



WACOAL HOLDINGS CORP.

INTEGRATED REPORT 2019

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INTEGRATED REPORT 2019

 WACOAL HOLDINGS CORP.

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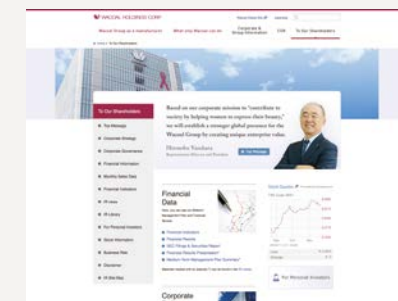
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Our Corporate Website

● Wacoal Holdings Corp.'s Website
 <https://www.wacoalholdings.jp/en>

● To Our Stakeholders
 <https://www.wacoalholdings.jp/en/ir>



- Corporate Strategy
- Corporate Governance
- Financial Results
- Monthly Sales Data
- IR News
- IR Schedule
- For Personal Investors

● CSR
 <https://www.wacoalholdings.jp/en/csr>



- CSR Objectives
- Relations with Stakeholders
- CSR Procurement Based on Mutual Trust and Cooperation
- Basic Policies (ISO 26000)



Editorial Policy

In accordance with international norms for integrated reporting, the Wacoal Group has been issuing integrated reports since FY2011 as part of its communication with shareholders and other investors. This integrated report explains the Wacoal Group's value creation activities not only through financial information but also through non-financial information about unique, significant assets and other facets of the Group's business.

Further, the website of Wacoal Holdings Corp. includes a wide range of information about the Group. We hope that referring to this integrated report in conjunction with the website will further understanding of the Group. Going forward, we will continue pursuing an editorial policy that responds to changes in reader expectations.

Forward-Looking Statements

Statements contained in this integrated report that are not historical facts are forward-looking statements, which reflect the Company's plans and expectations at the time of writing. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to differ materially from those anticipated in these statements.

Group Philosophy

Our Mission

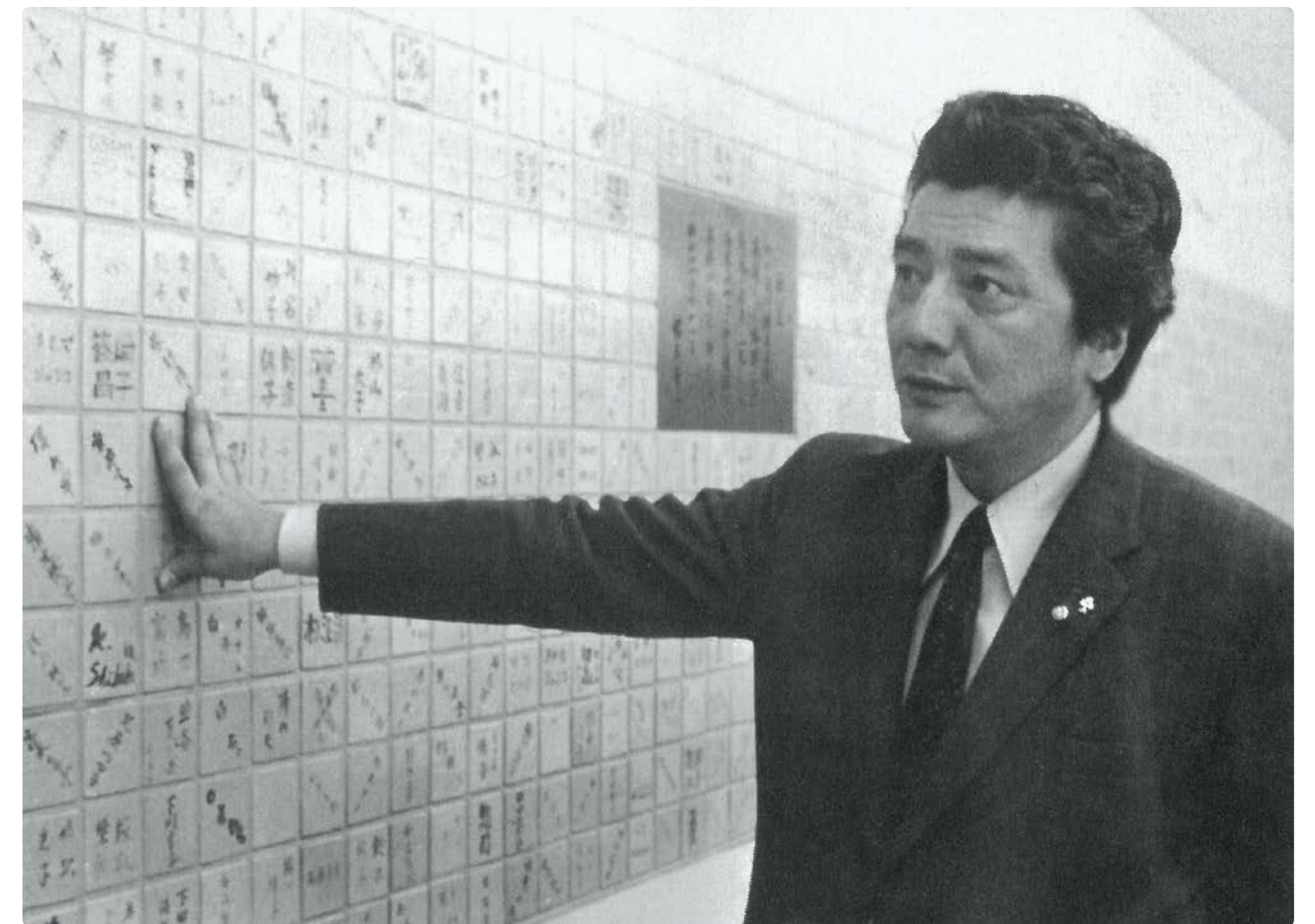
We will contribute to society by helping women to express their beauty.

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



Founder Koichi Tsukamoto

“Wacoal was not founded merely as a for-profit company.

With a strong desire to devote the life bestowed upon me to work for society, I decided to start a business. Through various situations, I considered the implications of what it is to live in and be a part of society, and I finally realized that a relationship of mutual trust is the most important element of society and that it is absolutely the best foundation to support community life. That is why a relationship of mutual trust has been built and maintained throughout the long history and tradition of our company.”

“With a strong desire to devote the life bestowed upon me to work for society,” Koichi Tsukamoto founded Wacoal based on the belief that “a peaceful society is one where women can express their beauty.”

Calling on us to contribute to society by helping women to express their beauty, our mission remains unchanged no matter what the era and encapsulates both our existential value and starting point.


In realizing our mission, business management based on mutual trust is indispensable. Across the generations, we have maintained our founder’s strong commitment to creating a company trusted by all stakeholders. Consequently, each Wacoal employee has inherited a mind-set that emphasizes mutual trust.

Wacoal's Competitive Advantages and the Provision of Value

Advantages cultivated through the manufacture of products loved by customers

With a view to helping women to express their beauty, we have devoted ourselves to developing and manufacturing products that appeal to the aesthetic of each age and that inspire long-term loyalty among customers. The provision of quality products that foster long-term customer loyalty no matter what the era is central to our mission and the value we provide. The systems that create these quality products are Wacoal's greatest competitive advantage. Over our history, such systems have become assets embedded in our organization.

In this section, we introduce some of the organizational assets we have established by systemizing our advantages.




Research & Development

—◆—

A scientific perspective supporting beauty creation

- Abundant physique measurement data
- Accumulated knowledge of the Human Science Research Center

P.06



Product Planning

—◆—

A passion for manufacturing

- Unique designing for optimal wearing comfort
- An integrated manufacturing system responsive to market feedback

P.07



Manufacturing / Quality Control

—◆—

The provision of reliability and safety

- Advanced sewing skills
- A unique quality control system

P.08



Sales

—◆—

Closeness to each customer

- Systemized sales training
- Powerful brands

P.09

Research & Development

The findings of the Human Science Research Center form the basis of our creation of beauty. To realize products loved by customers, the center researches and formulates theories on beauty, comfort, and health in relation to women's physiques. The data that the center has accumulated over 55 years underpins our businesses. Wacoal leverages the data not only to develop new products but also to maintain quality and make forays into new business fields.

A scientific perspective supporting beauty creation

- Abundant physique measurement data
- Accumulated knowledge of the Human Science Research Center

Number of people from whom we have gathered physique measurement data
Approx. **45,000**

Number of people from whom we gather physique measurement data on a continuous basis (every five years)
Approx. **1,000**

Number of coordinate values measured by our 3D measuring equipment
Approx. **40,000**

The Main Activities of the Human Science Research Center

- 1. Physique research**
 - ◆ Shape research
 - ◆ Movement research
 - ◆ Sensation physiology research
- 2. Product evaluation research**
 - ◆ Apparel pressure balance evaluation
 - ◆ Figure enhancement evaluation
 - ◆ Muscle fatigue evaluation
- 3. New product development**
 - ◆ Innerwear with new functionality
 - ◆ Sportswear
 - ◆ Footwear, etc.

Every year, the Human Science Research Center takes the measurements of about 1,000 people. Moreover, some of these subjects conclude monitor contracts for product development cooperation. Monitors participate in trial fittings and other product evaluation activities as required.

Product Planning

With the aim of helping women to express their beauty while catering to their current needs, more than 200 Wacoal innerwear designers use creativity and physique measurement data to realize products that afford wearers physical and emotional comfort. By repeatedly cycling through a process of fittings, analysis, and improvements, we realize optimal wearing comfort and figure enhancement.

Brassiere planning process

```

    graph TD
      A[Design concept] --> B[Material development and selection]
      B --> C[Product composition and size analysis  
(mass production analysis)]
      C --> D[Technology design  
(mass production assurance)]
      D --> E[Proposal preparation and material pattern recipe preparation]
      E --> F[Size grading]
      F --> G[Prototype]
      G --> H[Fitting]
      H --> I[To production factory]
      G --> B
      G --> H
      G --- J[Material management  
(material development),  
product testing center]
      G --- K[Technology-designing factory]
    
```

A passion for manufacturing

- Unique designing for optimal wearing comfort
- An integrated manufacturing system responsive to market feedback

There is no dedicated institution for training innerwear designers. For this reason, Wacoal develops and hones the skills of designers in-house. Our investment in fostering personnel able to create products loved by customers is a source of differentiation and competitive superiority.

<p>Total number of fittings*1 900</p> <p>*1 Fittings at the basic analysis and mass production analysis stages for Wacoal brand products in each season</p>	<p>Total number of prototype analyses*2 Approx. 1,500</p> <p>*2 Basic analyses and mass production analyses for Wacoal brand products in each season</p>
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Manufacturing / Quality Control

For Wacoal, “product quality preservation” is part of the value that it provides and a significant social responsibility. The quality of our products is supported by the handwork of highly skilled sewing personnel with years of experience and a quality control system that sets and ensures the implementation of stringent, painstaking standards for all processes, from material procurement through to production.



The provision of reliability and safety

- Advanced sewing skills
- A unique quality control system

To ensure that we provide customers with safe, quality products, we have prepared original guidelines and rules for specific types of products and materials. As well as checking the durability of products, we test their individual components.



Number of items checked in basic quality testing

150 for each product variety

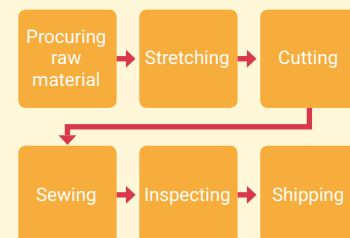
Number of types of stipulations and guidelines on the functional quality of materials and products

21

Total number of meetings of the Quality Assurance Inquiry Committee and the Quality Control Committee per year

Approx. **100**

Brassiere production process



For factory environments and all processes through to shipping, we have established requirements for checking frequencies and methods and set standards for quality control.



Sales

Beauty advisors play an important role in ensuring that customers receive the best-fitting products. By using specialized knowledge and skills to help accentuate the beauty of each person, we build relationships with customers that are deeper, broader, and longer.



Number of beauty advisors*

Approx. **3,500**

(Approx. 8,000 worldwide)

Store sales per beauty advisor (annual)*

Department stores
Approx. ¥ **26** million

General merchandise stores
Approx. ¥ **23** million

Number of inquiries received by the Customer Service Center (annual)*

Approx. **34,000**

* Coverage: Wacoal Corp.

Closeness to each customer

- Systemized sales training
- Powerful brands



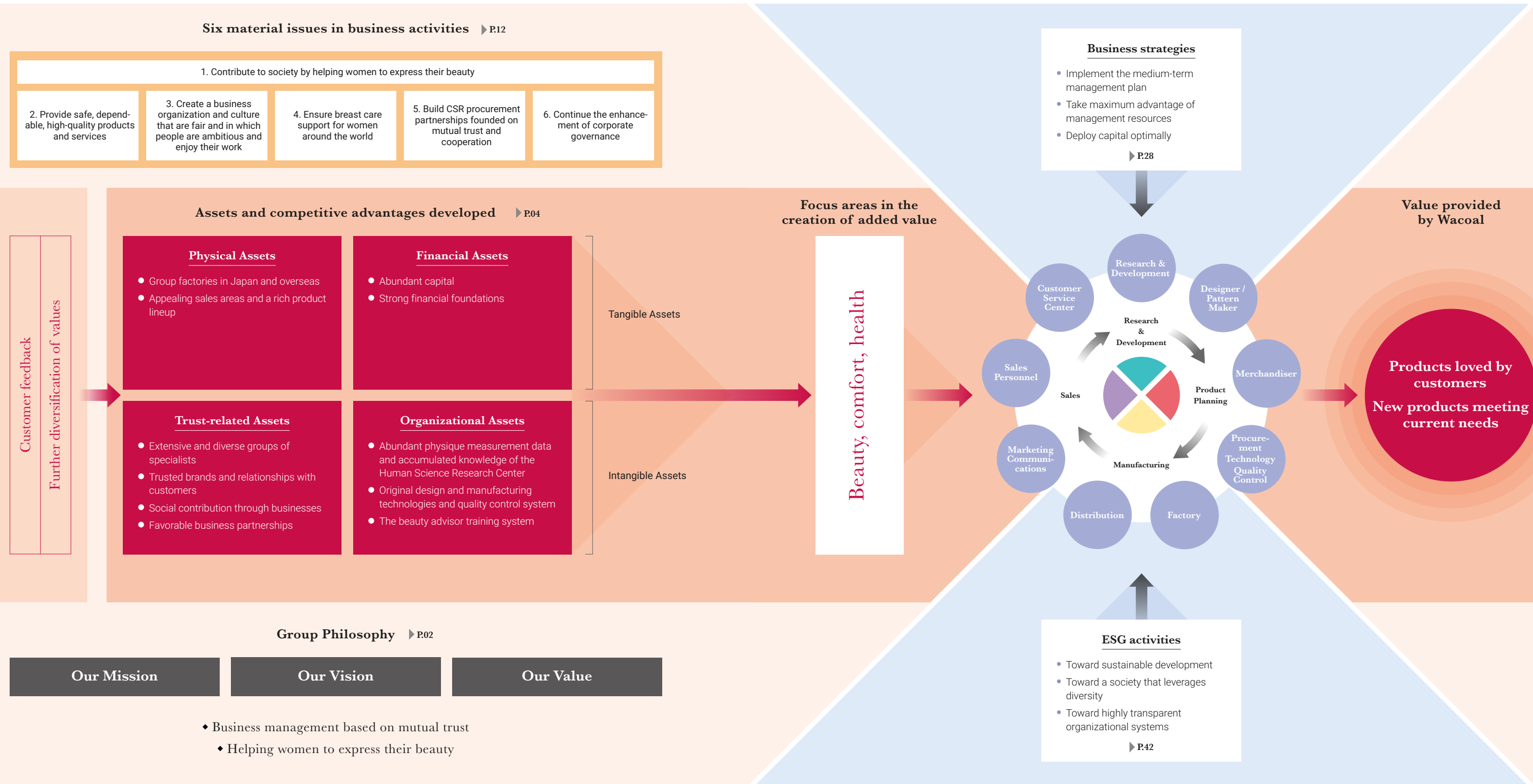
Through such training programs as our original measurement and fitting technique examination and the Nihon Body Fashion (NBF) Association standardized examination, beauty advisors acquire skills that heighten levels of customer satisfaction and learn about the spirit of hospitality. During their day-to-day work, our beauty advisors further develop these skills.



Value Creation Process

The most significant value that we provide is through the continued creation of products loved by customers and new products that meet current needs. Worldwide, Wacoal creates offerings with the aim of helping women to express their beauty. To this end, we will maximize and optimize the various assets that we have developed, including financial, physical, trust-related,* and organizational assets. By moving forward purposefully with medium- to long-term strategies, we will address material issues and further enhance enterprise value.

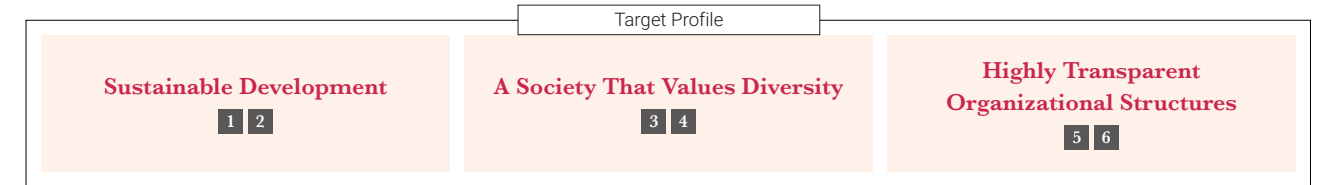
* Wacoal defines "trust-related assets" as assets that are comparable to human assets or customer assets because they increase or decrease depending on relationships of trust with the Company. Trust-related assets differ from organizational assets, which are entrenched in our organization and not dependent upon such relationships as employment or business transactions.



Material Issues in Wacoal's Business Activities

Since its founding, Wacoal has emphasized business management based on mutual trust. Describing the type of relationship that we want to have with all stakeholders and society, mutual trust is at the core of our vision and business activities. For Wacoal, in other words, sound business activities are inseparable from earning the trust and meeting the expectations of society and are the starting point of the Company. Through concerted Groupwide efforts to address six material issues and build mutual trust with society, we will enhance enterprise value and contribute to the development of society as a whole.

Six Material Issues With a view to developing with society and helping it become sustainable, Wacoal has identified six material issues that are particularly relevant to its businesses. (For details on the processes through which, as well as the basis upon which, we selected material issues, please see *Integrated Report 2018*.)



Material issues	Principal measures	Progress	Measures going forward	Value for stakeholders	Impact on the Wacoal Group	
2 Provide safe, dependable, high-quality products and services	Advance the use of innovative technology to realize sustainability	<ul style="list-style-type: none"> Building a customer information database Introducing 3D body scanners and AI-enabled customer services in stores P.36~	<ul style="list-style-type: none"> Build and strengthen digital marketing on a global basis Accelerate the introduction of 3D body scanners and AI-enabled customer-consultation services in stores 	<ul style="list-style-type: none"> Providing products and services that meet the diverse needs and values of customers 	<ul style="list-style-type: none"> Acquiring opportunities to create new businesses and opportunities to generate profit 	
	Create innovative products that solve customer issues and heighten levels of customer satisfaction	<ul style="list-style-type: none"> Developing brassieres that are both comfortable and figure enhancing Strengthening the entry-level (teenage) customer group Strengthening the rollout of products that cater to a variety of physiques -	<ul style="list-style-type: none"> Develop new products based on accumulated personal data Introduce high-value-added products that transcend boundaries between Japan and other countries 	<ul style="list-style-type: none"> Building relationships between customers and Wacoal that are deeper, broader, and longer 	<ul style="list-style-type: none"> Realizing sustained growth through the expansion and improvement of the business portfolio 	
	Establish capabilities for the supply of competitive products and materials	<ul style="list-style-type: none"> Establishing bases for the supply of bonded whole-garment products Reorganizing the underperforming divisions of raw materials factories in Thailand -	<ul style="list-style-type: none"> Strengthen the Group's production plans and management systems Establish a material managers' global meeting tasked with promoting the introduction of common materials 	<ul style="list-style-type: none"> Enhancing work efficiency through the utilization of IT Strengthening brand power 		
	Respond to changing distribution channels	<ul style="list-style-type: none"> Developing e-commerce channels actively in respective countries Improving the profitability of the domestic retail business -	<ul style="list-style-type: none"> Collaborate with major e-commerce websites depending on the characteristics of countries and regions or strengthen in-house e-commerce websites Conduct growth investment and develop business foundations with the aim of strengthening small-scale operations in certain countries and regions 			
	Advance quality assurance efforts continuously (providing unbiased information based on facts)	<ul style="list-style-type: none"> Conducting liaison meetings in relation to quality standards, data management, and other topics with the aim of enhancing quality control capabilities -	<ul style="list-style-type: none"> Review the in-house system for the examination of labeling expressions with a view to eliminating serious quality problems Enhance compliance awareness in relation to advertising and communication expressions 	<ul style="list-style-type: none"> Strengthening the foundations of mutual trust with customers and all other stakeholders 	<ul style="list-style-type: none"> Enhancing business foundations Strengthening the relationship of mutual trust with society Reducing environmental burden and avoiding environmental risk 	
	Reduce the environmental burden of business activities	<ul style="list-style-type: none"> Reducing greenhouse gas emissions Conducting the Brassiere Recycling Campaign P.49	<ul style="list-style-type: none"> Take steps to eliminate plastic from packaging Reduce the disposal of unsold products 			
	Develop information security systems further	<ul style="list-style-type: none"> Conducting an educational program on targeted e-mail attacks -	<ul style="list-style-type: none"> Advance data security and privacy protection further 			
1 Contribute to society by helping women to express their beauty	3 Create a business organization and culture that are fair and in which people are ambitious and enjoy their work	Advance personnel management	<ul style="list-style-type: none"> Developing an overseas training program with the aim of cultivating globally competent personnel Advancing a system that encourages employees to submit proposals and inviting external instructors to conduct seminars on ideas and their implementation -	<ul style="list-style-type: none"> Introduce a new personnel training system with an emphasis on specialization, global viewpoints, and continuous career growth Rebuild personnel recruitment methods (analyzing and implementing mid-career hiring and year-round hiring) 	<ul style="list-style-type: none"> Providing environments in which diverse personnel can work with vitality and realize their talents 	<ul style="list-style-type: none"> Enhancing corporate competitiveness through the empowerment of diverse personnel Maintaining sound labor-management relations Enhancing labor productivity Enhancing employees' work-life balance
		Enhance productivity through work-style reform	<ul style="list-style-type: none"> Developing employee-friendly environments through the reform of work styles and methods of taking leave (telecommuting, leave systems, etc.) P.44~	<ul style="list-style-type: none"> Advance manpower management to enhance productivity 		
		Promote the empowerment of women and enable various work styles	<ul style="list-style-type: none"> Acquiring certification as a special subsidiary for WACOAL I NEXT CORP, which was established with the aim of promoting the employment of persons with disabilities and creating opportunities for them to make important contributions 	<ul style="list-style-type: none"> Extend the scope of the shorter working hours system for employees raising children (from April 2019, enable the extension of the system until the end of the third grade of elementary school, subject to certain conditions) 		
		Promote health and productivity management	<ul style="list-style-type: none"> Advancing Wacoal GENKI Project 2020 (receiving selection as a Health & Productivity Stock for four consecutive years) 	<ul style="list-style-type: none"> Promote health literacy and encourage healthy habits among all employees 		
4 Ensure breast care support for women around the world	4 Ensure breast care support for women around the world	Promote breast care activities at operating bases worldwide	<ul style="list-style-type: none"> Providing donations matching the number of products tried on by customers as part of activities supporting the early detection of breast cancer Developing the Breast Cancer Examination Support Project and the Remamma Project P.46~	<ul style="list-style-type: none"> Consider new breast care activities 	<ul style="list-style-type: none"> Creating a society in which people do not lose their happiness and aspirations as a result of breast cancer 	<ul style="list-style-type: none"> Increasing trust-related assets (customer assets)
		Collaborate with NPOs and NGOs to contribute to the development of social infrastructure and communities	<ul style="list-style-type: none"> Supporting the training of Pink Ribbon advisors Helping increase the percentage of women receiving screening for breast cancer in Kyoto, Wacoal's local area 	<ul style="list-style-type: none"> Collaborate with NPOs and NGOs to support cancer education for elementary and junior high school students 		
5 Build CSR procurement partnerships founded on mutual trust and cooperation	5 Build CSR procurement partnerships founded on mutual trust and cooperation	Develop CSR procurement capabilities and systems	<ul style="list-style-type: none"> Establishing the CSR Procurement Committee under the Corporate Ethics and Risk Management Committee -	<ul style="list-style-type: none"> Educate and heighten the awareness of procurement managers and suppliers 	<ul style="list-style-type: none"> Avoiding or mitigating the negative effects of business activities through collaboration with business partners and suppliers 	<ul style="list-style-type: none"> Realizing mutual development with business partners and suppliers Maintaining and guaranteeing the reliability of products
		Develop supply chain management	<ul style="list-style-type: none"> Analyzing the self-evaluations of contract manufacturers, providing feedback to respective companies, and submitting revision and improvement plans Conducting on-site audits P.48~	<ul style="list-style-type: none"> Continue to conduct on-site audits Extend the coverage of CSR-focused procurement activities 	<ul style="list-style-type: none"> Providing sustainable products, including sustainable production processes 	
		Disclose a list of contract manufacturers	<ul style="list-style-type: none"> Disclosing the contract manufacturers of Wacoal Corp., Peach John Co., Ltd., and Lecien Corporation 	<ul style="list-style-type: none"> Disclose the contract manufacturers of Ai Co., Ltd. 		
6 Continue the enhancement of corporate governance	6 Continue the enhancement of corporate governance	Improve profitability and enhance capital efficiency	<ul style="list-style-type: none"> Improving the operational efficiency and profitability of the domestic wholesale business and retail business of Wacoal Corp. P.24	<ul style="list-style-type: none"> Enhance profitability through business activities and reduce working capital (reform the businesses of domestic subsidiaries and other underperforming areas) Reduce strategic shareholdings 	<ul style="list-style-type: none"> Strengthening the foundations of mutual trust with customers and all other stakeholders 	<ul style="list-style-type: none"> Realizing business management based on mutual trust Acquiring growth opportunities and reducing business risks Reducing equity cost Receiving appropriate evaluations from the market
		Continue to develop corporate governance (including risk management and compliance systems)	<ul style="list-style-type: none"> Discontinuing defensive measures against takeovers Developing governance systems pursuant to corporate governance guidelines Conducting training with the aim of ensuring Companywide compliance awareness -	<ul style="list-style-type: none"> Develop compensation systems that increase the effectiveness of plans and develop succession plans further Prepare business continuity plans Ensure awareness of compliance and understanding of the management philosophy at subsidiaries in Japan and overseas 	<ul style="list-style-type: none"> Optimizing the distribution of value to all stakeholders 	
		Ensure the Board of Directors and the Audit & Supervisory Board are highly effective	<ul style="list-style-type: none"> Continuing to conduct effectiveness evaluations and taking improvement measures P.50~	<ul style="list-style-type: none"> Continue to conduct effectiveness evaluations and improve evaluation methods and processes 		
		Promote disclosure and communication	<ul style="list-style-type: none"> Holding proactive dialogues that include executives Reporting to in-house divisions on opinions and requests received through dialogue with shareholders and other investors 	<ul style="list-style-type: none"> Create further opportunities for dialogue with stakeholders, including individual investors Hold meetings on ESG initiatives 		

A Message from the Chairman



**“Contributing to society by helping women to express their beauty,”
Wacoal will pass on this unchanging mission to the next generation.**

Koichi Tsukamoto, my father, established Wacoal 70 years ago, in 1949. At the time, the Japanese public was transitioning from Japanese to Western apparel. Moreover, the economy was growing and, as a result, women were developing a greater interest in beauty and fashion. Against this historical backdrop, we established Western innerwear for women as a new industry in Japan and made *helping women to express their beauty* our mission.

Soon after its founding, the Company set out “Global Wacoal” as an ambitious management goal. Based on an extremely long-term viewpoint, this management goal, which we refer to as the “decade-by-decade 50-year plan,” was partitioned into five 10-year phases. From the initial Developing the Domestic Market phase in the 1950s, we progressed steadily through to the final “Global Wacoal” phase in the 1990s. The Company laid the foundations for a “Global Wacoal” by developing unique overseas businesses rooted in local markets. For example, in 1970 we established bases in South Korea, Thailand, and Taiwan.

Subsequently, we made forays into the United States, China, and other markets in the 1980s.

Nonetheless, our journey toward becoming a global company continues. Recently, we renewed our target profile to ensure that we pass on our unchanging mission to the next generation and continue to take on ambitious initiatives.

At present, digital and IT technologies are driving the Fourth Industrial Revolution. To sustain its progress, the Wacoal Group must pursue reforms that surpass this revolution in terms of speed and dynamism. To this end, I believe that my role is to foster a corporate culture in which changing, stopping, and beginning are commonplace matters. In this way, I want all employees to embrace change and to maintain a strong appetite for challenges. At the same time, I will concentrate efforts on developing the next generation of business leaders so that they can inherit and pass on the aspirations and mind-set of our founder.

With an attitude that is at once ambitious in terms of not fearing failure and modest in the sense of never resting on our laurels, we will continue to enhance enterprise value while helping to realize a sustainable society.

September 2019

Yoshikata Tsukamoto
Chairman and Representative Director
Wacoal Holdings Corp.

A Message from the President



Hironobu Yasuhara

Hironobu Yasuhara
President and Representative Director
Wacoal Holdings Corp.

We will continually strive to make the Company a global leader in the industry and to enhance enterprise value.

Wacoal's Next Destination

In November 2019, Wacoal will celebrate its 70th anniversary. The mission of the Company has not changed since its founder Koichi Tsukamoto created and popularized a Western innerwear culture in Japan during the turbulent period shortly after the Second World War. This mission is to *contribute to society by helping women to express their beauty*. As of 2019, Wacoal has businesses around the world. In the women's innerwear market, we have become a global company that markets products in more than 50 countries and regions and has local subsidiaries in 22 countries and regions. Worldwide, our workforce has surpassed 20,000 employees, with overseas sales accounting for approximately 40% of our revenues. Over the years, Wacoal has built a reputation as a high-quality brand loved by many women in North America and Europe, not to mention women in Japan and other Asian countries.

This rapid progress stems from the vision that Wacoal set out at the time of its listing in 1964. *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.* As the aforementioned vision illustrates, our business management has been focused on building a "Global Wacoal" for more than half a century. In addition, the vision calls on Wacoal to *maintain a refined corporate culture based on mutual trust*. This refers to the pursuit of sustainable growth based on the creation of both economic and social value and is precisely what we now refer to as "ESG (environmental, social, and governance) management."

Having evolved over a 70-year period, Wacoal is embarking upon new initiatives to ensure that the Company continues to be a necessary presence in society throughout the remainder of its first century and beyond. One such initiative has been to redefine the "Global Wacoal" target profile to incorporate perspectives stretching 10 to 20 years into the future. We announced the new target profile, which includes specific goals, to coincide with the announcement of a new medium-term management plan in June 2019.

Our Vision of a "Global Wacoal"

We have clarified the five components of a "Global Wacoal" (please see page 18). The first of these is the global marketing of Wacoal products and services and the implementation of social initiatives that consistently earn strong trust. Another important component is the redoubling of efforts to create new areas of innerwear culture by developing and marketing pioneering products.

Wacoal has created a unique innerwear culture by adding new value to innerwear, an item once little more than a commodity. Among apparel, innerwear is worn closest to the skin. We take pride in the fact that through the development and marketing of pioneering products that garner the love of customers in each era we have helped create a society in which women are vital and radiant. Sustaining this pioneering spirit, we will continue to create new areas of innerwear culture. These efforts will culminate in Wacoal becoming the most trusted company among customers globally and realizing its vision of a "Global Wacoal."

Happily, Wacoal's employees have inherited and internalized the founding spirit expressed by our mission and our vision. Working at Wacoal for more than 40 years has given me a real sense of this continuity. It is often said that people are a company's greatest management resource. Wacoal is no exception, and the team spirit among

employees is one of the Company's advantages. I would like to accelerate progress toward realization of our vision of a "Global Wacoal" by encouraging shareholders, investors, and other stakeholders to share and pursue it in tandem with our senior management team and employees.

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.

Risks and Opportunities in an Evolving Environment

At present, the business environment is changing in some striking ways. In Japan, society is aging rapidly, casual fashion is emerging, e-commerce is expanding swiftly, and technological innovation is advancing. Each of these changes has the potential to become a risk or an opportunity for Wacoal. For this reason, the Company must carefully analyze the effect of future environmental changes on its businesses and take timely measures accordingly.

For example, the aging of Japanese society will, inevitably, shrink the women's innerwear market. However, Wacoal's share of the domestic market is still only 20% on a monetary basis and a mere 10% in terms of customer numbers. Moreover, only around 30% of women wear the

correct size of innerwear. Therefore, there is still plenty of scope to attract new customers and thereby grow market share and expand our domestic businesses. I believe that we can sustain growth going forward by building deeper, broader, and longer relationships with existing customers while attracting as many new Wacoal devotees as possible.

