020, 2019 and 2018

	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, 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 14)	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 adoption of new accounting standards				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 14)	11		42	(12)		32	62		62
Equity transactions with noncontrolling interests								38	38
BALANCE, MARCH 31, 2019	65,178	13,260	29,807	193,139	(4,128)	(15,584)	216,494	4,650	221,144
Cumulative effects (net of tax) of adoption of new accounting standards (Note 1)				(515)			(515)		(515)
Net income				3,472			3,472	(504)	2,968
Foreign currency translation adjustments					(2,584)		(2,584)	52	(2,532)
Pension liability adjustments					1,085		1,085		1,085
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥300 per 5 shares of common stock				(4,907)			(4,907)		(4,907)
Cash dividends paid to noncontrolling interests								(237)	(237)
Purchase of treasury stock	(2,798)					(7,745)	(7,745)		(7,745)
Disposal of treasury stock	0			(0)		0	0		0
Cancellation of treasury stock				(5,935)		5,935			
Share-based compensation granted (exercised) (Note 14)	23		29	(21)		63	71		71
Equity transactions with noncontrolling interests								116	116
BALANCE, MARCH 31, 2020	62,403	¥ 13,260	¥ 29,836	¥ 185,233	¥ (5,627)	¥ (17,331)	¥ 205,371	¥ 4,077	¥ 209,448

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, 2020, 2019 and 2018

	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, 2019	$ 123,314	$ 277,197	$ 1,796,141	$ (38,389)	$ (144,927)	$ 2,013,336	$ 43,244	$ 2,056,580
Cumulative effects (net of tax) of adoption of new accounting standards (Note 1)			(4,789)			(4,789)		(4,789)
Net income			32,289			32,289	(4,687)	27,602
Foreign currency translation adjustments				(24,031)		(24,031)	484	(23,547)
Pension liability adjustments				10,090		10,090		10,090
Cash dividends paid to Wacoal Holdings Corp. shareholders, $2.79 per 5 shares of common stock			(45,634)			(45,634)		(45,634)
Cash dividends paid to noncontrolling interests							(2,204)	(2,204)
Purchase of treasury stock					(72,027)	(72,027)		(72,027)
Disposal of treasury stock			(0)		0	0		0
Cancellation of treasury stock			(55,194)		55,194			
Share-based compensation granted (exercised) (Note 14)		270	(195)		586	661		661
Equity transactions with noncontrolling interests							1,079	1,079
BALANCE, MARCH 31, 2020	$ 123,314	$ 277,467	$ 1,722,618	$ (52,330)	$ (161,174)	$ 1,909,895	$ 37,916	$ 1,947,811

See notes to consolidated financial statements.

(Concluded)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2020	2019	2018	2020
OPERATING ACTIVITIES:				
Net income	¥ 2,968	¥ 395	¥ 9,660	$ 27,602
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,029	5,647	5,492	56,068
Share-based compensation (Note 14)	71	62	68	670
Allowance for returns and doubtful receivables – net	299	(2,263)	18	2,781
Deferred income taxes	(5,673)	(2,817)	662	(52,757)
Loss on sales or disposal of property, plant and equipment – net	103	48	250	958
Impairment charges on property, plant and equipment (Note 21)	769	167		7,151
Compensation income			(708)	
Impairment charges on goodwill (Notes 8 and 21)	217	4,325	206	2,018
Impairment charges on other intangible assets (Notes 8 and 21)	256	1,509		2,381
Loss (gain) on sale, exchange and valuation of marketable securities and investments – net (Note 3)	3,760	5,430	(206)	34,967
Equity in net loss (income) of affiliated companies, less dividends received	480	(211)	(397)	4,464
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	4,685	822	(232)	43,569
(Increase) decrease in inventories	(1,350)	(76)	1,012	(12,556)
Decrease (increase) in return assets	312	(1,180)		2,902
(Increase) decrease in other current assets	(29)	(653)	270	(270)
(Decrease) increase in notes and accounts payable	(373)	(1,640)	676	(3,469)
(Decrease) increase in refund liabilities	(837)	3,482		(7,784)
Increase (decrease) in liability for termination and retirement benefits	776	(620)	(833)	7,217
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	665	1,075	(518)	6,184
Other	197	118	73	1,823
Net cash provided by operating activities	13,325	13,620	15,493	123,919
INVESTING ACTIVITIES:				
Increase in time deposits	(438)	(4,783)	(5,129)	(4,073)
Decrease in time deposits	3,576	5,226	3,368	33,256
Proceeds from sales and redemption of equity securities	15,252	2,497	394	141,839
Payments to acquire equity securities	(339)	(323)	(22)	(3,153)
Proceeds from redemption of debt securities	544	1,008	567	5,060
Payments to acquire debt securities		(900)	(1,605)	
Compensation income			708	
Proceeds from sales of property, plant and equipment	104	276	159	967
Payments to acquire property, plant and equipment	(3,442)	(2,603)	(3,429)	(32,010)
Payments to acquire intangible assets (Note 8)	(3,539)	(3,180)	(2,455)	(32,912)
Acquisition of a subsidiary (net of cash acquired) (Note 7)	(9,181)			(85,381)
Proceeds from sales of shares of affiliated companies		270		
Other	32	38	82	298
Net cash provided by (used in) investing activities	2,569	(2,474)	(7,362)	23,891
FORWARD	¥ 15,894	¥ 11,146	¥ 8,131	$ 147,810

(Continued)

Wacoal Holdings Corp. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2020	2019	2018	2020
FORWARD	¥ 15,894	¥ 11,146	¥ 8,131	$ 147,810
FINANCING ACTIVITIES:				
(Decrease) increase in short-term bank loans with original maturities of three months or less – net	¥ (4,645)	¥ 1,061	¥ (755)	(43,197)
Repayments of long-term debt	(53)	(50)	(47)	(493)
Purchase of treasury stock	(7,745)	(6,919)	(4,007)	(72,026)
Disposal of treasury stock	0	0	0	0
Dividends paid on common stock	(4,907)	(4,811)	(7,386)	(45,635)
Dividends paid to noncontrolling interests	(237)	(191)	(194)	(2,204)
Proceeds from share issuance of noncontrolling interests	116	38	86	1,079
Net cash used in financing activities	(17,471)	(10,872)	(12,303)	(162,476)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(651)	372	(336)	(6,054)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,228)	646	(4,508)	(20,720)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,133	29,487	33,995	280,229
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 27,905	¥ 30,133	¥ 29,487	$ 259,509
ADDITIONAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	¥ 20	¥ 1	¥ 11	$ 186
Income taxes	4,758	5,068	5,853	44,248
NONCASH INVESTING ACTIVITIES:				
Acquisition of a subsidiary (contingent consideration) (Note 7)	4,172			38,798
Acquisition of property, plant and equipment by assuming payment obligation	¥751	¥954	¥583	$6,984

See notes to consolidated financial statements.

