

[Translation]

Consolidated Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2018
[U.S. GAAP]

October 31, 2017

Listed Company: Wacoal Holdings Corp.
Code Number: 3591 (URL: <http://www.wacoalholdings.jp/>)
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Scheduled quarterly report submission date: November 10, 2017
Scheduled dividend payment start date: December 4, 2017
Supplementary materials regarding quarterly business results: None
Explanatory meeting regarding quarterly business results: Yes

(Amounts less than 1 million yen have been rounded)

1. Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 – September 30, 2017)

(1) Consolidated Business Results

(% indicates increase (decrease) from the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Income Before Income Taxes and Equity in Net Income of Affiliated Companies		Net Income Attributable to Wacoal Holdings Corp.	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Second Quarter ended September 30, 2017	101,976	(0.4)	10,092	28.0	11,005	(7.4)	7,437	(19.2)
Second Quarter ended September 30, 2016	102,412	(3.1)	7,887	(18.5)	11,887	11.7	9,200	23.0

(Note) Quarterly comprehensive income: 12,651 million yen (- %) for the second quarter ended September 30, 2017
(2,129) million yen (- %) for the second quarter ended September 30, 2016

	Net Income Attributable to Wacoal Holdings Corp. Per Share	Diluted Net Income Attributable to Wacoal Holdings Corp. Per Share
	Yen	Yen
Second Quarter ended September 30, 2017	108.88	108.53
Second Quarter ended September 30, 2016	131.69	131.31

(Note) We have conducted a share consolidation of common stock of Wacoal Holdings Corp. (“the Company”) pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “net income attributable to Wacoal Holdings Corp. per share” and the “diluted net income attributable to Wacoal Holdings Corp. per share” have been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Condition

	Total Assets	Total Equity (Net Assets)	Total Shareholders' Equity	Total Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2017	298,743	238,118	233,303	78.1	3,433.67
As of the end of Fiscal Year (March 31, 2017)	294,958	232,482	227,568	77.2	3,317.05

(Note) We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares was consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “shareholders’ equity per share” has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

2. Status of Dividends

	Annual Dividend				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2017	–	–	–	36.00	36.00
Fiscal Year Ending March 31, 2018	–	18.00			
Fiscal Year Ending March 31, 2018 (Estimates)			–	36.00	–

(Note) Revision of estimated dividends announced during the latest quarter: No

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of the year-end cash dividend per share for the fiscal year ending March 31, 2018 (estimates) mentioned above and the total annual dividend amount is indicated as “–.” The year-end cash dividend per share and total annual dividend amount per share for the fiscal year ending March 31, 2018 (estimates), without taking into consideration of the share consolidation, are 18 yen and 36 yen, respectively. For details, please see “Cautionary Statement regarding Forecast of Business Results.”

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(% indicates increase (decrease) from the previous fiscal year)

	Net Sales		Operating Income		Income Before Income Taxes and Equity in Net Income of Affiliated Companies		Net Income Attributable to Wacoal Holdings Corp.		Net Income Attributable to Wacoal Holdings Corp. Per Share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
Annual	200,000	2.1	11,500	3.9	12,500	(24.6)	9,000	(28.1)	131.76	

(Note) Revision of forecast of consolidated business results announced during the latest quarter: No

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares was consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of net income per share. For details, please see “Cautionary Statement regarding Forecast of Business Results.”

Notes

- (1) Changes in significant subsidiaries in the consolidated cumulative second quarter of the current fiscal year (i.e. changes in specified subsidiaries (*tokutei kogaisha*) which involve change in scope of consolidation): None
- (2) Application of simplified accounting methods and specific accounting methods: None
- (3) Changes in accounting principles:
- (i) Changes due to modifications in accounting standards, etc.: Yes
- (ii) Changes other than (i) above: None
- (Note) For details, please see “2. Consolidated Quarterly Financial Statements and Accompanying Notes (5) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy).”
- (4) Number of Issued Shares (Common Stock)

	Second Quarter ended September 30, 2017	Fiscal Year ended March 31, 2017
(i) Number of issued shares (including treasury stock) as of the end of:	71,689,042 shares	71,689,042 shares
(ii) Number of shares held as treasury stock as of the end of:	3,743,438 shares	3,083,605 shares
(iii) Average number of shares during consolidated second quarter (second quarter ended September 30):	68,303,670 shares	69,859,182 shares

(Note) We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares has been consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “number of issued shares,” “number of shares held as treasury stock” and “average number of shares during consolidated second quarter” have been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

*These quarterly financial statements are exempt from the review procedures.