Looking overseas, the empowerment of women and further economic progress taking place in emerging and developing countries are likely to heighten women's interest in innerwear and increase demand. Having completed test marketing in the markets of India and Brazil, we are moving efforts up a gear with a view to expanding our presence in these countries. Thus, I am confident that advancing bold measures in Japan as well as in markets worldwide will enable us to take large strides forward.

I would like to accelerate progress toward realization of our vision of a "Global Wacoal" by encouraging shareholders, investors, and other stakeholders to share and pursue it in tandem with our senior management team and employees.

The Importance of Digitization and Personalization

The advancement of digitization and other technological innovations is significantly changing consumer behavior and necessitating reform of our business models. Once the mainstay sales channels of the retail industry, department stores and general merchandise stores continue to flag, while the expansion of Internet-enabled e-commerce gathers pace. For many years, our strength lay in sales through brick-and-mortar stores, particularly department stores. Consequently, some of our stakeholders are anxious about the future. However, I do not think that brick-and-mortar stores and e-commerce necessarily stand in opposition to one another. Brick-and-mortar stores have their own distinctive merits. For this reason, our focus should be on how to combine the merits of both sales channels in ways that heighten customer convenience.

That said, the role of brick-and-mortar stores is certain to change significantly. Until now, brick-and-mortar stores have been places where customers purchased products. Going forward, however, they will increasingly become places where customers feel free to try on products and find those that best meet their needs through consultations with sales personnel. To fit the physique of each individual, women's innerwear needs to be available in an elaborate range of sizes. Given that our women's innerwear comes in a particularly extensive range of sizes and includes unique functionality and fashion features, it is doubly important for our customers to have opportunities to select products that fit them properly. For this reason, brick-and-mortar stores will continue to play an important role. Rather than simply being "sales areas," they will evolve

into "consultation areas." At the same time, we will heighten the presence of both sales channels—brick-and-mortar stores and e-commerce—by enabling customers to purchase products via whichever sales channel suits them.

In addition, we are seeing growth in body positivity, a social movement that emphasizes the importance of accepting the different physiques of human beings over focusing on uniform standards of beauty. Reflecting this trend, many customers now want to express their beauty in a more personalized way. Needless to say, Wacoal has the competence to offer products catering to the diverse values and physiques of customers. Unless we personalize our products even further, however, our future will not be bright. With marketing based on uniform values no longer viable, we will build personalized marketing systems that suggest and provide products specifically for each customer. These efforts will transform us from "everyone's Wacoal" to "my Wacoal."

As part of these efforts, Wacoal is advancing an original omni-channel strategy to establish a relationship with each customer that is robust, broad, and long term. For example, over the coming three years we will reflect customers' growing preference for personalization by introducing 100 digitally enabled customer service systems to major stores in Japan. Combining a 3D body scanner and AI-enabled customer service, the *3D smart & try* system allows customers to measure their own physiques without the stress of consulting with sales personnel, pick out the optimal product, and then try on the actual item. Further, the system creates a digitized record of the customer's measurements and other personal information so that the customer can shop more conveniently at other stores or through e-commerce in the future. While verifying the new

system, we plan to install it at even more stores.

Similarly, in the United States—our mainstay overseas market—customer preferences are diversifying, sales channels are changing from brick-and-mortar stores to e-commerce, and new methods of communicating with customers are developing. Within this market environment, emerging “digitally native vertical brands (DNVBs)” are garnering endorsement among millennials. In response to this external environment, Wacoal recently acquired Intimates Online, Inc., through U.S. subsidiary Wacoal International Corp. (For a summary of Intimates Online and the reasons for its acquisition, please see page 41.)

Looking ahead, if no measures are taken Wacoal would be at risk of having its stable business foundations and overwhelming advantages in existing sales channels in Japan become its weaknesses. Based on a strong awareness of the potential for such crises, we will continue to pursue ambitious initiatives that convert future risk factors into business opportunities. Of course, we understand that this will not be an easy task. Nonetheless, we are determined to tirelessly take on challenges with the aim of realizing a “Global Wacoal.”

Competitive Assets and Value Creation Systems

Wacoal has been fostering unique competitive assets and value creation systems since its founding. In my view, the Company's greatest asset is the trust of customers worldwide in our brand. This trust is underpinned by high quality. Our pursuit of quality is not narrowly limited to the durability and reliability of innerwear. Rather, we take a more far-reaching approach that focuses on adding quality to products to ensure that they reflect the lifestyles and life stages of women and appeal to their sensibilities. Based on this unique, multifaceted approach to quality, we have established a long track record of *helping women to express their beauty*.

Further, we realize our unique quality through value creation systems that enable the organic functioning of distinctive tangible and intangible assets. In product development, for example, we capitalize on human science research. For more than 50 years, Wacoal has been conducting scientific research on women's physiques. As part of this research, we have accumulated data on the

physiques of more than 40,000 women of all ages. At the product planning and design stages, several hundred Wacoal designers and pattern makers effectively utilize such research findings in the development of Wacoal's differentiated, high-value-added products.

However, no matter how effectively we use human science data to develop innerwear with unmatched functionality, comfort, and beauty, such efforts would be meaningless without the advanced skills and technologies needed to manufacture new innerwear products. This is why we insist on manufacturing products at our own factories. To preserve differentiated quality as the greatest value we provide, at our in-house factories in regions worldwide we will continue manufacturing that is deserving of our customers' trust.

Occasionally, stakeholders inquire about the necessity of having our own factories, but these factories play an essential role in maintaining the high quality of Wacoal products. Passing on skills and securing personnel is certainly not easy. Companies that devote the time and effort to do so and which can manufacture high-quality innerwear have been disappearing in recent years. As a result, Wacoal's competitive advantage is growing in the global market for midrange to high-end innerwear.

Wacoal has also built a unique system for sales. Given that brassiere sizes comprise the underside and cup sizes of the bust and that brassieres are available in multiple colors, just a single item accounts for a large number of stock keeping units (SKUs). The system for managing aggregate inventories, sales, and production that Wacoal has independently developed for appropriate inventory control would be challenging for others to replicate. Another way in which we provide value is through the consultations offered by our beauty advisors. Worldwide, there are currently more than 8,000 Wacoal beauty advisors, who play an indispensable role in drawing customers' attention to the merits of Wacoal products and in helping customers choose innerwear that is the perfect fit.

In addition, a distinctive feature of Wacoal's business model is the fine-tuning of all operations to suit the particular circumstances of each country or region. Innerwear manufacturers cannot adopt the same approach to every market because in respective countries or regions women have different physiques, innerwear needs, values, and aesthetics. This diversity is one of the challenges that

The Company's greatest asset is the trust of customers worldwide in our brand. This trust is underpinned by high quality.



innerwear manufacturers face and acts as a significant barrier to industry participation by newcomers. We have also established planning and development bases and production bases outside Japan so that we can realize product creation that is rooted in regions and closely reflects the needs of women everywhere.

Thus, the Wacoal Group's business model is designed to establish regionally rooted operations from product development and production through marketing and combines differentiated business assets. Viewing our business model purely from the perspectives of management efficiency and profitability, there is a tendency to see its features as cost factors. However, this business model has paved the way for Wacoal's growth to date and underpins customers' trust in and endorsement of the Wacoal brand.

At this point, let me stress that we are in no way complacent about our current situation. We face two major tasks: the return to a growth trajectory and the strengthening of our earning power. With those tasks in mind, we will redouble our efforts focused on structural reform and operational efficiency and work unstintingly to achieve continuous enhancement of enterprise value. Also, anticipating and reacting agilely to changes in the business environment, we will deploy management resources based on current market trends and boldly reform our business model.

The Road Map for Sustained Growth

By not reaching the targets of our previous medium-term management plan, we disappointed shareholders and investors. I believe this shortfall was mainly due to a lack of aggressiveness with our reform measures. In particular, I am sincerely disappointed that our structural reforms failed to turn around the sluggish business results of certain domestic subsidiaries and business divisions.

In June 2019, we released a new medium-term management plan covering the three-year period through fiscal 2022 and announced medium- to long-term management targets for fiscal 2028. Specifically, we aim to achieve net sales including equity-method affiliated companies net sales of ¥300 billion, which breaks down into consolidated net sales of ¥250 billion and equity-method affiliated companies net sales of ¥50 billion, as well as an operating margin and ROE of above 10% in fiscal 2028. Moreover, to enable us to aim for an even higher level of growth, we have set a stretched target of ¥320 billion for net sales including equity-method affiliated companies net sales. As well as serving as a milestone for achieving the management targets for fiscal 2028, the new management plan calls on us to look squarely at reality, expedite reform, and realize robust growth in Japan and overseas during the three-year period.

Under the new plan, the Company will conduct a detailed analysis of the prospects of underperforming businesses and brands and—without making any special exceptions—move forward with decisive reform of the Group’s business structure. This will entail Wacoal Holdings Corp. using its overall control of operating companies in Japan and overseas to exercise even greater initiative. Aiming to raise the enterprise value of the Group as a whole, the holding company will take into account overall optimization as it promotes aggressive growth strategies and defensive structural reforms. In Japan, Wacoal Corp. will sustain growth and enhance profitability while rebuilding the profit foundations of other domestic subsidiaries. As for overseas businesses, we will take steps to further expand the scale of businesses and accelerate growth. In addition, the Group will heighten its overall management efficiency by reorganizing production and supply systems at home and abroad. The aforementioned measures will ensure sustained growth, improve the operating margin, and enhance capital efficiency, thereby increasing the enterprise value of the Wacoal Group.

Our Approach to Enterprise Value and Equity Cost

If we regard companies as public institutions, we have to view enterprise value as comprising both economic and social value. This philosophy is consistent with our vision, which I touched on at the beginning of this message.

The basic requirements for enhancing economic value are sustained growth and an approach to business management that is mindful of the profit margin and capital efficiency. Upon this foundation, we will adopt a medium- to long-term viewpoint and actively seek out investment opportunities for the realization of rapid improvements in growth. Wacoal’s business activities provide society and customers with value in the form of beauty, comfort, and health. With these facets as key themes, we will actively consider investments aimed at taking on new businesses. For example, we will strengthen our e-commerce businesses and expand our brand portfolio.

With respect to capital policy, we regard the achievement of ROE that surpasses equity cost and is 6% or

higher as essential. Achieving ROE that at least surpasses Wacoal’s equity cost of 5.6%–5.9% satisfies our minimum obligation to shareholders and investors and is a premise for enhancing enterprise value. Although ROE has yet to reach a satisfactory level, we will work toward its further enhancement through balance sheet-focused business management that improves earning power while reducing total assets. Also, to ensure that shareholders’ equity does not swell beyond its current level, while giving priority to investment for future growth, we will appropriately control shareholders’ equity by paying stable dividends and promoting the acquisition of treasury stock.

Unfortunately, in recent years Wacoal’s price book-value ratio (PBR) has remained below the one-time level. To overcome this situation, first and foremost, we must improve our earning power and profit margin, as I mentioned above. At the same time, I am strongly aware of the need to set out our vision and strategies more clearly to raise the expectations of stakeholders for our future prospects. Accordingly, the Company will highlight the management resources for enterprise value enhancement that the Wacoal Group has at its disposal while increasing the pace of initiatives aimed at the effective utilization of these resources.

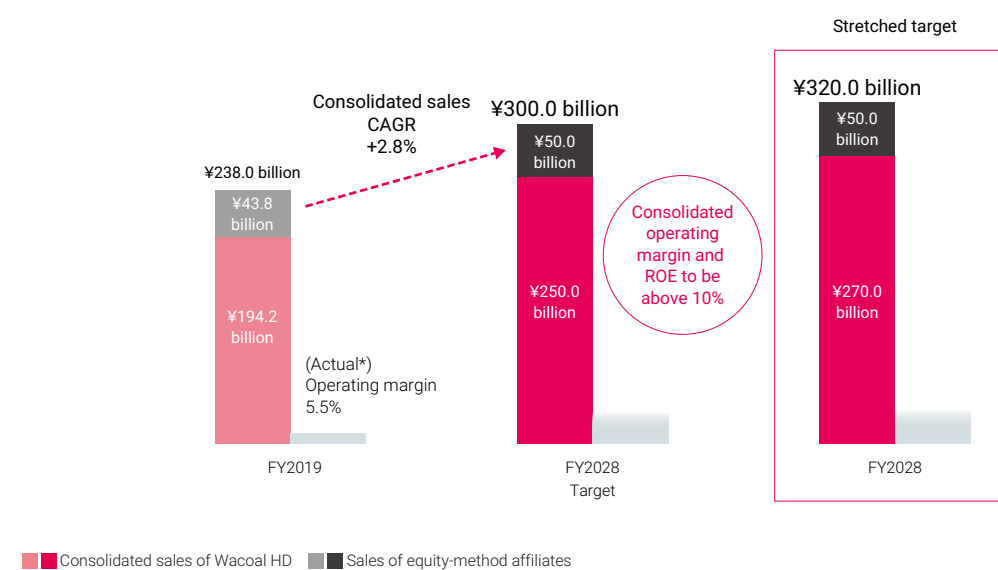
Meanwhile, as for social value, we will advance people- and environment-friendly business management that takes ESG factors into consideration. Through its mainstay businesses, Wacoal will help create a richer society in which women can express their personal beauty and live with vitality. We will remain a company that addresses issues related to beauty, comfort, and health and one that is valued by women all over the world.

Further, as a company that has built a value chain based on an independent network that encompasses product planning and development through to material procurement, production, and sales, people are our greatest management resource. With this in mind, we will focus on increasing job satisfaction and developing employee-friendly workplaces. Moreover, we will collaborate closely with suppliers and business partners to ensure adherence to and respect for social norms related to human rights, labor practices, the environment, and ethical matters.

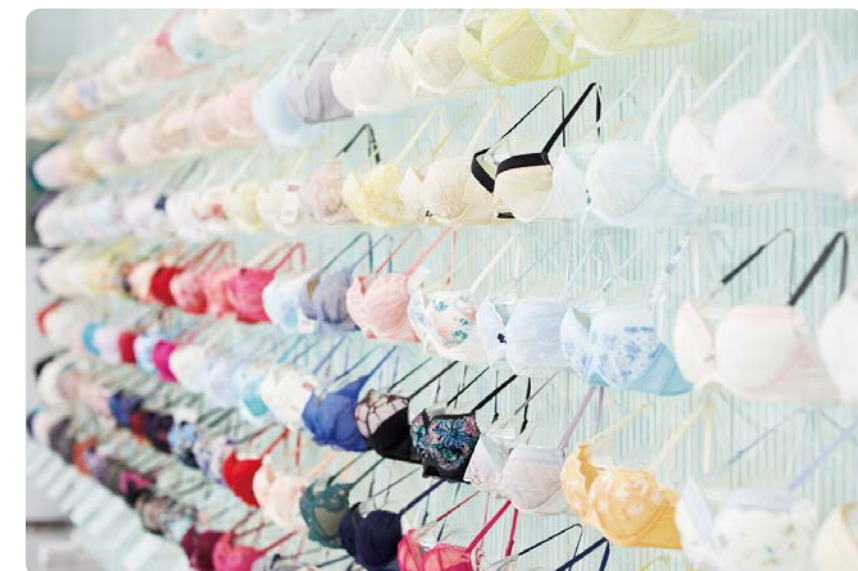
By forging ahead unceasingly toward the “Global Wacoal” goal that has always been central to our vision, we will enhance our enterprise value and thereby meet the expectations of all stakeholders.

September 2019

Medium- to Long-Term Road Map



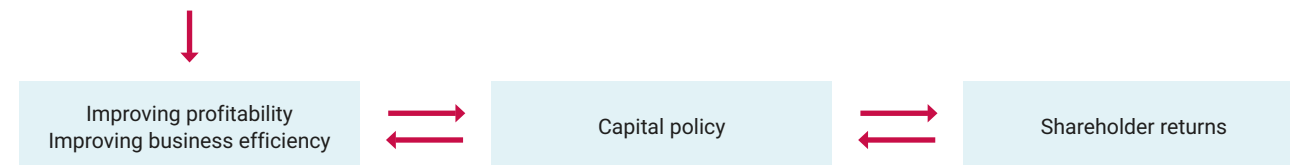
* These figures do not take into account impairment loss on intangible fixed assets and valuation gains and losses on marketable securities and investments.



A Review of the Previous Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

Basic Policy

Secure earnings in domestic business	<ul style="list-style-type: none"> Continue to develop attractive new products with high added value Improve the productivity of our wholesaling business and the profitability of our retailing business Create original omni-channel services to enhance customer convenience
Generate further growth in overseas business	<ul style="list-style-type: none"> Enhance product added value through the reinforcement of planning and development systems Collaborate across regions on product planning and production management Improve our ability to keep pace with the accelerating global growth of e-commerce markets Use global supply chains to develop highly competitive materials
Create Group synergies and strengthen competitiveness	<ul style="list-style-type: none"> Act on the management problems of individual companies Reciprocally use each company's strengths to increase overall competitiveness
Expand our business portfolio	<ul style="list-style-type: none"> Expand our business portfolio using Wacoal's tangible and intangible strengths
Improve our Group management infrastructure	<ul style="list-style-type: none"> Continually analyze society's needs and expectations and reflect them in our management policies



Achievements under the Previous Plan and Tasks to Be Addressed

	Achievements	Tasks
Wacoal Corp. and domestic subsidiaries	<ul style="list-style-type: none"> Rebuilding conventional business models to depart from an overdependence on the domestic wholesale business Enhancing management efficiency through the reorganization and reform of sales practices <ul style="list-style-type: none"> Achieving the highest-ever sales margin (Reducing product returns and discount sales) Strengthening profitability by enhancing the brand value of the retail business Completing preparations for the introduction of digital technology-enabled, next-generation customer services in stores <ul style="list-style-type: none"> Developing 3D body scanners and AI-enabled customer services 	<ul style="list-style-type: none"> Reform conventional business models (Improve the competitiveness of Peach John, Lecien, Ai, and CW-X) Implement an omni-channel strategy that competitors cannot match Reduce and optimize the number of brands and the product mix
Overseas business	<ul style="list-style-type: none"> Growing secondary brands that help support businesses in North America, Europe, and China (<i>elomi</i> and <i>Peach John</i>) Accelerating business growth through the proactive development of e-commerce channels 	<ul style="list-style-type: none"> Introduce high-value-added products that transcend boundaries between Japan and other countries Collaborate with major e-commerce websites or strengthen in-house e-commerce websites depending on the characteristics of countries and regions Conduct growth investment and develop business foundations with the aim of strengthening small-scale operations in certain countries and regions Build a value chain with competitive superiority and rebuild supply chains on a Groupwide basis
ESG measures	<ul style="list-style-type: none"> Beginning CSR-focused procurement through collaboration with contract manufacturers Discontinuing defensive measures against takeovers Maintaining a total payout ratio of 100% Developing employee-friendly environments through reform of work styles and methods of taking leave 	<ul style="list-style-type: none"> Reduce the risk of being subject to criticism as a result of using expressions in advertising that are not in the spirit of diversity Strengthen the management of customer information even further Reduce strategic shareholdings Develop an inclusive organization that comprises diverse personnel
Capital strategies		

A Review of the Previous Medium-Term Management Plan (Fiscal 2017–Fiscal 2019)

Consolidated

(¥ billion)

	2017/3	2018/3	2019/3		Targets (Announced in May 2016)	Comparison to targets
			Results	In real terms*2		
Net Sales	195.9	195.7	194.2		215.0	-20.8
Operating Income*1 (Operating Margin)	10.3 (5.3%)	11.5 (5.9%)	4.9 (2.5%)	10.7 (5.5%)	15.0 (7.0%)	-10.1 (-4.5 pts.)
Net Income Attributable to Wacoal Holdings Corp.	12.5	9.7	0.3	9.6	11.0	-10.7
ROE	5.5%	4.2%	0.2%	4.2%	5% or more	

*1 Beginning from fiscal 2019, components of net periodic pension costs and net periodic post-retirement benefit costs, other than the service cost component, will be recognized as other income or expenses. The above table has been retrospectively amended to reflect the application of this change.
*2 These figures do not take into account impairment loss on intangible fixed assets and valuation gains and losses on marketable securities and investments.

Causes

Net sales: Nonachievement of ¥20.8 billion
(Nonachievement of ¥18.8 billion, excluding the effect of foreign exchange rates)

- Lackluster performances of three domestic consolidated subsidiaries (Peach John, Lecien, and Ai)
(Total shortfall of three companies: -¥9.1 billion)
- Change in the strategy of the retail business of Wacoal Corp. to emphasize profitability (Shortfall: -¥4.7 billion)
- Slumping wholesale business of Wacoal Corp. (Shortfall: -¥3.6 billion)

Operating income: Nonachievement of ¥10.1 billion
(Nonachievement of ¥3.2 billion in real terms, excluding the effects of accounting standard changes and impairment)

- Changes in U.S. GAAP accounting policies (-¥1.1 billion)
- Sluggish sales of three domestic consolidated subsidiaries (Total shortfall of three companies: -¥2.2 billion)
- Recognition of impairment loss on intangible fixed assets of Peach John, etc. (-¥5.8 billion)

→ Operating margin of 5.5% in real terms, excluding the effect of impairment loss
→ ROE of 4.2% in real terms, excluding the effects of impairment loss and valuation gains and losses on marketable securities and investments

Subsidiaries

	Net Sales (¥ billion)			Operating Income (¥ billion)		
	2019/3 Results	Targets (Announced in May 2016)	Comparison to targets	2019/3 Results	Targets (Announced in May 2016)	Comparison to targets
Wacoal	102.4	110.0	-7.6	5.1	5.2	-0.1
Peach John	10.5	13.2	-2.7	-0.2	0.8	-1.0
Nanasai	9.4	10.1	-0.7	0.3	0.5	-0.2
Lecien	6.3	9.5	-3.2	-0.4	0.3	-0.7
Ai	4.2	7.3	-3.1	-0.3	0.2	-0.5
Wacoal International (U.S.)	18.5	19.4	-0.9	2.1	2.2	-0.1
Wacoal Europe	14.1	16.2	-2.1	1.4	1.4	0
Wacoal China	11.6	11.3	0.3	0.9	1.0	-0.1
Total	177.0	197.0	-20.0	8.9	11.6	-2.7

Causes

Wacoal Corp.

Net sales: Nonachievement of ¥7.6 billion
Wholesale business: Effect of store closures and the flagging performance of non-brassiere products
Retail business: Change in strategy aimed at reforming the business structure to emphasize profitability

Operating income: Nonachievement of ¥0.1 billion
Retail and online sales businesses: Although an improvement in profitability, increases in store rents, distribution costs, and other expenses

Four domestic subsidiaries (Peach John, Nanasai, Lecien, and Ai)

Net sales: Nonachievement of ¥9.7 billion
Lackluster performances reflecting an inability to respond to changes in consumer needs
Operating income: Nonachievement of ¥2.4 billion
Lower profit on sales due to a decrease in revenues

Three overseas subsidiaries (United States, Europe, and China)

Net sales: Nonachievement of ¥2.7 billion
United States: Sluggishness of department store sales and stagnating growth of the CW-X business
Europe: Effect of foreign exchange rates and sluggishness of department store sales
Operating income: Nonachievement of ¥0.2 billion
United States: Decrease in revenues of the CW-X business
China: Short of target for reduction in cost of sales as a percentage of net sales

New Medium-Term Management Plan (Fiscal 2020–Fiscal 2022)

Aiming to realize our vision of a “Global Wacoal” that we have set out for the medium-to-long term, in the current fiscal year we began a new three-year, medium-term management plan. Wacoal will evolve into a company that develops strong relationships of mutual trust with stakeholders globally by taking maximum advantage of the Group’s management resources and network, strengthening systems that consistently realize innovative products, and pioneering new fields in innerwear culture.

Target Profile

A Globalized Wacoal Group

Medium- to Long-Term Targets (Fiscal 2028 Targets)

<p>Net Sales</p> <p>¥300.0 billion</p> <p>(Including equity-method affiliated companies sales)</p>	<p>Operating Margin and ROE</p> <p>Above 10%</p>
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Overview of the New Management Plan

Face reality, identify future demand, reform boldly, and focus on growth

Basic Policies and Priority Strategies

Basic Policies	Priority Strategies
<p>1. Achieve strong growth in Japan and overseas</p> <p>2. Analyze the growth potential of underperforming businesses and brands and then review and reform the structures of the Group’s businesses without making any special exceptions</p> <p>3. Heighten enterprise value by enhancing both economic and social value</p>	<p>1 Advance business measures</p> <ul style="list-style-type: none"> • Sustain growth and enhance the profitability of Wacoal Corp. • Revitalize domestic consolidated subsidiaries • Expand and grow overseas businesses • Reorganize the Group’s production and supply systems • Take on the challenges of business portfolio expansion and new businesses <p>2 Enhance social value (Tackle ESG issues)</p> <p>3 Conduct business management with an awareness of equity cost</p>

Enhance profitability and capital efficiency while achieving appropriate shareholder returns, reducing strategic shareholdings, and realizing a proper asset balance

Numerical Targets	Net Sales	Operating Income (Operating Margin)	Net Income Attributable to Wacoal Holdings Corp.	ROE
Fiscal 2022 targets	¥210.0 billion	¥14.0 billion (6.7%)	¥12.0 billion	6%
Fiscal 2020 targets	¥200.0 billion	¥11.0 billion (5.5%)	¥9.0 billion	—
Fiscal 2019 results	¥194.2 billion	¥4.9 billion (2.5%)	¥0.3 billion	0.2%

Note: The above numerical targets do not take into account the effect on business results of valuation gains or losses on marketable securities and investments, which due to U.S. GAAP amendments must be recognized as other income or expenses in the statements of income or loss.

Strategies, Tasks, and Measures

Priority Strategies	Core Tasks	Concrete Measures
<p>1</p> <p>Sustain the Growth and Enhance the Profitability of Wacoal Corp. ▶ P.34</p>	<p>Focus product planning, production, communication, and all other business activities on building deeper, broader, and longer relationships with each customer, thereby heightening brand value and ensuring growth</p>	<ul style="list-style-type: none"> • 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
<p>Revitalize Domestic Consolidated Subsidiaries ▶ P.38</p>	<p>Reform and depart from conventional business models</p>	<p>Peach John: Capture demand arising from behavior and trends among young consumers and focus boldly on e-commerce</p> <p>Ai: Combine research findings and data accumulated through the development of swimwear and innerwear to establish San-ai Resort as a value-added brand that earns the endorsement of “adult” women</p> <p>Lecien: Select and concentrate business fields with a strong focus on gross profit; develop a new business model through collaboration with general merchandise stores; begin supplying overseas affiliates as an original equipment manufacturer</p> <p>Nanasai: Develop new value-added mannequins and acquire new customers in interior construction businesses</p>
<p>Expand and Grow the Overseas Business ▶ P.40</p>	<p>Strengthen the e-commerce business</p>	<p>United States: Reinforce leading share of the department store market even further and begin developing new distribution channels and business opportunities; reform cost structure while solidifying foundations for net sales of ¥30 billion in the Americas</p> <p>Europe: Realize stable growth and profit generation by strengthening the development of products for the fuller figure, which is a category in which we have particular competence, and by expanding and enhancing the brand portfolio and marketing activities based on the characteristics of countries, regions, and sales channels</p> <p>China: Foster younger customers and other undeveloped customer groups by stepping up collaborative marketing and branding with Japan in the e-commerce market; establish business foundations that can sustain strong growth</p>
<p>Reform the Group’s production and supply systems</p>	<ul style="list-style-type: none"> • Establish a Groupwide production management system that supplies competitive products and materials in a manner that transcends the boundaries of brands and regional businesses • Build an optimal supply system in anticipation of overseas business growth (Increase production capacity in the ASEAN region and Dominica, etc.) 	
<p>Pursue the expansion of the business portfolio and new business</p>	<ul style="list-style-type: none"> • Invest to realize rapid improvements in growth while staying focused on medium- to long-term viewpoints and the selection and concentration of business fields 	
<p>2</p> <p>Enhance social value (Tackle ESG issues) ▶ P.42</p>	<p>Create a vibrant corporate culture based on human rights, ethics, and diversity</p>	<ul style="list-style-type: none"> • Strengthen measures for CSR-focused procurement (Improve continuously and extend coverage) • Enhance awareness of respect for value diversity in proposing advertising expressions • Provide support related to breast care issues in regions worldwide • Offer job satisfaction and employee-friendly workplaces • Establish environments that enable various work styles • Promote diversity and inclusion to create new value
	<p>Coexist with the earth’s environment and local communities</p>	<ul style="list-style-type: none"> • Take steps to eliminate plastic from product packaging • Reduce the disposal of unsold products • Reduce resource wastage at the production stage by introducing smart factories • Conserve the traditional townhouses and townscape of Kyoto
<p>3</p> <p>Conduct business management with an awareness of equity cost ▶ P.28</p>	<ul style="list-style-type: none"> • Optimize the distribution of value to all stakeholders • Increase shareholder value by enhancing ROE • Achieve reform through business management focused on realizing a sound, appropriate balance sheet • Enhance measures for maintaining shareholder returns 	<ul style="list-style-type: none"> • 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)

A Message from the Director in Charge of Finance

By putting our management philosophy into practice, we will benefit society and provide stakeholders with substantive value.



Akira Miyagi
 Managing Director, General Manager of
 Corporate Planning
 Wacoal Holdings Corp.

Toward Sustained Enhancement of Enterprise Value

“Mutual trust is not complicated. To put that another way, all Wacoal employees should become individuals who are trusted by Wacoal’s business associates and other members of society.”

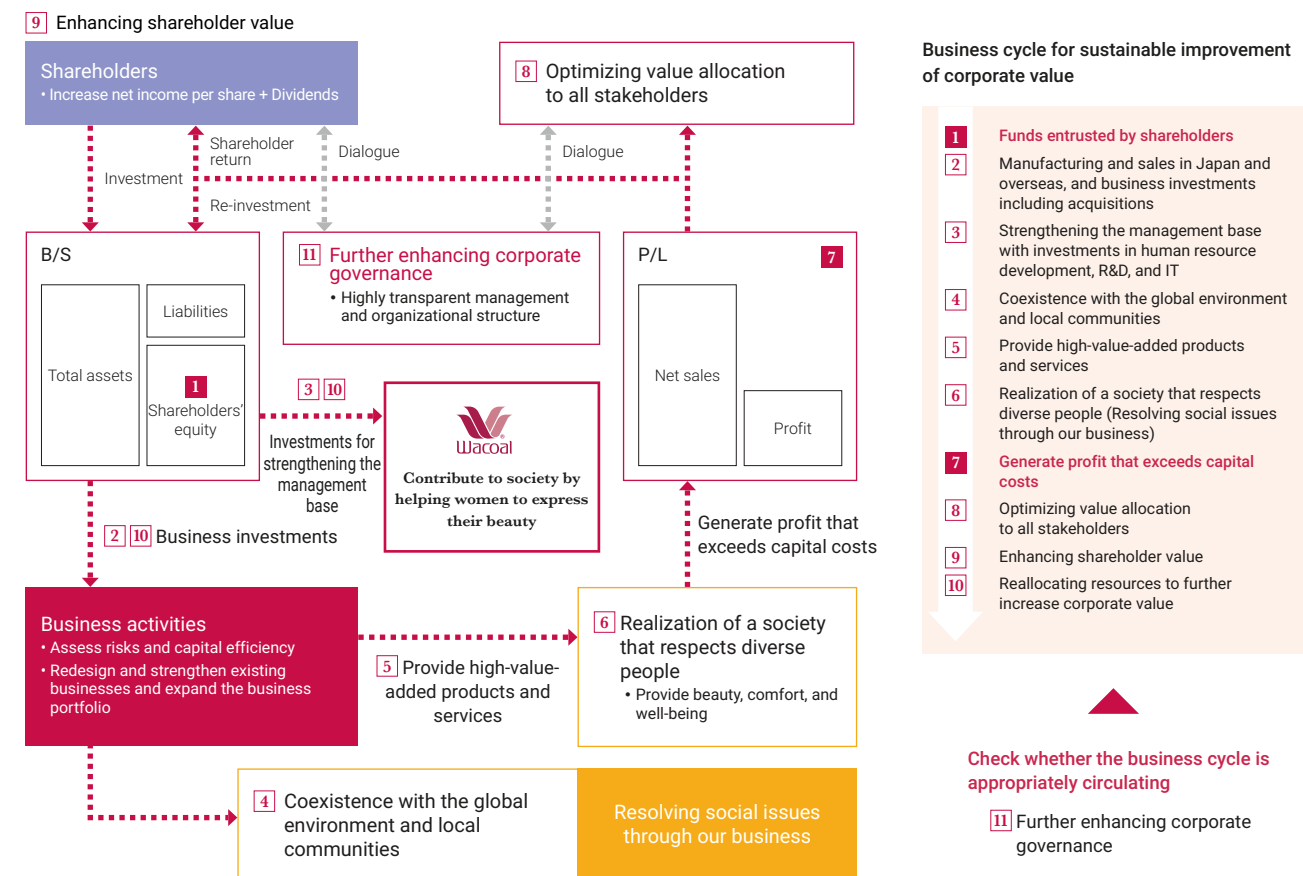
Our founder Koichi Tsukamoto used the above words to offer employees a straightforward explanation of mutual trust, which was an integral part of his own management philosophy and is incorporated into our vision. Wacoal’s founder repeatedly impressed upon employees that the Company should earn the trust of all stakeholders in order to heighten its existential value. We believe that enterprise value is the sum of the endorsement that Wacoal garners from society and all stakeholders; in other words, enterprise value is aggregated mutual trust. Our mission, which is to contribute to society by helping women to express their beauty, is also a core component of our management

philosophy. By putting this component of our management philosophy into practice, we will earn greater trust from all stakeholders.