(Concluded)

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.

The Companies reflected the impact of the COVID-19 outbreak in such estimates. The official views of when the outbreak will be contained have not been announced by public institutions. The Companies are estimating that COVID-19 will have an impact on their business results until September 2020, and that their results in October 2020 will recover to the level before the outbreak. The Companies developed future business plans and used them for the estimates of impairment charges on property, plant and equipment, goodwill and other intangible assets based on this assumption. However, COVID-19's impact on impairment charges on property, plant and equipment, goodwill and other intangible assets recorded for the year ended March 31, 2020 were immaterial.

Note that when the outbreak will be settled is not easy to predict and there is a possibility that these impairment charges would increase if the assumptions were different from actual results.

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 (loss) 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, 2020, 2019 and 2018 were ¥36 million, ¥76 million and ¥(189) million, respectively. They have been included in other – net of other (expenses) income.

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 (loss) income, 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. Property, plant and equipment are amortized over their estimated useful lives mainly using the straight-line method. 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, 2020, 2019 and 2018 were ¥3,545 million, ¥3,538 million and ¥3,681 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.

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 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 are amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Brands	10, 20 and 25 years (mainly 25 years)
Customer relationships	5 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. For some lease contracts that are automatically renewed at the end of the contract, asset retirement obligations are calculated based on a reasonable estimate of the end of the contract.

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 – As for lessor accounting, the Companies recognized revenue mainly from contracts consisted of leasing mannequins, display furniture and real estate owned by the Companies to our customers. These lease arrangements are classified as operating leases and related revenue is recognized ratably over the lease term. Options to extend or terminate the leases are included in some of the contracts. The Companies take such options into account to determine the lease term when it is probable that these options will be exercised. Moreover, almost all of the contracts do not contain variable consideration and purchase options for their customers. Some of the contracts contain lease and non-lease components and the consideration in the contracts are allocated based upon estimated standalone selling prices of the lease and non-lease components.

As for lessee accounting, the Companies have leases for assets such as retail stores, warehouses, offices, corporate housing, vehicles, machinery, and equipment, which are classified as an operating lease. The Companies determine whether a contract is, or contains a lease at the inception of the contract. Options to extend or terminate the leases contracts are included in some of the contracts. The Companies take such options into account in order to determine the lease term when it is probable that these options will be exercised. Some of the contracts contain variable lease payments. Most of the variable lease payments are for our retail stores, which depend on their sales. Material residual value guarantees and restriction or covenants imposed by leases do not exist in the contracts.

Some of the contracts contain lease and non-lease components. Considerations in the contracts for which underlying assets are land and buildings and structures are allocated based upon the estimated standalone selling prices of the lease and non-lease components, which are accounted for separately. On the other hand, the Companies elects the practical expedient and did not separate lease components from non-lease components for leases for which underlying assets are machinery and equipment. The Companies uses the incremental borrowing rate based on the information available at commencement date to determine the present values of lease payments, unless the implicit rate is readily determinable. The Companies also elects the practical expedient which allows entities to expense leases with a term of 12 months or less at the commencement date as incurred. Operating lease cost is recognized on a straight-line basis over the lease term.

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. The Companies measure contingent consideration classified as liabilities at the fair value as of the date of acquisition and remeasure them to fair values at each reporting date until the contingencies are resolved. Fluctuations of the fair values due to the remeasurement are recognized in income or expenses as incurred.

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 historical return.

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, 2020, 2019 and 2018 were ¥13,169 million, ¥12,329 million and ¥12,719 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, 2020, 2019 and 2018 were ¥508 million, ¥739 million and ¥781 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 26, 2020.

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

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.

In July 2018, the FASB issued ASU No. 2018-11, "Leases." This ASU provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, entities initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

This guidance is effective for annual reporting periods beginning after December 15, 2018 and quarter periods within those fiscal year. The Companies has adopted the guidance from the quarter beginning April 1, 2019. The Companies has adopted the modified retrospective approach, and applied the transition requirements at the effective date with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, and prior periods were not restated. The Companies elected to apply the package of practical expedients permitted under the transition guidance which does not require entities to reassess whether any expired or existing contracts are leases, lease classification and initial direct costs. The Companies also elected to apply the practical expedient which allows entities to not assess whether existing or expired land easements that were not previously accounted for as leases are leases. As a result of this adoption, operating leases right-of-use assets and operating leases liabilities of ¥14,550 million were recorded in the consolidated balance sheet as of April 1, 2019. In addition, the application of deferred tax accounting resulted in the recording of deferred tax liabilities of ¥515 million and a related decrease in the opening balance of retained earnings as a cumulative-effect adjustment for the same amount. The adoption of this guidance is not expected to have a material impact on our group's cash flows.

Recent Accounting Guidance Not Yet Adopted

***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, 2020 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.

Measurement of Credit Losses on Financial Instruments – In June 2016, the FASB issued a new accounting guidance related to measurement of credit losses on financial instruments. This guidance introduces a new impairment model based on expected losses rather than incurred losses. Using this model will result in more timely recognition of losses than under current incurred approach. In November 2019, the FASB issued an additional guidance related to changing the effective date of the above guidance. As a result, the guidance is effective for fiscal years beginning after December 15, 2022 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.

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 ¥107.53 to $1, the noon buying rate for yen in New York City as of March 31, 2020. 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, 2020 and 2019. The cost, gross unrealized gain and loss and the fair value by major security type were as follows:

	Millions of Yen			
2020	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥656	¥2	¥1	¥657
Noncurrent:				
Corporate debt securities	¥329	¥4		¥333

2019	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	Millions of Yen			
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥446	¥0	¥1	¥445
Noncurrent:				
Corporate debt securities	¥1,124	¥1	¥4	¥1,121

Gross unrealized losses and fair values of debt securities, for those that have been in a continuous unrealized loss position for more than 12 months as of March 31, 2020 and 2019, were as follows:

	Millions of Yen			
	2020		2019	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities	¥109	¥1	¥332	¥1
Investment:				
Corporate debt securities			¥446	¥3

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, 2020 and 2019, were as follows:

	Millions of Yen			
	2020		2019	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities	¥220	¥0		
Investment:				
Corporate debt securities			¥228	¥1

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. 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, 2020 and 2019.

Future maturities of debt securities classified as held-to-maturity securities as of March 31, 2020, were as follows:

	Millions of Yen	
	Cost	Fair Value
Due within one year	¥ 656	¥ 657
Due after one year through five years	329	333
Total	¥ 985	¥ 990

As a result of the conversion of convertible bonds into equity 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, 2020.