*Cautionary Statement regarding Forecast of Business Results

(Cautionary note on forward-looking statements)

The forecast of business results is based on reasonable information we obtained as of the date hereof and, due to various risks, uncertainties and other factors arising in the future, actual results in the future may differ largely from the estimates set out in this document.

(Forecast of dividends and consolidated business results after share consolidation)

As approved at the 69th Ordinary General Meeting of Shareholders held on June 29, 2017, we have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares was consolidated into one (1) share effective as of October 1, 2017. The forecast of dividends and consolidated business results for the fiscal year ending March 31, 2018 before such share consolidation is taken into consideration are as follows:

- Forecast of dividends for the fiscal year ending March 31, 2018

Interim dividend per share at the end of the second quarter:	18.00 yen (Note 1)
Year-end dividend per share:	18.00 yen (Note 2)
- Forecast of consolidated business results for the fiscal year ending March 31, 2018

Net income per share for the fiscal year ending March 31, 2018:	65.88 yen
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(Note 1) The interim dividend at the end of the second quarter for the fiscal year ending March 31, 2018 shall be payable for the shares prior to the share consolidation.

(Note 2) The dividend amount is calculated before the share consolidation is taken into consideration.

(Note 3) Annual dividend amount per share for the fiscal year ending March 31, 2018 (before the share consolidation is taken into consideration) is 36.00 yen.

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1. Qualitative Information regarding Consolidated Performance during the Second Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Six Months ended September 30, 2017

During the current consolidated second quarter (from April 1, 2017 to September 30, 2017), consumer spending was not strong due to unchanged real income, raising concerns for social welfare in the future, while the employment environment continued to improve in the domestic economy, which continued to show signs of a mild recovery. The environment surrounding women's domestic innerwear market remained difficult, as consumers remained budget-conscious and as a number of large-scale retail stores closed, although demand recovered with our inbound tourists. On the other hand, strong growth was seen in the overseas markets: stable consumer spending in the United States as the employment environment remained favorable; improvement in the consumer sentiment in Europe due to a decline in political risks; and a positive trend of retail sales maintained in China, where its economy recovered from recession.

In such an environment, our group continues to move forward with efforts to improve and strengthen our business structure toward achieving the objectives of our mid-term business plan. In our domestic business, we are making efforts to strengthen sales capabilities, to improve productivity, to realize omni-channel services that will achieve synergies with our wholesale business, to form core IT systems which will improve inventory efficiency, and to improve profitability by updating each of our brands and product groups. In our overseas business, we are implementing our initiatives to pursue business collaboration among Europe and America and Asian countries, strengthen our ability to respond to the e-commerce market, and improve product quality and cost competitiveness in China and ASEAN-member countries where our product supply bases are located.

Consolidated sales from our domestic business for the six months ended September 30, 2017 fell below by 2% from such sales for the corresponding period of the previous fiscal year due to a difficult environment for our deliverables resulting from a series of closings of general merchandise stores and tighter management of inventories. This decline was also due to a decrease in the number of purchasers at our directly managed retail business, although over-the-counter sales of our wholesale business remained at about the same level as such sales for the corresponding period of the previous fiscal year. Our consolidated sales from our overseas business exceeded such sales for the corresponding period of the previous fiscal year by 8%, as a result of strong sales in the United States which were driven by sales through e-commerce websites, sustained growth of our highly competitive product brands and swimwear in Europe, particularly in the United Kingdom and the Eurozone area. This increase was also due to a significant increase in special event sales during the high demand season in China due to its improved market condition. Overall consolidated sales, however, decreased slightly by 0.4% as compared to such sales for the corresponding period of the previous fiscal year, due to a decrease in revenue from our Peach John and other business segments.