Our Value Creation Process

Aiming to enhance enterprise value, Wacoal is actively investing to realize growth and strengthen management foundations while stepping up the implementation of initiatives focused on coexistence with the environment and society. Investment in people—the most important management resource for the advancement of business activities—is critical for the Company’s medium- to long-term growth. By continuously developing and bringing to market high-value-added products and services, we will work to generate a level of profit that consistently is above equity cost. At the same time, through the development of governance that maintains and upgrades our value creation process, we will realize sustained enhancement of enterprise value.

Concept of Resource Allocation Toward Sustainable Corporate Value Improvement



Business cycle for sustainable improvement of corporate value

- 1 Funds entrusted by shareholders
- 2 Manufacturing and sales in Japan and overseas, and business investments including acquisitions
- 3 Strengthening the management base with investments in human resource development, R&D, and IT
- 4 Coexistence with the global environment and local communities
- 5 Provide high-value-added products and services
- 6 Realization of a society that respects diverse people (Resolving social issues through our business)
- 7 Generate profit that exceeds capital costs
- 8 Optimizing value allocation to all stakeholders
- 9 Enhancing shareholder value
- 10 Reallocating resources to further increase corporate value

Profit Generation Aimed at ROE of 6%

Our new medium-term management plan sets out the three basic objectives of our capital policy.

- Basic Objectives of Capital Policy**
- 1 **Increase shareholder value by improving ROE**
 - 2 **Maintain a sound balance sheet (shareholders' equity levels)**
 - 3 **Implement measures for enhanced shareholder returns**

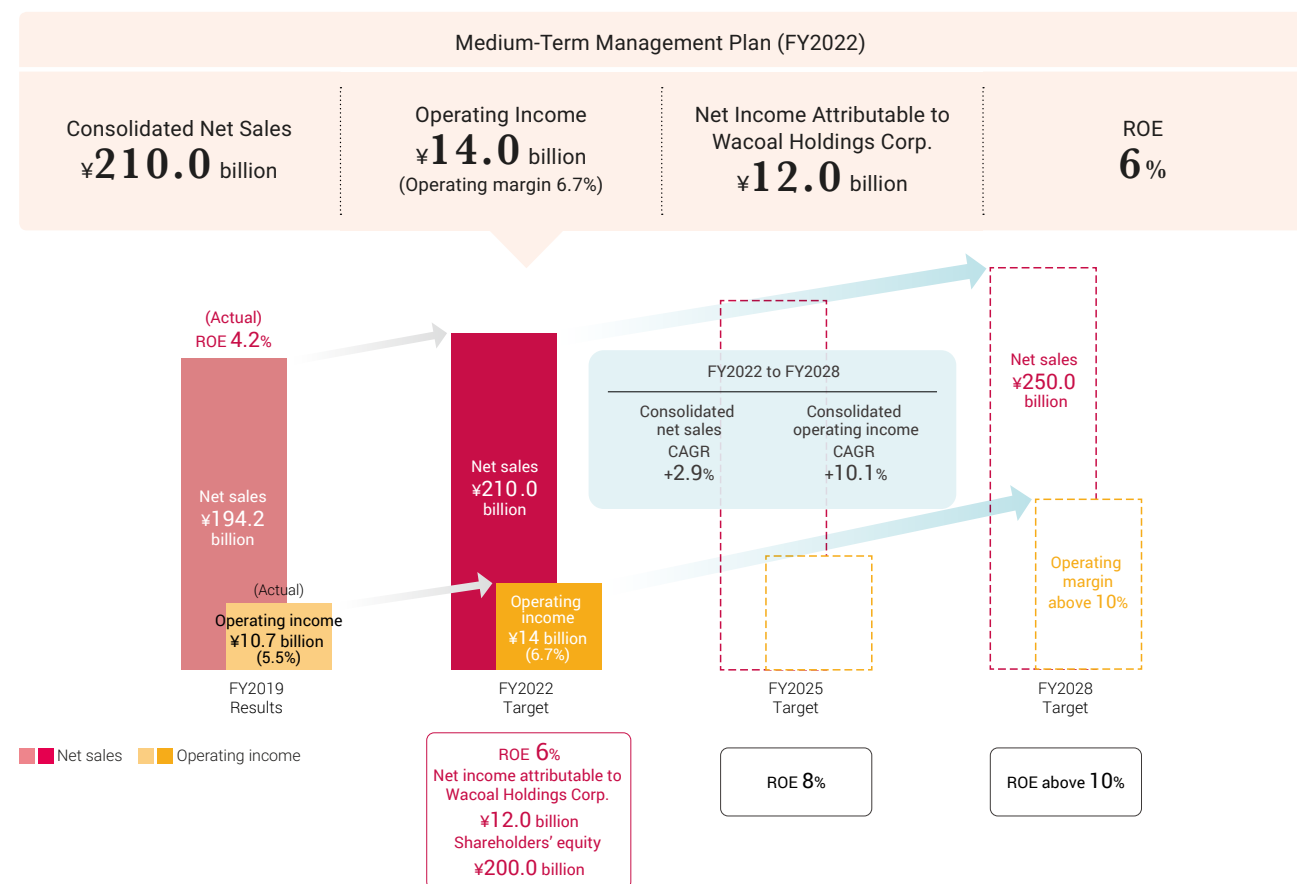
The first basic capital policy objective calls for continuous enhancement of ROE through improved profitability and capital efficiency. While Wacoal's equity cost is currently between 5.6% and 5.9%, ROE in real terms, excluding the effects of impairment and other factors, was just 4.2% in fiscal 2019, the year ended March 31, 2019. Also, our price book-value ratio (PBR) is below the one-time level. The improvement of ROE to a level above equity cost by realizing the growth strategies of

the new management plan is a pressing task. Therefore, our financial targets are to increase ROE to at least 6.0% in fiscal 2022, the year ending March 31, 2022, and the new plan's final fiscal year, and then to above 10% over the long term.

ROE has three components: profitability (profit margin), capital efficiency (total asset turnover rate), and leverage. The *Ito Review** points out that the low ROE of Japanese companies is in large part due to the narrowness of profit margins on sales—in other words, the weakness of earning power. Improved profitability will produce the greatest impact on Wacoal's ROE. For this reason, we have selected the operating margin as a key indicator in efforts to achieve our ROE goals. We aim to raise the operating margin from fiscal 2019's level of 5.5% (in real terms, excluding the effects of impairment and other factors) to around 7% in the final year of the new plan and then to above 10% over the long term.

* Compiled by the Ministry of Economy, Trade and Industry, the *Ito Review of Competitiveness and Incentives for Sustainable Growth—Building Favorable Relationships between Companies and Investors—Final Report* was released in August 2014. The review was chaired by Professor Kunio Ito, who was a professor at Hitotsubashi University at the time of its undertaking. The final report is commonly known as the *Ito Review*.

Numerical Targets for New Medium-Term Management Plan



Operating Margin Enhancement: Japan (Wacoal Corp. and Domestic Subsidiaries)

The domestic wholesale business for department stores and general merchandise stores has traditionally been the mainstay of Wacoal Corp. As consumer behavior changes, however, directly managed stores and e-commerce are accounting for a larger share of our operations. Under the previous management plan, we were able to achieve improvements through reorganization that increased the efficiency of our wholesale business and enhanced the profitability of our retail business.

One measure of the new plan is to raise productivity per employee. Specifically, with a focus on back-office operations, we will reform work processes to realize operating income per office worker that is approximately 30% higher than at present. Further, we plan to improve sales per beauty advisor (Wacoal sales assistant) by increasing the efficiency of incidental store work, such as product unpacking and stocktaking. Also, we will reduce product groups and product varieties with the aim of lowering production and technology development costs and improving inventory turnover rates.

In the medium-to-long term, digitization will play a key role in efforts to improve our profit margin. At present, we are digitizing customer records and installing the *3D smart & try* system, which combines a 3D body scanner and an AI-enabled customer-consultation service. These initiatives will not only provide added value that competitors cannot match but also contribute to cost reductions by improving work efficiency and lowering product return rates. We will proceed with the verification of these initiatives so that we can benefit from them as soon as possible.

Meanwhile, domestic subsidiaries that fell significantly short of numerical targets during the previous plan and recorded operating losses in fiscal 2019 have demonstrated that conventional approaches to sales and marketing are no longer effective and that the time has come to reform their business models. Through fundamental reform of the operations of these subsidiaries, Wacoal will lay foundations that enable them to begin posting operating income consistently during the first half of the new three-year management plan.

Operating Margin Maintenance: Overseas

Reflecting differences in trading conditions and business practices, our operating margins overseas vary depending on the region. In North America and Europe, we have secured high operating margins that are above 10%. As for China, where we use the same sales system as in Japan by

deploying sales personnel to directly managed sales areas in department stores, the operating margin has improved to the 6% level thanks to rapid expansion of the e-commerce business.

On the other hand, the department store business format is in decline across all mainstay overseas markets. During the period of the previous management plan, in North America, Europe, and China, the total net sales increases of e-commerce businesses were larger in monetary terms than the total net sales increases of brick-and-mortar stores. During the period of the new management plan, we expect this trend to continue. Consequently, our degree of success in strengthening e-commerce businesses will be a major determinant of overseas business growth.

Accordingly, during the three fiscal years of the new plan we will give priority to investment in e-commerce aimed at realizing vigorous growth. The Company will bolster alliances with major business partners, reorganize in-house websites, and actively invest in advertising. Further, we will realign offices, logistics warehouses, core IT systems, and other business infrastructure to embed e-commerce in our business models in respective countries. While giving priority to this series of investments for growth, we will maintain operating margins at their current levels.

Operating Margin Enhancement: Global Optimization

Wacoal's overseas business operations are establishing optimal planning, production, and sales capabilities in each country and region. Tasks going forward, however, include appropriate deployment of factories that can provide effective supplies of high-value-added products, increased utilization of the raw materials factory in Thailand, and the development of supply capabilities for such growth markets as China and India.

Under the new management plan and with its sights set on enhancing management efficiency across the whole Group, Wacoal will begin examining the establishment of a production management system that transcends the boundaries of brands and regional businesses to supply these brands and businesses with competitive products and materials. We will optimize supply capabilities by reorganizing factories based on the analysis of future supply and demand in relation to each business.

Also, we have begun initiatives to strengthen the branding and marketing of certain high-value-added products through collaboration among operations in Japan, China, and other Asian countries. Brassieres emphasizing comfort, such as

GOCOCi, overcome differences in physique and can be marketed laterally because they have wider fit ranges. For example, by enabling the introduction of popular products from Japan, such collaboration promises to help businesses in China appeal more to and thereby rapidly acquire younger customers. We will enhance business efficiency on a global level by further evolving our Think Globally, Act Locally approach to valuation creation and strengthening ties among operations in respective countries.

Reform through Balance Sheet-Focused Business Management

Our second basic capital policy objective is to maintain a sound balance sheet. In other words, we aim to maintain shareholders' equity at a level that is commensurate with risks attendant on business activities and that is needed for the implementation of capital and growth investment.

The most significant issue in relation to Wacoal's balance sheet is that many years of internal reserve accumulation has resulted in strategic shareholdings that account for 20% of total assets. Viewing the reduction of strategic shareholdings as a priority task, we plan to dispose of strategic shareholdings worth at least ¥20 billion—which represents one-third of the total—during the period of the new management plan. In conjunction with these efforts, we will lower inventory levels by reducing product varieties.

Wacoal's final basic capital policy objective is to enhance shareholder returns even further. However, we will premise these measures on the securing of capital for growth investment and free cash flow levels.

Based on the three aforementioned basic objectives, our capital policy for the three years of the new management plan is as follows.

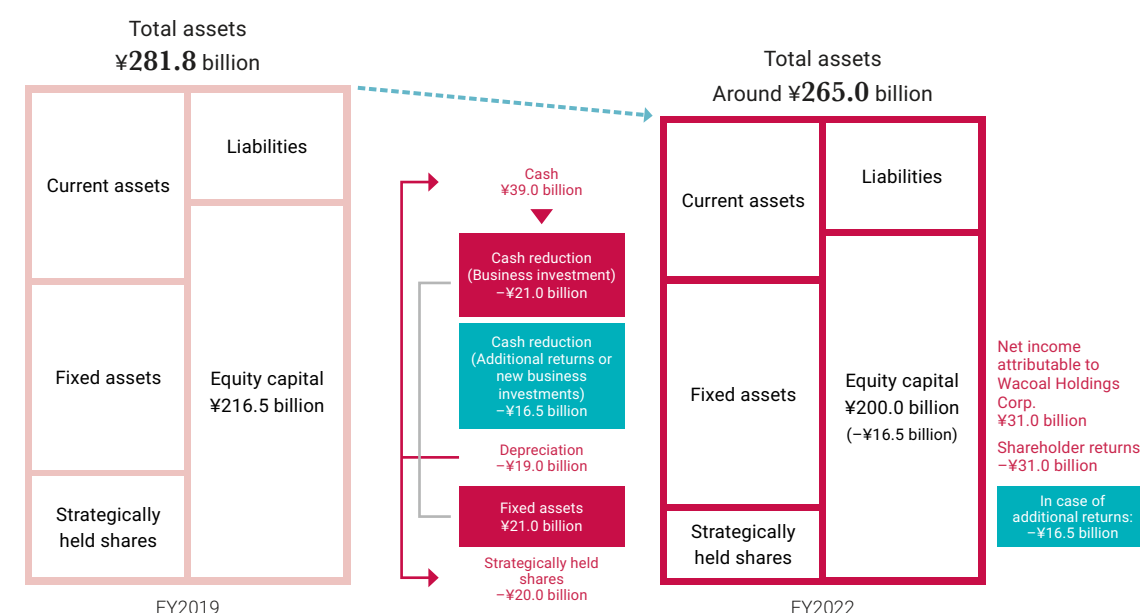
Over three fiscal years, we will achieve an increase in cumulative cash inflows of at least ¥50 billion (net income attributable to Wacoal Holdings Corp.: ¥31 billion; depreciation and amortization: ¥19 billion) by enhancing profitability in business activities and reducing working capital. Combined with the aforementioned disposal of strategic shareholdings, these measures will generate total cash of ¥70 billion or more.

As for cash outflows, we have earmarked ¥21 billion for capital investment in such areas as IT system renewal and the establishment of e-commerce sites in Japan and overseas. Through stable dividend payments and the flexible purchase of treasury stock, we will provide returns to shareholders of about ¥31 billion and maintain a total payout ratio of 100%.

Lastly, we plan to use the ¥20 billion generated from the disposal of strategic shareholdings to provide additional returns to shareholders. In using this cash, however, we will give priority to any investment opportunities that promise return on investment in line with our ROE target and rapid improvements in growth. We intend to use our own capital to cover all the aforementioned initiatives. With respect to investment opportunities, however, we will consider the use of debt as required.

As a result of these initiatives, we forecast shareholders' equity of between ¥200 billion and ¥210 billion at the end of fiscal 2022. While curbing increases in total assets by doing our utmost to use our own capital, we will steadily reduce our own capital. Also, we will improve inventory turnover rates to

Estimate of the Balance Sheet at the End of FY2022



Note: Starting from FY2020, in line with the changes in U.S. Accounting Standards, the accounting method of lease transactions is scheduled to change. Accordingly, there will be an increase in fixed assets and liabilities. However, the above conceptual diagram does not reflect it.

minimize increases in inventories. We are committed to stepping up the pace of initiatives aimed at realizing an optimized balance sheet that ensures we are able to expand businesses and that is both highly profitable and lean.

A New Growth Phase

At the same time as releasing the new management plan, we announced our target profile for fiscal 2028. Specifically, looking ahead nine fiscal years we aim to achieve net sales, including equity-method affiliated companies sales, of ¥300 billion and to lift the operating margin and ROE above 10%.

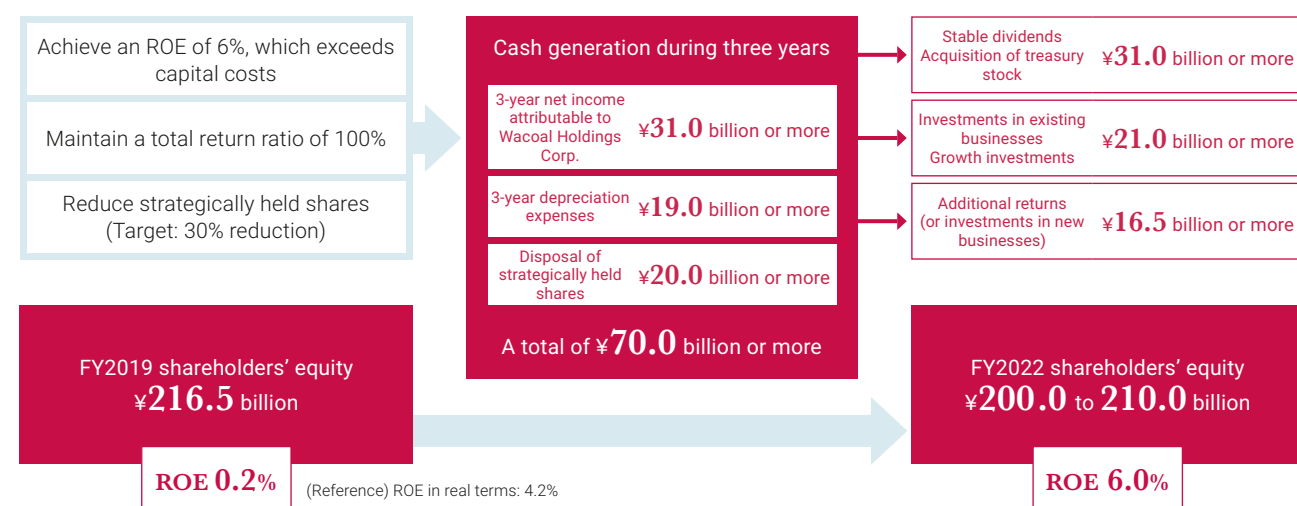
Some critics view the future of the domestic innerwear business pessimistically. However, I see things differently. Admittedly, the innerwear industry is undergoing consolidation and sales channels are being transformed. Until now, the closure of a brick-and-mortar store has resulted in the loss of customers; however, moving forward, we intend to leverage the full-fledged emergence of e-commerce and omni-channel services to renew our customer relationships so that they are not only more interactive but also deeper, broader, and longer. As well as being an excellent opportunity for familiarizing

customers with a new side of Wacoal, the challenge of building such relationships will drive us into a new growth phase. Also, by further evolving the advantages that it has cultivated, Wacoal can continue catering to customers' increasingly diverse preferences, new demand associated with the increasing empowerment of women in society, and the desire of everyone for good health and self-realization.

The three fiscal years of the new management plan represent an important period in which we can bring the future I have just outlined much closer to hand. We will rigorously optimize operations on a global basis and ensure that each region and each sales channel realize growth. With respect to financial strategy, we aim to lift the PBR above the one-time level as soon as possible by generating profit that surpasses equity cost and continuously enhancing enterprise value. As we mark our 70th anniversary by embarking upon ambitious initiatives to evolve and advance into a new growth phase, I would like to ask all stakeholders for their continued support.

September 2019

Improving Capital Efficiency and Enriching Shareholder Returns



Business Goals and Measures

Sustain the Growth and Enhance the Profitability of Wacoal Corp.

In setting out a target profile for Wacoal Corp., the new medium-term management plan calls for all business activities to focus on building deeper, broader, and longer relationships with each customer, thereby heightening brand value and ensuring growth.

Although the market environment is challenging, trends that create business opportunities for us are becoming increasingly marked. We will cement our reputation in the market as the No. 1 brand and grow net sales at an average annual rate of 2.5% by continuing to implement our previous medium-term management plan's measures for developing new distribution channels. At the same time, we will raise the operating margin above 6% by fiscal 2022 through the maximization of organizational productivity.

Business Environment

Risks	Opportunities
<ul style="list-style-type: none"> Changes in the business formats of department stores and general merchandise stores and the closure of unprofitable stores Increased presence of global specialty store retailers of private label apparel as innerwear competitors The proliferation of inexpensive items (nightwear, knit innerwear, and innerwear for infants, children, and men) 	<ul style="list-style-type: none"> The energization of the brassiere market through the introduction of comfort-focused products Greater awareness of size due to digital technology and customized apparel Increased interest in sports due to the Tokyo 2020 Olympic and Paralympic Games Growth in demand from customers in their 50s and 60s who want to extend their healthy lifespan

Achievements in the previous three years

- Enhanced the management efficiency of the wholesale business**
 - Completed business reorganization (Increased the efficiency of back-office departments and enhanced flexibility in the deployment of marketing personnel and in-store sales personnel)
 - Lowered valuation loss through the reduction of product returns and weeded out underperforming stores through store closures
- Improved the profitability of the retail business**
 - Improved the sales margin significantly (Reduced discount sales and increased the percentage of common products among shop brand lineups)
 - Improved the profit and loss of stores (Took measures to eliminate loss-making stores)
- Implemented growth investment for the construction of infrastructure for the omni-channel strategy and completed preparations for its commercial introduction**
 - Operated a unified information management system (Integrated data on inventories, products, and customer purchases)
 - Developed a 3D body scanner and a next-generation, AI-enabled customer-consultation service

Measures over the coming three years

- Creating distribution channels that competitors cannot match by implementing such measures as the use of digital technology to evolve customer services**
- Optimizing mixes of brands, products, and channels with the aim of penetrating priority markets outside the innerwear market**
 - Reformulating category strategies (women's sportswear, men's innerwear, footwear, nightwear, and products for children)
 - Rebuilding the portfolio of innerwear brands and reducing product varieties
 - Cultivating customer loyalty
 - Tackling the declining profitability of operations that serve department stores
- Addressing the low profitability of businesses that enhance culture and beauty (sensibility) in the fields of lifestyle, apparel, and innerwear**
 - Moving into the black early based on time limits and preparing plans for constructive exits

Core task Focus product planning, production, communication, and all other business activities on building deeper, broader, and longer relationships with each customer, thereby heightening brand value and ensuring growth

Business Goals

<div style="background-color: #c2185b; color: white; border-radius: 50%; width: 20px; height: 20px; margin: 0 auto; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">1</div> <p>Cement our position in the market as the No. 1 brand</p>	<div style="background-color: #c2185b; color: white; border-radius: 50%; width: 20px; height: 20px; margin: 0 auto; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">2</div> <p>Return net sales to a trajectory of sustained growth (Net sales CAGR of 2.0%–2.5%)</p>	<div style="background-color: #c2185b; color: white; border-radius: 50%; width: 20px; height: 20px; margin: 0 auto; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">3</div> <p>Realize stable profit growth by maximizing organizational productivity (Operating margin above 6%)</p>
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Key Performance Indicators (KPIs)

	2019/3 (Results)		2020/3 (Targets)
Net Sales	102.4	↗	110.2 (CAGR +2.5%)
Operating Income	5.1	↗	6.7 (CAGR +9.5%)
Operating Margin	5.0%	↗	Above 6%

(¥ billion)

KPIs for Main Businesses

	2019/3 (Results)		2020/3 (Targets)
Wholesale Business	¥82.35 billion	CAGR +2.2%	↗ ¥88.00 billion
Retail Business and Online Sales Business	¥24.62 billion	CAGR +8.6%	↗ ¥31.55 billion
Total*	¥106.96 billion	CAGR +3.8%	↗ ¥119.55 billion

* These figures are the totals of the wholesale business and the retail and online sales businesses and do not include eliminations and adjustments, etc.

Priority Strategies and Concrete Measures

<p>Innovation (ONLY ONE Strategy)</p>	<ul style="list-style-type: none"> Evolve into one of the world's leading companies in the aggregation and utilization of data on customer physiques and preferences (page 36) <ul style="list-style-type: none"> Develop differentiated stores throughout Japan based on the omni-channel strategy Realize a customized wear business based on personal data and a health support-related business 																						
<p>Market penetration (NUMBER ONE Strategy)</p>	<ul style="list-style-type: none"> Reduce product groups and product varieties and review terms of transactions with department stores in the wholesale business (select and concentrate) <ul style="list-style-type: none"> Redefine brands and strengthen the power of each product group (reduce product groups by 20%) Review business practices and transaction terms with department stores to enhance profitability Strengthen corporate brand communication to convey "Wacoal's focus on the human physique" <ul style="list-style-type: none"> Heighten awareness of the importance of wearing the correct size of innerwear and enhance the value of innerwear Earn support from the entry-level (teenage) customer group and customers in their 50s and 60s Raise the basic level of sales growth through measures that strengthen each sales channel and non-innerwear product category by leveraging their characteristics <table border="1" style="width: 100%; font-size: x-small; margin-top: 10px;"> <thead> <tr> <th colspan="2">Measures to strengthen women's innerwear sales channels</th> <th colspan="2">Measures to strengthen non-women's innerwear product groups</th> </tr> </thead> <tbody> <tr> <td>Department stores</td> <td>Enhance the value of the Wacoal brand by strengthening prestigious and semi-order-made brassieres</td> <td>CW-X</td> <td>Focus on sports brassieres to acquire new customers</td> </tr> <tr> <td>General merchandise stores</td> <td>Increase sales of self-service stores by stepping up rollouts of brassieres that emphasize comfort</td> <td>Nightwear</td> <td>Enhance the added value of the Think Sleeping brand</td> </tr> <tr> <td>Directly managed stores</td> <td>Conduct advertising and sales promotions to heighten brand profiles</td> <td>Innerwear for juniors</td> <td>Expand the entry-level (teenage) customer group by heightening the profile of the Pulliii brand</td> </tr> <tr> <td rowspan="2">In-house e-commerce</td> <td rowspan="2">Develop an app that strengthens collaboration with department stores and specialty stores</td> <td>Men's innerwear</td> <td>Increase business efficiency by integrating brands</td> </tr> <tr> <td>Footwear</td> <td>Continue to strengthen business footwear products for women</td> </tr> </tbody> </table>	Measures to strengthen women's innerwear sales channels		Measures to strengthen non-women's innerwear product groups		Department stores	Enhance the value of the Wacoal brand by strengthening prestigious and semi-order-made brassieres	CW-X	Focus on sports brassieres to acquire new customers	General merchandise stores	Increase sales of self-service stores by stepping up rollouts of brassieres that emphasize comfort	Nightwear	Enhance the added value of the Think Sleeping brand	Directly managed stores	Conduct advertising and sales promotions to heighten brand profiles	Innerwear for juniors	Expand the entry-level (teenage) customer group by heightening the profile of the Pulliii brand	In-house e-commerce	Develop an app that strengthens collaboration with department stores and specialty stores	Men's innerwear	Increase business efficiency by integrating brands	Footwear	Continue to strengthen business footwear products for women
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<p>Strengthening of business foundations (ALL FOR ONE Strategy) and reform of investment fields and business structure</p>	<ul style="list-style-type: none"> Reform work styles and leave systems to heighten productivity (Improve the productivity of each office worker and beauty advisor) Enhance the added value of products (Develop new materials and production technologies) Reduce material disposal and logistics costs Optimize inventories on a Companywide basis Improve the profitability of businesses that enhance culture and beauty (sensibility) in the fields of lifestyle, apparel, and innerwear 																						

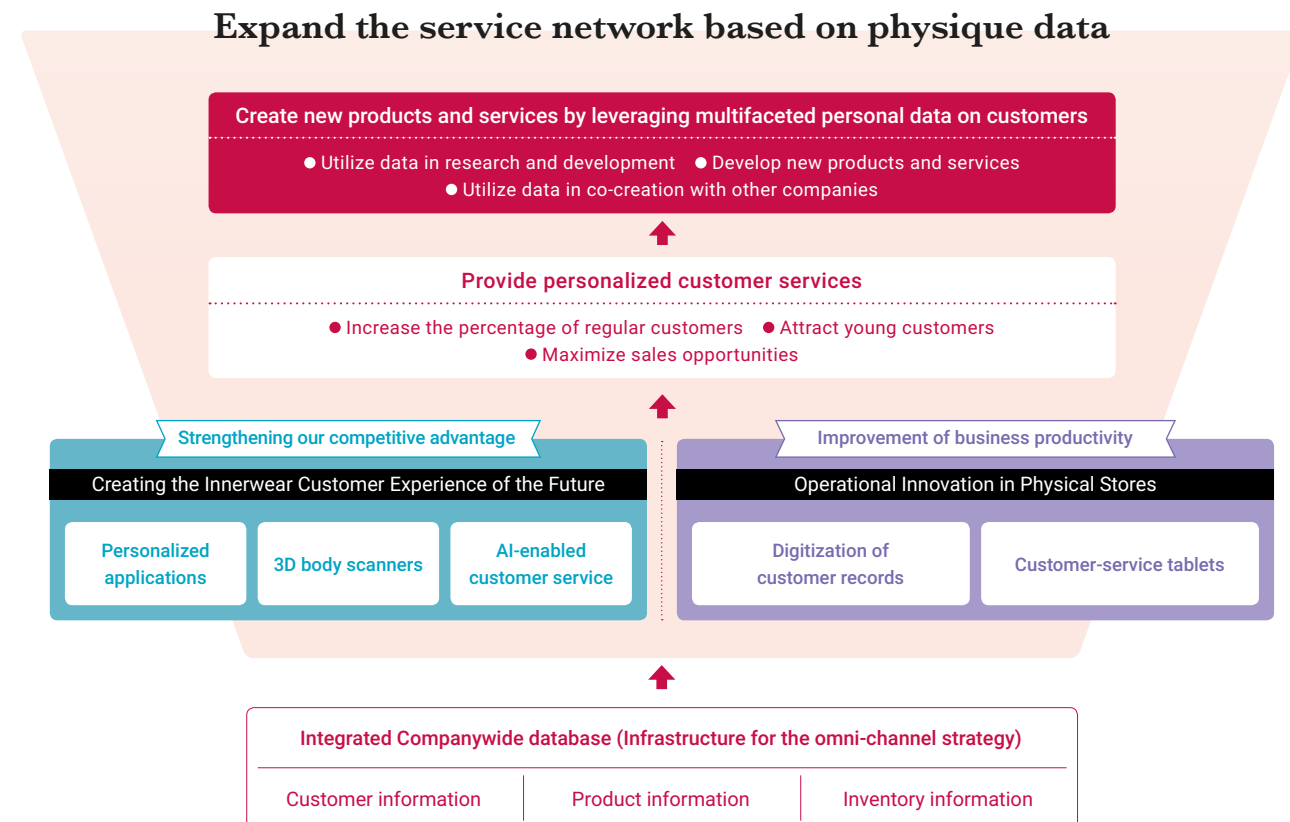
Special Feature Innovation Strategy

Building Deeper, Broader, and Longer Relationships with Each Customer

Wacoal Corp. has identified the three years through to fiscal 2022 as a period for transforming into one of the world's leading companies in the aggregation and utilization of data on customer physiques and preferences. To cater flexibly and rapidly to our customers' diversifying purchasing behavior, we are using digital technology to establish innovative in-store services and to develop a differentiated omni-channel strategy that seamlessly integrates stores and e-commerce.

Going forward, we will establish a service network that competitors cannot match by developing strategic omni-channel stores nationwide. We will also create new products and services based on the multifaceted personal data on customers that we have accumulated. Through these initiatives, we will build deeper, broader, and longer relationships with each customer; heighten our brand value; and ensure growth.

The Wacoal Omni-Channel Strategy



Next-Generation Innerwear Stores

The Inaugural Wacoal 3D smart & try Store Opens!

In May 2019, in Tokyu Plaza Omotesando Harajuku (Tokyo), we opened the first innerwear store that gives customers the chance to experience our new, independently developed 3D smart & try customer service. Through the use of multiple 3D body scanners and consulting rooms as well as tablet computers installed with AI-enabled customer service functions, the new store allows customers to take measurements and search for, try on, and purchase products by themselves if they prefer. Moreover, customers can request a consultation with one of our highly knowledgeable beauty advisors, who offer recommendations in view of each customer's wishes or concerns. We are moving forward with initiatives to open Wacoal 3D smart & try stores across Japan. In September 2019, for example, we unveiled a second store, in Daimaru Shinsaibashi (Osaka).