Equity Securities – Realized and unrealized gains and losses on equity securities during the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen	
	2020	2019
Realized gain (losses) recognized during the period on equity securities sold during the period	¥ 1,620	¥ (77)
Unrealized losses recognized during the period on equity securities still held at March 31	(5,380)	(5,493)
Net (gains) losses recognized during the period on equity securities	¥ (3,760)	¥ (5,570)

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES

Information related to the Companies' allowance for doubtful receivables as of March 31, 2020, 2019 and 2018 was as follows:

	Millions of Yen		
	2020	2019	2018
Balance at the beginning of the year	¥ 229	¥ 207	¥ 219
Charged to expenses	270	36	28
Balances written-off/reversed	(10)	(14)	(40)
Balance at the end of the year	¥ 489	¥ 229	¥ 207

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

	Millions of Yen
	2018
Balance at the beginning of the year	¥ 2,258
Charged to cost	2,252
Balances utilized	(2,258)
Balance at the end of the year	¥ 2,252

5. INVENTORIES

The components of inventories as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Finished products	¥ 37,224	¥ 36,358
Work in process	3,938	3,793
Raw materials	2,265	2,357
Total	¥ 43,427	¥ 42,508

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, 2020 and 2019 were as follows:

Name of Investee	Percentage of Ownership (%) 2020	2019
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	21

Aggregate carrying amounts and fair values of investments in affiliated companies which have a quoted market price as of March 31, 2020 and 2019 were as follows:

	Millions of Yen 2020	2019
Carrying amount	¥14,431	¥14,523
Aggregate value of quoted market price	9,421	11,075

The following tables represent the affiliated companies' summarized balance sheets and statements of income as of and for the years ended March 31, 2020 and 2019. Such information as of and for the year ended March 31, 2018 were not disclosed as they were immaterial.

	Millions of Yen 2020	2019
Current assets	¥ 43,974	¥ 41,929
Noncurrent assets	42,161	44,635
Total	¥ 86,135	¥ 86,564
Current liabilities	¥ 9,048	¥ 8,569
Long-term liabilities	7,583	7,145
Equity	69,504	70,850
Total	¥ 86,135	¥ 86,564

	Millions of Yen 2020	2019
Net sales	¥ 62,676	¥63,066
Gross profit	32,455	32,105
Income before income taxes	1,654	3,458
Net income	860	2,714

The balance of receivables and payables to affiliated companies as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Accounts receivable	¥618	¥927
Accounts payable	509	665
Other receivable	329	286

The amounts of transaction with affiliated companies for the years ended March 31, 2020, 2019 and 2018 were follows:

	Millions of Yen		
	2020	2019	2018
Sales	¥ 2,838	¥3,257	¥2,700
Cost of sales corresponding to sales of material and products	2,826	3,175	2,675
Purchases	5,302	5,612	5,744
Royalties	330	299	300

Dividends received from affiliated companies were ¥ 542 million, ¥514 million and ¥519 million for the years ended March 31, 2020, 2019 and 2018, respectively.

7. ACQUISITIONS

The Company decided to enter into a share purchase agreement pursuant to which the Companies acquired through our U.S. subsidiary Wacoal International Corp. ("Wacoal International") all of the issued and outstanding shares of Intimates Online, Inc. ("Intimates Online"), a women's innerwear design and sales company in the U.S. at the meeting of our board of directors held on July 30, 2019. Wacoal International entered into the share purchase agreement on the same day (U.S. time) and acquired all of the issued and outstanding shares of Intimates Online on July 31, 2019 (U.S. time).

Intimates Online designs and sells women's innerwear products under its "LIVELY" brand in the U.S. thorough its e-commerce website and directly managed retail stores. The Companies expect discontinuous growth in the U.S. by acquiring its customer base mainly for millennials and its unique marketing method to spread its reputation and online reviews by organizing its customers as its ambassador.

Consideration for the acquisition was ¥13,520 million and is consisted of ¥9,348 million (USD 86 million) of cash and ¥4,172 million (USD 38 million) of contingent consideration.

The contingent consideration was agreed with previous shareholders upon the share purchase agreement and will be paid to them over a period of four fiscal years. Payment is contingent on Intimate Online's performance achieving certain goals such as sales targets. The total contingent payment amount will be within the range of USD 20 million and USD 55 million.

The fair value of the contingent consideration was ¥3,874 million (USD 36 million) as of March 31, 2020. The changes in fair value were recognized in selling, general and administrative expenses. The contingent consideration of ¥1,088 million (USD 10 million), for which the consideration has been fixed, was recognized in accounts payable.

For the year ended March 2020, acquisition-related costs were ¥245 million and had been included in selling, general and administrative expenses.

As a result of the purchase price allocation, the Company recognized ¥11,551 million of goodwill and ¥1,923 million of other intangible assets in Wacoal Business (Overseas). The goodwill arising from the acquisition consists largely of the expected growth of Intimates Online, synergies and economies of scale expected from combining the operations with Wacoal International. Other intangible assets were composed of ¥1,097 million brands, ¥793 million customer relationships, and ¥33 million of noncompetition agreements, respectively. Goodwill is not deductive for tax purposes. The amount of brands, customer relationships and noncompetition agreements are amortized based on the estimated useful lives of 10 and 5 years, respectively.

The Company adjusted the fair values of assets acquired and liabilities assumed as of the acquisition date based on the information the Company obtained subsequent to the acquisition date. These adjustment are reflected retrospectively to the fair value of assets acquired and liabilities assumed as of the acquisition date.

The fair values of assets acquired and liabilities assumed as of the acquisition date were as follows:

	Millions of yen	
	July 31, 2019	
	Before Adjustment	After Adjustment
Cash and cash equivalents	¥ 167	¥ 167
Notes and accounts receivable	14	14
Inventories	341	383
Other current assets	16	12
Property, plant and equipment	14	17
Operating leases right-of-use assets	295	290
Goodwill	13,505	11,551
Other intangible assets		1,923
Other assets	18	18
Total assets	14,370	14,375
Notes and accounts payables	222	228
Short-term operating lease liabilities	47	47
Other current liabilities	42	43
Deferred income taxes		288
Long-term operating lease liabilities	249	249
Total liabilities	560	855
Total equity	¥ 13,810	¥ 13,520

Pro Forma Financial Information (Unaudited)

Unaudited supplemental pro forma information for the combined result of operation of the Company and its subsidiary as though the acquisition had occurred as of April 1, 2018 were as follows:

	Millions of yen	
	2020	2019
Net sales	¥187,482	¥195,684
Operating income	6,338	4,346
Net income (loss) attributable to Wacoal Holdings Corp.	3,172	(193)

Net sales and operating loss of Intimates Online included in the Company's consolidated statements of income for the year ended March 31, 2020 are ¥1,301 million and ¥1,250 million, respectively.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill **–** Changes in the carrying amount of goodwill by operating segments for the years ended March 31, 2020, 2019 and 2018 were as follows.