Consolidated operating income improved significantly and increased by 28% as compared to consolidated operating income for the corresponding period of the previous fiscal year, as a result of recognition of compensation income from leaving a factory space occupied by our subsidiary during the first quarter of the current fiscal year and the absence of non-recurring expenses related to the liquidation proceedings for our French subsidiary that we recorded for the corresponding period of the previous fiscal year. On the other hand, consolidated income before income taxes and equity in net income of affiliated companies fell by 7% from the corresponding period of the previous fiscal year, due to the absence of gain on sales of fixed assets (land) that we recorded for the first quarter of the previous fiscal year.

The key exchange rates used for the current consolidated second quarter were: 111.06 yen to the U.S. dollar; 143.61 yen to the Sterling pound; and 16.39 yen to the Chinese yuan.

Net sales:	101,976 million yen (a decrease of 0.4% as compared to the corresponding period of the previous fiscal year)
Operating income:	10,092 million yen (an increase of 28.0% as compared to the corresponding period of the previous fiscal year)
Income before income taxes and equity in net income of affiliated companies:	11,005 million yen (a decrease of 7.4% as compared to the corresponding period of the previous fiscal year)

Net income attributable to Wacoal Holdings Corp.: 7,437 million yen
(a decrease of 19.2% as compared to the corresponding period of the previous fiscal year)

(ii) Business Overview of Our Operating Segments

a. Wacoal Business (Domestic)

Wacoal Corp. reorganized its divisions, formerly called the Wacoal Brand Operation Division and Wing Brand Operation Division, into the Wacoal Brand Operation Division, which is responsible for planning and development of “Wacoal” brand products and wholesale business mainly with department stores and specialty store channels, and the Chain Store Operation Division, which is responsible for planning and development of “Wing” brand products and wholesale business with general merchandise stores.

Sales from our wholesale business, mainly composed of wholesale business from Wacoal Brand Operation Division and Chain Store Operation Division, decreased by 2% as compared to such sales for the corresponding period of the previous fiscal year. Although sales of “GOCOCi,” our brassieres marketed for their comfort, expanded significantly, and sales at department stores in Tokyo and Osaka area increased significantly as a result of demand by inbound tourists, sales from such divisions were weak due to poor sales at department stores in rural areas, weak sales of the “Wing” brand campaign brassieres at general merchandise stores and the effect of a series of closings of stores and tighter management of inventories.

In our retail business, sales remained at about the same level as such sales for the corresponding period of the previous fiscal year. While sales of “BRAGENIC,” our cross-store common products continued to expand significantly, sales from our core directly managed retail store, “AMPHI,” fell below such sales for the corresponding period of the previous fiscal year due to a decrease in the number of purchasers as a result of reduced discounts and a decrease in revenue as a result of closure of underperforming stores.

Sales from our wellness business remained at about the same level as such sales for the corresponding period of the previous fiscal year, as sales of our products under our core “CW-X” brand were weak due to termination of business with certain sport specialty stores.

Overall sales from our Web sales business (formerly catalog sales business) increased by 1% as compared to such sales for the corresponding period of the previous fiscal year due to a decrease in average spending per customer for both summer and autumn catalogues in our catalog sales business, even though sales from our webstore business were strong as we were successful in our summer clearance sale, which contributed to an increase of 17% in the number of purchasers as compared to such number for the corresponding period of the previous fiscal year.

Sales from Ai Co., Ltd. decreased by 5% as compared to such sales for the corresponding period of the previous fiscal year. This was due to our core swimwear business which failed to meet the level of demand, particularly of young consumers, for products as well as in the corresponding period of the previous fiscal year, despite our efforts to reduce the number of our seasonal stores opened only during a period of peak demand and to focus on profitability and efficiency of each store while retaining temporary sales representatives became difficult. The decrease in sales was also due to the weak sales from the underwear business.