Progress of the first 3D smart & try store as of the end of September 2019

- Number of customers using 3D body scanners
Approx. 1,200 per month
- Percentage of measured customers who made purchases
Approx. 30%
- Percentage of measured customers who purchased Wacoal products for the first time
Approx. 60%

Creating the Future of Innerwear Purchasing Experiences

Customer Service 3D smart & try

3D smart & try is a new service that helps customers find the optimal brassiere from among the many varieties available. Through the use of a 3D body scanner and AI-enabled customer service, both of which were independently developed by Wacoal, the service suggests products that reflect each customer's size, physique, concerns, and design or silhouette preferences. Over the coming three years, we will introduce into stores 100 3D body scanners, thereby creating an environment that closely reflects the needs of, and is perfectly suited to building deeper, broader, and longer relationships with, each customer.

Our AI-Enabled Customer Service

- Includes a large amount of product information and has learned the beauty advisor customer service techniques that Wacoal has accumulated to date
- Recommends products based on size and physique characteristics that have been identified by the 3D body scanner
- Enables the filtering of products to reflect each customer's concerns or design or silhouette preferences
- Facilitates objective checking of changes in physique silhouette by enabling the comparison of 360-degree physique measurements with past 3D measurement data

⇒ The stress of choosing a brassiere is diminished significantly, and customers experience a new way of purchasing brassieres.



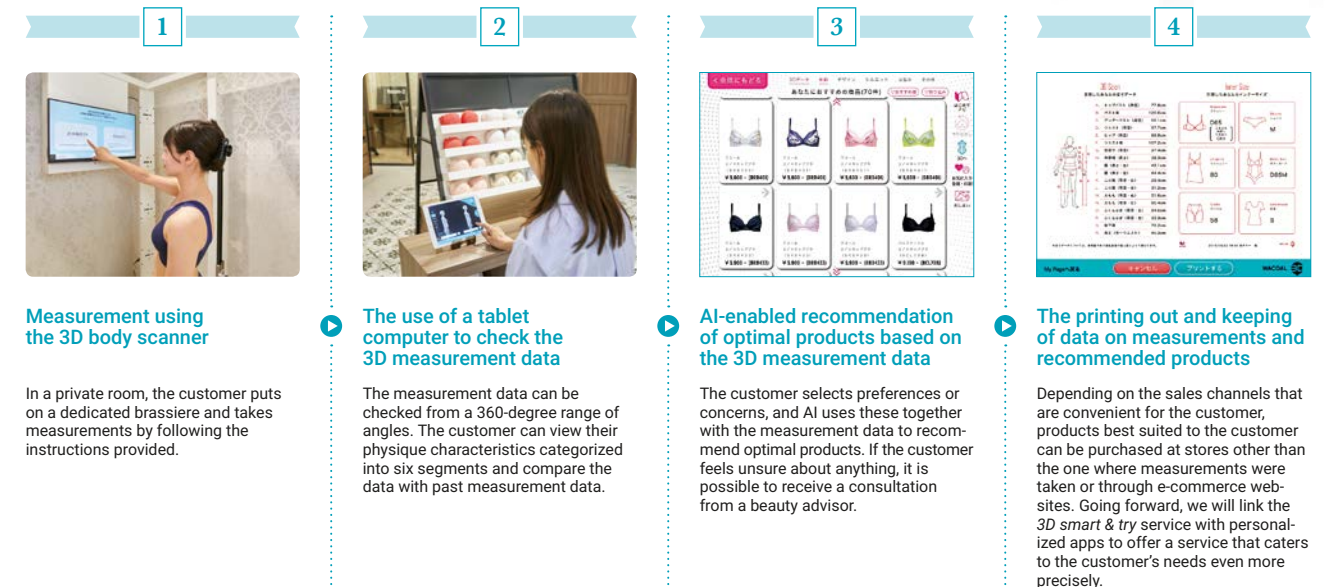
Our Leading-Edge 3D Body Scanner

- Measures the size of approximately 1.5 million points on the physique and identifies physique characteristics in just five seconds
- Enables the selection of the optimal brassiere size for each person by measuring not only the circumference but also the volume of the bust

⇒ As customers can take measurements themselves, the scanner allows those who would prefer not to interact with store personnel to visit stores and determine their sizes without any anxiety.



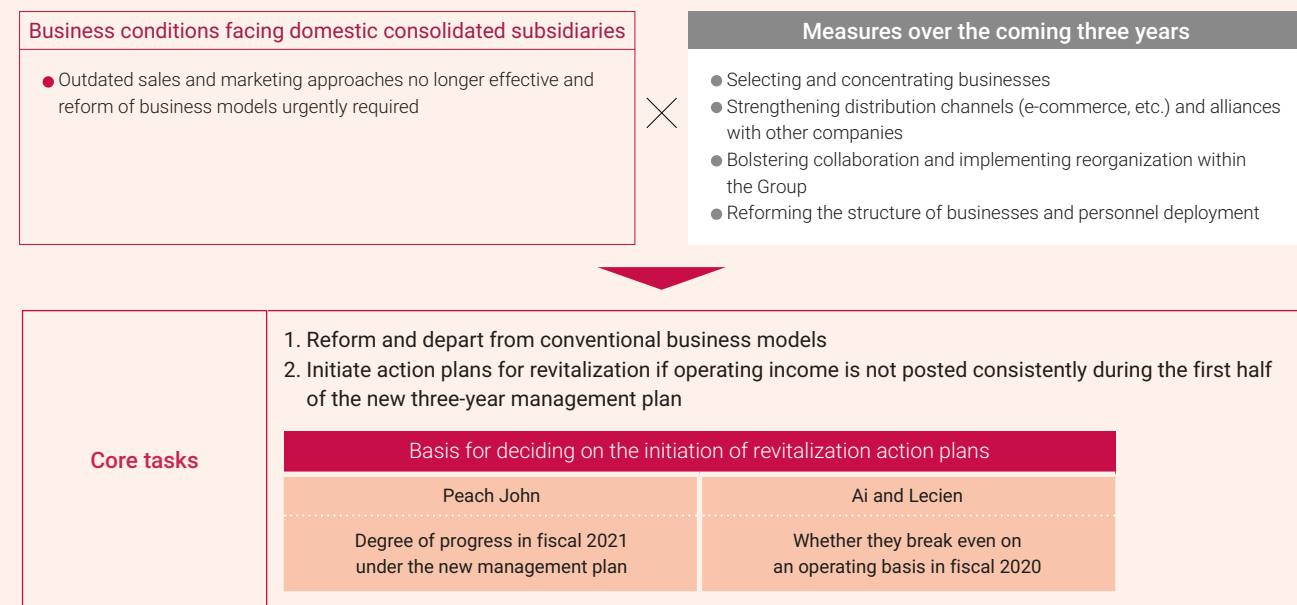
The 3D smart & try Measurement Process



Business Goals and Measures

Revitalize Domestic Consolidated Subsidiaries

Peach John Co., Ltd., Ai Co., Ltd., and Lecien Corporation fell significantly short of the previous medium-term management plan's numerical targets and recorded operating losses in fiscal 2019. The conventional approaches to sales and marketing that these subsidiaries have established are no longer effective, and the time has come to reform their business models. Under the new medium-term management plan, we will dramatically reform the businesses of our domestic consolidated subsidiaries. Further, if the companies do not begin posting operating income consistently during the first half of the new three-year management plan, we will initiate action plans for their revitalization.



Business Goals and KPIs

Peach John		
Business Goals		
• Lay the foundations for the early realization of a 5% operating margin		
KPIs (¥ million)		
	2019/3 (Results)	2022/3 (Targets)
Net Sales	10,500	11,600 (CAGR +3.4%)
Operating Income (Loss)	(220)	350
Operating Margin	–	2.5%–3.0%

Ai		
Business Goals		
• Change to a business model that can achieve a 5% operating margin		
• Break even on an operating basis in the first year of the new management plan (fiscal 2020)		
KPIs (¥ million)		
	2019/3 (Results)	2022/3 (Targets)
Net Sales	4,200	4,500 (CAGR +2.4%)
Operating Income (Loss)	(320)	170
Operating Margin	–	3.0%–4.0%

Lecien		
Business Goals		
• Establish business foundations that can consistently generate operating income		
• Break even on an operating basis in the first year of the new management plan (fiscal 2020)		
KPIs (¥ million)		
	2019/3 (Results)	2022/3 (Targets)
Net Sales	6,300	6,700 (CAGR +2.0%)
Operating Income (Loss)	(380)	140
Operating Margin	–	1.0%–2.0%

Nanasai		
Business Goals		
• Achieve numerical targets for sales margins in each business		
• Take on the challenge of achieving a 4% operating margin		
KPIs (¥ million)		
	2019/3 (Results)	2022/3 (Targets)
Net Sales	9,400	9,200 (CAGR –0.6%)
Operating Income	280	330 (CAGR +5.4%)
Operating Margin	3.0%	3.5%–4.0%

Peach John

Peach John will liquidate and consolidate underperforming directly managed stores and discontinue the publication of catalogs while strengthening in-house e-commerce in Japan. The company will revise product planning based on an analysis of the behavior of young consumers who prefer trying on a variety of "cute," inexpensive items. At the same time, Peach John will rebuild its marketing mix so that brand strategies, retail pricing strategies, e-commerce channels, and advertising become more cohesive. Also, it will reinforce growth in Greater China by accelerating business expansion in the Chinese market based on coordination with third-party e-commerce websites. Through such efforts, the company will establish foundations for realizing an operating margin of 5%.

Priority Strategies

- Enhance profitability**
Liquidate and consolidate underperforming directly managed stores and strengthen in-house e-commerce in Japan
- Revise brands and product planning**
Rebuild the marketing mix (brands × pricing × e-commerce channels × advertising)
Use the products of Wacoal Corp. strategically
- Accelerate growth in Greater China**
Accelerate business expansion in the Chinese market (open stores in key cities and coordinate with third-party e-commerce websites) and open stores in Taiwan (Taichung City and Kaohsiung City)

Ai

Ai is fully exploiting the research and development achievements of the Human Science Research Center of Wacoal Corp. and other intangible assets of the Group to establish *San-ai Resort* as a brand that garners the endorsement of "adult" women. In addition, through such measures as beginning e-commerce sales in China, Ai will transform itself to establish a business model that achieves an operating margin of 5%.



Priority Strategies

- Establish a business model offering "resort solutions" that combine swimwear and innerwear**
 - Develop value-added swimwear that leverages the achievements of the Human Science Research Center
 - Open up the Greater China market
 - Decrease the number of stores that carry seasonal and special-event products
 - Improve profitability by increasing the percentage of products developed in-house
- Establish a new personnel system and enhance productivity by introducing multitasking**

Lecien

Anticipating a decline in orders from clients that it supplies as an original equipment manufacturer as well as a decline in demand for material supplies in Japan, Lecien will reorganize its businesses accordingly. Meanwhile, the company will develop new business models in collaboration with domestic general merchandise stores and begin supplying overseas affiliates as an original equipment manufacturer. Lecien will build business foundations that consistently realize operating income



by discontinuing underperforming businesses—such as the business that supplies embroidered lace for outerwear—and by coordinating with Wacoal Corp. to ensure effective utilization of the supply capacity of Lecien's factories.

Priority Strategies

- Select and concentrate business fields with a strong focus on gross profit**
 - Develop new business models through collaboration with domestic general merchandise stores
 - Begin supplying overseas affiliates as an original equipment manufacturer (Taiwan, South Korea, etc.)
 - Discontinue underperforming businesses (such as the business that supplies embroidered lace for outerwear)
 - Coordinate with Wacoal Corp. to ensure effective utilization of the supply capacity of Lecien's factories

Nanasai

In fiscal 2019, Nanasai completed a project for the interior construction of the flagship store of one of Japan's major department store chains. Despite the effect that the absence of this project will have on operations, in the coming three years the company will conduct business management with a greater emphasis on profit to realize an operating margin of 4%. With respect to the business environment, the mannequin business is experiencing an increase in demand due to labor shortages and the spread of AI. Also, demand is growing for aesthetically sophisticated interior design for restaurants, bars, and such public facilities as airports and schools. Taking advantage of the favorable environment, Nanasai will acquire new clients for its interior construction business not only from the department store and apparel production industries but also from other industries.

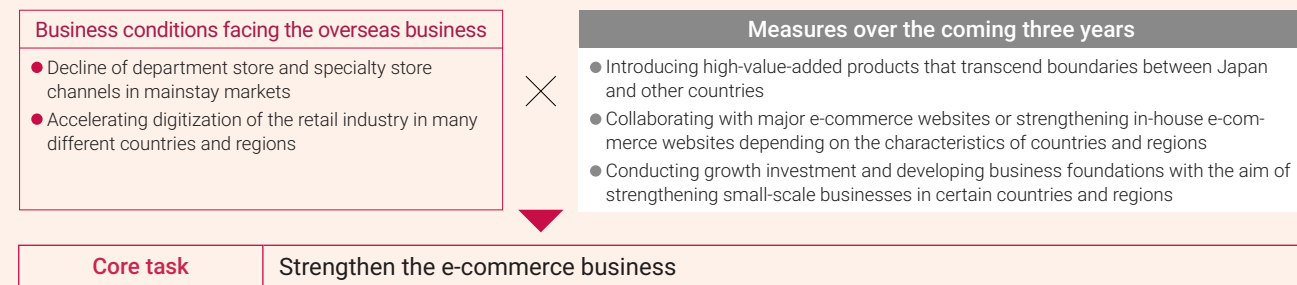
Priority Strategies

- Build new platforms (acquire new customers and develop new products)**
 - Acquire new clients for the interior construction business beyond the department store and apparel production industries
 - Develop service mannequins that enable unmanned customer services and sales projections by evolving the interactive mannequin program
 - Help address the social issue of environmental conservation by popularizing mannequins made from biodegradable materials or paper
- Emphasize profit in conducting business management**
 - Leverage the construction quiet season to take steps to enhance work efficiency
 - Consolidate product varieties, implement joint delivery with industry peers, and reform underperforming overseas operations
- Realize work-style reform**

Business Goals and Measures

Expand and Grow the Overseas Business

Across all mainstay overseas markets, the department store (brick-and-mortar store) business format is in decline. In the markets of the United States, Europe, and China, e-commerce accounts for between 20% and 30% of sales. We view the shift away from department stores and toward e-commerce as a trend that is likely to become even more pronounced, and in response we will strengthen collaboration with the operators of e-commerce malls in many different countries and regions. We will advance our omni-channel strategy in Japan and begin initiatives to integrate customer relationship management with in-house e-commerce. Meanwhile, in India, Latin America, the eurozone, and other countries and regions, we will implement growth investment with the aim of strengthening small-scale businesses. We will ambitiously seek rapid improvements in growth through M&A and other initiatives and rigorously analyze the compatibility of prospective business partners with our existing businesses.



Business Goals and KPIs

In North America and Europe, while operating margins are expected to edge down, we will reorganize business foundations. Aiming to accelerate growth of the e-commerce business, we will reorganize in-house websites, invest in advertising, and give priority to investment in offices, logistics warehouses, and core IT systems.

Businesses in China			Businesses in Europe			Businesses in the United States		
Business Goals			Business Goals			Business Goals		
<ul style="list-style-type: none"> Grow net sales at an average annual rate of 9% Ensure an operating margin of between 6% and 7% (higher than the current level) 			<ul style="list-style-type: none"> Ensure an operating margin of between 8% and 9% Invest in business infrastructure that promises growth (renew in-house e-commerce websites, introduce product life cycle management, and reorganize the head office, logistics warehouses, and factories) 			<ul style="list-style-type: none"> Improve the sales margin (by between 2.0 and 2.5 percentage points) Ensure an operating margin of between 9% and 10% (remain mindful of appropriately balancing growth investment and operating income) 		
KPIs (RMB million)			KPIs (£ million)			KPIs (US\$ million)		
	2019/3 (Results)	2020/3 (Targets)		2019/3 (Results)	2020/3 (Targets)		2019/3 (Results)	2020/3 (Targets)
Net Sales	695	900 (CAGR +9.0%)	Net Sales	97	113 (CAGR +5.3%)	Net Sales	167	189 (CAGR +4.3%)
Operating Income	44.6	54.5	Operating Income	9.7	9.4	Operating Income	18.9	17.9
Operating Margin	6.4%	6.0%–7.0%	Operating Margin	10.0%	8.0%–9.0%	Operating Margin	11.3%	9.0%–10.0%

Businesses in China

Through increased collaboration with Japan-based operations (Wacoal Corp.), we will strengthen branding and marketing in the e-commerce market, thereby attracting younger customers and other undeveloped customer groups. We will maintain a high level of growth potential by strengthening the ability of the e-commerce business to grow while investing in marketing that increases our share of sales in department stores. Also, we will establish an efficient business infrastructure through the strengthening of logistics warehouses and core IT systems. Based on such initiatives, we will grow net sales at an average annual rate of 9% and ensure an operating margin that is higher than the current level.

Priority Strategies

- Strengthen the ability of the e-commerce business to grow**
 - Bolster alliances with the operators of e-commerce malls
 - Implement strategic deployment of brands to attract young customers
- Strengthen the ability of brick-and-mortar stores to grow**
 - Leverage the planning and development competence of Wacoal Corp. to increase product appeal
 - Capture the middle-class customer group through the development of new business formats (outlet channels, etc.)
- Establish a rational business infrastructure with scope for growth**

Businesses in Europe

We will expand and enhance brand portfolios and marketing based on the characteristics of countries and distribution channels. For example, we will foster brands for the fuller figure that follow on from the success of the *elomi* brand, which has grown into a second mainstay. Further, plans call for strengthening in-house e-commerce. We will also concentrate efforts on expanding businesses in Germany, Italy, and other eurozone countries. Our businesses in Europe will give priority to growth investment. Initiatives will include implementing a plan to renew in-house e-commerce—which was postponed during the previous management plan—and reinforcing the appeal of individual brands. Through these measures, the businesses will achieve average annual net sales growth of 5% and ensure an operating margin of between 8% and 9%.



Priority Strategies

- Strengthen brand portfolios and marketing to reflect changes in the market environment**
 - Foster brands for the fuller figure (Strengthen the *elomi* and *Goddess* brands and enhance the value of the *Wacoal* brand)
 - Introduce, renew, and extend the regional coverage of in-house e-commerce
 - Invalidate the specialty store channel (Boost support for specialty stores through business-to-business systems)
- Strengthen businesses in eurozone countries**
 - Accelerate the development of markets in Germany, Spain, and Italy through stepped-up product rollouts at department stores
- Establish business infrastructure**
 - Increase the capacity and productivity of the joint venture factory in Sri Lanka
 - Enhance the head office environment and strengthen the capabilities of logistics warehouses
 - Advance programs for developing the skills of employees

Businesses in the United States

While steadily growing our No. 1 share of the department store market, we will strengthen e-commerce. We will tackle ambitious initiatives to achieve rapid improvements in growth through business investment in growing markets. At the same time, we aim to solidify our foundations with a view to realizing net sales of ¥30 billion in the Americas in fiscal 2028. To this end, we will enhance product development capabilities, reform cost structures, and expand businesses in surrounding countries. Meanwhile, we will increase e-commerce sales as a percentage of net sales and improve the sales margin by enhancing business efficiency. In these ways, businesses in the United States will focus on achieving an appropriate balance between growth investment and operating income, thereby ensuring an operating margin of between 9% and 10%.

Priority Strategies

- Develop new distribution channels and business opportunities**
 - Strengthen e-commerce by revamping smartphone-friendly websites and introducing customer relationship management
 - Grow our No. 1 share of the U.S. market and the department store market
 - Bolster businesses in Canada, Mexico, and Brazil and collaborate with businesses in Europe and India
- Enhance product development capabilities and fitting quality**
 - Introduce process engineering and product life cycle management
 - Expand and reorganize the factory in Dominica and improve productivity

INITIATIVE

The Acquisition of a Digitally Native Vertical Brand

In July 2019, U.S. subsidiary Wacoal International Corp. acquired all of the issued and outstanding shares of Intimates Online, Inc., which is headquartered in New York State and designs and retails women's innerwear in the United States under the *LIVELY* brand.

With the ongoing expansion of e-commerce markets worldwide, the United States has seen digitally native vertical brands (DNVBs)* emerge rapidly in recent years. By incorporating one such brand into its operations, the Wacoal Group will gain millennial customers—who are outside the Group's traditional mainstay customer group. In addition, the new subsidiary's e-commerce sales and digital marketing methods will drive the Group's growth in the market. Further, by leveraging our product planning and development capabilities, factories, and overseas business infrastructure, we will greatly increase the *LIVELY* brand's sales growth.

Growth scenario for the *LIVELY* brand business

- In three years (fiscal 2022) → Move into the black
- In five years (fiscal 2024) → Achieve net sales of \$100 million and an operating margin of 12%–15%

The *LIVELY* brand's advantages and synergies with the Wacoal Group

Advantages of the *LIVELY* brand

- Unique brand image and product lineup and millennial endorsement

Synergies with the Wacoal Group

- Acceleration of the *LIVELY* brand's growth by leveraging the Wacoal Group's business infrastructure
- Strengthening of the entire Group's digital marketing capabilities

Intimates Online, Inc. philosophy

Michelle Cordeiro Grant
Founder and CEO

Website: <https://www.wearlively.com/>

* DNVBs take responsibility for all stages of their value chains in a "vertical" manner, from upstream operations through to downstream operations, and directly hold customer information. More specifically, DNVB products are manufactured by a single company, which is also responsible for manufacturing quality and retails its products directly to customers through an in-house e-commerce channel.

A Message from the Director of the Administrative Department

Tackling ESG Issues While Achieving Business Growth

The rapid evolution of digital technology, population aging and decline, climate change, and an array of other social issues are bringing about significant change in markets and customer needs. Further, there is a growing tendency among customers worldwide to favor the products of companies that use sustainable materials and manufacturing processes.

One of our overriding management goals is the creation of products that are loved by customers. Wacoal has realized this goal by devoting itself to creating products that earn the long-term loyalty of customers. As part of these efforts, we have developed unique quality standards in the course of our long history. In such ways, we have provided products loved by customers and established an approach to business management that is based on mutual trust. I believe that we need to elevate both these features of our business even further so that we meet the needs of customers who want to make a greater contribution to the realization of a sustainable society. Given that business management based on mutual trust is equivalent to business management that is responsive to ESG (environmental, social, and governance) requirements, the implementation of business management based on mutual trust will contribute to the sustainable development of society and Wacoal.

For example, the Company has yet to tackle certain ESG-related issues in its supply chain processes, from raw material procurement through to manufacturing and sales. We have been strengthening activities to fulfill social responsibilities in this regard since adopting the Wacoal Group CSR Procurement Guidelines in October 2017. However, our monitoring does not yet cover all our contract manufacturers. Accordingly, we will continue working with contractors to heighten the transparency of our supply chain. Also, in 2018 we received a significant amount of criticism for using expressions in advertising that were not in the spirit of diversity. For this reason,

we need to raise compliance awareness with respect to the expressions used in our advertising and communications activities.

For a company such as Wacoal that emphasizes business management based on mutual trust, initiatives to tackle ESG issues are extremely important for heightening relationships of trust not only with customers but also with society. Therefore, we will enhance the quality of all processes in our supply chain by maintaining a strong awareness of compliance.

Also, in building strong relationships of mutual trust and sustaining growth, it is essential that we develop the capabilities of individual employees, our greatest management resource. Personnel development is an ESG task of

fundamental importance to Wacoal. With that in mind, we will foster personnel who will continue to implement our management philosophy. At the same time, we will realize an appealing corporate culture by establishing systems and environments in operations worldwide that are even more employee friendly and that boost employee motivation. To ensure the realization of the aforementioned measures as well as business management based on mutual trust and transparency, we will steadily upgrade and implement corporate governance.

Wacoal must ensure that it sustains growth and remains a necessary presence in society throughout the remainder of the Company's first century and beyond by continuing to develop a vision founded on ESG requirements and to

advance cohesive Companywide initiatives accordingly. Together with our more than 20,000 employees, I intend to further develop ESG-focused management initiatives so that we can create differentiated economic and social value.

September 2019

Masashi Yamaguchi
Vice President and Director
Wacoal Holdings Corp.



Human Resources Management

Consistent with a management philosophy that emphasizes mutual trust, Wacoal manages employees' health and safety, trains personnel, and is receptive to diversity in human resources and values in each workplace, thereby deepening mutual trust with employees and developing workplace systems conducive to the creation of environments where the talents of individual employees can be fully realized.

Our Basic Approach to Human Resources

The Wacoal Group has built value chains that comprise proprietary networks, which span all stages from product planning and development through to material procurement, production, and sales. In these value chains, human resources are the Group's most important management resource. For this reason, we believe that creating an appealing corporate culture that is employee friendly and offers job satisfaction will lead to sustained growth.

A Human Resources Strategy Based on Diversity and Inclusion

Wacoal employs and recognizes the individual differences of a wide range of people, not just in terms of race, gender, age, or whether they have disabilities but also in terms of limitations on availability due to child-rearing or nursing-care commitments or lifestyle factors. With this in mind, we have positioned diversity and inclusion at the center of our human resources strategy with the aim of creating new value by leveraging the individuality of employees and enabling them to fully realize their talents. In accordance with this strategy, we are promoting human resources development, work-style reform, health and productivity management, and other initiatives.

Focus Areas of Our Initiatives

The Advancement of Work-Life Balance

Wacoal Corp. is developing workplace environments that enable employees to lead fulfilling lives and to make the best use of their skills. For example, as part of our initiatives to help employees meet work and child-rearing commitments, we are establishing programs and norms with a view to creating environments that are convenient and fulfilling to work in not only for employees with child-rearing commitments but also for coworkers who support them. Further, as a result of preparing an action plan based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children and taking measures to implement the plan, in 2018 we received Kurumin certification for the third time and Platinum Kurumin certification.



Platinum Kurumin
Wacoal Corp.

	2015/3	2016/3	2017/3	2018/3	2019/3
Number of employees giving birth	109	119	120	131	130
Number of employees taking child-rearing leave	108	118	119	127	129
Percentage of employees taking child-rearing leave	99.1	99.2	99.2	96.9	99.2
Percentage of employees returning to work after taking child-rearing leave	91.7	88.1	89.1	89.8	100
Number of employees resigning after returning to work from child-rearing leave	21	16	17	8	0
Percentage of male employees taking child-rearing leave	28.0	27.6	46.3	52.2	29.4

The Empowerment of Women

Although women account for a high percentage of Wacoal Corp. employees, they are underrepresented in Wacoal Corp.'s management team. Therefore, we view empowering women and thereby reflecting a greater diversity of viewpoints in decision-making as an important management goal. To this end, we are cultivating workplace environments that are conducive to women utilizing their strengths and attributes to play professional roles of greater importance. We will continue supporting the career development of women by expanding and improving a variety of systems and training programs.

	2015/3	2016/3	2017/3	2018/3	2019/3
Percentage of female employees	85.3	85.8	86.3	86.2	86.3
Percentage of female managers	16.6	18.6	19.8	20.3	22.6

Human Resources Development

We believe that our development as a company is dependent upon efforts to enhance the qualifications of each employee. Based on this belief and with the aim of fostering personnel who can put our management philosophy into practice, we provide and conduct training programs that support the development of employees' careers and professional skills. We also assist in career and personal development through programs supporting employees' self-study.

In addition, we conduct human resources development based on the skills required in particular fields. For example, we provide training on maintaining and enhancing the quality of Wacoal products as well as programs aimed at promoting customer satisfaction by heightening employees' consultative capabilities. Other key initiatives include passing on our highly competitive manufacturing techniques and enhancing quality and productivity on a global basis by providing support and direction through technical experts dispatched from Japan to overseas factories.



A Sample of Our Human Resources Development Programs

Program	Aim	Annual number of participants	Number of hours of training per person	
Rank-Based Training	The acquisition of the knowledge and mind-set needed as a result of a change in role or qualifications	260	1-6 days*	
Terakoya College	The sharing of knowledge in-house, the passing on of knowledge, the fostering of the corporate culture, and the development of organizations	111	7.5 hours	
Global Talent Development	The development of globally competent personnel who have international communication skills (the ability to execute work, language skills, and the ability to work in and understand other cultures)	Overseas work training	3	2-3 years
		Overseas language training	2	5 months
		Global mind-set training	41	3.0 hours
Self-Study	The utilization of e-learning programs as the primary means of implementing training and measures and providing content that supports the autonomous development and enhancement of employee capabilities	Self-study support program	35	-
		Distance learning	178	-

* Differs according to employee rank



Work-Style and Leave-Style Reform

Aiming to enhance productivity and job satisfaction, Wacoal Corp. launched the Work-Style and Leave-Style Reform Project in April 2017. Under this project, we are establishing employee-friendly working conditions by introducing a telecommuting system, a leave system for self-improvement, and a system that helps families take leave at the same times. We plan to advance personnel management with a view to raising productivity, and we will continue to take initiatives to heighten job satisfaction.

	2015/3	2016/3	2017/3	2018/3	2019/3
Average number of hours of overtime worked	6.0	6.0	6.2	5.8	5.7
Total number of hours worked per month	150.2	150.0	148.5	145.5	144.0
Percentage of paid leave taken*	80.2	79.2	82.2	87.0	83.0
Percentage of employees taking more than 70% of their paid leave	62.0	60.6	63.9	70.4	65.6

* Number of days of paid leave taken by all employees ÷ Number of days of paid leave granted to all employees



Health and Productivity Management

Viewing the health of employees as an important asset for sustained growth, Wacoal Corp. is advancing strategies for health and productivity management through close collaboration with health insurance associations and labor unions. Covering the period through to 2020, the Wacoal GENKI Project 2020 (see Table below) establishes medium-term targets and action plans for countermeasures to lifestyle diseases, cancer, and mental health issues. Moreover, these initiatives have received external recognition. Wacoal Holdings Corp. has been selected and certified as a Health & Productivity Stock and a "White 500" enterprise with outstanding health and productivity management for four and three consecutive years, respectively. Further, subsidiary Wacoal Distribution Corp. has received the latter certification for two consecutive years.



Health & Productivity Stock
Wacoal Holdings Corp.



Excellent Enterprise of Health & Productivity Management 2018 (White 500)
Wacoal Holdings Corp.
Wacoal Distribution Corp.

Table Wacoal GENKI Project 2020

Summary	Numerical target	2015/3 (Before project's countermeasures)	2019/3 (Results)	
Lifestyle disease countermeasures Reduce the percentage of employees with lifestyle-disease-related conditions	25% reduction	29.2%	29.8%	
Cancer countermeasures Increase the percentage of employees screened for five major cancers	100%	Lung	96.1%	96.5%
		Stomach	79.3%	88.3%
		Large intestine	90.5%	94.4%
		Breast	81.0%	79.4%
Uterus	65.0%	65.8%		
Increase the percentage of screened high-risk employees (those requiring secondary tests)	100%	67.0%	79.4%	
Reduce the percentage of employees who smoke	15% or lower	20.4%	17.6%	
Mental health issue countermeasures Reduce the number of employees absent long term due to mental health issues x the number of days absent	7,000 or lower	9,555	15,868	



Sustainability

In pursuing our mission, which calls on us to *contribute to society by helping women to express their beauty*, and in helping address social issues, we continuously conduct social contribution activities through our mainstay business and remain mindful of the effect of our business activities on the environment and society.

Our Basic Approach to Sustainability

We believe that meeting the needs and expectations of society and earning its trust are essential for the realization of sound corporate activities and sustained growth. Wacoal procures many different types of resources from society, including land, energy, personnel, and large amounts of raw materials. However, we would be denied access to such resources if we did not have a relationship of trust with society. Accordingly, as we conduct our business activities, we will keep firmly in mind the need to consider and benefit society, without which our markets would not exist.

Our Policy on CSR Activities

Wacoal's fundamental social responsibility is to manufacture products that customers love, develop products that meet current needs, and conduct business fairly to pave the way to a better future. In other words, we believe that our basic corporate social responsibility (CSR) is to build relationships of trust with customers and society through the development of businesses in an equitable manner and an uncompromising approach to manufacturing that provides customers with the products they seek.

We advance CSR initiatives based on seven basic principles and seven core subjects, all of which are in accordance with the ISO 26000 standards published in November 2010 (Japan Standards Association, 2010). Our seven basic principles are accountability, transparency, ethical behavior, respect for stakeholders' interests, respect for the rule of law, respect for international codes of conduct, and respect for human rights. The seven core subjects are organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Focus Areas of Our Initiatives

Support for Breast-Care Activities Worldwide

Breast cancer is the most common type of cancer among women. As a company whose core business manufactures women's innerwear, Wacoal views the increased incidence of breast cancer as a social issue that must be addressed if it is to continue growing. In 14 countries and regions, we conduct breast-care activities that help develop social infrastructure and communities and aim to alleviate the suffering and sadness caused by breast cancer. In these activities, we promote prevention and screening, provide support for patients and their families that includes post-surgery assistance, and encourage better understanding of breast cancer among the general public.

Pink Ribbon Fittings for Charity

As part of Pink Ribbon activities, which support the early detection of breast cancer, every October in the sales areas of approximately 1,600 stores across Japan we conduct Pink Ribbon fittings for charity whereby we donate ¥10 for each brassiere tried on.