	Millions of Yen		
	2020		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Acquisition cost	¥ 11,954	¥	¥ 11,954
Accumulated impairment charges			
Carrying amount	11,954		11,954
Acquisition during the year	11,551		11,551
Impairment charges	(217)		(217)
Foreign currency translation adjustments	(917)		(917)
Balance at the end of the year:			
Acquisition cost	22,594		22,594
Accumulated impairment charges	(223)		(223)
Carrying amount	¥ 22,371	¥	¥ 22,371

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

	Millions of Yen		
	2018		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Goodwill	¥ 11,746	¥ 11,203	¥ 22,949
Accumulated impairment charges		(6,878)	(6,878)
Total	11,746	4,325	16,071
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	¥ 12,269	¥ 4,325	¥ 16,594

The Company recorded impairment charges on goodwill of ¥217 million for the G Tech in the year ended March 31, 2020, which was included in operating costs and expenses of Wacoal Business (Overseas). 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). See Note 21 for further information about measurement of fair value.

Other Intangible Assets – The components of intangible assets excluding goodwill as of March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	2020		2019	
Year Ended March 31	Gross Carrying Amount	Accumulated Amortization and Impairment Charges	Gross Carrying Amount	Accumulated Amortization and Impairment Charges
Amortized intangible assets:				
Brands	¥ 6,670	¥ 2,076	¥ 6,058	¥ 1,899
Software	16,039	8,163	14,060	7,542
Others	2,534	1,022	1,732	868
Total	¥ 25,243	¥ 11,261	¥ 21,850	¥ 10,309
Unamortized intangible assets:				
Trademarks	¥ 5,316	¥ 4,827	¥ 5,316	¥ 4,636
Other	76		76	
Total	¥ 5,392	¥ 4,827	¥ 5,392	¥ 4,636

Other intangible assets acquired during the year ended March 31, 2020 totaled ¥5,313 million, which primarily consist of brands and software. Other intangible assets acquired during the years ended March 31 2019 and 2018 totaled ¥3,266 million and ¥2,569 million, which primarily consist of software. Estimated useful life brands and software are ten and five years, respectively.

During the years ended March 31, 2020 and 2019, the Companies recorded impairment charges on the trademark of Peach John of ¥191 million and ¥1,314 million, which was included in operating costs and expenses of the Peach John Business. During the year ended March 31, 2020, the Companies also recorded ¥65 million of impairment charges on software of the A Tech, which was included in operating expenses of the Wacoal Business (Overseas). During the year ended March 31, 2019, the Companies recorded ¥195 million of impairment charges on software of Ai, which was included in operating expenses of the Wacoal Business (Domestic). See Note 21 for further information.

Aggregate amortization expenses for the years ended March 31, 2020, 2019 and 2018 related to other intangible assets were ¥2,484 million, ¥2,109 million and ¥1,811 million, respectively. Future estimated amortization expenses as of March 31, 2020 were as follows:

Year Ending March 31	Millions of Yen
Estimated amortization expense	
2021	¥ 2,640
2022	2,497
2023	2,267
2024	1,815
2025	1,169
Total	¥ 10,388

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

Short-term bank loans as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen	
	2020	2019
Unsecured bank loans	¥3,364	¥8,116

The weighted-average annual interest rates on short-term bank loans as of March 31, 2020 and 2019 were 0.3% and 0.2%, respectively.

Unused lines of credit for short-term financing as of March 31, 2020 and 2019 aggregated to ¥28,657 million and ¥22,935 million, respectively.

Long-term debt as of March 31, 2020 and 2019 was summarized below. The interest rates and maturities were for loans as of March 31, 2020.

	Millions of Yen	
	2020	2019
Collateralized bank loans, with fixed interest at 0.6%, maturing through 2022	¥ 35	¥ 55
Unsecured bank loans, with fixed interest at 0.4%, maturing through 2022	50	83
Total	85	138
Less current portion of long-term portion	(50)	(50)
Long-term debt, less current portion	¥ 35	¥ 88

The annual maturities of long-term debt as of March 31, 2020 were as follows:

Year Ending March 31	Millions of Yen
2021	¥ 50
2022	35
Total	¥ 85

A subsidiary has pledged assets as security for loans. As of March 31, 2020 and 2019, assets pledged as collateral for bank loans were as follows:

	Millions of Yen	
	2020	2019
Land	¥ 150	¥ 150
Buildings	146	169
Total	¥ 296	¥ 319

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.

10. LEASES

Lessor Accounting

Operating lease income for the year ended March 31, 2020 was as follow. Lease income was included in net sales and other net income.

	Millions of Yen 2020
Operating lease income	¥2,392

The acquisition costs of equipment leased to customers under operating leases were ¥2,756 million of land and ¥516 million of building and building improvements. Accumulated depreciation on these equipment was ¥413 million as of March 31, 2020. These are included in net property, plant and equipment.

Future minimum lease income classified as operating leases as of March 31, 2020 were as follows. Note that lease payments related to mannequins and display furniture which were mainly part of the Companies' lease income were not included in the below table because the contracts terms were not material.

Year Ending March 31	Millions of Yen
2021	¥ 245
2022	201
2023	173
2024	172
2025	112
Thereafter	1,287
Total	¥ 2,190

Lessee accounting

Operating lease costs for the year ended March 31, 2020 were as follows. Lease expenses were included in cost of sales and selling, general and administrative expenses.

	Millions of Yen 2020
Operating lease costs	¥ 4,945
Short-term lease costs	635
Variable lease costs	1,295
Total	¥ 6,875

Supplemental cash flow information related to operating leases for the year ended March 31, 2020 was as follows.

	Millions of Yen 2020
Cash paid for amounts included in the measurement of lease liabilities	¥ 4,798
Non-cash activities concerning right-of-use assets obtained in exchanged for new operating lease liabilities.	5,483

Weighted-average remaining lease term and discount rate for operating leases were as follows:

	2020
Weighted-average remaining lease term	63.0 months
Weighted-average discount rate	1.7%

Future minimum lease payments classified as operating leases as of March 31, 2020 were as follows:

Year Ending March 31	Millions of Yen
2021	¥ 4,805
2022	3,075
2023	1,719
2024	1,148
2025	909
Thereafter	2,899
Total minimum lease payments	14,555
Less interest cost	(854)
Total lease liabilities	¥ 13,701

Any material leases commenced after April 1, 2020 were not recognized as of March 31, 2020.