As a result, sales attributable to our “Wacoal Business (Domestic)” segment decreased by 2% as compared to such sales for the corresponding period of the previous fiscal year. Despite increases in IT infrastructure related expenses, expenses related to changes in the health insurance premium rate, retirement benefit expenses and other selling, general and administrative expenses, operating income resulted with an increase of 23% from operating income for the corresponding period of the previous fiscal year as a result of recognition of compensation income from leaving a factory space occupied by our subsidiary during the first quarter of the current fiscal year.

Net sales: 60,427 million yen
(a decrease of 1.9% as compared to the corresponding period of the previous fiscal year)

Operating income: 5,821 million yen
(an increase of 23.3% as compared to the corresponding period of the previous fiscal year)

b. Wacoal Business (Overseas)

Overall sales on a local currency basis from Wacoal International Corp. (U.S.) were driven by the high sales growth achieved through our e-commerce website and third-party e-commerce websites. Further, an increase in the number of department stores handling Wacoal brand products during the first quarter of the current fiscal year resulted in new product delivery, which contributed to the overall sales with an increase of 8% from the corresponding period of the previous fiscal year. Selling, general and administrative expenses, such as costs related to product listing advertisements and website renewal, increased in connection with our initiatives to strengthen e-commerce sales. However, operating income on a local currency basis increased by 33% as compared to operating income for the corresponding period of the previous fiscal year due to a greater percentage of products sold at full price and an increase in the percentage of sales from our own e-commerce website, as well as an increase in revenue which resulted in decreasing percentage of manufacturing overhead as to cost.

While sales on a local currency basis for Wacoal Europe fell below such sales for the corresponding period of the previous fiscal year due to the effect of loss of sales that could have been recorded from the brands which were liquidated in France, orders received from our major business partners in the United Kingdom, North Europe and Germany were steady in connection with the expansion of services on our website for retailers (B2B), and sales through third-party e-commerce websites in the United States were also strong. Also, in our underwear business, sales of our plus-size brand “elomi” brands increased by 24% as compared to such sales for the corresponding period of the previous fiscal year, and continued to achieve high growth, while sales of our “Wacoal” brand products also expanded. Sales of our swimwear products under “FANTASIE” and “Freya” were also strong during the second quarter of the current fiscal year due to the summer heat wave, and overall sales increased by 5% as compared to such sales for the corresponding period of the previous fiscal year. Operating income improved over budget as a result of the absence of the non-recurring expenses related to the liquidation proceedings for our French subsidiary which we recorded during the corresponding period of the previous fiscal year.

Sales of our “Wacoal” brand products in China on a local currency basis increased by 9% from such sales for the corresponding period of the previous fiscal year due to an increase in the number of purchasers resulting from openings of specialty stores at major department stores during China’s high-demand seasons such as the Chinese New Year, International Women’s Day and Mother’s Day, and due to expansion of sales channels through third-party e-commerce websites and promotional events. Sales of our “Peach John” brand products also increased significantly by 58% as compared to such sales for the corresponding period of the previous fiscal year due to steady expansion in the number of repeat users. As a result, overall sales increased 10% from such sales for the corresponding period of the previous fiscal year. Operating income on a local currency basis improved significantly from the corresponding period of the previous fiscal year with an increase of 22% due to our efforts to close underperforming stores, to postpone certain store renovation projects, and to reduce selling, general and administrative expenses by suspending openings of “La Rosabelle” brand stores.

As a result of the above, the overall sales and the operating income attributable to our “Wacoal Business (Overseas)” segment on the Japanese Yen basis exceeded that for the corresponding period of the previous fiscal year.

Net sales:	27,744 million yen (an increase of 7.9% as compared to the corresponding period of the previous fiscal year)
Operating income:	3,569 million yen (an increase of 50.5% as compared to the corresponding period of the previous fiscal year)

c. Peach John Business

Sales from our domestic business showed moderate growth due to the weak retail sales of summer products at stores, while sales from retail stores of “Peach John” and “Salon by Peach John” were strong. Wholesale business increased by 12% from such sales for the corresponding period of the previous fiscal year, as a result of strengthened initiatives with third-party e-commerce websites. On the other hand, although average spending per customer increased after updating the minimum purchase amount for free shipping, sales from our mail-order catalogue business dropped significantly due to the decreasing number of users who visited our own e-commerce website. Although sales from our overseas business were strong as demonstrated by the sales by Taiwan Peach John Ltd. of which our operations commenced in May and which significantly exceeded budget, overall sales decreased by 3% as compared to such sales for the corresponding period of the previous fiscal year.