Fitting Campaigns (① Number of people who tried on brassieres and ② Number of brassieres tried on)

	2007/10 (First campaign)	2017/10	2018/10	Cumulative total
①	111,989	167,432	186,670	1,718,135
②	273,288	457,451	492,684	5,412,559

Participating companies in Japan: Wacoal Corp., Peach John Co., Ltd., Unenana Cool Corp., and Linge Noel Co., Ltd.

The Remamma Project

In 1974, Wacoal Corp. began the Remamma Project to provide innerwear and swimwear that offer women who have undergone breast surgery a sense of beauty. As part of the project's activities, we hold events all over Japan at which women can receive expert consultation.

Nationwide Consultation Events (① Number of attendees and ② Number of events)

	1994/3 (First campaign)	2017/3	2018/10	2019/3
①	573	1,595	1,791	1,753
②	4	32	36	33

The Remamma Project (Fiscal 2019)

Net sales **¥ 610 million**
Sales volume **120,000 items***
* Innerwear, swimwear, pads, etc.

The Breast Cancer Screening Support Project

To increase the opportunities of women to receive breast cancer screening, Wacoal Corp. purchased a mobile breast cancer screening unit. Since October 2009, we have been using the unit to facilitate breast cancer screening. We are expanding these activities with a focus on group screenings organized in collaboration with health insurance associations and companies.

Screenings Provided by the AIO Mobile Breast Cancer Screening Unit (① Number of people screened and ② Number of screening days)

	2010/3 (First campaign)	2018/3	2019/3	Cumulative total
①	369	6,520	5,440	45,344
②	15	163	136	1,085



The AIO mobile breast cancer screening unit



A Remamma consulting room

Respect for Value Diversity in Advertising

As customers' values diversify and social media and other types of media become more prominent, building sound, positive relationships with all customers calls for the production of advertising and communication tools that are sensitive to current trends and that speak to individuals who want to feel enriched and beautiful while being themselves.

In certain product advertising activities, Wacoal used inconsiderate expressions that made many customers feel uncomfortable. In response, we have established a guideline for the proposal of expressions used in our public relations, advertising, and sales promotion activities to ensure ethical conduct and respect for value diversity in relation to advertising expressions and their production processes. Based on this guideline, we are proceeding with measures to ensure that we avoid inappropriate expressions in the future.

Advertising Criticized by Customers

Period	Company	Details
February 2018	Taiwan Wacoal Co., Ltd.	The use of animal-related imagery in the expressions of online advertising that highlighted features related to the movement of the bust during exercise
June 2018	Wacoal Corp.	The use of expressions that likened product material to a woman's skin in online advertising of men's innerwear
November 2018	Peach John Co., Ltd.	The use of inappropriate expressions in the advertising of health supplements that could have encouraged incorrect usage

Measures to Avoid Inappropriate Expressions

The Board of Directors analyzed the causes of the usage of inappropriate expressions, discussed measures to avoid the usage of inappropriate expressions in the future, and established a guideline aimed at ensuring the propriety of public relations, advertising, and sales promotion activities. Wacoal Corp. and Peach John Co., Ltd., have begun following this guideline. Moreover, Wacoal Corp. has introduced its measures to Group companies in Japan and overseas, which have been tasked with establishing standards and systems suited to their respective businesses and regions by the end of March 2020.

Newly established guideline and management system for representations and expressions in the public relations, advertising, and sales promotion activities of Wacoal Corp.

Guideline

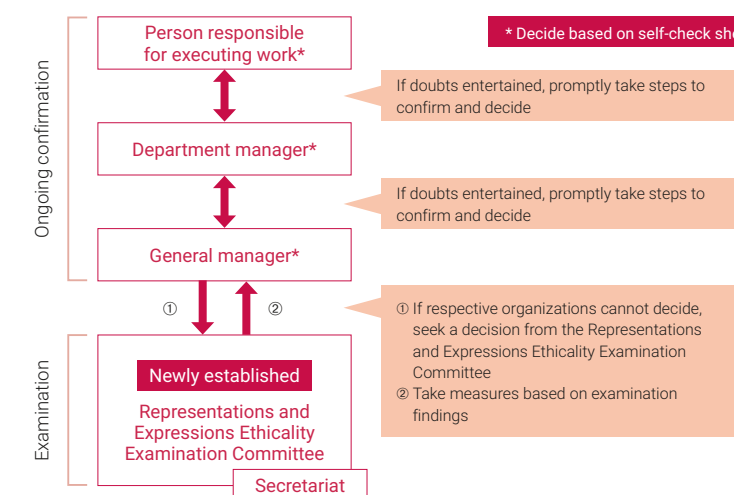
With the aim of conducting public relations, advertising, and sales promotion activities that are loved by everyone worldwide, Wacoal Corp. will respond to society's diversifying values by being sensitive to current trends and by understanding individuals who want to feel enriched and beautiful while being themselves.

Points to keep in mind when proposing representations and expressions

- Innovation and creativity
- Ethics, morality, and trust
- Human rights
- Consideration for the environment
- Compliance, fairness, propriety, and facts

Management system

System for determining whether representations and expressions are ethical



Self-check sheet details

- I. Representations and expressions in general (55 items in total)
- II. Information distribution (10 items in total)
- III. Production procedures and interpersonal relationships (13 items in total)

CSR Procurement Based on Mutual Trust and Cooperation

Wacoal's supply chains for textiles and apparel begin with product planning and design in the countries and regions where the products will be sold. Almost all our products are shipped to their respective markets after processing through international networks in which the production or procurement of raw materials and the mass production of finished products are carried out in factories in China or emerging countries in ASEAN.



Established in October 2017, the Wacoal Group CSR Procurement Guidelines declare that "in order to fulfill our social responsibilities, we must build close partnerships with all suppliers involved in our product manufacturing activities, and together with them we must comply with and respect society's requirements with regard to not only quality, pricing, and delivery but also human rights, labor practices, the environment, and ethics." Since February 2018, we have been conducting a management cycle that continuously amends and improves the guidelines in light of careful monitoring of compliance with the guidelines. Further, with the permission of its contract manufacturers, Wacoal has been disclosing their basic information on its website since May 2018.

Contract Manufacturers Covered by Disclosure

(As of the end of September 2019)

Name	Updated number of factories covered by disclosure	Manufacturing output of factories covered by disclosure as a percentage of products procured in value terms	Number of updates
Wacoal Corp.	72 factories; Contract manufacturers for the Wacoal and Wing brands	Suppliers of over 68% of products procured by Wacoal Corp. in value terms	2
Peach John Co., Ltd.	41 factories	81% of innerwear, roomwear, and fashion-wear products procured	2
Lecien Corporation	22 factories	99% of innerwear and outer apparel products procured	2
Ai Co., Ltd.	15 factories	77% of swimwear and innerwear products procured	First time

CSR Procurement Initiatives

2017	Jan.	In response to concerns raised by an international NGO about working conditions at a sewing factory in Myanmar that is contracted to manufacture products for Lecien Corporation, Wacoal conducts an on-site investigation and informs the NGO about the results of the investigation and its policy going forward	<p>Status of improvements at a factory of a contract manufacturer in Myanmar for Lecien Corporation</p>  <p>Establishment of medical facility with full-time qualified nurses</p>  <p>Installation of additional toilet stalls</p>
	Apr.	Launch of the CSR Procurement Project to provide guidance on the monitoring and resolution of social responsibility activities in Wacoal's procurement processes	
	Oct.	Establishment of the Wacoal Group CSR Procurement Guidelines, which set out common procurement methods for the Group	
2018	Feb.	Start of monitoring based on self-assessment by contract manufacturers	
	Apr.	Establishment of the CSR Procurement Committee with the aim of increasing the effectiveness of CSR-based procurement	
	May	Disclosure of contract manufacturers for the Wacoal and Wing brands	
	Jul.	Commencement of surveys on the acceptance of non-Japanese technical interns by Wacoal Corp.'s contract manufacturers in Japan	
	Sep.	Disclosure of contract manufacturers for Peach John Co., Ltd. and Lecien Corporation	
2019	Sep.	Disclosure of contract manufacturers for Ai Co., Ltd.	
	Sep.	Updating of the disclosure of contract manufacturers for the Wacoal and Wing brands, Peach John Co., Ltd., and Lecien Corporation	

Fiscal 2019 Initiatives and Fiscal 2020 Plans

Fiscal 2019 Initiatives	<ul style="list-style-type: none"> Implemented monitoring through self-evaluations (examinations of documents) conducted by all contract manufacturers of Wacoal Corp. (with respect to Wacoal and Wing brand innerwear), Peach John Co., Ltd., Lecien Corporation, and Ai Co., Ltd. Analyzed self-evaluations and provided feedback to respective companies and completed submission of plans for amendments and improvements Conducted on-site audits of contract manufacturers (conducted on-site audits at approximately 10% of target factories)
Fiscal 2020 Plans	<ul style="list-style-type: none"> Continue aforementioned on-site audits (plan to conduct on-site audits at approximately 20% of target factories) Extend the coverage of CSR-based procurement activities (add as survey targets the contract manufacturers of the Retail Business Department and operational areas beyond the innerwear-related operations of Wacoal Corp.'s Wholesale Business Division)

Environmental Activities

Wacoal shall promote environment-friendly business activities reflecting the view that protecting the environment is a corporate responsibility. Wacoal shall provide products that place minimal burden on the environment and prevent pollution by pursuing environment-friendly initiatives in a variety of processes related to its products, from design and materials development through to manufacturing, distribution, and sales. Aiming to realize operations that are in greater harmony with the global environment and local communities, we will step up initiatives focused on such areas as promoting the elimination of plastic from packaging, reducing the disposal of unsold products, and introducing smart factories.

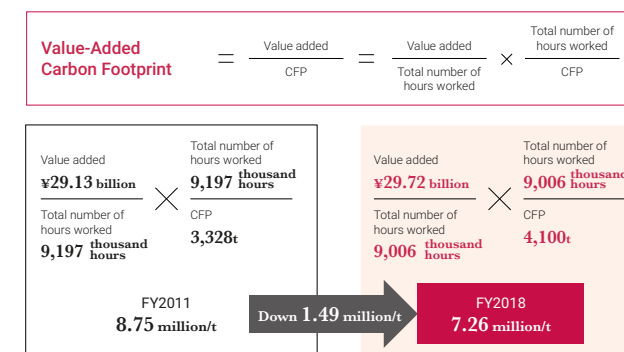
Results of Environmental Activities (Numerical results of the Wacoal Group's operating bases in Japan)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Electricity used (1,000 kWh)	11,279	11,086	11,383	11,821	12,095	11,942
Gas used (1,000m ³)	687	673	620	685	688	700
CO ₂ emissions (t)	6,057	5,927	5,913	6,227	6,348	6,294
Water used (1,000m ³)	121	114	112	112	113	120
OA paper used (1 million sheets of paper)	25.5	26.1	24.5	24.6	23.5	21.3
Total waste emissions (t)	1,174	1,178	1,187	1,181	1,109	1,068
Incinerated waste (t)	86.5	80.1	72.3	73.8	80.8	75.4
Recycling rate (%)	93	93	94	94	93	93

(Coverage: Head Office Building, Spiral Building, Asakusabashi Building, Kojimachi Building, Kyoto Building, Shin-Kyoto Building, Osaka Building, Moriyama Distribution Center, Fushimi Distribution Center, Kyushu Wacoal Manufacturing Corp. [Nagasaki, Kumamoto, Fukuoka], Hokuriku Wacoal Sewing Corp., Niigata Wacoal Sewing Corp., and Fukuoka Branch Store and Sapporo Branch Store [both stores occupied by tenants])

Wacoal's Original Self-Evaluation Indicator: Value-Added Carbon Footprint*1 Ratio (Coverage: Wacoal Holdings Corp. and Wacoal Corp.)

We measure effect by calculating how much value we have added per unit of CO₂ emissions. This indicator is shown as the product of value-added labor productivity (Value added*2 ÷ Total number of hours worked) and CO₂ emissions per work hour. We aim to affect the actions of each individual by adopting a different approach that focuses on two areas: heightening the capabilities of individual employees so that they work efficiently and reducing environmental burden during operational hours.

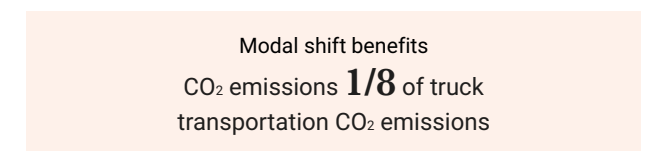


*1 Carbon footprint (CFP) includes CO₂ emissions resulting from the use of electricity, fuel, and water and from the disposal of waste. For CO₂ emissions resulting from energy use, equivalent values for each region are used.

*2 Value added = Operating income + Personnel expenses (sales and manufacturing) + Depreciation and amortization (sales and manufacturing)

The Advancement of Modal Shift

Wacoal Distribution Corp. is advancing modal shift (the conversion of the modes of transportation for freight and other goods) with a view to compensating for the serious shortage of truck drivers; ensuring the delivery of products when there are disasters or other emergencies through the diversification of delivery routes; and being environment friendly. In April 2014, we switched the transportation of goods for sale at department stores in the Tokyo metropolitan area from trucks to railways. Also, since May 2016 we have been transporting goods for sale in Sapporo, Hokkaido, via ferries that operate on routes in the Sea of Japan. These initiatives are helping to reduce the CO₂ emissions produced when our goods are transported.



Acquisitions of the ISO 14001 Environmental Management System Standard and the Kyoto Environmental Management System Standard (KES) Certifications

Companies with ISO 14001 environmental management system certification

Japan Wacoal Corp., Wacoal Service Co., Ltd., Unenana Cool Corp., Wacoal Distribution Corp., and Kyushu Wacoal Manufacturing Corp.

Overseas Guangdong Wacoal Inc. and Vietnam Wacoal Corp.

Companies with KES environmental management system certification

Niigata Wacoal Sewing Corp., Hokuriku Wacoal Sewing Corp., Torica Co., Ltd., and Lecien Corporation.

Brassiere Recycling Activities

Questionnaires revealed that some customers find disposing of brassieres problematic. In response, Wacoal began collecting unneeded brassieres from customers in 2008. (In fiscal 2019, we collected unneeded brassieres from customers between December 1, 2018 and March 31, 2019.)

The collected brassieres and the sealed recycling bags containing them are processed into RPF (Refuse Paper & Plastic Fuel).

Number of Brassieres Collected

2008/3 (First campaign)	2018/3	2019/3	Cumulative total
30,000	279,000	265,000	2,241,000



A brassiere recycling bag

Processed RPF

Corporate Governance

Basic Policy and Purpose

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

Corporate Governance Guidelines
<https://www.wacoalholdings.jp/en/ir/governance/index.html>

Corporate Governance Structure

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

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

Comprising seven directors, three of whom are outside directors and one of whom is a woman, the Board of Directors deliberates and makes decisions on such issues as important management policies and strategies and items stipulated by statutory laws and regulations or the Company's articles of incorporation. To clarify management responsibility, directors are appointed for one year. Thus, we have built a business

management system that enables rapid responses to changes in business conditions.

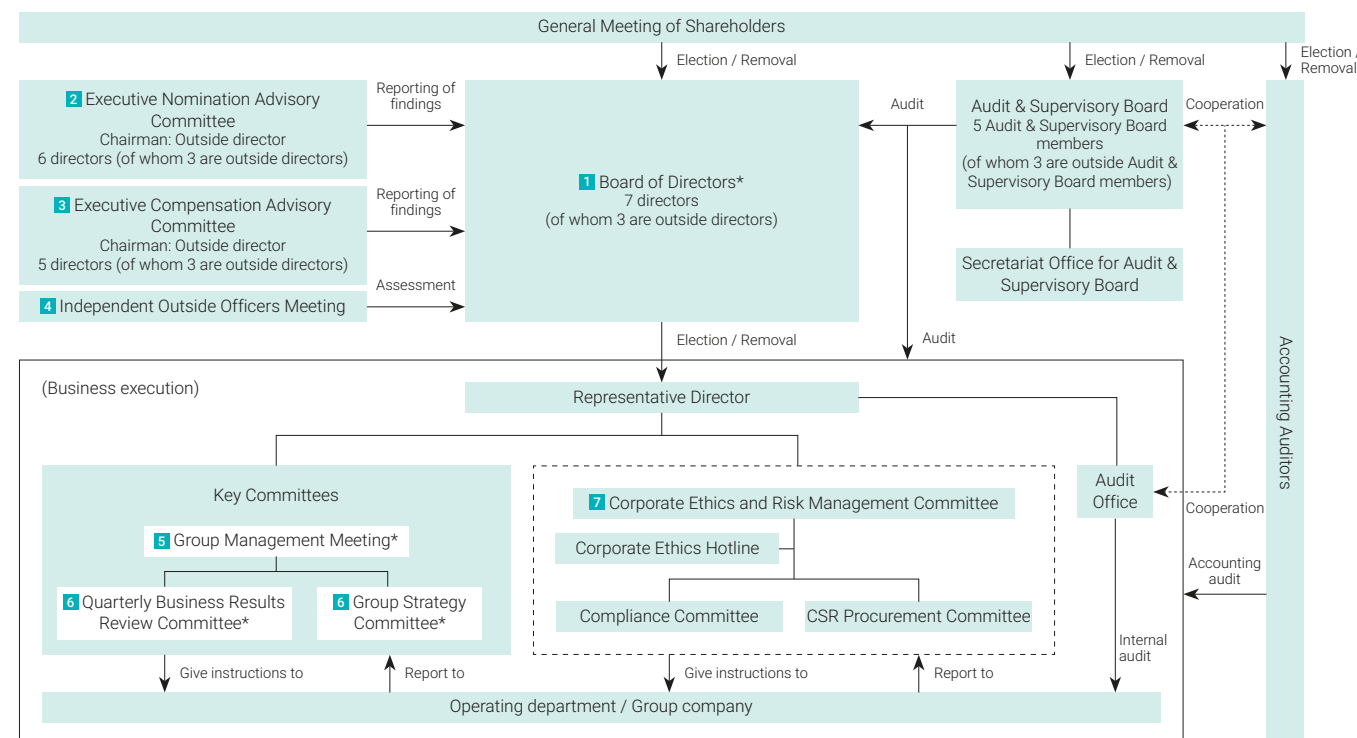
Comprising five Audit & Supervisory Board members, three of whom are outside members, the Audit & Supervisory Board supervises and audits business management. Also, the Group has established the Office of Corporate Auditors, which audits and monitors the appropriateness and efficiency of the operational processes of Group companies.

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

Overview of the Corporate Governance Structure (as of June 27, 2019)

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

Corporate Governance Structure



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

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

Name	Description	Number of meetings convened in FY2019
1 Board of Directors	Based on its regulations, the Board of Directors convenes regular meetings every month and convenes extraordinary meetings as required. It makes decisions on management policy and strategy and other important business-related matters as well as on matters stipulated by statutory laws and regulations or the Company's articles of incorporation.	14
2 Executive Nomination Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors and three internal directors. In principle, the committee convenes annually on the day of the January meeting of the Board of Directors, considers the nomination or promotion of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members is required to pass resolutions.	1
3 Executive Compensation Advisory Committee	An advisory body to the Board of Directors, the committee is chaired by an independent outside director and comprises three outside directors and two internal directors. In principle, the committee convenes on the days of the April, July, and February meetings of the Board of Directors, considers the compensation of directors, and submits proposals to the Board of Directors for approval. The attendance and approval of all committee members is required to pass resolutions.	3
4 Independent Outside Officers Meeting	Comprising outside directors, outside Audit & Supervisory Board members, and the director of the Administrative Department, the meeting evaluates the Board of Directors and discusses how to improve its administration and strengthens collaboration among outside directors and outside Audit & Supervisory Board members.	2
5 Group Management Meeting	Comprising directors and key members of the management team, the meeting considers items related to the Group's management strategy and other important management issues and conducts prior examinations of agenda items to be discussed by the Board of Directors.	22
6 Group Strategy Committee / Quarterly Business Results Review Committee	Convening three times a year, these committees check business results and the progress of measures. Also, if targets are not achieved, the committees consider improvement measures and revise targets as required.	3 (each committee)
7 Corporate Ethics and Risk Management Committee	With the president and representative director acting as supervisor, the committee comprises the director of the Administrative Department, internal directors, the directors of operating companies, corporate officers, and other members. The committee strengthens and ensures the rigorous enforcement of systems for compliance with corporate ethics, identifies risks related to the overall business management of the Group, and strengthens systems for managing such risks.	4

Measures to Strengthen the Effectiveness of Corporate Governance

Analysis and Assessment through the Independent Outside Officers Meeting

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

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

	FY2017	FY2018	FY2019
Issues identified	1. Inadequate reporting of medium- to long-term management priorities and progress under the medium-term management plan 2. Need for improved information sharing and collaboration between the internal audit organization (Office of Corporate Auditors) and outside directors and outside Audit & Supervisory Board members	Need for increased sharing of information with outside directors and Audit & Supervisory Board members about important matters that are not subject to deliberations by the Board of Directors, such as matters submitted to the Group Management Meeting	1. Need for revision of both the regulations of the Board of Directors and the establishment of agenda items in order to extend the scope of responsibilities entrusted to corporate officers and to increase the opportunities for reporting on agenda items that require continuous confirmation of progress 2. Need to consider making meeting documents paperless
Improvement measures	1. Provided increased opportunities to report on deliberations about management priorities, progress under the medium-term management plan, and other matters 2. Changed the venue for reporting by the internal audit organization (Office of Corporate Auditors) to meetings of the Board of Directors	Modified administrative systems to ensure that information about important matters that are not subject to deliberations by the Board of Directors is distributed together with materials in advance of Board meetings	1. Revised regulations on the submission of agenda items to the Board of Directors and revised the establishment of agenda items 2. Advanced measures to make meeting documents paperless

Revisions in Wacoal's Corporate Governance System


1977	Wacoal issues ADRs* (American Depositary Receipts)	Wacoal becomes the eighth Japanese company to issue ADRs. Upon issuance, the SEC (U.S. Securities and Exchange Commission) requires consolidated financial statements and accounting reports in accordance with U.S. GAAP.
2002	Introduction of the corporate officer system → Number of directors: 13 → 9	In June 2002, the Company employs a corporate officer system in order to delegate authority and clarify responsibility more appropriately and efficiently. At the same time, the number of directors is reduced.
2005	Establishment of a pure holding company Appointment of outside officers	The Company transfers to a pure holding company system to facilitate decision-making on Groupwide strategy, to optimize the allocation of resources, and to clarify the responsibilities and authority of operating companies so that they can execute operations flexibly. To promote the fairness and independence of the Board of Directors and the Audit & Supervisory Board, the Group increases the number of outside directors by two members and the number of outside Audit & Supervisory Board members by one member.
2007	Establishment of the Executive Compensation Advisory Committee → Number of committee members (including outside directors): 4	Regarding the appointment, promotion, and remuneration of the directors and executive officers, the Executive Compensation Advisory Committee, chaired by the director of the Administrative Department, is established with outside directors included as members.
2010	Registration of all outside officers with the Tokyo Stock Exchange as independent officers → Number of independent officers registered: 6	All outside directors and outside Audit & Supervisory Board members are registered with the Tokyo Stock Exchange as independent officers.
2015	Establishment of the Independent Outside Officers Meeting	The Independent Outside Officers Meeting is established with the intention of sharing information about improving corporate governance, meetings of the Board of Directors, internal audits, etc. The committee includes independent outside officers.
2018	Establishment of the Executive Compensation Advisory Committee and the Executive Nomination Advisory Committee	The Executive Compensation Advisory Committee, which was established in 2007, becomes the Executive Compensation Advisory Committee and the Executive Nomination Advisory Committee.

* In 2013, Wacoal stopped listing ADRs on the U.S. NASDAQ market and de-registered with the SEC.

Outside Directors and Outside Audit & Supervisory Board Members

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

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

 **Criteria to Ensure the Independence of Outside Officers**
https://www.wacoalholdings.jp/en/ir/pdf/governance_report.pdf

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

Outside directors	Reason for election	Expected field of expertise and knowledge	Attendance at Board of Directors' meetings
Madoka Mayuzumi	As a haiku poet, Madoka Mayuzumi has made wide-ranging contributions to the fields of art and culture in Japan and overseas. Her expertise and experience is expected to contribute to our efforts to realize business management that emphasizes diversity, making her an appropriate outside director for the Group.	Art, culture, and social insight	14/14
Shigeru Saito	It is anticipated Shigeru Saito will enhance management supervisory functions by providing input from various perspectives based on his extensive knowledge and experience as a representative director of another company.	Corporate management, operational management, and international insight	13/14
Tsunehiko Iwai	In addition to his extensive knowledge and experience as a business manager, Tsunehiko Iwai can also be expected to contribute to management using his specialist knowledge relating to research, production, and various fields of technology.	Corporate management, operational management, law and compliance, and international insight	10/10

Outside Audit & Supervisory Board members	Reason for election	Attendance at Board of Directors' meetings and Audit & Supervisory Board meetings	
		Board of Directors' meetings	Audit & Supervisory Board meetings
Hiroshi Shirai	Specialized knowledge of accounting and finance as a certified public accountant make Hiroshi Shirai an appropriate outside Audit & Supervisory Board member for the Group.	14/14	15/15
Mitsuhiro Hamamoto	Mitsuhiro Hamamoto's experience and specialized knowledge as an attorney make him an appropriate outside Audit & Supervisory Board member.	14/14	15/15
Minoru Shimada	Minoru Shimada can be expected to contribute to our audit and supervisory structure by using his long experience in the financial sector and his knowledge as a business manager, as well as his overseas experience.	9/10	9/10

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

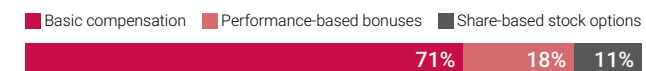
The Audit & Supervisory Board comprises two internal full-time Audit & Supervisory Board members and three outside Audit & Supervisory Board members. Convening monthly to coincide with the meetings of the Board of Directors, the Audit & Supervisory Board also holds extraordinary meetings as required. Pursuant to auditing standards that are stipulated by the Audit & Supervisory Board, Audit & Supervisory Board members audit the status of duty execution and property, receive reports and explanations from the independent auditor, and verify the appropriateness of financial statements and the relevance of the auditing of accounts. The Audit & Supervisory Board members also monitor and verify the establishment of internal control systems and their operational status. In addition, the Company provides an independent, dedicated secretariat to assist the Audit & Supervisory Board and assigns one employee to operate the secretariat.

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

Compensation of Officers

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

For fiscal 2019, a breakdown of the fixed basic compensation, performance-based bonuses, and share-based stock options as percentages of the compensation of officers is shown below.



Basic Compensation

The amount of basic compensation is set according to the positions of officers. With respect to officers in the same position, however, the basic compensation of a particular officer can be higher than that of other officers as a result of an increase, within a certain range, in basic compensation that reflects the officer's degree of contribution to business results in the previous fiscal year.

With reference to the results of a compensation survey conducted by an external organization, every year the Company verifies the range of appropriate levels of compensation for companies in the same industry as well as for companies of

a similar size and then sets a level of compensation commensurate with the Company's business results and size.

Further, a resolution of the Ordinary General Meeting of Shareholders convened on June 29, 2005, set upper limits of ¥350 million for the aggregate annual basic compensation of all directors (excluding employee salaries of directors who concurrently serve as employees) and ¥75 million for the aggregate annual basic compensation of all Audit & Supervisory Board members.

Performance-Based Bonuses

To increase the degree of the linkage between bonuses and consolidated business performance, the aggregate amount of performance-based bonuses is determined for each fiscal year based on the percentage achievement of a reference value of consolidated operating income and, to a lesser extent, based on certain other business results. With reference to past business results and other factors, the reference value of consolidated operating income has been set at ¥13.5 billion.

Share-Based Stock Options

The amount of share-based stock options is determined by a resolution of the Board of Directors in consideration of the monthly amount of the basic compensation and the fair value of stocks, which are determined based on reports issued by the Executive Compensation Advisory Committee.

Further, a resolution of the Ordinary General Meeting of Shareholders convened on June 27, 2008, set an upper limit of ¥70 million for aggregate annual share-based stock options.

Compensation of Officers in FY2019

Classification	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc., by type (¥ million)			Number of eligible recipients
		Basic compensation	Performance-based bonuses	Share-based stock options	
Directors (excluding outside directors)	313	230	40	43	5
Audit & Supervisory Board members (excluding outside members)	38	38	—	—	2
Outside directors and outside Audit & Supervisory Board members	46	46	—	—	8

Note: As of March 31, 2019, there were five directors, two Audit & Supervisory Board members, and six outside officers. The number of outside officers differs from the number of outside officers in the above table because the number in the table includes two outside officers who retired upon the conclusion of the 70th Ordinary General Meeting of Shareholders, convened on June 28, 2018.

Policy on Strategic Shareholdings and Standards for Exercising Voting Rights

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

the Company steadily disposes of or reduces strategic shareholdings whose significance has lessened.

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

Reference: Shareholdings of Wacoal Corp.

	FY2017	FY2018	FY2019
Number of stocks	107	97	95
Monetary amount (¥ billion)	58.7	67.4	60.8
As a percentage of total assets	19.9%	22.6%	21.6%

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

Internal Control

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

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

Compliance Structure

With the president and representative director acting as supervisor and the director of the Administrative Department as its chairperson, the Corporate Ethics and Risk Management Committee identifies overall risks related to the Company's business management and develops and strengthens risk management systems. Based on Group compliance and risk policies formulated by the committee, the Company has established the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct to ensure that directors and employees perform their duties in compliance with laws, regulations, and the articles of incorporation and sound social norms. Further, the Wacoal Code of Ethics and the Corporate Ethics: Wacoal's Code of Conduct stipulate resolute refusal of demands from antisocial forces. In addition, the Company has established an internal whistle-blowing system and other systems that enable directors and employees to report

promptly if they discover issues that may violate the Wacoal Code of Ethics or the Corporate Ethics: Wacoal's Code of Conduct.


Basic Policy on Information Disclosure

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

We have identified three basic requirements for information disclosure. First, important information must be disclosed accurately and in a timely manner, regardless of whether it is positive or negative. Second, information must be expressed in language that is easy for all stakeholders to understand and disclosed using various methods to ensure ease of access and fairness. Third, organizational, personal, physical, and technical steps must be taken to prevent information leakage before timely, appropriate disclosure.

Basic Policy on Constructive Dialogue with Shareholders and Other Stakeholders

We have adopted a basic policy on constructive dialogue with shareholders and other stakeholders and published it on our website. Company officers and employees attend meetings with shareholders and other stakeholders, and managing directors coordinate such meetings. Various factors are considered in relation to requests for meetings with directors, including the proposed subject matter of the meeting and the affiliations of the person seeking the meeting. In addition to fair, timely, and accurate disclosure about our business management and financial situation to shareholders and other investors in Japan and overseas, we help them gain a better understanding of our viewpoint and approach by actively distributing information about the market environment and our unique strengths.

 **Basic Policy on Constructive Dialogue with Shareholders**
<https://www.wacoalholdings.jp/en/ir/governance/guideline.html>

Investor Relations Activities

The following investor relations activities were conducted in FY2019.

	Activity	Frequency	Details
Japan	Results briefings	Twice	Full-year and interim results briefings (held in Tokyo)
	Individual meetings with institutional investors and analysts	101 times (companies in total)	Interviews with the investor relations manager (including interviews with the president and representative director and directors)
	Business briefings (small meetings)	Twice (in June 2018)	Briefings by the president and representative director
	Conferences	Two days of participation	Interviews with the president and representative director
	Study tour of a sewing factory	Once	Interviews with the investor relations manager and a tour conducted by the factory manager
Overseas	Seminars for individual investors	Four days	Seminars conducted by the investor relations manager (held in Kobe, Kochi, Kanazawa, and Fukui)
	Meeting with analysts	Once	Meeting conducted by the investor relations manager and the president of a local subsidiary (held in China)
In-house	Feedback	Provided each time that meetings for investors are held after full-year and interim results briefings	Report on the activities of the investor relations manager (Targets: the president and representative director, directors, managers of operating companies, outside Audit & Supervisory Board members, etc.)

A Message from an Outside Director

While furthering my understanding of the Wacoal Group, I will do my utmost to help the Company grow continuously and thereby enhance its enterprise value.



Tsunehiko Iwai
 Outside Director
 Chairman of Executive Nomination Advisory Committee
 Chairman of Executive Compensation Advisory Committee

I became an outside director of Wacoal Holdings Corp. one year ago. In the previous fiscal year, against the backdrop of a revision of Japan's Corporate Governance Code, the Board of Directors devoted considerable time to discussions on strengthening its governance.

At the Independent Outside Officers Meeting, meanwhile, I participated in candid discussions focused on strengthening the effectiveness of the Board of Directors and improving the conduct of its proceedings. Recently, I not only requested a review of the details of the agenda items of the Board of Directors but also requested cooperation on issues that the Board of Directors does not discuss. I submitted the latter request through participation in the Quarterly Business Results Review Committee and the Group Strategy Committee, which examine matters related to execution. As a result, information sharing has become timelier. Also, I have gained insight into how corporate officers and employees approach the execution of their duties.