11. 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		
	2020	2019	2018
Balance at the beginning of the year	¥ 813	¥ 825	¥ 855
Accretion expense	3	2	1
Liabilities incurred	63	92	62
Liabilities settled	(52)	(106)	(91)
Change due to foreign currency translation	0	0	(2)
Balance at the end of the year	¥ 827	¥ 813	¥ 825

12. 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		
	2020	2019	2018
Change in benefit obligations:			
Benefit obligations at the beginning of the year	¥ 38,681	¥ 34,580	¥ 34,935
Service cost	1,243	1,196	1,086
Interest cost	176	178	205
Participants' contributions	60	62	63
Actuarial (gain) loss	(217)	4,937	432
Loss based on prior service benefits	253		
Benefits paid from plan assets	(961)	(961)	(1,007)
Settlement paid from plan assets	(1,275)	(976)	(1,003)
Settlement paid by the Company and certain subsidiaries	(289)	(339)	(138)
Changes in foreign currency exchange rates	3	4	7
Benefit obligations at the end of the year	37,674	38,681	34,580
Change in plan assets:			
Fair value of plan assets at the beginning of the year	¥ 40,680	¥ 42,736	¥ 43,203
Actual return on plan assets	1,375	(846)	878
Employer contributions	579	657	612
Participants' contributions	60	62	63
Benefit payments	(961)	(961)	(1,007)
Settlement payments	(1,275)	(976)	(1,003)
Changes in foreign currency exchange rates	6	8	(10)
Fair value of plan assets at the end of the year	40,464	40,680	42,736
Funded status at the end of the year	¥ 2,790	¥ 1,999	¥ 8,156

Amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2019 consist of:

	Millions of Yen	
	2020	2019
Prepaid pension expense	¥ 4,974	¥ 3,990
Other current liabilities	(115)	(163)
Liability for termination and retirement benefits	(2,069)	(1,828)
Total	¥ 2,790	¥ 1,999

Amounts recognized in accumulated other comprehensive income, as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Actuarial loss	¥ (5,048)	¥ (6,820)
Prior service cost	(253)	
Total	¥ (5,301)	¥ (6,820)

The accumulated benefit obligation for all defined retirement benefit plans as of March 31, 2020 and 2019 was as follows:

	Millions of Yen	
	2020	2019
Accumulated benefit obligations	¥37,532	¥38,531

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

	Millions of Yen	
	2020	2019
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥ 3,075	¥2,856
Fair value of plan assets	738	865
Plans with accumulated benefit obligations in excess of the fair value of plan assets:		
Accumulated benefit obligations	3,075	2,856
Fair value of plan assets	738	865

Net periodic benefit costs for certain subsidiaries' of the Company plans consisted of the following for the years ended March 31, 2020, 2019 and 2018:

	Millions of Yen		
	2020	2019	2018
Service cost	¥ 1,243	¥ 1,196	¥ 1,086
Interest cost	176	178	205
Expected return on plan assets	(1,006)	(1,007)	(991)
Amortization of actuarial loss (gain)	1,186	5	(157)
Amortization of prior service benefits			(121)
	¥ 1,599	¥ 372	¥ 22

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, 2020, 2019 and 2018 were as follows:

	Millions of Yen		
	2020	2019	2018
Actuarial gain (loss)	¥ 586	¥ (6,790)	¥ (545)
Amortization of actuarial loss (gain)	1,186	5	(157)
Prior service benefits	(253)		
Amortization of prior service benefits			(121)
	¥ 1,519	¥ (6,785)	¥ (823)

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	¥ 875
Prior service cost	21

Certain subsidiaries of the Company use a measurement date of March 31 for their plans. The weighted-average assumptions used as of March 31, 2020 and 2019 in computing the benefit obligations shown above were as follows:

	2020	2019
Discount rate	0.5%	0.5%

The weighted-average assumptions used as of March 31, 2020, 2019 and 2018 in computing the net periodic benefit costs shown above were as follows:

	2020	2019	2018
Discount rate	0.5%	0.5%	0.6%
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, 2020 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, 2020 and 2019 was as follows:

	2020	2019
Equity securities	44.7%	42.3%
Debt securities	31.1%	34.9%
Life insurance company general accounts	9.3%	9.7%
Real estate	3.2%	3.4%
Other short-term investments	11.7%	9.7%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2020 and 2019 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, 2020 and 2019. 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 21.

2020	Millions of Yen Level 1	Level 2	Level 3	Total
Assets evaluated by other than net asset value per share				
Equity securities:				
Japanese companies	¥ 9,707			¥ 9,707
Foreign companies	43			43
Debt securities:				
Foreign government bonds	216			216
Life insurance company general accounts		¥ 3,773		3,773
Other types of investments:				
Other short-term investments		2,209		2,209
Assets evaluated by net asset value per share (a)				
Equity securities:				
Pooled funds (b)				5,227
Debt securities:				
Pooled funds (c)				8,145
Other types of investments:				
Hedge funds (d)				3,634
Pooled funds (e)				7,510
Total	¥ 9,966	¥ 5,982		¥ 40,464

2019	Millions of Yen Level 1	Level 2	Level 3	Total
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	¥ 8,348	¥ 6,871		¥ 40,680

(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 52% Japanese companies and 48% foreign companies as of March 31, 2020 and 50% and 50%, respectively, as of March 31, 2019.

(c) This class includes approximately 83% of foreign government bonds and 17% of corporate bonds investments as of March 31, 2020 and 79% and 21%, respectively, as of March 31, 2019.

(d) This class consists of hedge funds that invest in both securities and equity securities as of March 31, 2020 and 2019.

(e) This class includes approximately 20% corporate bonds, 0% common stock of Japanese companies, 29% common stock of foreign companies, 17% real estate and 34% other short-term investments as of March 31, 2020. This class includes approximately 34% corporate bonds, 1% common stock of Japanese companies, 30% common stock of foreign companies, 20% real estate and 15% other short-term investments as of March 31, 2019.

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 ¥564 million to their plans in the year ending March 31, 2021.

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

Year Ending March 31	Millions of Yen
2021	¥ 2,198
2022	2,152
2023	2,358
2024	2,113
2025	2,163
Thereafter	10,757

Defined Contribution Plan – Certain subsidiaries of the Company have defined contribution plans. The amounts of cost recognized for their contributions to the plan were ¥407 million, ¥394 million and ¥327 million for the years ended March 31, 2020, 2019 and 2018, 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 ¥344 million and ¥349 million as of March 31, 2020 and 2019, 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.

13. COMMITMENT AND CONTINGENT LIABILITIES

The Company entered into a construction supervision and construction contract in the amount of ¥ 4,290 million, in connection with a new logistics center that will be established next to the Moriyama Distribution Center in Moriyama, Shiga on March 16, 2020.

The Company had contractual obligation of ¥4,290 million as of March 31, 2020.

The annual payments of contractual obligation as of March 31, 2020 were as follows:

Year Ending March 31	Millions of Yen
2021	¥ 900
2022	3,200
2023	190
Total	¥ 4,290

14. 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, 2020, 2019 and 2018. 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.