Operating income increased by 23% as compared to such operating income for the corresponding period of the previous fiscal year due to profitability of our Chinese business which has greatly improved, in addition to an improvement in the gross profit rate from an increase in the percentage of sales from our innerwear products.

Net sales:	5,559 million yen (a decrease of 3.0% as compared to the corresponding period of the previous fiscal year)
Operating income:	394 million yen (an increase of 22.7% as compared to the corresponding period of the previous fiscal year)

d. Other

With respect to Lecien Corporation (“Lecien”), sales from our art & hobby business were strong as a result of newly developed handcraft kits for our domestic consumers, with the expansion of the C2C market. On the other hand, sales from our core innerwear business were weak as the number of orders received for our private brand products for sale at major general merchandise stores decreased. However, we maintained sales of “Lecien” brand products at about the same level as such sales for the corresponding period of the previous fiscal year, mainly due to sales from “brassiere for school club activities” campaign. Also, sales from our apparel business decreased due to the withdrawal of our private brand business sold at major general merchandise stores and the impact of weak sales from teleshopping, and sales from our material business, which was impacted by a decrease in demand for garment laces, were weak. As a result, overall sales decreased by 15% as compared to such sales for the corresponding period of the previous fiscal year. Operating income decreased by 59% as compared to such operating income for the corresponding period of the previous fiscal year due to a decrease in revenue, despite improvement in the gross profit rate from a decrease in the percentage of private brand in our innerwear business and an increase in the percentage of handcraft products in our art & hobby business.

With respect to Nanasai Co., Ltd. (“Nanasai”), no sign of recovery was seen in the business confidence in the clothing industry, and sales from both rental business and sales business were weak due to a decrease in the number of large-scale orders received from our valued clients, including department stores, despite spot orders received for specialty stores. Sales from the construction business fell significantly below such sales for the corresponding period of the previous fiscal year due to postponement by our valued clients of sales space renovation projects and the absence of large-scale orders received during the corresponding period of the previous fiscal year. As a result, overall sales decreased by 14% from such sales for the corresponding period of the previous fiscal year. Operating income increased by 27% as compared to such operating income for the corresponding period of the previous fiscal year due to cost rate improvement and our efforts to reduce selling, general and administrative expenses in our rental business.

As a result of the above, overall sales and operating income attributable to our “Other” segment decreased by 12% and 35%, respectively, as compared to the corresponding period of the previous fiscal year.

Net sales:	8,246 million yen (a decrease of 11.8% as compared to the corresponding period of the previous fiscal year)
Operating income:	308 million yen (a decrease of 35.2% as compared to the corresponding period of the previous fiscal year)

(2) Qualitative Information regarding Consolidated Financial Condition

(i) Assets, Liabilities and Total Shareholders’ Equity

Our total assets as of the end of the current consolidated second quarter were 298,743 million yen, an increase of 3,785 million yen from the end of the previous fiscal year, mainly due to an increase in investments at market value.

Our total liabilities were 60,625 million yen, a decrease of 1,851 million yen from the end of the previous fiscal year, due to decreases in other payables and deferred income taxes.

Total Wacoal Holdings Corp. shareholders’ equity was 233,303 million yen, an increase of 5,735 million yen from the end of the previous fiscal year, due to increases in retained earnings and unrealized gain on securities.

As a result of the above, our total shareholders' equity ratio as of the end of the current consolidated second quarter was 78.1%, an increase of 0.9% from the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of the end of the consolidated second quarter of the current fiscal year were 31,339 million yen, a decrease of 2,656 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 8,499 million yen, a decrease of 1,107 million yen as compared to the corresponding period of the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of 7,461 million yen plus adjustments for depreciation, amortization and deferred income taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 4,011 million yen, an increase of 3,298 million yen as compared to the corresponding period of the previous fiscal year, due to an increase in time deposits and capital expenditures.