I serve as the chairperson of the Executive Nomination Advisory Committee and the Executive Compensation Advisory Committee. In these capacities, I believe that my mission is to help enhance the transparency, objectivity, and fairness of business management. In particular, we have begun reviewing the executive compensation system, which is an important component of corporate governance. I intend to meet my responsibilities by facilitating the redesigning of the system so that it encourages the implementation and realization of Wacoal's management philosophy, mission, and strategies and strongly motivates officers to grow the Company over the medium-to-long term.

I am not an expert in matters specific to innerwear. However, one of my roles is to offer views on the profile that Wacoal should aspire to over the medium-to-long term with respect to research and development, production re-engineering, and the growing global emphasis on efforts to heighten the *beauty* of people and the environment.

Under the leadership of President and Representative Director Hironobu Yasuhara, Wacoal is committed to reforming its businesses without making any special exceptions. In any company, the process of decisive reform can give rise to conflicting interests across business divisions and brands and, on occasion, with business partners and customers. With this in mind, an important role of an outside director is to ensure that in making decisions the Board of Directors fairly reflects the expectations of all stakeholders as it boldly implements the changes needed for value creation.

Wacoal's approach to business management is becoming increasingly "hands on." Stakeholders expect the Company to establish global competitiveness, heighten profitability, and sustain growth, and accordingly Wacoal must proactively discover and appropriately exploit opportunities for growth investment.

I intend to concentrate my efforts on fulfilling my responsibilities to shareholders and other investors by visiting bases and factories in Japan and overseas to further my understanding of on-site operations, by providing firm support to the senior management team as they advance management strategies, and by offering advice in the making of decisions.

Management Team

As of June 27, 2019



Directors

1 Representative Director and Chairman
Yoshikata Tsukamoto

Apr. 1972 Joined the Company
Nov. 1977 Director of the Company
Nov. 1981 Managing Director of the Company
Sep. 1984 Executive Vice President of the Company
Sep. 1984 Representative Director (present)
Jun. 1987 President and Director of the Company
Oct. 2005 Representative Director, President and Corporate Officer of Wacoal Corp.
Apr. 2011 Representative Director and Chairman of Wacoal Corp.
Jun. 2018 Representative Director and Chairman of the Company (present)

2 Representative Director and President
Hironobu Yasuhara

Mar. 1975 Joined the Company
Apr. 1997 Director and General Manager of Wacoal China Co., Ltd.
Apr. 2005 Corporate Officer/General Manager of Wing Brand Business Department of the Company
Jun. 2006 Director and Managing Corporate Officer, General Manager of Wing Brand Business Department, of Wacoal Corp.
Apr. 2010 Director and Senior Managing Corporate Officer, and General Manager of Wacoal Brand Business Department, of Wacoal Corp.
Apr. 2011 Representative Director, President and Corporate Officer of Wacoal Corp.
Jun. 2011 Director of the Company
Jun. 2013 Senior Managing Director of the Company
Jun. 2016 Vice President and Director of the Company
Apr. 2018 Representative Director and Chairman of Wacoal Corp. (present)
Jun. 2018 Representative Director and President of the Company (present)

3 Director and Vice President
Masashi Yamaguchi

Apr. 1981 Joined the Company
Apr. 2006 Business Administration Manager of Wing Brand Operation Division of Wacoal Corp.
Apr. 2011 Corporate Officer and Manager of Personnel Division of Wacoal Corp.
Apr. 2013 Director and Corporate Officer, and General Manager of Personnel and Administration Division of Wacoal Corp.
Apr. 2014 Director and Managing Corporate Officer, and General Manager of Personnel and Administration Division of Wacoal Corp.
Apr. 2015 Director and Senior Managing Corporate Officer in charge of Administration, and General Manager of Personnel and Administration Division of Wacoal Corp.
Jun. 2015 Director in charge of Personnel and Administration of the Company
Apr. 2017 Director, Vice President Corporate Officer in charge of Administration, and General Manager of Personnel and Administration Division of Wacoal Corp.
Jun. 2017 Managing Director and Supervisor of Personnel and Administration and Future Business of the Company
Apr. 2019 Appointed Director, Vice President and Corporate Officer in charge of Administration of Wacoal Corp.
Jun. 2019 Director and Vice President and Supervisor of Group Business Management of the Company (present)

4 Managing Director
Akira Miyagi

Mar. 1984 Joined the Company
Oct. 2007 Manager of Business Management and Administration of Wacoal Brand Operation Division of Wacoal Corp.
Apr. 2011 Director and Deputy General Manager of Wacoal China Co., Ltd.
Apr. 2014 General Manager of Corporate Planning of the Company (present)
Apr. 2017 Corporate Officer of Wacoal Corp.
Jun. 2018 Director of the Company
Jun. 2019 Managing Director of the Company (present)

5 Director
Madoka Mayuzumi

Aug. 1996 Launched and organized monthly haiku magazine *Gekkan Hepburn*
Jan. 2001 Member of "National Language Subdivision" of Council for Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology
Dec. 2004 Member of "Council for the Promotion of Cultural Diplomacy," Cabinet Secretariat
May 2013 Member of "Forum to Realize Culture and Arts-Oriented Nation" held by Minister of Education, Culture, Sports, Science and Technology
Apr. 2014 Member of "Cultural Policy Subdivision" of Council for Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology
Apr. 2014 Advisor of the Company
Jun. 2015 Director of the Company (present)

6 Director
Shigeru Saito

Nov. 1979 Joined TOSE CO., LTD. General Manager of Development Department
Oct. 1985 Director of TOSE CO., LTD.
Feb. 1987 Representative Director and President of TOSE CO., LTD.
Sep. 2004 Representative Director and President, and CEO of TOSE CO., LTD.
Dec. 2015 Appointed Representative Director and Chairman, and CEO of TOSE CO., LTD. (present)
Jun. 2017 Director of the Company (present)

7 Director
Tsunehiko Iwai

Apr. 1979 Joined Shiseido Co., Ltd.
Apr. 2002 General Manager of Product Commercialization, Planning Department, Shiseido Co., Ltd.
Apr. 2008 Corporate Officer, General Manager of Technical Department, Shiseido Co., Ltd.
Jun. 2014 Director, Corporate Executive Officer in charge of Research & Development, Production and Technical Affairs, Shiseido Co., Ltd.
Jan. 2016 Representative Director, Executive Vice President, Chief Technology & Innovation Officer, Shiseido Co., Ltd.
Mar. 2018 Senior Advisor, Shiseido Co., Ltd. (present)
Jun. 2018 Director of the Company (present)

Audit & Supervisory Board Members

8 Standing Audit & Supervisory Board Member
Tomoki Nakamura

Apr. 1980 Joined the Company
Oct. 2007 Accounting Manager of Wacoal Corp.
Apr. 2008 Accounting Manager of the Company
Apr. 2012 Audit & Supervisory Board Member/Secretariat of Audit & Supervisory Board
Jun. 2012 Audit & Supervisory Board Member of the Company (present)

9 Standing Audit & Supervisory Board Member
Kiyotaka Hiroshima

Apr. 1981 Joined the Company
Apr. 2008 Materials Control Manager of Technology/Production Division of Wacoal Corp.
Apr. 2009 Production Control Manager of Technology/Production Division of Wacoal Corp.
Apr. 2010 Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp.
Apr. 2011 Director and Corporate Officer and General Manager of Technology/Production Division of Wacoal Corp.
Apr. 2015 Director and Corporate Officer and Supervisor of Technology/Production of Wacoal Corp.
Jun. 2015 Audit & Supervisory Board Member of Wacoal Corp. (present)
Jun. 2015 Audit & Supervisory Board Member of the Company (present)

10 Audit & Supervisory Board Member
Hiroshi Shirai

Nov. 1977 Joined Pricewaterhouse
Aug. 1982 Registered as Certified Public Accountant
Jul. 1992 Joined Aoyama Audit Corporation
Aug. 2007 Joined Deloitte Touche Tohmatsu
Jun. 2010 Vice Chairman of The Japanese Institute of Certified Public Accountants Kinki Chapter
Oct. 2011 Established Shirai Public Accounting Firm, Managing Partner (present)
Jun. 2012 Audit & Supervisory Board Member, ALTECO INC. (present)
Jun. 2015 Audit & Supervisory Board Member of the Company (present)
Mar. 2016 Audit & Supervisory Board Member, Noritz Corporation
Apr. 2016 Executive Director of Public University Corporation, Osaka City University
Apr. 2019 Inspector of University Public Corporation Osaka (present)

11 Audit & Supervisory Board Member
Mitsuhiro Hamamoto

Oct. 2000 Admitted to the Bar
Oct. 2000 Joined the Law Office of Tadashi Yamada
Oct. 2004 Joined the Kikkawa Law Office
Apr. 2008 Partner at the Kikkawa Law Office
Jun. 2017 Audit & Supervisory Board Member of the Company (present)
Feb. 2019 Managing Partner of Hamamoto Law Office (present)

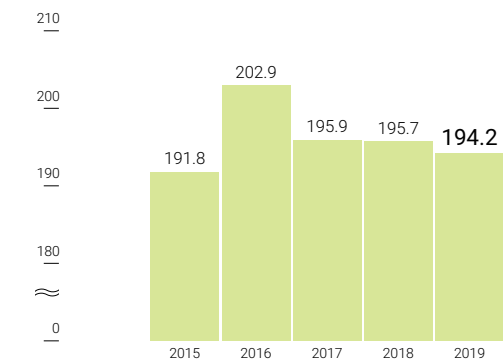
12 Audit & Supervisory Board Member
Minoru Shimada

Apr. 1977 Joined The Bank of Tokyo, Ltd. (currently "MUFG Bank, Ltd.")
Jun. 2004 Corporate Officer, General Manager of Corporate Banking Group No. 1, Corporate Banking Division No. 4, The Bank of Tokyo-Mitsubishi, Ltd. (currently "MUFG Bank, Ltd.")
May 2005 Corporate Officer, Manager of New York Branch
Apr. 2008 Managing Corporate Officer, General Manager of Corporate Banking Group, Nagoya Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently "MUFG Bank, Ltd.")
Jun. 2010 Representative Director and Vice President, SOTSU CORPORATION
Jun. 2011 Representative Director and President, NAIGAI Construction Co., Ltd.
Jun. 2012 Representative Director and President, SOTSU CORPORATION
Representative Director and President, Sotsu Amenity Service Corporation
Jun. 2018 Director and Chairman, SOTSU CORPORATION (present)
Audit & Supervisory Board Member of the Company (present)

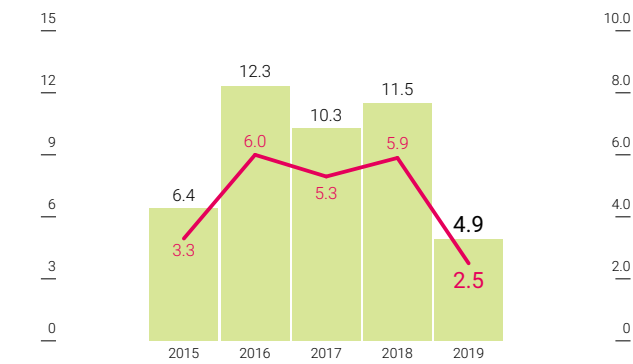
Consolidated Financial Highlights

For the fiscal years as of/ended March 31

Net Sales
(¥ billion)

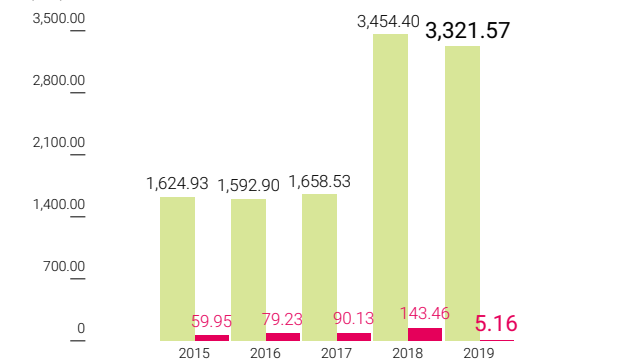


Operating Income / Operating Margin*
(¥ billion) (%)



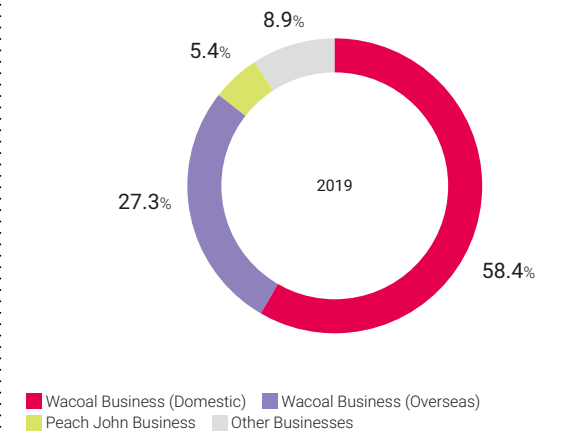
Operating Income Operating Margin
* New accounting guidance, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU No. 2017-07), has been adopted from the beginning of the current consolidated fiscal year. Accordingly, key financial data for the previous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

Shareholders' Equity per Share* / Net Income per Share Attributable to Wacoal Holdings Corp.*
(Yen)



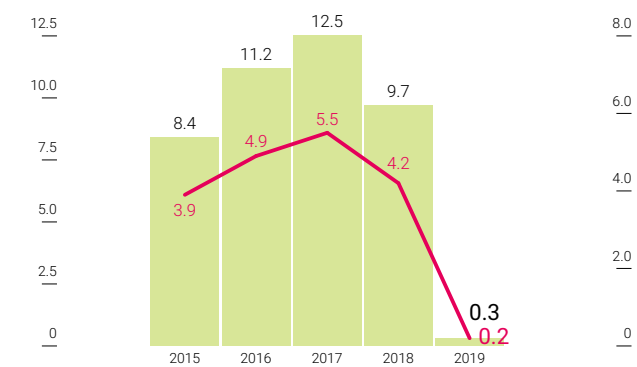
Shareholders' Equity per Share Net Income per Share Attributable to Wacoal Holdings Corp.
* The Company conducted a share consolidation of its common stock pursuant to which two shares were consolidated into one share effective as of October 1, 2017. Per share information was calculated as if the consolidation of shares (reverse stock split) had been carried out at the beginning of the fiscal year ended March 31, 2018.

Share of Sales by Business Segment



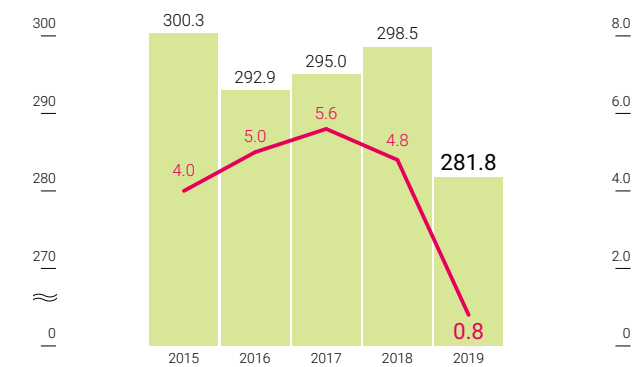
Wacoal Business (Domestic) Wacoal Business (Overseas)
Peach John Business Other Businesses

Net Income Attributable to Wacoal Holdings Corp. / Return on Equity (ROE)
(¥ billion) (%)



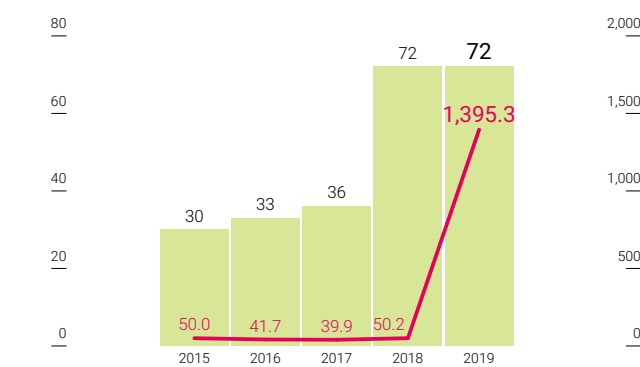
Net Income Attributable to Wacoal Holdings Corp. ROE

Total Assets / Return on Assets (ROA)
(¥ billion) (%)



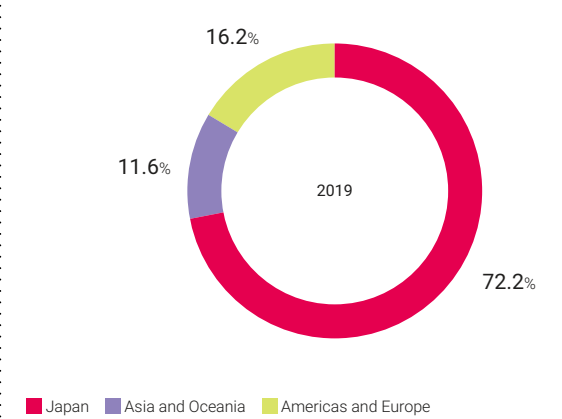
Total Assets ROA

Dividends per Share* / Dividend Payout Ratio
(Yen) (%)



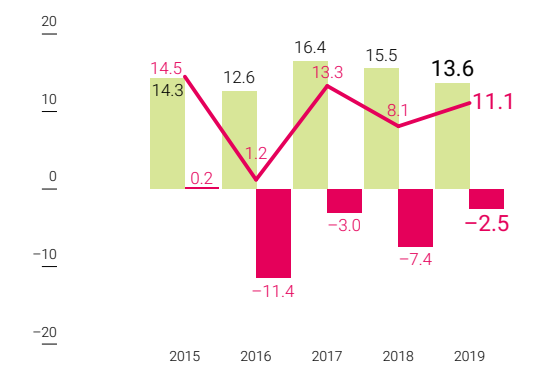
Dividends per Share Dividend Payout Ratio
* The Company conducted a share consolidation of its common stock pursuant to which two shares were consolidated into one share effective as of October 1, 2017. Per share information was calculated as if the consolidation of shares (reverse stock split) had been carried out at the beginning of the fiscal year ended March 31, 2018.

Share of Sales by Geographic Segment



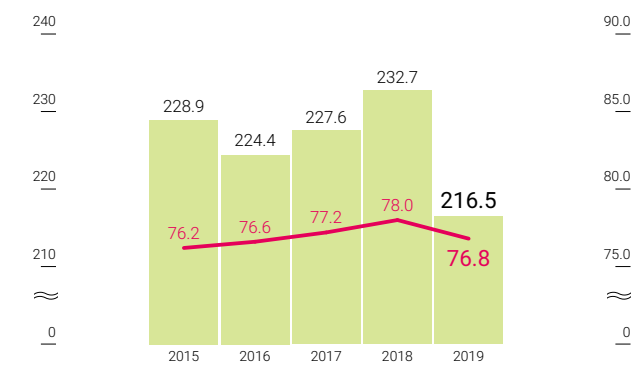
Japan Asia and Oceania Americas and Europe

Cash Flows
(¥ billion)



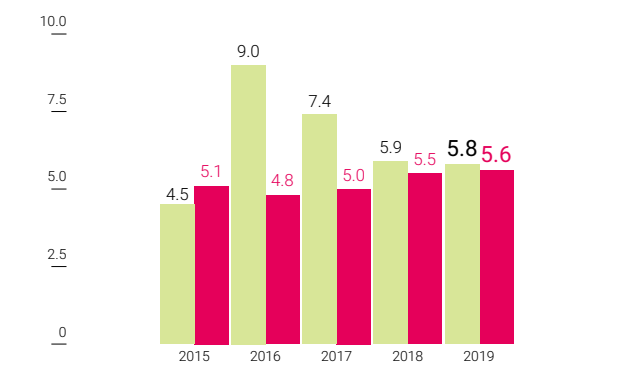
CF from Operating Activities CF from Investing Activities Free CF

Total Shareholders' Equity / Shareholders' Equity Ratio
(¥ billion) (%)



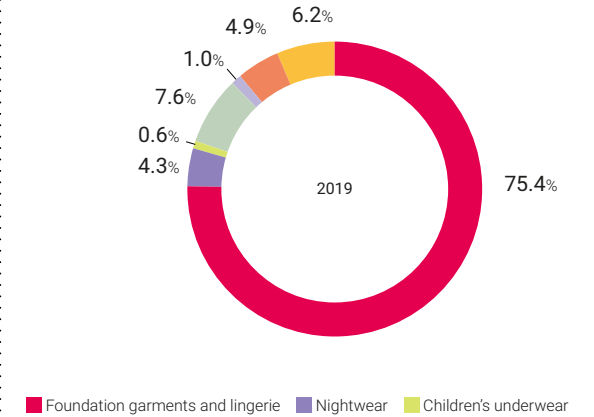
Total Shareholders' Equity Shareholders' Equity Ratio

Capital Expenditures / Depreciation and Amortization
(¥ billion)



Capital Expenditures Depreciation and Amortization

Share of Sales by Product Category

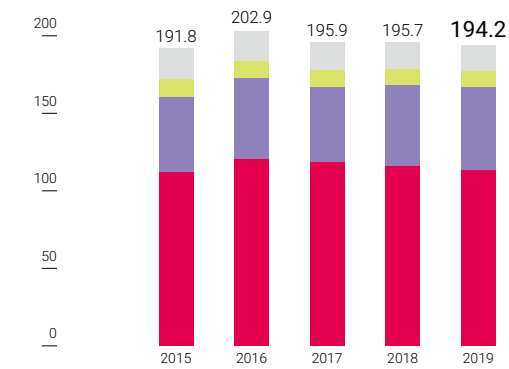


Foundation garments and lingerie Nightwear Children's underwear
Outerwear and sportswear*1 Hosiery Textile products Other*2
*1 Including men's underwear and swimwear
*2 Mannequin rental, interior design and construction of stores, restaurants, culture, services, etc.

Financial Highlights by Segment

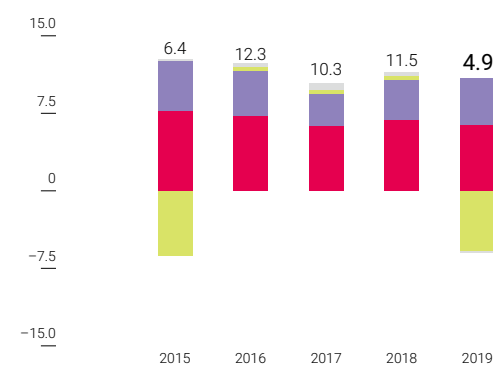
For the fiscal years as of/ended March 31

Net Sales
(¥ billion)



	2015	2016	2017	2018	2019
Wacoal Business (Domestic)	112.2	120.6	118.4	116.1	113.4
Wacoal Business (Overseas)	48.1	51.8	48.4	51.9	53.1
Peach John Business	11.6	11.2	11.1	10.8	10.5
Other Businesses	19.9	19.3	18.0	16.9	17.2

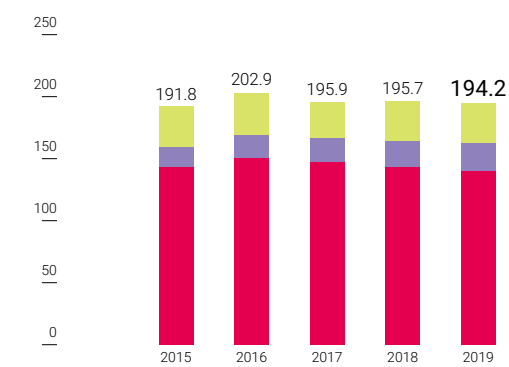
Operating Income (Loss)*
(¥ billion)



	2015	2016	2017	2018	2019
Wacoal Business (Domestic)	7.7	7.2	6.2	6.8	6.3
Wacoal Business (Overseas)	4.8	4.4	3.1	3.9	4.6
Peach John Business	-6.3	0.3	0.4	0.4	-5.8
Other Businesses	0.2	0.4	0.6	0.4	-0.2

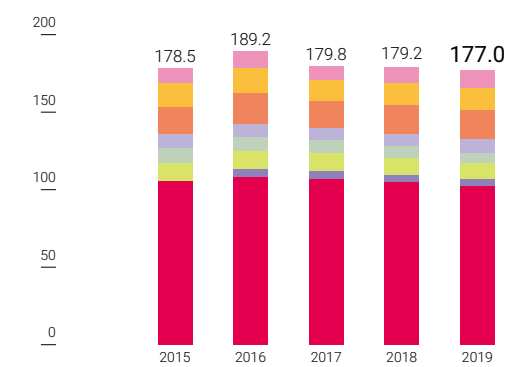
* New accounting guidance, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU No. 2017-07), has been adopted from the beginning of the current consolidated fiscal year. Accordingly, key financial data for the previous fiscal years are the amounts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

Share of Sales by Geographic Segment
(¥ billion)



	2015	2016	2017	2018	2019
Japan	143.2	150.7	147.1	143.2	140.2
Asia and Oceania	16.3	17.9	19.2	21.1	22.5
Americas and Europe	32.3	34.3	29.6	31.5	31.5

Share of Sales by Principal Subsidiaries*
(¥ billion)

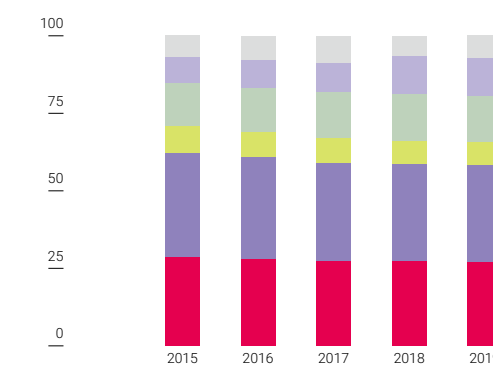


	2015	2016	2017	2018	2019
Wacoal	105.5	107.9	106.5	104.6	102.4
Ai	0	5.7	5.5	5.1	4.2
Peach John	11.6	11.2	11.1	10.8	10.5
Lecien	9.4	8.9	8.4	7.2	6.3
Nanasai	9.1	8.9	8.1	8.3	9.4
Wacoal International (U.S.)	17.5	19.6	17.7	18.6	18.5
Wacoal Europe	15.9	15.9	13	14	14.1
Wacoal China	9.5	11.1	9.5	10.6	11.6

* Calculated based on net sales to external customers

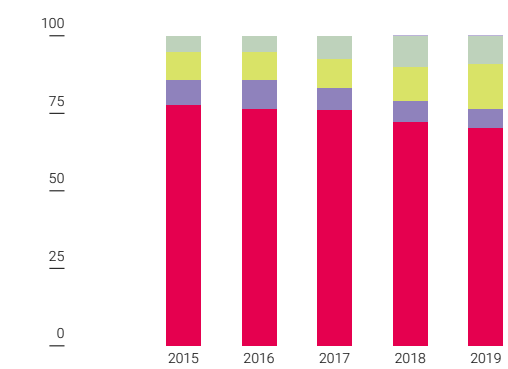
Share of Sales by Channel (Principal Subsidiaries)

Wacoal
(%)



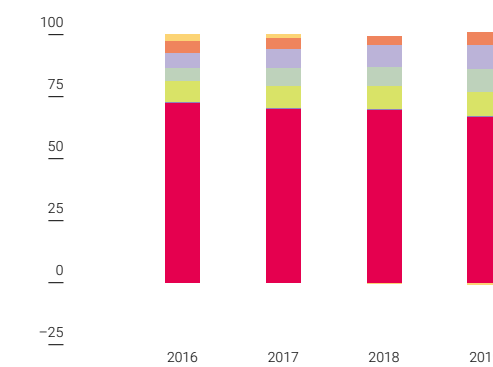
	2015	2016	2017	2018	2019
Department Stores	28.6	27.8	27.4	27.2	26.8
General Merchandise Stores	33.5	32.9	31.6	31.3	31.4
Specialty Stores	8.8	8.3	8.1	7.6	7.5
Directly Managed Stores	13.6	13.9	14.6	15.1	14.9
EC and Catalog Mail-order	8.4	9.1	9.4	12.2	12.2
Others	7.1	8.0	8.9	6.6	7.2

Wacoal China
(%)



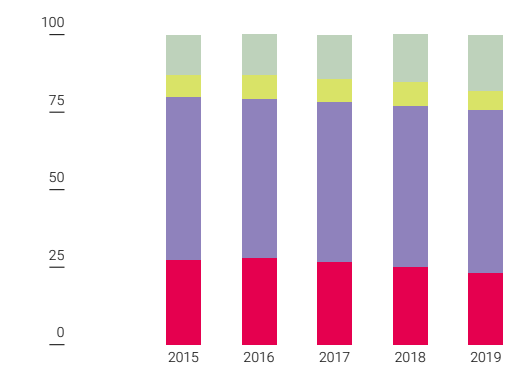
	2015	2016	2017	2018	2019
Department Stores	77.7	76.1	75.9	72.1	70.0
Agent (Specialty Stores)	8.2	9.4	7.4	6.9	6.4
Third-Party EC Site	8.9	9.1	9.3	10.8	14.5
Peach John	5.0	5.1	7.4	10.1	9.0
Export	0.2	0.3	0.0	0.1	0.1

Wacoal International (U.S.)
(%)



	2016	2017	2018	2019
Stores	72.3	69.8	69.4	66.6
Directly Managed Stores and Outlet	0.6	0.6	0.5	0.7
Department Store EC	8.2	8.9	9.2	9.5
Third-Party EC Site	5.6	7.2	7.8	9.1
Own EC Site	5.8	7.5	8.6	9.9
Export (excluding Canada)	4.9	4.7	4.0	5.0
Others	2.6	1.3	-0.5	-0.8

Wacoal Europe
(%)



	2015	2016	2017	2018	2019
Department Stores	27.4	28.0	26.7	25.1	23.0
Independent	52.3	51.0	51.4	51.7	52.7
Directly Managed Stores (including Own EC Site)	7.1	7.8	7.6	8.0	6.3
Third-Party EC Site	13.2	13.2	14.3	15.2	18.0

11-Year Financial Summary

Wacoal Holdings Corp. and Subsidiaries
For the fiscal years as of/ended March 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Millions of Yen)											
Performance											
Net sales	194,201	195,725	195,881	202,917	191,765	193,781	180,230	171,897	165,548	163,548	170,960
Cost of sales	89,804	92,032	93,073	96,094	90,722	91,008	84,548	81,891	81,659	80,101	83,879
% of net sales	46.2%	47.0%	47.5%	47.4%	47.4%	47.0%	46.9%	47.6%	49.3%	49.0%	49.1%
Selling, general and administrative expenses	93,684	92,701	92,526	94,549	88,453	88,956	83,844	79,144	77,198	77,342	77,043
% of net sales	48.2%	47.4%	47.2%	46.6%	46.1%	45.9%	46.5%	46.0%	46.6%	47.3%	45.1%
EBITDA	10,526	16,986	15,314	17,089	11,451	18,853	13,874	15,522	9,604	9,776	14,582
Operating income	4,879	11,494	10,282	12,274	6,377	13,817	8,986	10,862	4,919	5,011	10,038
% of net sales	2.5%	5.9%	5.3%	6.0%	3.3%	7.1%	5.0%	6.3%	3.0%	3.1%	5.9%
Income before income taxes and equity in net income of affiliated companies	2,203	14,286	16,569	14,957	11,342	15,033	10,940	10,207	3,927	3,155	7,329
Net income attributable to Wacoal Holdings Corp.	341	9,745	12,525	11,159	8,444	10,106	7,880	6,913	2,785	2,475	5,062
Return on equity (ROE)	0.2%	4.2%	5.5%	4.9%	3.9%	5.2%	4.4%	4.1%	1.6%	1.5%	2.9%
Return on assets (ROA)	0.8%	4.8%	5.6%	5.0%	4.0%	5.7%	4.6%	4.7%	1.8%	1.4%	3.2%
Financial Condition											
Total assets	281,767	298,534	294,958	292,854	300,272	271,988	254,536	221,098	215,276	222,889	213,827
Total shareholders' equity	216,494	232,712	227,568	224,374	228,857	205,106	186,646	171,496	167,480	171,860	166,767
Net property, plant and equipment	53,270	54,333	55,288	53,938	49,188	48,978	49,665	49,078	49,734	51,804	49,165
Inventories	42,508	42,676	43,822	44,445	42,893	40,211	37,807	32,847	30,956	32,103	31,153
Cash Flows											
Net cash provided by operating activities	13,620	15,493	16,351	12,635	14,337	8,949	12,309	10,060	10,441	9,463	8,202
Net cash provided by (used in) investing activities	(2,474)	(7,362)	(3,032)	(11,407)	164	1,658	(23,520)	(3,467)	(703)	(3,573)	(4,759)
Net cash provided by (used in) financing activities	(10,872)	(12,303)	(13,055)	(4,547)	(8,391)	(5,554)	5,379	(2,824)	(4,965)	(5,363)	(7,448)
Free cash flow	11,146	8,131	13,319	1,228	14,501	10,607	(11,211)	6,593	9,738	5,890	3,443
Cash and cash equivalents	30,133	29,487	33,995	34,059	38,410	30,658	24,514	29,985	26,316	22,328	21,954
Investment											
Capital expenditures	5,783	5,884	7,445	8,978	4,478	3,464	3,330	3,554	3,323	5,736	4,216
Depreciation and amortization	5,647	5,492	5,032	4,815	5,074	5,036	4,888	4,660	4,685	4,765	4,544
Per Share of Common Stock											
Shareholders' equity per share (Yen)	3,321.57	3,454.40	1,658.53	1,592.90	1,624.93	1,456.32	1,325.19	1,217.57	1,189.08	1,215.17	1,187.37
Net income per share attributable to Wacoal Holdings Corp. (Yen)	5.16	143.46	90.13	79.23	59.95	71.75	55.95	49.08	19.73	17.51	35.57
Dividends per share (Yen)	72	72	36	33	30	33	28	28	20	20	25
Total dividend amount	4,732	4,871	4,940	4,648	4,225	4,648	3,944	3,944	2,817	2,824	3,511
Dividend yield	2.6%	2.3%	2.6%	2.5%	2.2%	3.1%	2.8%	2.9%	1.9%	1.7%	2.2%
Dividend payout ratio	1,395.3%	50.2%	39.9%	41.7%	50.0%	46.0%	50.0%	57.0%	101.4%	114.2%	70.3%
Price earnings ratio (Times)	533.33	21.47	15.24	16.95	22.55	14.68	18.11	19.99	53.12	66.7	32.05
Price book-value ratio (Times)	0.83	0.89	0.83	0.84	0.83	0.72	0.76	0.81	0.88	0.96	0.96
Operating Segment Information											
Net sales:											
Wacoal Business (Domestic)	113,400	116,085	118,389	120,570	112,203	118,085					
Wacoal Business (Overseas)	53,100	51,888	48,423	51,869	48,107	43,636					
Peach John Business	10,491	10,795	11,107	11,190	11,626	12,482					
Other	17,210	16,957	17,962	19,288	19,829	19,578					
Operating income (loss):											
Wacoal Business (Domestic)	6,325	6,845	6,176	7,219	7,739	9,241					
Wacoal Business (Overseas)	4,581	3,852	3,055	4,433	4,776	4,037					
Peach John Business	(5,859)	441	374	258	(6,296)	83					
Other	(168)	356	677	364	158	456					
Employees											
Employees within Group (Persons)	20,662	20,904	21,139	20,655	18,986	18,912	18,650	16,524	16,013	15,686	14,382

Notes: 1. Consolidated financial statements for the fiscal year ended March 31, 2011, and prior fiscal years have been retroactively revised in accordance with the changes of the settlement dates for certain consolidated subsidiaries that took place in the fiscal year ended March 31, 2012.
2. The Company conducted a share consolidation of its common stock pursuant to which two shares were consolidated into one share effective as of October 1, 2017.
Per share information was calculated as if the consolidation of shares (reverse stock split) had been carried out at the beginning of the fiscal year ended March 31, 2018.
3. New accounting guidance, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU No. 2017-07), has been adopted from the beginning of the current consolidated fiscal year. Accordingly, key financial data for the previous fiscal years are the amounts after the retroactive application of such accounting guidance.