	2020	2019	2018
Expected dividend yield	2.6%	2.2%	2.3%
Expected volatility	25.0%	24.6%	23.7%
Risk-free interest rate	(0.2)%	(0.1)%	(0.2)%
Expected term	4.0 years	3.7 years	3.4 years

A summary of stock option activities under the plan for the years ended March 31, 2020 and 2019 was as follows:

		Yen	Years	Millions of Yen
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of April 1, 2019	249,900	¥1		
Granted	28,500	1		
Exercised	22,500	1		
Outstanding as of March 31, 2020	255,900	1	12.95 years	¥600
Exercisable as of March 31, 2020	36,800	1	3.23 years	86

	Shares	Yen Weighted-Average Exercise Price	Years Weighted-Average Remaining Contractual Term	Millions of Yen 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	249,900	1	13.09 years	¥687
Exercisable as of March 31, 2019	40,500	1	3.68 years	111

The total intrinsic value of options exercised was ¥62 million, ¥33 million and ¥16 million as of the years ended March 31, 2020, 2019 and 2018, respectively.

The total compensation costs recognized for the years ended March 31, 2020, 2019 and 2018 were ¥71 million, ¥62 million and ¥68 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2020, 2019 and 2018 were ¥22 million, ¥19 million and ¥21 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2020, 2019 and 2018 were ¥2,516, ¥3,005 and ¥2,918, respectively.

As of March 31, 2020, 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.

15. 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.

16. OTHER COMPREHENSIVE (LOSS) INCOME

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

	Millions of Yen								
	2020			2019			2018		
	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)	¥ 1,551		¥ (5,679)	¥ 2,274	¥ 27,424	¥ (1,101)	¥ 1,212	¥ 21,075	¥ (414)
Cumulative effects (net of tax) of the adoption of ASU No. 2016-01 and 2018-03					(27,320)				
Amount arising during the year:									
Pre-tax amount	(2,529)		265	(795)	(10)	(6,866)	1,158	9,309	(655)
Tax credit	(3)		(140)	45	3	2,079	(45)	(2,815)	168
Net amount	(2,532)		125	(750)	(7)	(4,787)	1,113	6,494	(487)
Reclassification adjustments:									
Pre-tax amount			1,357		(140)	202		(201)	(278)
Tax credit			(397)		43	(2)		62	85
Net amount			960		(97)	200		(139)	(193)
Other comprehensive (income) loss attributable to noncontrolling interests (after-tax)	(52)			27		9	(51)	(6)	(7)
Balance at the end of the year (after-tax)	¥ (1,033)		¥ (4,594)	¥ 1,551	¥	¥ (5,679)	¥ 2,274	¥ 27,424	¥ 1,101

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.

17. 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, 2020, 2019 and 2018:

	2020	2019	2018
Normal Japanese effective statutory tax rates	30.6%	30.6%	30.9%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	7.3	22.9	3.0
Change in valuation allowance	10.3	25.5	2.8
Undistributed earnings of associated companies	2.3	3.9	0.7
Differences in foreign subsidiaries' tax rate	(7.2)	(27.3)	(1.3)
Tax exemption	(2.0)	(2.9)	(0.9)
Unrecognized tax benefits	(1.0)	1.4	(0.1)
Impairment losses on goodwill	1.3	60.1	0.1
Changes in Japanese income tax rates	(0.1)	(0.4)	2.0
Other – net	(8.2)	1.2	1.6
Effective tax rates	33.3%	115.0%	38.8%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	2020		2019	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Refund liabilities	¥ 734		¥ 963	
Allowance for doubtful receivables	15		9	
Accruals not currently deductible	205		226	
Inventory valuation	1,089		837	
Accrued bonuses	882		990	
Advanced depreciation on property, plant and equipment		¥ 1,839		¥ 1,912
Undistributed earnings of associated companies		2,485		2,400
Net unrealized gain on marketable securities and investments		5,848		10,394
Net realized gain on exchange of investments		416		792
Capitalized supplies	137		172	
Enterprise taxes	352		245	
Accrued vacation	741		739	
Operating leases right-of-use assets		3,580		
Operating lease liabilities	3,616			
Asset retirement obligation	250		250	
Prepaid pension expense		720		357
Liability for termination and retirement benefit	611		430	
Return assets		266		361
Property, plant and equipment	1,591		1,393	
Tax loss carryforwards	2,388		1,838	
Intangible assets		1,151		1,261
Other temporary differences	36	277	602	245
Total	12,647	16,582	8,694	17,722
Valuation allowance	(2,858)		(2,177)	
Total	¥ 9,789	¥ 16,582	¥ 6,517	¥ 17,722

The valuation allowance decreased by ¥681 million and increased by ¥160 million for the years ended March 31, 2020 and 2019, respectively.

The Companies also utilized ¥245 million and ¥661 million of tax loss carryforwards, and recognized tax benefits of ¥29 million and ¥215 million for the years ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, certain subsidiaries had tax loss carryforwards which are available to offset future taxable income of such subsidiaries and expire as follows:

Year Ending March 31	Millions of Yen
2021	¥ 186
2022	421
2023	554
2024	390
2025	818
2026	656
2027	577
2028	164
2029	1,047
2030	1,033
Thereafter	3,215
Total	¥ 9,061

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, 2020 and 2019.

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

	Millions of Yen		
	2020	2019	2018
Balance at the beginning of the year	¥ 101	¥ 5	¥ 4
Additions based on tax positions related to the current year	1	60	1
Addition based on tax position related to the previous years		36	
Reductions for tax positions of prior years	(100)		
Balance at the end of the year	¥ 2	¥ 101	¥ 5

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥2 million, ¥101 million and ¥5 million as of March 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018 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, 2007, 2010 and 2016 were completed respectively.

18. 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 "23. 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 historical returns.

Contract liabilities from contracts with customers consists mainly of customer royalty points. Some of subsidiaries have customer royalty 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, 2020 and 2019 are as follows:

	Millions of Yen	
	2020	2019
Contract liabilities	¥917	¥873

Revenue recognized for the years ended March 31, 2020 and 2019, which had been included in the contract liabilities balance at beginning of year were ¥494 million and ¥324 million.

19. 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 63,989,561 shares, 66,143,405 shares and 67,928,557 shares for the years ended March 31, 2020, 2019 and 2018, 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 64,242,244 shares, 66,393,127 shares and 68,157,430 shares for the years ended March 31, 2020, 2019 and 2018, 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.

20. 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, 2020 and 2019 were as follows:

	Millions of Yen			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities	¥ 656	¥ 657	¥ 446	¥ 445
Investments	43,904	43,908	63,372	63,369
Total assets	¥ 44,560	¥ 44,565	¥ 63,818	¥ 63,814
Liabilities:				
Long-term debt including current portion	¥ 85	¥ 85	¥ 138	¥ 138
Total liabilities	¥ 85	¥ 85	¥ 138	¥ 138

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 21.

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 21.

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.