(Cash Flow Used in Financing Activities)

Cash flow used in financing activities was 7,300 million yen, an increase of 1,274 million yen as compared to the corresponding period of the previous fiscal year, due to cash dividend payments and repurchase of treasury stock.

(3) Qualitative Information regarding Forecast of Consolidated Business Results

We have not revised our forecast of consolidated business results for the fiscal year ending March 31, 2018 since our announcement on May 10, 2017.

2. Consolidated Quarterly Financial Statements and Accompanying Notes

(1) Consolidated Quarterly Balance Sheets

Accounts	Previous Fiscal Year as of March 31, 2017	Current Consolidated Second Quarter as of September 30, 2017	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	33,995	31,339	(2,656)
Time deposits	2,722	4,689	1,967
Marketable securities	1,457	1,435	(22)
Notes and accounts receivable	25,563	26,973	1,410
Allowance for returns and doubtful receivables	(2,477)	(2,779)	(302)
Inventories	43,822	44,064	242
Deferred income taxes	4,049	-	(4,049)
Other current assets	4,683	4,276	(407)
Total current assets	113,814	109,997	(3,817)
II. Property, plant and equipment:			
Land	21,555	21,576	21
Buildings and structures	72,664	73,123	459
Machinery and equipment	17,722	18,328	606
Construction in progress	<u>274</u>	<u>244</u>	<u>(30)</u>
	112,215	113,271	1,056
Accumulated depreciation	(56,927)	(58,328)	(1,401)
Net property, plant and equipment	55,288	54,943	(345)
III. Other assets:			
Investments in affiliated companies	20,868	21,243	375
Investments	59,847	65,238	5,391
Goodwill	16,071	16,993	922
Other intangible assets	11,849	12,322	473
Prepaid pension expense	10,287	10,520	233
Deferred income taxes	1,060	1,641	581
Other	5,874	5,846	(28)
Total other assets	125,856	133,803	7,947
Total assets	294,958	298,743	3,785

Accounts	Previous Fiscal Year as of March 31, 2017	Current Consolidated Second Quarter as of September 30, 2017	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	7,716	7,671	(45)
Notes and accounts payable:			
Trade notes payable	1,438	1,411	(27)
Trade accounts payable	11,605	11,071	(534)
Other payables	<u>6,185</u>	<u>5,113</u>	<u>(1,072)</u>
	19,228	17,595	(1,633)
Accrued payroll and bonuses	7,093	6,804	(289)
Income taxes payable	2,964	3,228	264
Other current liabilities	4,058	4,982	924
Total current liabilities	41,059	40,280	(779)
II. Long-term liabilities:			
Liability for termination and retirement benefits	1,956	1,905	(51)
Deferred income taxes	17,862	16,022	(1,840)
Other long-term liabilities	1,599	2,418	819
Total long-term liabilities	21,417	20,345	(1,072)
Total liabilities	62,476	60,625	(1,851)
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,707	29,741	34
III. Retained earnings	170,062	172,559	2,497
IV. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	1,212	2,881	1,669
Unrealized gain on securities	21,075	24,737	3,662
Pension liability adjustments	(414)	(540)	(126)
V. Treasury stock, at cost	(7,334)	(9,335)	(2,001)
Total Wacoal Holdings Corp. shareholders' equity	227,568	233,303	5,735
VI. Noncontrolling interests	4,914	4,815	(99)
Total equity	232,482	238,118	5,636
Total liabilities and equity	294,958	298,743	3,785