Management's Discussion and Analysis

Wacoal Holdings Corp. and Subsidiaries

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

The Wacoal Group consists of one holding company (the Company), 57 consolidated subsidiaries, and eight equity-method affiliates. The Wacoal Group manufactures, wholesales, and—for certain products—retails women's foundation garments and lingerie, nightwear, children's underwear, outerwear and sportswear, hosiery, and other textile products. Other operations include restaurant businesses, cultural and service-related operations, and the construction of interiors for commercial premises.

OVERVIEW

We are a leading designer, manufacturer, and marketer in Japan of women's intimate apparel, with the largest share of the Japanese market for foundation garments and lingerie. Foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips, and women's briefs) accounted for 75.5% of our consolidated net sales for fiscal 2019. We also design, manufacture, and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile goods, and provide several other services.

Results of Operation

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

Summary of Business Results

During the fiscal year under review (from April 1, 2018 to March 31, 2019), which is the last year of our current mid-term (three-year) business plan (from fiscal 2017 to fiscal 2019), in order for our business to return to growth during the period covered by our next mid-term business plan, the Wacoal Group proceeded to build a foundation to enhance its business efficiency and to invest in fields where it can expect growth. Wacoal Corp. improved business efficiency in its wholesale business through reorganization and profitability in its retail business on improved brand value, and completed preparation for the introduction of 3D body

OVERVIEW OF STATUS OF BUSINESS PERFORMANCE, ETC.

Status of Financial Position and Operation Results Status of Financial Position

Total assets at the fiscal year ended March 31, 2019 (fiscal 2019) was ¥281,767 million, a decrease of ¥16,767 million compared with the end of the previous fiscal year, due to a decrease in investments resulting from a decrease in market value and impairment charges on goodwill.

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

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

As a result of the above, shareholders' equity ratio at the end of fiscal 2019 was 76.8%, a decrease of 1.2 percentage points compared with the end of fiscal 2018.

scanning and AI (artificial intelligence)-based customer service as a part of its omni-channel strategy. In overseas markets, we strengthened our business framework in response to e-commerce channels, which continue to show a high rate of growth in sales, and expanded our brand awareness in Chinese, North American, and European markets. On the other hand, in our efforts to improve our production base, we were successful in enhancing the production capabilities of highly competitive products in Dalian and Vietnam, while structural reform in our raw materials factory in Thailand is requiring time.

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

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

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

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

Our Group uses U.S. accounting standards, and we are required to record impairment charges on goodwill and other intangible assets of ¥5,834 million as operating costs and expenses.

As a result, operating income decreased significantly. Consolidated income before income taxes and equity in net income of affiliated companies also decreased significantly due to recognition of valuation loss of ¥5,570 million following the changes in U.S. accounting standards that required us to record "gain (loss) on valuation of marketable securities and investments" as "Other income (expenses)" starting from the fiscal year under review.

As a result of the above, net income attributable to Wacoal Holdings Corp. was ¥341 million, a decrease of 96.5%, or ¥9,404 million, from the previous fiscal year. The ratio of operating income to net sales and the ratio of net income attributable to Wacoal Holdings Corp. to shareholders' equity for the fiscal year under review were 2.5% and 0.2%, respectively.

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

The key exchange rates used for the fiscal year under review were: ¥110.91 to the U.S. dollar; ¥145.68 to the British pound sterling; and ¥16.72 to the Chinese yuan.

The following is a summary of operations by operating segment.

	2018		2019		YoY Change	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Total Net Sales	195,725	100.0%	194,201	100.0%	-1,524	-0.8%
Wacoal Business (Domestic)	116,085	59.3%	113,400	58.4%	-2,685	-2.3%
Wacoal Business (Overseas)	51,888	26.5%	53,100	27.3%	+1,212	+2.3%
Peach John Business	10,795	5.5%	10,491	5.4%	-304	-2.8%
Other	16,957	8.7%	17,210	8.9%	+253	+1.5%
Operating Income (Loss)	11,494	5.9%	4,879	2.5%	-6,615	-57.6%
Wacoal Business (Domestic)	6,845	5.9%	6,325	5.6%	-520	-7.6%
Wacoal Business (Overseas)	3,852	7.4%	4,581	8.6%	+729	+18.9%
Peach John Business	441	4.1%	(5,859)	—	-6,300	—
Other	356	2.1%	(168)	—	-524	—

Wacoal Business (Domestic)

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

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

Wacoal Business (Overseas)

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

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

Peach John Business

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

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

Other

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

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

UNDERSTANDING, ANALYSIS AND CONSIDERATION WITH RESPECT TO STATUS OF BUSINESS PERFORMANCE, ETC., FOR FISCAL 2019

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

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

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

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

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

We also believe that our Group needs to aim for higher social value and not only pursue the enhancement of economic value, by committing ourselves to achieving sustainable growth along with the communities surrounding our businesses. "Wacoal Group CSR-based Procurement Guidelines" were established in October 2017, and we established and began operation of a series of CSR procurement cycles that include cooperation with manufacturing outsourcees, and identify, correct and/or improve the outsourcees' compliance with respect to human rights and labor practices. Through each dialogue, we have gained an understanding of society's expectations of us and the highly important social issues from our stakeholders' perspectives and confirmed which important issues should be addressed by our CSR activities in light of their importance to our business. We are also facing new challenges along with the changes in trends. We need to reduce and avoid reputational risk of controversial social media posts from advertisement, and address the increasing risk of information leakage while digital transformation of customer information continues to accelerate. We also need to work harder on reducing plastic use and unsold inventory to better live within the global environment.

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

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

The understanding, analysis, and consideration with respect to improvement of capital efficiency through implementation of our financial strategies and initiatives regarding shareholder returns are as follows:

Under the medium-term management plan, which concluded at the end of the fiscal year under review, our target was to reduce shareholders' equity to ¥220,000 million and to increase consolidated ROE (i.e., return on Wacoal Holdings Corp. shareholders' equity for the fiscal year under review) to 5% or higher, by the end of the fiscal year under review, based on the business results for the fiscal year ended March 31, 2016. However, we achieved very low levels of net income attributable to Wacoal Holdings Corp. and consolidated ROE for the fiscal year under review, at ¥341 million and 0.2%, respectively, due to the impact of the impairment charges on intangible assets and valuation loss on marketable securities and investments. Real net income attributable to Wacoal Holdings Corp. not taking into account the impact of these impairment charges and valuation loss, which were not accompanied by decreases in cash flows, was ¥9,636 million. Accordingly, real consolidated ROE was 4.2%, which was lower than our target.

Our basic policy on profit distributions to shareholders is to provide stable distributions based on our consolidated results, while seeking to increase our enterprise value through active investment for improving profitability, and to increase net income per share attributable to Wacoal Holdings Corp. With respect to retained earnings, in addition to actively investing in expanding customer contacts in domestic business and expanding overseas business, from the viewpoint of enhancing our enterprise value, we will make strategic investments to maintain our competitiveness and strengthen our growth potential. With these efforts, we aim to maximize shareholder returns through improved earnings. In addition, we will acquire treasury shares flexibly while taking into account the free cash flow level and market environment, and improve capital efficiency and returns to our shareholders. The amount of capital investment for the fiscal year ended March 31, 2019 was ¥5,783 million. Our capital investment was used in IT infrastructure for omni-channel services in Japan, and the introduction of a management system for planning and designing operations, as well as construction of overseas factory facilities. We will return profits to our shareholders in the amount of ¥11,730 million in total, ¥4,811 million in the form of dividends, and ¥6,919 million in the form of repurchases.

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

CAPITAL RESOURCES AND LIQUIDITY

Our current policy is to fund our cash needs from cash flows from operating activities, which allows us to secure the majority of our working capital, make capital investments, and pay dividends without relying on substantial borrowings or other financing from outside of our Group companies. As of March 31, 2019, we had credit facilities at financial institutions totaling ¥31,336 million, and the balance of short-term loans that established a line of credit amounted to ¥8,253 million. Of these short-term loans, ¥4,000 million was available to Wacoal Holdings Corp., ¥1,505 million was available to Wacoal Europe Ltd., ¥2,611 million was available to Wacoal Service Co., Ltd., and ¥137 million was 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 the necessary funds. Our borrowing requirements are not affected by season.

We are not aware of any restrictions on the transfer of funds from a subsidiary to a parent company in the form of a cash dividend. We believe our working capital is adequate for our present requirements and for our business operations in the short-to-long term.

CASH FLOW STATUS

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

(Cash flow from operating activities)

Net cash provided by operating activities during fiscal 2019 was ¥13,620 million, a decrease of ¥1,873 million compared with the previous fiscal year. This was the result of net income of ¥395 million being adjusted for depreciation expenses, deferred taxes, and changes in assets and liabilities.

(Cash flow from investing activities)

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

(Cash flow from financing activities)

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

SUMMARY OF CAPITAL INVESTMENT, ETC.

The amount of capital investment for the fiscal year ended March 31, 2019, was ¥5,783 million. A majority of our capital investment was used in information system investment for our subsidiaries and maintenance and repair work implemented for real properties held by the Company.

The amounts of capital investment made in Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John Business, and Other were ¥3,382 million, ¥1,837 million, ¥494 million, and ¥70 million, respectively.

DIVIDEND POLICY

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

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

Based on such policy, we plan to distribute a year-end dividend of ¥36.00 per share as a distribution of earnings for the fiscal year under review. As a result, the annual cash dividend per share, including an interim dividend of ¥36.00 per share, will be ¥72.00 for the fiscal year under review.

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

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

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 (currently 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 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 at which products are introduced for the first time, and the senior generation.

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

As a result of the above, we recorded ¥739 million for our research and development during the fiscal year ended March 31, 2019.

Our research and development activities cover a wide range of research from basic research to product development, mainly of women's innerwear. Therefore, it is difficult to relate each of such activities to a specific segment, and thus, we do not provide information regarding such research and development 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 and services that can gain support from and satisfy our customers.

Consolidated Balance Sheets

Wacoal Holdings Corp. and Subsidiaries
March 31, 2019 and 2018

March 31, 2019 and 2018	2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 2) 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 30,133	¥ 29,487	\$ 272,253
Time deposits	4,004	4,296	36,177
Marketable securities (Notes 3, 18 and 19)	446	1,567	4,030
Notes and accounts receivable (Note 6)	24,989	25,873	225,777
Allowance for returns and doubtful receivables (Note 4)	(229)	(2,459)	(2,069)
Inventories (Note 5)	42,508	42,676	384,062
Return assets (Note 1)	1,180		10,661
Other current assets (Notes 6, 19 and 20)	4,985	4,372	45,040
Total current assets	108,016	105,812	975,931
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 8)	21,549	21,561	194,696
Buildings and structures (Notes 8 and 10)	74,033	73,618	668,892
Machinery and equipment (Note 19)	18,914	18,268	170,889
Construction in progress	478	254	4,319
Total	114,974	113,701	1,038,796
Accumulated depreciation	(61,704)	(59,368)	(557,499)
Net property, plant and equipment	53,270	54,333	481,297
OTHER ASSETS:			
Investments in affiliated companies (Note 6)	21,859	22,512	197,497
Investments (Notes 3, 18 and 19)	63,372	69,318	572,570
Goodwill (Notes 7 and 19)	11,954	16,594	108,005
Other intangible assets (Notes 7 and 19)	12,297	12,859	111,104
Prepaid pension expense (Note 11)	3,990	10,178	36,050
Deferred income taxes (Note 15)	1,362	1,194	12,306
Other	5,647	5,734	51,021
Total other assets	120,481	138,389	1,088,553
TOTAL	¥281,767	¥298,534	\$2,545,781

See notes to consolidated financial statements.

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

Consolidated Statements of Income

Wacoal Holdings Corp. and Subsidiaries
Years Ended March 31, 2019, 2018 and 2017

Years Ended March 31, 2019, 2018 and 2017	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2019	2018	2017	2019
NET SALES (Notes 6 and 16)	¥194,201	¥195,725	¥195,881	\$1,754,617
OPERATING COSTS AND EXPENSES (REVENUE):				
Cost of sales (Notes 6 and 11)	89,804	92,032	92,950	811,384
Selling, general and administrative expenses (Notes 1, 9, 10, 11, 12 and 19)	93,684	92,701	91,866	846,440
Compensation income		(708)		
Impairment charges on goodwill (Notes 7 and 19)	4,325	206		39,077
Impairment charges on other intangible assets (Notes 7 and 19)	1,509			13,634
Total operating costs and expenses	189,322	184,231	184,816	1,710,535
OPERATING INCOME	4,879	11,494	11,065	44,082
OTHER INCOME (EXPENSES):				
Interest income	289	194	157	2,611
Interest expense	(11)	(10)	(27)	(100)
Dividend income (Note 6)	1,429	1,329	1,176	12,911
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net (Note 3)	(5,430)	206	442	(49,060)
Gain on sale of assets classified as held for sale (Note 21)			3,770	
Other – net (Notes 1, 11 and 20)	1,047	1,073	769	9,460
Total other (expenses) income – net	(2,676)	2,792	6,287	(24,178)
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF AFFILIATED COMPANIES	2,203	14,286	16,569	19,904
INCOME TAXES (Note 15):				
Current	5,350	4,880	4,830	48,338
Deferred	(2,817)	662	450	(25,452)
Total income taxes	2,533	5,542	5,280	22,886
(LOSS) INCOME BEFORE EQUITY IN NET INCOME OF AFFILIATED COMPANIES	(330)	8,744	11,289	(2,982)
EQUITY IN NET INCOME OF AFFILIATED COMPANIES (Note 6)	725	916	1,359	6,551
NET INCOME	395	9,660	12,648	3,569
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(54)	85	(123)	(488)
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥ 341	¥ 9,745	¥ 12,525	\$ 3,081

Years Ended March 31, 2019, 2018 and 2017	Yen			U.S. Dollars (Note 2)
	2019	2018	2017	2019
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.				
PER SHARE (Note 17):				
Basic	¥ 5.16	¥143.46	¥180.26	\$0.05
Diluted	¥ 5.14	¥142.98	¥179.71	\$0.05
NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.				
PER AMERICAN DEPOSITARY RECEIPT (5 shares of common stock) (Note 17):				
Basic	¥25.78	¥717.30	¥901.30	\$0.23
Diluted	¥25.68	¥714.89	¥898.55	\$0.23

The Company conducted a one-for-two ordinary share reverse stock split as of October 1, 2017. The number of outstanding shares was 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.

Consolidated Statements of Comprehensive Income

Wacoal Holdings Corp. and Subsidiaries
Years Ended March 31, 2019, 2018 and 2017

Years Ended March 31, 2019, 2018 and 2017	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2019	2018	2017	2019
NET INCOME	¥ 395	¥ 9,660	¥12,648	\$ 3,569
OTHER COMPREHENSIVE INCOME, NET OF TAX (Note 14):				
Foreign currency translation adjustments:				
Amounts arising during the year	(750)	1,113	(4,079)	(6,776)
Total foreign currency translation adjustments	(750)	1,113	(4,079)	(6,776)
Unrealized (loss) gain on securities:				
Amounts arising during the year	(7)	6,494	3,413	(63)
Reclassification adjustments	(97)	(139)	(304)	(877)
Total unrealized (loss) gain on securities	(104)	6,355	3,109	(940)
Pension liability adjustments:				
Amounts arising during the year	(4,787)	(487)	619	(43,251)
Reclassification adjustments	200	(193)	(1)	1,807
Total pension liability adjustments	(4,587)	(680)	618	(41,444)
OTHER COMPREHENSIVE (LOSS) INCOME	(5,441)	6,788	(352)	(49,160)
COMPREHENSIVE (LOSS) INCOME	(5,046)	16,448	12,296	(45,591)
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(18)	21	(6)	(163)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.	¥(5,064)	¥16,469	¥12,290	\$(45,754)

See notes to consolidated financial statements.

Consolidated Statements of Equity

Wacoal Holdings Corp. and Subsidiaries

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

The Company conducted a one-for-two ordinary share reverse stock split as of October 1, 2017. The number of outstanding shares was calculated assuming that the reverse stock split had occurred at the beginning of the earliest fiscal year presented in the consolidated financial statements.

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

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Wacoal Holdings Corp. and Subsidiaries
Years Ended March 31, 2019, 2018 and 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2019, 2018 and 2017	2019	2018	2017	2019
OPERATING ACTIVITIES:				
Net income	¥ 395	¥ 9,660	¥ 12,648	\$ 3,569
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,647	5,492	5,032	51,021
Share-based compensation (Note 12)	62	68	74	560
Allowance for returns and doubtful receivables – net	(2,263)	18	264	(20,446)
Deferred income taxes	(2,817)	662	450	(25,452)
Loss (gain) on sales or disposal of property, plant and equipment – net	48	250	(3,374)	434
Impairment charges on property, plant and equipment (Note 19)	167			1,509
Compensation income		(708)		
Impairment charges on goodwill (Notes 7 and 19)	4,325	206		39,077
Impairment charges on other intangible assets (Notes 7 and 19)	1,509			13,634
Loss (gain) on sale, exchange and valuation of marketable securities and investments – net (Note 3)	5,430	(206)	(442)	49,059
Equity in net income of affiliated companies, less dividends received	(211)	(397)	(837)	(1,906)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	822	(232)	882	7,427
(Increase) decrease in inventories	(76)	1,012	(378)	(687)
Increase in return assets	(1,180)			(10,661)
(Increase) decrease in other current assets	(653)	270	475	(5,900)
(Decrease) increase in notes and accounts payable	(1,640)	676	(95)	(14,818)
Increase in refund liabilities	3,482			31,460
Decrease in liability for termination and retirement benefits	(620)	(833)	(417)	(5,602)
Increase (decrease) in accrued expenses, income taxes payable and other current liabilities	1,075	(518)	1,615	9,713
Other	118	73	454	1,066
Net cash provided by operating activities	13,620	15,493	16,351	123,057
INVESTING ACTIVITIES:				
Increase in time deposits	(4,783)	(5,129)	(4,336)	(43,215)
Decrease in time deposits	5,226	3,368	3,717	47,217
Proceeds from sales and redemption of equity securities	2,497	394	1,574	22,561
Payments to acquire equity securities	(323)	(22)	(356)	(2,918)
Proceeds from redemption of debt securities	1,008	567	516	9,107
Payments to acquire debt securities	(900)	(1,605)	(329)	(8,132)
Compensation income		708		
Proceeds from sales of property, plant and equipment	276	159	3,585	2,494
Payments to acquire property, plant and equipment	(2,603)	(3,429)	(5,504)	(23,518)
Payments to acquire intangible assets (Note 7)	(3,180)	(2,455)	(1,941)	(28,731)
Proceeds from sales of shares of affiliated companies	270		4	2,439
Other	38	82	33	343
Net cash used in investing activities	(2,474)	(7,362)	(3,032)	(22,353)
FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank loans with original maturities of three months or less – net	1,061	(755)	(3,613)	9,586
Proceeds from issuance of long-term debt			250	
Repayments of long-term debt	(50)	(47)	(403)	(452)
Purchase of treasury stock	(6,919)	(4,007)	(4,522)	(62,513)
Disposal of treasury stock	0	0		0
Dividends paid on common stock	(4,811)	(7,386)	(4,648)	(43,467)
Dividends paid to noncontrolling interests	(191)	(194)	(167)	(1,726)
Proceeds from share issuance to noncontrolling interests	38	86	48	343
Net cash used in financing activities	(10,872)	(12,303)	(13,055)	(98,229)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	372	(336)	(328)	3,361
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	646	(4,508)	(64)	5,836
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,487	33,995	34,059	266,417
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 30,133	¥ 29,487	¥ 33,995	\$ 272,253
ADDITIONAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	¥ 11	¥ 11	¥ 27	\$ 99
Income taxes	5,068	5,853	2,812	45,790
NONCASH INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment by assuming payment obligation	¥ 954	¥ 583	¥ 795	\$ 8,619

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Wacoal Holdings Corp. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

Marketable Securities and Investments—The Companies classify their marketable securities and investments in debt securities into one of two categories: available-for-sale or held-to-maturity. Available-for-sale securities are recorded at fair value with a corresponding recognition of unrealized holding gain or loss (net of tax) in accumulated other comprehensive income or loss, which is a separate component of equity, until realized. Held-to-maturity securities are measured at amortized cost. The Companies classify debt securities as held-to-maturity only if the Companies have the positive intent and ability to hold those securities to maturity. Gains and losses on sales of debt securities are computed based on cost determined using the average cost method. The Company periodically determines whether any decline in the value of debt securities is temporary, based on the period and extent of the decline, the

issuer’s financial position and prospects, and the intention to hold it for a sufficient period of expected recovery of fair value. If it is determined that the decline is not temporary, the difference between the carrying amount and its fair value is recognized as a valuation loss.

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

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

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

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

Buildings and structures	2 to 50 years (mainly 38 years)
Machinery and equipment (excluding certain paintings)	2 to 20 years (mainly 5 years)

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

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

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

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

Other intangible assets with finite useful lives consist primarily of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent Accounting Pronouncements:

Recently Adopted Accounting Guidance

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance related to revenue recognition. This guidance is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard provides comprehensive guidance, and requires the disclosure of information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued additional guidance and deferred the effective date of the guidance for a year. In May 2016, the FASB also issued additional guidance to improve the above guidance by reducing the potential for diversity in practice upon initial application and the cost and complexity of applying the new guidance both upon transition and on an ongoing basis. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within that annual period. The Company has applied this guidance from the first quarter commencing on April 1, 2018, using the modified retrospective method of adoption to contracts that were not completed as of the adoption. The cumulative effect of applying this guidance was not

recognized as adjustment to retained earnings at the beginning of the fiscal year under review as its impact was not material. Due to the adoption of this guidance, liabilities related to returns, which were included in "Allowance for returns and doubtful receivables" under Current Assets through the previous consolidated fiscal year, are classified as "Refund liabilities" under Current Liabilities and rights to recover products from customers as "Return assets" under Current Assets from the current consolidated fiscal year. The adoption of this guidance did not have a material impact on the Company's consolidated balance sheets and statements of income except as set forth above.

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

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

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

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

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

Recent Accounting Guidance Not Yet Adopted

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

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

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

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

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

2. TRANSLATION INTO U.S. DOLLAR STATEMENTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥110.68 to \$1, the noon buying

rate for Japanese yen in New York City as of March 31, 2019. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the aforementioned or any other rate.

3. MARKETABLE SECURITIES AND INVESTMENTS

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

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

2018	Millions of Yen			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
Municipal bonds	¥ 10	¥ 0		¥ 10
Noncurrent:				
Corporate debt securities	¥464	¥150		¥614
Held-to-maturity securities:				
Current:				
Corporate debt securities	¥967		¥ 8	¥959
Noncurrent:				
Corporate debt securities	¥646		¥12	¥634

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

	2019		2018	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities	¥332	¥1	¥424	¥3
Investment:				
Corporate debt securities	¥446	¥3	¥105	¥2

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

	2019		2018	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Held-to-maturity securities:				
Marketable securities:				
Corporate debt securities			¥535	¥ 5
Investment:				
Corporate debt securities	¥228	¥1	¥529	¥10

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

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

	Millions of Yen	
	Cost	Fair Value
Due within one year	¥ 446	¥ 445
Due after one year through five years	1,124	1,121
Total	¥1,570	¥1,566

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

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

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

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

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

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES AND SALES RETURNS

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

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

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

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

5. INVENTORIES

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

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

6. INVESTMENTS IN AFFILIATED COMPANIES

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

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

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

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

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

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

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

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

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

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

The amounts for transactions with affiliated companies for the fiscal years ended March 31, 2019, 2018 and 2017 were as follows:

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

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

7. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Millions of Yen		
	2019		
	Wacoal Business (Overseas)	Peach John	Total
Balance at the beginning of the year:			
Goodwill	¥12,269	¥ 11,203	¥ 23,472
Accumulated impairment charges		(6,878)	(6,878)
Total	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:			
Goodwill	11,954	11,203	23,157
Accumulated impairment charges		¥(11,203)	(11,203)
Total	¥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

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

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

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

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

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

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

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

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

Years Ending March 31	Millions of Yen
Estimated amortization expenses	
2020	¥1,977
2021	1,885
2022	1,673
2023	1,385
2024	941
Total	¥7,861

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

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

	Millions of Yen	
	2019	2018
Unsecured bank loans	¥8,116	¥7,104

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

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

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

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

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

Years Ending March 31	Millions of Yen
2020	¥ 50
2021	50
2022	38
Total	¥138

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

	Millions of Yen	
	2019	2018
Land	¥150	¥150
Buildings	169	191
Total	¥319	¥341

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

9. LEASES

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

Years Ending March 31	Millions of Yen
2020	¥ 695
2021	652
2022	497
2023	454
2024	454
Thereafter	2,266
Total	¥5,018

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

10. ASSET RETIREMENT OBLIGATIONS

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

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

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

11. TERMINATION AND RETIREMENT PLANS

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

Certain subsidiaries of the Company have contributory defined retirement benefit plans and several unfunded termination plans administered by certain subsidiaries of the Company. Benefits under the contributory defined retirement benefit plan are usually paid in a lump

sum at the earlier of termination or retirement, although periodic payments are available under certain conditions. Benefits under the other termination and retirement benefit plan are paid either as lump-sum payments or periodic payments under certain conditions. The benefits are usually paid as a lump-sum payment, if the employee resigns before the mandatory retirement age.

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

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

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

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

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

	Millions of Yen	
	2019	2018
Actuarial loss	¥(6,820)	¥(35)

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

	Millions of Yen	
	2019	2018
Accumulated benefit obligations	¥38,531	¥34,580

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

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

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

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

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

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

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

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

	Millions of Yen
Actuarial loss	¥1,185

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

	2019	2018
Discount rate	0.5%	0.5%

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

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

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

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

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

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

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

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

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

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

2019	Millions of Yen			Total
	Level 1	Level 2	Level 3	
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

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

(a) Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.

(b) This class includes common stock of approximately 50% Japanese companies and 50% foreign companies as of March 31, 2019 and 52% and 48%, respectively, as of March 31, 2018.

(c) This class includes approximately 79% of foreign government bond and 21% of corporate bond investments as of March 31, 2019 and 73% and 27%, respectively, as of March 31, 2018.

(d) This class consists of hedge funds that invest in both long- and short-term debt securities and equity securities as of March 31, 2019 and 2018.

(e) This class includes approximately 34% of corporate bonds, 1% of common stock of Japanese companies, 30% of common stock of foreign companies, 20% of real estate and 15% of other short-term investments as of March 31, 2019. This class includes approximately 34% of corporate bonds, 4% of common stock of Japanese companies, 16% of common stock of foreign companies, 26% of real estate, and 20% of other short-term investments as of March 31, 2018.

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

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

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

Years Ending March 31	Millions of Yen
2020	¥ 2,335
2021	2,220
2022	2,161
2023	2,349
2024	2,094
Thereafter	10,825

12. SHARE-BASED COMPENSATION

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

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

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

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

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.

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

A summary of stock option activities under the plan for the years ended March 31, 2019 and 2018 is 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, 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

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

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

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

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

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

13. EQUITY

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

(a) Dividends

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

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the companies so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

(c) Treasury Stock

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

14. OTHER COMPREHENSIVE INCOME (LOSS)

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

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

	2017		
	Foreign Currency Translation Adjustments	Unrealized Gain on Securities	Pension Liability Adjustments
Balance at the beginning of the year (after-tax)	¥5,177	¥17,966	¥(1,035)
Cumulative effects (net of tax) of the adoption of ASU 2016-01 and 2018-03 (Note 1)			
Amount arising during the year:			
Pre-tax amount	(4,109)	4,905	1,062
Tax credit	30	(1,492)	(443)
Net amount	(4,079)	3,413	619
Reclassification adjustments:			
Pre-tax amount		(438)	(2)
Tax credit		134	1
Net amount		(304)	(1)
Other comprehensive income (loss) attributable to noncontrolling interests (after-tax)	114	(0)	3
Balance at the end of the year (after-tax)	¥1,212	¥21,075	¥(414)

Reclassification adjustments (pre-tax) of unrealized gain or loss on securities are included in "(Loss) gain on sale, 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 net periodic benefit costs.

15. INCOME TAXES

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

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

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

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

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

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

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

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

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

16. REVENUE

The Group focuses on sales of innerwear (women's foundation garments and lingerie, nightwear and children's underwear), sportswear, and other textile products and related products ("products"), and our customers include retail and wholesale distributors and consumers in Japan and overseas. See Note "22. Segment Information" for revenue information for each segment, by each product and service, and by geographic area.

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

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

Contract liabilities from contracts with customers consist mainly of customer loyalty points. Some subsidiaries have customer loyalty

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

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

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

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

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

programs as part of their promotion and provide loyalty 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 year are recorded as contract liabilities, which are estimated based on actual redemption amounts from the previous fiscal year. Contract liability is included in other current liabilities, and the amount of contract liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of Yen	
	2019	2018
Contract liabilities	¥873	¥542

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

17. EARNINGS PER SHARE

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

The weighted-average number of common shares outstanding used in the computations of basic net income attributable to Wacoal Holdings Corp. per share was 66,143,405 shares, 67,928,557 shares and

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

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

18. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

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

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

The carrying amounts of all other financial instruments approximate their estimated fair values because of the short maturity of those instruments. For information about fair values of foreign exchange contracts and currency swaps, see Note 19.

Marketable Securities and Investments—The fair value of these held-to-maturity debt securities are based on Level 1 inputs. For all other investments included in marketable securities and investments, see Notes 3 and 19.

Long-Term Debt—The fair values for long-term debt are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. The estimated fair value is based on Level 2 inputs.

Limitations—Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Concentration of Credit Risk—The Companies' business consists primarily of sales of women's intimate apparel to a large number of diverse customers in the Japanese retail industry, which include well-established department stores, general merchandise stores, and other general retailers and specialty stores.