21. 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, 2020 and 2019 were as follows:

2020	Millions of Yen Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Equity securities	¥ 40,920		¥ 2,561	¥ 43,481
Mutual funds	94			94
Total	41,014		2,561	43,575
Derivative instruments:				
Foreign exchange contracts		¥ 57		57
Total assets	¥ 41,014	¥ 57	¥ 2,561	¥ 43,632
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ 24		¥ 24
Currency swap		72		72
Total		96		96
Contingent consideration			¥ 3,874	3,874
Total liabilities		¥ 96	¥ 3,874	¥ 3,970

2019	Millions of Yen Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Equity securities	¥ 59,911		¥ 2,287	¥ 62,198
Mutual funds	50			50
Total	59,961		2,287	62,248
Derivative instruments:				
Foreign exchange contracts		¥ 27		27
Total assets	¥ 59,961	¥ 27	¥ 2,287	¥ 62,275
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ 18		¥ 18
Currency swap		36		36
Total liabilities		¥ 54		¥ 54

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 as inputs or other appropriate valuation methods. Contingent consideration are valued by the Monte Carlo simulation using unobservable inputs.

The tables below show the change in assets presented in Level 3 that are continuously assessed at fair value as of March 31, 2020 and 2019:

	Millions of Yen	
	2020	
	Investment	Contingent Consideration
Balance at the beginning of the year	¥ 2,287	
Purchase/assumed in acquisition	276	¥ 4,172
Total gains or losses for the period:		
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net	(2)	
Selling, general and administrative expenses		(304)
Foreign currency translation adjustments		6
Balance at the end of the year	¥ 2,561	¥ 3,874
Unrealized (loss) gain included in earnings for assets and liabilities still held as of March 31, 2020	¥ (2)	¥ (304)

	Millions of Yen
	2019
	Investment
Balance at the beginning of the year	¥ 2,002
Purchase	201
Total gains or losses for the period:	
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net	84
Balance at the end of the year	¥ 2,287
Unrealized gains included in earnings for assets still held as of March 31, 2019	¥ 84

Assets Measured at Fair Value on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis as of March 31, 2020 and 2019 were as follows:

	Millions of Yen				
2020	Level 1	Level 2	Level 3	Total	Impairment Losses
Buildings and structures			¥ 109	¥ 109	¥ (162)
Machinery and equipment			324	324	(607)
Goodwill (Note 8)					(217)
Trademarks (Note 8)			489	489	(191)
Software (Note 8)			14	14	(65)
					¥ (1,242)

2019	Level 1	Level 2	Level 3	Total	Impairment Losses
	Millions of Yen				
Buildings and structures					¥ (43)
Machinery and equipment					(124)
Goodwill (Note 8)					(4,325)
Trademarks (Note 8)			¥ 680	¥ 680	(1,314)
Software (Note 8)					(195)
					¥ (6,001)

As of March 31, 2019, the carrying amount of G 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 incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, and the prices calculated based on market data for comparable assets 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 a 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.

As of the end of March 31, 2020, the carrying amount of A Tech's buildings, machinery and equipment, and software under the Wacoal Business (Overseas) were written down to their fair values, resulting in the recognition of an impairment charge of ¥162 million, ¥607 million, and ¥65 million, respectively. 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 discounted cash flows method and incorporated relevant unobservable inputs, such as management's assumptions about future cash flows and an 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 five years, and after five years, future cash flows were estimated using a growth rate of 2.0%. 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 risk-adjusted discount rate represents the weighted-average cost of capital (WACC).

As of the end of March 31, 2020, the carrying amount of G Tech's goodwill under the Wacoal Business (Overseas) was fully written off, resulting in an impairment charge of ¥217 million. The impairment is due to the revision of the future business plan made in response to a decrease in sales. To measure the fair values of G Tech's reporting units, the Companies used discounted cash flows method 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, 2020, Peach John's trademarks with a carrying amount of ¥680 million were written down to their fair values of ¥489 million, resulting in the recognition of an impairment charge of ¥191 million for the year ended March 31, 2020. The impairment is 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 assumptions about future cash flows, the rate of royalty, and an 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 a 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 royalty rate used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents the weighted-average cost of capital (WACC) adjusted for an 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 years ended March 31, 2020 and 2019 is as follows:

March 31, 2020	Millions of Yen Fair Value	Valuation Technique	Principal Unobservable Input	Range
Buildings and structures	¥109		Discount rate	10.0%
Machinery and equipment	324	Expected present value method	Short-term revenue growth rates (within five years)	(31.1)% - 102.5%
Software	14		Growth rate (over five years)	2.0%
Trademarks	¥489	Relief-from-royalty method	Discount rate	10.3% - 13.9%
			Royalty rate	3.0%
			Short-term revenue growth rates (within three years)	(14.8)% - 24.3%
			Perpetuity growth rate (over three years)	0% - 3.0%
Contingent consideration	¥3,874	Monte Carlo simulation	Discount rate	5.2%
			Volatility	15%

March 31, 2019	Millions of Yen Fair Value	Valuation Technique	Principal Unobservable Input	Range
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%

22. 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, 2020 and 2019 were as follow:

	Millions of Yen	
	2020	2019
Foreign currency exchange	¥2,786	¥1,837
Currency swaps	695	653

The amounts of derivative instruments at fair value in the consolidated balance sheets in consolidated balance sheets as of March 31, 2020 and 2019 were as follow:

		Millions of Yen	
	Balance Sheets Location	2020	2019
Assets:			
Foreign currency exchange	Other current assets	¥57	¥27
Liabilities:			
Foreign currency exchange	Other current liabilities	¥24	¥18
Currency swaps	Other current liabilities	72	36

The effect of derivative instruments in consolidated statements of income for the years ended March 31, 2020, 2019 and 2018 were as follow:

		Millions of Yen		
	Statements of Income Location	2020	2019	2018
Foreign currency exchange	Other – net	¥ 57	¥ 45	¥ 60
Currency swaps	Other – net	(36)	(5)	(31)

23. 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, 2020, 2019 and 2018 is as follows:

2020	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
	Millions of Yen					
Net sales:						
External customers	¥ 109,709	¥ 50,552	¥ 10,480	¥ 16,019		¥ 186,760
Intersegment	860	10,570	694	5,236	¥ (17,360)	
Total	110,569	61,122	11,174	21,255	(17,360)	186,760
Operating costs and expenses:						
Operating costs and expenses	101,203	56,656	10,951	21,407	(17,360)	172,857
Depreciation and amortization	3,584	1,922	383	140		6,029
Impairment charges on property, plant and equipment		769				769
Impairment charges on goodwill		217				217
Impairment charges on other intangible assets		65	191			256
Total	104,787	59,629	11,525	21,547	(17,360)	180,128
Operating income (loss)	5,782	1,493	(351)	(292)		6,632
Total assets and capital expenditures:						
Total assets	236,961	86,292	9,751	16,708	(72,024)	277,688
Capital expenditures	4,619	2,106	129	127		6,981

2019	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
	Millions of Yen					
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	104,224	56,950	11,400	22,752	(17,652)	177,674
Depreciation and amortization	3,499	1,585	394	169		5,647
Impairment charges on property, plant and equipment	62	105				167
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

2018	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
	Millions of Yen					
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

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, 2020, 2019 and 2018 is as follows:

	Millions of Yen		
	2020	2019	2018
Innerwear:			
Foundation and lingerie	¥ 144,933	¥ 146,525	¥ 146,970
Nightwear	7,459	8,296	8,758
Children's underwear	1,014	1,213	1,376
Subtotal	153,406	156,034	157,104
Outerwear/sportswear and others	¥ 12,746	¥ 14,733	¥ 16,128
Hosiery	1,563	1,881	1,983
Other textile goods and related products	7,545	9,428	8,907
Others	11,500	12,125	11,603
Total	¥ 186,760	¥ 194,201	¥ 195,725

Geographic Information

Information by major geographic area as of and for the years ended March 31, 2020, 2019 and 2018 is as follows:

	Millions of Yen		
	2020	2019	2018
Net sales:			
Japan	¥ 135,273	¥ 140,189	¥ 143,196
Asia and Oceania	20,596	22,509	21,057
Americas and Europe	30,891	31,503	31,472
Consolidated	¥ 186,760	¥ 194,201	¥ 195,725
Long-lived assets:			
Japan	¥ 44,014	¥ 45,257	¥ 46,367
Asia and Oceania	4,034	4,810	4,916
Americas and Europe	4,035	3,203	3,050
Consolidated	¥ 52,083	¥ 53,270	¥ 54,333

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.

24. SUBSEQUENT EVENTS

(Cancellation of Treasury Stock)

On May 15, 2020, 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:

   3,000,000 shares

c. Date for Retirement:

   May 25, 2020

(Dividend Declaration)

On May 15, 2020, the Board of Directors resolved to pay a cash dividend of ¥100 per 5 shares of common stock to holders of record as of March 31, 2020 (aggregate amount of ¥1,248 million).

(Bank Loans)

On May 25, 2020, The Company received bank loans as working capital from MUFG Bank, Ltd., The Bank of Kyoto, Ltd. and The Shiga Bank, Ltd., as follows.

Bank	Transaction Method	Borrowing Amount	Interest Rate	Repayment Term
MUFG Bank, Ltd.	Loan by bill	¥10,000 million	Spread	May 25, 2021
The Bank of Kyoto, Ltd.	Overdraft	¥6,000 million	Base rate + spread	Within a month
The Shiga Bank, Ltd.	Overdraft	¥4,000 million	Base rate + spread	Within a month

* * * * * *

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 Office for handling business Transfer agent Forwarding office Handling charge for purchase and Sale	 (Special Account) Osaka Securities Transfer Section Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi 3-chome, Chuo-ku, Osaka (Special Account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo ——— Free of charge
Method of public notice	Public notice of the Company shall be in electronic form; provided that, public notice cannot be provided electronically due to an accident or unavoidable event, it shall be published in *Nihon Keizai Shimbun*.
Special benefit for shareholders	(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): - 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. - To shareholders holding shares for three years or more: Wacoal Essence Check worth JPY 1,000 shall be added to above. (ii) Shareholder special discount shall be made for Wacoal products by means of catalogue sales and internet sales as follows: - 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.

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 current fiscal year, to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (71st Fiscal Year)	From April 1, 2018 to March 31, 2019	Filed with the Director of the Kanto Local Finance Bureau on June 27, 2019
(2)	Internal Control Report and the attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on June 27, 2019
(3)	Quarterly Report and Confirmation Letter	(First quarter of 72th Fiscal Year)	From April 1, 2019 to June 30, 2019	Filed with the Director of the Kanto Local Finance Bureau on August 9, 2019
		(Second quarter of 72th Fiscal Year)	From July 1, 2019 to September 30, 2019	Filed with the Director of the Kanto Local Finance Bureau on November 12, 2019
		(Third quarter of 72th Fiscal Year)	From October 1, 2019 to December 31, 2019	Filed with the Director of the Kanto Local Finance Bureau on February 12, 2020
(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 28, 2019
(5)	Share Repurchase Report	Reporting Period	From June 1, 2019 To June 30, 2019	Field with the Director of the Kanto Local Finance Bureau on July 5, 2019
		Reporting Period	From July 1, 2019 To July 31, 2019	Field with the Director of the Kanto Local Finance Bureau on August 5, 2019
		Reporting Period	From August 1, 2019 To August 31, 2019	Field with the Director of the Kanto Local Finance Bureau on September 6, 2019
		Reporting Period	From September 1, 2019 To September 30, 2019	Field with the Director of the Kanto Local Finance Bureau on October 7, 2019
		Reporting Period	From October 1, 2019 To October 31, 2019	Field with the Director of the Kanto Local Finance Bureau on November 7, 2019
		Reporting Period	From November 1, 2019 To November 30, 2019	Field with the Director of the Kanto Local Finance Bureau on December 5, 2019
		Reporting Period	From December 1, 2019 To December 31, 2019	Field with the Director of the Kanto Local Finance Bureau on January 8, 2020
		Reporting Period	From February 1, 2020 To February 29, 2020	Field with the Director of the Kanto Local Finance Bureau on March 5, 2020
		Reporting Period	From March 1, 2020 To March 31, 2020	Field with the Director of the Kanto Local Finance Bureau on April 13, 2020

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, 2020 and 2019, 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, 2020 (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, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audit for the year ended March 31, 2020 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 26, 2020

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, 2020. 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, 2020.

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 ("FIEA") 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 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 units 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 process, 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 26, 2020

To the Board of Directors of Wacoal Holdings Corp.

Deloitte Touche Tohmatsu LLC
Kyoto office

Designated Engagement Partner,
Certified Public Accountant:

Wakyu Shinmen

Designated Engagement Partner,
Certified Public Accountant:

Hiroaki Sakai

Designated Engagement Partner,
Certified Public Accountant:

Tomomi Tsuji

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Wacoal Holdings Corp. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America pursuant to the provisions of Article 95 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in the United States of America.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Audit of Internal Control

Opinion

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 Wacoal Holdings Corp. as of March 31, 2020.

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. as of March 31, 2020, 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.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for 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.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine 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.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

【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 26, 2020
【Company Name】	*KABUSHIKI KAISHA* WACOAL HOLDINGS
【Company Name in English】	WACOAL HOLDINGS CORP.
【Position and Name of Representative】	Hironobu Yasuhara, Representative Director, President and Corporate Officer of the Company
【Position and Name of Chief Financial Officer】	Masashi Yamaguchi, Director and Vice President Corporate Officer
【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 quantitatively 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, 2020.

4.【Supplementary Matters】

Not applicable.

5.【Special Information】

Not applicable.