19. FAIR VALUE MEASUREMENTS

The guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

- Level 1—Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and 2018 were as follows:

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
Millions of Yen				
2018	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Mutual funds		590		590
Total		600		600
Investments:				
Equity securities	¥66,751			66,751
Corporate debt securities		614		614
Mutual funds	46			46
Total	66,797	614		67,411
Derivative instruments:				
Foreign exchange contracts		6		6
Total assets	¥66,797	¥1,220		¥68,017
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ 13		¥ 13
Currency swap		31		31
Total liabilities		¥ 44		¥ 44

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 that are included in the mutual funds.

As discussed in Note 3, the Companies record impairment charges on debt securities if a decline in fair value of debt securities is determined to be other than temporary.

Foreign exchange contracts and currency swaps presented in Level 2 are valued by financial institutions based on market data in both active and inactive markets.

Equity securities in Level 3 are non-marketable equity securities and are valued by the comparable multiple valuation method using financial indicators, etc., as inputs or other appropriate valuation methods.

Assets Measured at Fair Value on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis as of March 31, 2019 and 2018 were as follows:

2019	Millions of Yen				Impairment Losses
	Level 1	Level 2	Level 3	Total	
Buildings and structures					¥ (43)
Machinery and equipment					(124)
Goodwill (Note 7)					(4,325)
Trademarks (Note 7)			¥680	¥680	(1,314)
Software (Note 7)					(195)
					¥(6,001)

2018	Millions of Yen				Impairment Losses
	Level 1	Level 2	Level 3	Total	
Goodwill (Note 7)					¥(206)
					¥(206)

As of March 31, 2019, the carrying amount of A Tech's machinery was fully written off, resulting in an impairment charge of ¥105 million, which is included as a charge to earnings for the fiscal year ended March 31, 2019. The impairment arose due to the close of the unprofitable business and the assets associated with it are considered to be non-recoverable. In addition, all the carrying amounts of Ai's buildings, equipment, and software were written off resulting in impairment charges of ¥43 million, ¥19 million, and ¥195 million, respectively. To measure their fair values, the Companies used the expected present value of future cash flows and the prices calculated based on market data for comparable assets 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 March 31, 2018, all the carrying amount of A Tech's goodwill was written off, resulting in an impairment charge of ¥206 million, which is included as a charge to earnings for the fiscal year ended March 31, 2018. The impairment arose due to the revision of the future business plan made in response to a decrease in sales. To measure the fair values of A Tech's reporting units, the Companies used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

As of the end of March 31, 2019, the carrying amount of goodwill in Peach John Business was fully written off, resulting in an impairment charge of ¥4,325 million, which is included in earnings for the fiscal year ended March 31, 2019. The impairment arose due to the decline in its fair

The table below shows the change in assets presented in Level 3 that are continuously assessed at fair value as of March 31, 2019:

Millions of Yen	
	2019
Balance at the beginning of the year	¥2,002
Total gains or losses for the period:	
(Loss) gain on sale, exchange and valuation of marketable securities and investments – net	84
Purchase	201
Balance at the end of the year	¥2,287

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 fiscal year ended March 31, 2019. The impairment arose due to the decline in their fair value, which was caused by a downturn in consumption due to general market conditions. To measure the fair value of the trademarks, the Companies used the relief-from-royalty method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the rate of royalty, and appropriately risk-adjusted discount rate, which reflected management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on management's cash flow projections for the future three years, and after three years, future cash flows were estimated using the perpetuity growth rate from 0% to 3.0%. Management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins, and working capital levels of the reporting units. The rate of royalty used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents a weighted-average cost of capital (WACC) adjusted for inherent risk spread.

Valuation process:

The valuation process involved in Level 3 measurements for applicable assets and liabilities is governed by the valuation policies and procedures, including evaluation method for fair value measurements, pre-approved by the Companies. Based on the policies and procedures, either personnel from the accounting division or personnel in charge of valuation determine the valuation model to be utilized to measure each

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 fiscal year ended March 31, 2019 is as follows:

March 31, 2019	Millions of Yen		Valuation Technique	Principal Unobservable Input	Range
	Fair Value				
Trademarks	¥680	Relief-from-royalty method	Discount rate		9.9%–13.4%
			Royalty rate		3.0%
			Short-term revenue growth rates (within three years)		2.3%–7.0%
			Perpetuity growth rate (over three years)		0%–3.0%

20. DERIVATIVE INSTRUMENTS

Risk Management Policy—The Companies are exposed to the risk of changes in foreign currency exchange rates. Derivative instruments are used to manage such risk. Derivative instruments are used based on Company policy and administrative provisions. There were no derivative instruments used for the purpose of speculative trading. The Companies consider the related credit risk to be low since these derivative instruments are provided by financial institutions with international credibility. **Foreign Exchange Risk**—Assets and liabilities denominated in foreign currencies, which are primarily related to international business, are exposed to the risk of changes in foreign currency exchange rates.

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.

Foreign exchange contracts and currency swaps are used to mitigate such risk.

Derivative Instruments Not Designated as a Hedge—Foreign exchange contracts and currency swaps are classified as derivative instruments, which are not designated as a hedge since these derivative instruments do not qualify for hedge accounting. These derivative instruments are used to mitigate the risk of changes in foreign currency exchange rates, and the changes in fair value of such derivative instruments are recorded in earnings immediately.

Notional contract amounts of derivative instruments that are not designated as hedges as of March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Foreign currency exchange	¥1,837	¥1,598
Currency swaps	663	328

The amounts of derivative instruments at fair value on the consolidated balance sheets as of March 31, 2019 and 2018 were as follows:

		Millions of Yen	
Balance Sheet Location		2019	2018
Assets:			
Foreign currency exchange	Other current assets	¥27	¥ 6
Liabilities:			
Foreign currency exchange	Other current liabilities	¥18	¥13
Currency swaps	Other current liabilities	36	31

The effect of derivative instruments in the consolidated statements of income for the fiscal years ended March 31, 2019, 2018 and 2017 was as follows:

		Millions of Yen		
Statements of Income Location		2019	2018	2017
Foreign currency exchange	Other – net	¥45	¥ 60	¥295
Currency swaps	Other – net	(5)	(31)	

21. GAIN ON SALE OF ASSETS PREVIOUSLY CLASSIFIED AS HELD FOR SALE

The Companies sold land, located at the sold Nagoya branch, on April 27, 2016 to make effective use of resources because it was unlikely that the Companies would use this site for future business.

As a result of the sale, the Companies recorded a gain on sale of property, plant and equipment of ¥3,770 million in the consolidated statement of income for the fiscal year ended March 31, 2017.

22. SEGMENT INFORMATION

Operating Segment Information

The Companies have three reportable segments: "Wacoal Business (Domestic)," "Wacoal Business (Overseas)," and "Peach John," which are based on their locations and brands. These segments represent components of the Companies for which separate financial information is available and for which operating income (loss) is reviewed regularly by the chief operating decision-maker in deciding how to allocate the Companies' resources and in assessing their performance. The accounting policies used for these reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

The "Wacoal Business (Domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear, and children's innerwear), outerwear, sportswear, and hosiery. The "Wacoal Business (Overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear, and children's innerwear), outerwear, sportswear, and other textile-related products. The "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, and nightwear), outerwear, and other textile-related products, which are sold under the *Peach John* brand. "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 fiscal years ended March 31, 2019, 2018 and 2017 is as follows:

	Millions of Yen					
2019	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥113,400	¥53,100	¥10,491	¥17,210		¥194,201
Intersegment	905	10,121	1,083	5,543	¥(17,652)	
Total	114,305	63,221	11,574	22,753	(17,652)	194,201
Operating costs and expenses:						
Operating costs and expenses	104,286	57,055	11,400	22,752	(17,652)	177,841
Depreciation and amortization	3,499	1,585	394	169		5,647
Impairment charges on goodwill			4,325			4,325
Impairment charges on other intangible assets	195		1,314			1,509
Total	107,980	58,640	17,433	22,921	(17,652)	189,322
Operating income (loss)	6,325	4,581	(5,859)	(168)		4,879
Total assets and capital expenditures:						
Total assets	249,141	78,912	8,038	17,395	(71,719)	281,767
Capital expenditures	3,382	1,837	494	70		5,783

	Millions of Yen					
2018	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥116,085	¥51,888	¥10,795	¥16,957		¥195,725
Intersegment	1,051	10,180	1,281	5,283	¥(17,795)	
Total	117,136	62,068	12,076	22,240	(17,795)	195,725
Operating costs and expenses:						
Operating costs and expenses	106,822	56,504	11,290	21,712	(17,795)	178,533
Depreciation and amortization	3,469	1,506	345	172		5,492
Impairment charges on goodwill		206				206
Total	110,291	58,216	11,635	21,884	(17,795)	184,231
Operating income	6,845	3,852	441	356		11,494
Total assets and capital expenditures:						
Total assets	260,582	77,374	13,825	18,261	(71,508)	298,534
Capital expenditures	3,649	1,752	365	118		5,884

	Millions of Yen					
2017	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥118,389	¥48,423	¥11,107	¥17,962		¥195,881
Intersegment	1,098	9,236	1,006	5,947	¥(17,287)	
Total	119,487	57,659	12,113	23,909	(17,287)	195,881
Operating costs and expenses:						
Operating costs and expenses	110,063	53,320	11,427	23,044	(17,287)	180,567
Depreciation and amortization	3,248	1,284	312	188		5,032
Total	113,311	54,604	11,739	23,232	(17,287)	185,599
Operating income	6,176	3,055	374	677		10,282
Total assets and capital expenditures:						
Total assets	259,531	77,313	11,882	18,684	(72,452)	294,958
Capital expenditures	5,233	1,799	355	58		7,445

The sum of the operating income (loss) of the reportable segments agrees in the operating income in 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 in 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 fiscal years ended March 31, 2019, 2018 and 2017 is as follows:

	Millions of Yen		
	2019	2018	2017
Innerwear:			
Foundation and lingerie	¥146,525	¥146,970	¥145,188
Nightwear	8,296	8,758	9,154
Children's underwear	1,213	1,376	1,429
Subtotal	156,034	157,104	155,771
Outerwear/sportswear and others	¥ 14,733	¥ 16,128	¥ 17,189
Hosiery	1,881	1,983	2,235
Other textile goods and related products	9,428	8,907	9,346
Others	12,125	11,603	11,340
Total	¥194,201	¥195,725	¥195,881

Geographic Information

Information by major geographic area as of and for the fiscal years ended March 31, 2019, 2018 and 2017 is as follows:

	Millions of Yen		
	2019	2018	2017
Net sales:			
Japan	¥140,189	¥143,196	¥147,061
Asia and Oceania	22,509	21,057	19,187
Americas and Europe	31,503	31,472	29,633
Consolidated	¥194,201	¥195,725	¥195,881
Long-lived assets:			
Japan	¥ 45,257	¥ 46,367	¥ 47,452
Asia and Oceania	4,810	4,916	4,661
Americas and Europe	3,203	3,050	3,175
Consolidated	¥ 53,270	¥ 54,333	¥ 55,288

Countries or areas are classified according to their geographical proximity. Asia and Oceania includes East Asia, Southeast Asia, West Asia, and Australia. Net sales are attributed to countries or areas based on the location where sold. Long-lived assets represent property, plant and equipment.

23. SUBSEQUENT EVENTS

(Purchase of Treasury Stock)

On May 15, 2019, the Board of Directors resolved to purchase treasury stock as described below pursuant to the provisions of Paragraph 1, Article 459 of the Companies Act as follows.

- a. Reason for Purchase:
To return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment
- b. Type of Shares to Be Purchased:
Common stock of the Company
- c. Total Number of Shares to Be Purchased:
1,900,000 shares (at maximum)
- d. Total Amount to Be Purchased:
¥5,000 million (at maximum)
- e. Purchase Period:
From May 16, 2019 through December 31, 2019

(Cancellation of Treasury Stock)

On May 15, 2019, the Board of Directors resolved to retire treasury stock as described below pursuant to the provisions of Article 178 of the Companies Act as follows.

- a. Type of Shares to Be Retired:
Common stock of the Company
- b. Total Number of Shares to Be Retired:
2,100,000 shares
- c. Date for Retirement:
May 24, 2019

(Dividend Declaration)

On May 15, 2019, the Board of Directors resolved to pay a cash dividend of ¥180 per 5 shares of common stock to holders of record as of March 31, 2019 (aggregate amount of ¥2,346 million).

Independent Auditors' Report**Deloitte.**

Deloitte Touche Tohmatsu LCC
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20 Naginataboko-cho,
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

To the Board of Directors and Stockholders of Wacoal Holdings Corp.
Kyoto, Japan

We have audited the accompanying consolidated financial statements of Wacoal Holdings Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2019 (all expressed in Japanese yen), and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and its subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audit for the year ended March 31, 2019 also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. The translation of the financial statement amounts into U.S. dollars has been made solely for the convenience of readers outside of Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditors' Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Securities Report as information for readers.

Deloitte Touche Tohmatsu LCC

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited

Management's Annual Report on Internal Control Over Financial Reporting (Translation)

NOTE TO READERS

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between management's assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management's assessment of ICFR under FIEA, there is detailed guidance on the scope of management's assessment of ICFR, such as quantitative guidance on business unit selection and/or account selection. In management's assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure of the scope of the assessment of internal control over business processes, we designated the business units that accounted for approximately two-thirds of the aggregated sales for the previous fiscal year on a consolidated basis as "significant business units" which should be subject to management's assessment of the process-level controls.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Hironobu Yasuhara, President and Representative Director, and Masashi Yamaguchi, Director and Vice President, are responsible for designing and operating effective ICFR of Wacoal Holdings Corp. (the "Company"), and have designed and operated ICFR in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by ICFR.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of ICFR was performed as of March 31, 2019. The assessment was performed in accordance with assessment standards for ICFR generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and, based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls.

We determined the required scope of the assessment of ICFR for the Company, as well as its consolidated subsidiaries and equity method affiliated companies, from the perspective of the materiality that may affect the reliability of our financial reporting. We determined the materiality that may affect the reliability of the financial reporting taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of the assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity method affiliated companies. We did not include those consolidated subsidiaries and equity method affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of the assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected business units for testing as "significant business units," whose combined sales were at least two-thirds of total consolidated sales for the prior year on a consolidated basis.

At the selected significant business units, we included in the scope of our assessment those business processes leading to sales or accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope assessment the following as business processes with greater materiality considering their impact on financial reporting:

(1) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and (2) those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Relating to the Results of Assessment

As a result of the assessment above, we concluded that our ICFR was effective as of March 31, 2019.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.

Independent Auditors' Report

Deloitte.

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also, in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business unit selection and/or account selection. In an audit of ICFR under attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately 70% of total assets on a consolidated basis and income before income taxes on a consolidated basis for the selection of significant business units.

(TRANSLATION)

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Wakyu Shinmen

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hiroaki Sakai

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Seiichiro Nakashima

To the Board of Directors of Wacoal Holdings Corp.

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2019 of Wacoal Holdings Corp. and its consolidated subsidiaries (the "Company"), and the consolidated statements of income, comprehensive income, equity and cash flows for the fiscal year from April 1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No. 11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and its consolidated subsidiaries as of March 31, 2019, and the results of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2019.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Wacoal Holdings Corp. and its consolidated subsidiaries as of March 31, 2019 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

June 27, 2019

Member of
Deloitte Touche Tohmatsu Limited

Principal Subsidiaries

As of March 31, 2019

Wacoal Business (Domestic)

Wacoal Corp. [Manufacturing and sales company](#)

29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan
R&D, product design and distribution of innerwear, etc.

Unenana Cool Corp. [Sales company](#)

Wacoal New Kyoto Bldg. 5F, 6 Kitanouchi-cho, Nishikujo, Minami-ku, Kyoto 601-8506, Japan
Product design and distribution of innerwear, etc.

Wacoal Minette Co., Ltd. [Sales company](#)

Wacoal Sapporo Branch 1F, 27-1-20 Minami Ichijo-Nishi Chuo-ku, Sapporo, Hokkaido 064-0801, Japan
Distribution of innerwear, etc.

Linge Noel Co., Ltd. [Sales company](#)

Wacoal New Kyoto Bldg. 5F, 6 Kitanouchi-cho, Nishikujo, Minami-ku, Kyoto 601-8506, Japan
Distribution of innerwear, etc.

Ai Co., Ltd. [Sales company](#)

Wacoal Asakusabashi Bldg. 8F, 1-23-6 Yanagibashi, Taito-ku, Tokyo 111-8540, Japan
Product design and distribution of swimwear and innerwear

Kyusyu Wacoal Manufacturing Corp.

[Manufacturing company](#)

1572, Saigoshin, Mizuho-cho, Unzen-shi, Nagasaki 859-1206, Japan
Contract manufacturing of innerwear

Niigata Wacoal Sewing Corp. [Manufacturing company](#)

263, Hataya, Niigata-shi, Niigata 959-0423, Japan
Contract manufacturing of innerwear

Hokuriku Wacoal Sewing Corp. [Manufacturing company](#)

254-31-1 Shimohyogo, Sakai-cho, Sakai-shi, Fukui 919-0527, Japan
Contract manufacturing of innerwear

Torica Inc. [Manufacturing company](#)

3-2-10 Higashi-Oota, Ibaraki-shi, Osaka 567-0012, Japan
Contract manufacturing of innerwear

Wacoal Distribution Corp. [Other company](#)

1-1 Chishiro-cho, Moriyama-shi, Shiga 524-0034, Japan
Logistics

Wacoal Art Center Co., Ltd. [Other company](#)

5-6-23 Minami-Aoyama, Minato-ku, Tokyo 107-0062, Japan
Food service, culture, service business

Wacoal I Next Corp. [Other company](#)

29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan
Office service business

Wacoal Business (Overseas)

Wacoal America, Inc. [Manufacturing and sales company](#)

136 Madison Avenue, New York, N.Y. 10016, U.S.A.
Product design and distribution of innerwear

Wacoal China Co., Ltd. [Manufacturing and sales company](#)

Jia 16 Tongji North Road, Beijing, Economic & Technological Development Area Beijing 100176, P.R. of China
Product design, manufacturing and distribution of innerwear

Wacoal EMEA Ltd. [Manufacturing and sales company](#)

The Corsetry Factory, Rothwell Road, Desborough, Northamptonshire, NN14 2PG, UK
Product design and distribution of innerwear

Wacoal Hong Kong Co., Ltd. [Sales company](#)

8th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Distribution of innerwear

Wacoal Singapore Private Limited [Sales company](#)

215 Henderson Road, #01-08
Henderson Industrial Park, Singapore 159554
Distribution of innerwear

Philippine Wacoal Corp. [Sales company](#)

3F, 6788 Ayala Avenue, Oledan Square, Makati City 1226, Philippines
Distribution of innerwear

Wacoal Direct Corp. [Sales company](#)

136 Madison Avenue, New York, N.Y. 10016, U.S.A.
Distribution of innerwear

Wacoal Canada Inc. [Sales company](#)

1000 de la Gauchetiere Street West, Suite 2400 Montreal, QC, Canada, H3B 4W5
Distribution of innerwear

Adden Limited [Sales company](#)

The Corsetry Factory, Rothwell Road, Desborough, Northamptonshire, NN14 2PG, UK
Distribution of innerwear

Wacoal Europe SAS [Sales company](#)

81 Rue Saint Lazare, 75009 Paris, France
Distribution of innerwear

Wacoal Australia Pty Ltd. [Sales company](#)

Suite 3, 169 Pascoe Vale Road, Moonee Ponds, VIC 3039, Australia
Distribution of innerwear

Eveden Israel Limited [Sales company](#)

11 Kehilat Saloniki St., Tel Aviv 69513, Israel
Distribution of innerwear

Eveden Inc. [Sales company](#)

65 Sprague Street, Hyde Park, MA 02136, U.S.A.
Distribution of innerwear

Eveden Canada Ltd. [Sales company](#)

181 Bay Street, Suite #4400, Toronto, Ontario, Canada, M5J 2T3
Distribution of innerwear

Wacoal India Private Limited [Sales company](#)

403/4th floor, Akruti Star Building, Central Road, MIDC, Andheri (East), Mumbai, Maharashtra, 400093, India
Distribution of innerwear

Guangdong Wacoal Inc. [Manufacturing company](#)

Huahai Industrial District, Xinhua Town, Huadu Qu, Guangzhou City, Guangdong, P.R. of China
Contract manufacturing of innerwear

Dalian Wacoal Co., Ltd. [Manufacturing company](#)

No. 6 Fu An Street Economic and Technical Development Zone, Dalian, Liaoning, P.R. of China 116600
Contract manufacturing of innerwear

Vietnam Wacoal Corp. [Manufacturing and sales company](#)

110 Amata Road, Amata Modern Industrial Park, Long Binh Ward, Bien Hoa City, Dong Nai Province, Socialist Republic of Vietnam
Contract manufacturing and distribution of innerwear

Wacoal Dominicana Corp. [Manufacturing company](#)

Las Americas Industrial Free Zone, KM. 22, aut. Las Americas Santo Domingo, Dominican Republic
Contract manufacturing of innerwear

Myanmar Wacoal Company Limited

[Manufacturing company](#)

Lot No. B2, Thilawa SEZ Zone A, Yangon, Republic of the Union of Myanmar
Contract manufacturing of innerwear

Wacoal Timex Limited [Manufacturing company](#)

"Wepz" Nittambuwa Wathupitiwela Sri Lanka
Contract manufacturing of innerwear

A Tech Textile Co., Ltd. [Manufacturing company](#)

241, 243, 245, 247, Soi Charoenrat 7, Bangkok, Bangkholaem, Bangkok 10120, Thailand
Manufacturing of raw materials

G Tech Material Co., Ltd. [Manufacturing company](#)

241, 243, 245, 247, Soi Charoenrat 7, Bangkok, Bangkholaem, Bangkok 10120, Thailand
Manufacturing of raw materials

Wacoal International Hong Kong Co., Ltd.

[Procurement company](#)

8th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Procurement of products and raw materials of innerwear, subsidiary management

Wacoal International Corp. [Other company](#)

One Wacoal Plaza, Lyndhurst, N.J. 07071, U.S.A.
Investment and funding in U.S. affiliates

Wacoal Investment Co., Ltd. [Other company](#)

8F, No. 2 Fusing N. Rd., Jhongshan Dist., Taipei, Taiwan R.O.C.
Investment in Taiwan affiliates

Wacoal Europe Ltd. [Other company](#)

The Corsetry Factory, Rothwell Road, Desborough, Northamptonshire, NN14 2PG, UK
Investment in affiliates

WACOAL VENTURES LIMITED

Investment in affiliates

OPTIONHUNT LIMITED

Management services of pension assets

Peach John Business

Peach John Co., Ltd. [Sales company](#)

AOYAMA ST. SHION BLDG., 3-1-2 Kitaaooyama, Minato-ku, Tokyo 107-0061, Japan
Product design and retail sales of innerwear

Peach John Shanghai Co., Ltd. [Sales company](#)

#2306 Jiangnan Bldg., No. 600 Luban Road, Huangpu District, Shanghai, P.R. of China, 200023
Distribution of innerwear

Taiwan Peach John Ltd. [Sales company](#)

3F, No. 2 Fusing N. Rd., Jhongshan Dist., Taipei, Taiwan R.O.C.
Distribution of innerwear

Peach John Hong Kong Company Limited

[Procurement company](#) [Sales company](#)

8th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Procurement and distribution of innerwear

Other Businesses

Lecien Corp. [Manufacturing and sales company](#)

1-7-51 6F, 7F, Nishimiyahara, Yodogawa-ku, Osaka-shi, Osaka 532-0004, Japan
Product design and wholesale distribution of innerwear

Lecien Nagasaki Corporation [Manufacturing company](#)

1588 Nakagumi-go, Kawatana-cho, Higashisonogi-gun, Nagasaki-ken, Japan
Manufacturing and wholesale distribution of innerwear

Dalian Lecien Fashion Co., Ltd. [Manufacturing company](#)

Dalian Hai Na Chuang Ye Yuan, No. 75 Double D2 Street, Double D Port, Dalian Economic and Technological Development Zone
Contract manufacturing of innerwear

Zhe Jiang Jiaxing Lecien Co., Ltd. [Manufacturing company](#)

361 Heping St. Xiuzhou, Jiaxing, Zhejiang
Contract manufacturing and distribution of lace

Lecien (Cambodia) Co., Ltd. [Manufacturing company](#)

PLOT P1-021, 022, Phnom Penh Special Economic Zone (Sangkat Kantouk, Sangkat Phleung Chhes Rotes and Sangkat Beung Thom), National Road No. 4, Khan Posenchey, Phnom Penh, Cambodia
Contract manufacturing of innerwear

Lecien (Vietnam) Co., Ltd. [Manufacturing company](#)

(TAN THUAN EXPORT P2) TAN THUAN DONG WARD, District 7 Ho Chi Minh City, Socialist Republic of Vietnam
Contract manufacturing of innerwear

Shanghai Lecien Co., Ltd. [Procurement company](#)

#2407 Jiangnan Bldg., No. 600 Luban Road, Huangpu District, Shanghai, P.R. of China, 200023
Procurement of innerwear

Nanasai Co., Ltd. [Other company](#)

1-7-51 2F, Nishimiyahara, Yodogawa-ku, Osaka-shi, Osaka 532-0004, Japan
Manufacture and sale of mannequins and display fixtures & interior design and construction of stores

Nanasai Shanghai Co., Ltd. [Other company](#)

#808 8th Floor Jiangnan Bldg., No. 600 Luban Road, Huangpu District, Shanghai, P.R. of China, 200023
Rental of mannequins, design and construction of stores

Wacoal Service Co., Ltd. [Other company](#)

29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan
Sale of products, travel agency, real estate business, insurance agency

Wacoal Career Service Corp. [Other company](#)

Sumitoseimei Bldg. 8F, 62 Shijodori Shin-machi, Higashiiru Tsukihokocho, Shimogyo-ku, Kyoto 600-8492, Japan
Temporary employment agency

Equity-method Affiliates

Shinyoung Wacoal Inc. [Manufacturing and sales company](#)

104, Gasandigital 1-ro, Geumcheon-gu, Seoul, South Korea 08590
Manufacturing and wholesale distribution of innerwear

Taiwan Wacoal Co., Ltd. [Manufacturing and sales company](#)

15, Ching Kuo Road, Taoyuan, Taiwan R.O.C.
Manufacturing and wholesale distribution of innerwear

Thai Wacoal Public Company Limited

[Manufacturing and sales company](#)

132 soi Charoenrat 7, Bangklo, Bangkholaem, Bangkok, Thailand
Manufacturing and wholesale distribution of innerwear

PT. Indonesia Wacoal [Manufacturing and sales company](#)

Jl. Tarikolot Rt. 01/Rk. 001 No. 59 Citeureup-Bogor, 16810 Indonesia
Manufacturing and wholesale distribution of innerwear

House of Rose Co., Ltd. [Other company](#)

2-21-7 Akasaka, Minato-ku, Tokyo 107-8625, Japan
Development and sales of cosmetics, hair-care products

Wacoal Malaysia Sdn. Bhd. [Sales company](#)

5th Floor, Plaza Hamodal, Lot 15, Jalan 13/2, (Section 13) 46200 Petaling Jaya, Selangor, Malaysia
Distribution of innerwear

Pattaya Myanmar Co. Ltd. [Manufacturing company](#)

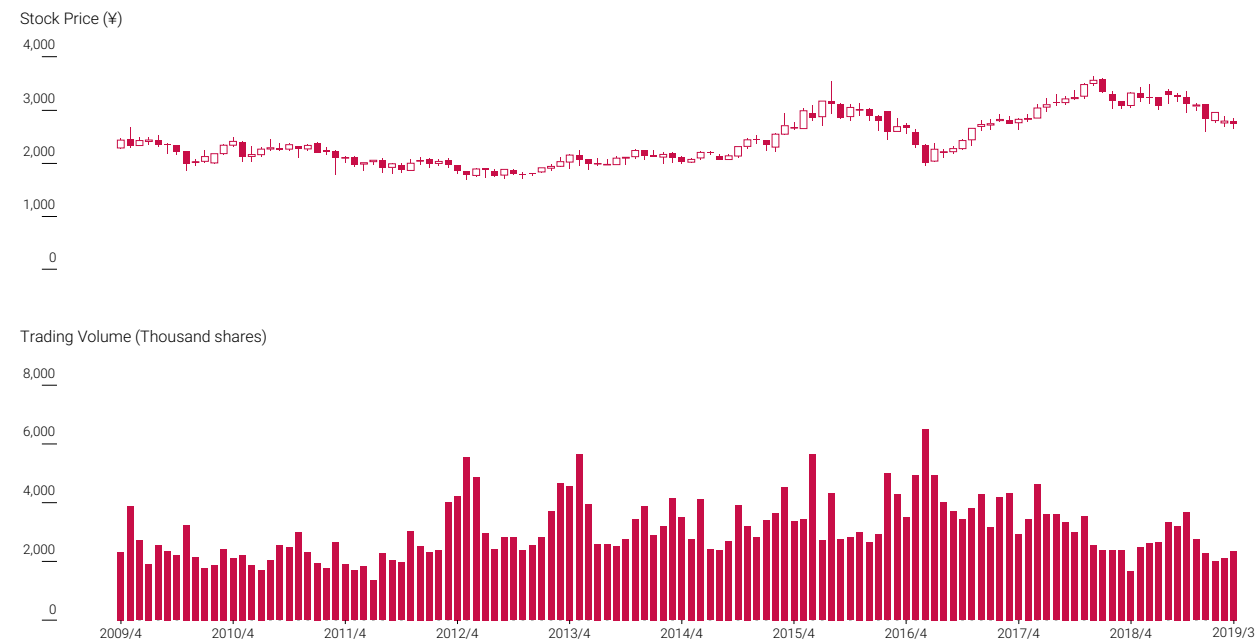
16 Panchatun U Shwe Road, Hlaing Tharyar Industrial Zone 2 Hlaing Tharyar Township Yangon, Republic of the Union of Myanmar
Contract manufacturing of innerwear

Corporate Information

As of March 31, 2019

Company Name	Wacoal Holdings Corp.
Head Office	29 Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan
Founding	June 15, 1946
Establishment	November 1, 1949
Capital	¥13,260 million
Representative Director and Chairman	Yoshikata Tsukamoto
Representative Director and President	Hironobu Yasuhara
Line of Business	Wacoal's mainstay business is the manufacture, wholesale, and direct sales to consumers (for some products) of intimate apparel (mainly women's foundation garments, lingerie, nightwear, and children's underwear), outerwear, sportswear, and other textile products and accessories. In addition, Wacoal operates other business related to food, culture, services, and interior furnishing of shops.
Number of Employees	20,662 (Consolidated)

Stock Price / Trading Volume



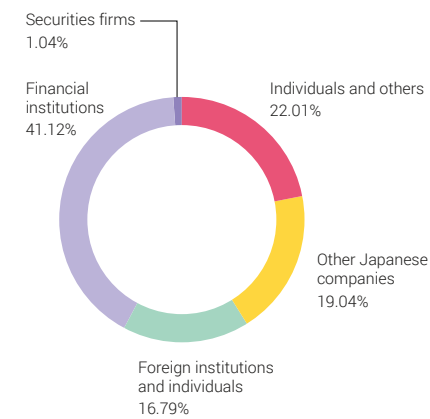
Note: As of October 1, 2017, Wacoal Holdings Corp. conducted a one-for-two ordinary share reverse stock split. For relative comparison, periods prior to the split have been adjusted in the graphs above.

Investor Information

As of March 31, 2019

Stock Listing	Tokyo Stock Exchange
Fiscal Year-end	March 31
Securities Code	3591
Fiscal Year	From April 1 to March 31
Number of Shares Issued	70,689,042 (Treasury Stock: 5,510,891)
Trading Unit	100 shares
Shareholder Register Agent for Common Stock	Mitsubishi UFJ Trust and Banking Corporation, 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
American Depository Receipts	Cusip No.: 930004205 Ratio (ADR:ORD): 1:5 Market: OTCQX Symbol: WACLY
Depository	The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, U.S.A. Tel: 1-212-815-8161 U.S. toll free: 888-269-2377 (888-BNY-ADRS) https://www.adrbnymellon.com/
Number of Shareholders	14,597

Ownership and Distribution of Shares



Major Shareholders

	Number of shares held (Thousand shares)	Percentage of shares outstanding (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,195	4.90
Meiji Yasuda Life Insurance Company	3,050	4.68
Japan Trustee Services Bank Ltd. (Trust Account)	2,870	4.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,851	4.38
The Bank of Kyoto, Ltd.	2,352	3.61
Nippon Life Insurance Company	1,836	2.82
The Shiga Bank, Ltd.	1,823	2.80
Mitsubishi UFJ Trust and Banking Corporation	1,525	2.34
The Dai-ichi Life Insurance Company, Ltd.	1,366	2.10
Asahi Kasei Fibers Corp.	1,241	1.90

Note: The percentages exclude treasury stock.