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2016 to September 30, 2016)		Current Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	102,412	100.0	101,976	100.0	(436)
II. Operating costs and expenses					
Cost of sales	47,951	46.8	46,999	46.1	(952)
Selling, general and administrative expenses	46,574	45.5	45,593	44.7	(981)
Compensation income	-		(708)	(0.7)	(708)
Total operating costs and expenses	94,525	92.3	91,884	90.1	(2,641)
Operating income	7,887	7.7	10,092	9.9	2,205
III. Other income (expenses):					
Interest income	69		89		20
Interest expense	(23)		(10)		13
Dividend income	669		772		103
Gain or loss on sales or exchange of marketable securities and investments - net	84		44		(40)
Valuation loss on marketable securities and investments - net	(1)		2		3
Gain on sale of property, plant and equipment	3,770		-		(3,770)
Other – net	(568)		16		584
Total other income (expenses)	4,000	3.9	913	0.9	(3,087)
Income before income taxes and equity in net income of affiliated companies	11,887	11.6	11,005	10.8	(882)
Income taxes	3,440	3.4	3,973	3.9	533
Income before equity in net income of affiliated companies	8,447	8.2	7,032	6.9	(1,415)
Equity in net income of affiliated companies	879	0.9	429	0.4	(450)
Net income	9,326	9.1	7,461	7.3	(1,865)
Net income attributable to noncontrolling interests	(126)	(0.1)	(24)	(0.0)	102
Net income attributable to Wacoal Holdings Corp.	9,200	9.0	7,437	7.3	(1,763)

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2016 to September 30, 2016)	Current Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	9,326	7,461	(1,865)
II. Other comprehensive income (loss) - net of tax:			
Foreign currency translation adjustments	(10,847)	1,653	12,500
Unrealized gain (loss) on securities	(514)	3,663	4,177
Pension liability adjustments	(94)	(126)	(32)
Other comprehensive income (loss)	(11,455)	5,190	16,645
Comprehensive income (loss)	(2,129)	12,651	14,780
Comprehensive loss (income) attributable to noncontrolling interests	300	(9)	(309)
Comprehensive income (loss) attributable to Wacoal Holdings Corp.	(1,829)	12,642	14,471

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2016 to September 30, 2016)	Current Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	9,326	7,461
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	2,368	2,676
(2) Allowance for returns and doubtful receivables - net	416	287
(3) Deferred income taxes	(413)	(3)
(4) Gain on sales or disposal of property, plant and equipment - net	(3,588)	56
(5) Compensation income	-	(708)
(6) Gain on sales or exchange of marketable securities and investments - net	(84)	(44)
(7) Valuation loss on marketable securities and investments - net	1	(2)
(8) Equity in net income of affiliated companies, less dividends received	(406)	43
(9) Changes in assets and liabilities		
Increase in notes and receivable	(739)	(1,269)
Decrease (increase) in inventories	178	(134)
Decrease in other current assets	1,509	374
Decrease in notes and accounts payable	(1,404)	(1,425)
Decrease in liability for termination and retirement benefits	(326)	(473)
Increase in other liabilities	2,396	1,594
(10) Other	372	66
Net cash provided by operating activities	9,606	8,499
II. Investing activities		
1. Increase in time deposits	(2,117)	(4,133)
2. Decrease in time deposits	1,616	2,199
3. Proceeds from sales and redemption of marketable securities	50	353
4. Proceeds from sales of property, plant and equipment	3,884	129
5. Compensation income	-	708
6. Capital expenditures	(3,234)	(1,876)
7. Payments to acquire intangible assets	(868)	(859)
8. Proceeds from sales of other investments	343	52
9. Payments to acquire other investments	(263)	(586)
10. Other	(124)	2
Net cash (used in) provided by investing activities	(713)	(4,011)
III. Financing activities		
1. Net increase in short-term bank loans with original maturities of three months or less - net	1,437	(228)
2. Repayment of long-term debt	(125)	(23)
3. Repurchase of treasury stock	(2,546)	(2,001)
4. Dividends paid on common stock	(4,648)	(4,940)
5. Dividends paid to noncontrolling interests	(167)	(194)
6. Other	23	86
Net cash used in financing activities	(6,026)	(7,300)
IV. Effect of exchange rate changes on cash and cash equivalents	(2,039)	156
V. Net (decrease) increase in cash and cash equivalents	828	(2,656)
VI. Cash and cash equivalents, beginning of period	34,059	33,995
VII. Cash and cash equivalents, end of period	34,887	31,339

Additional Cash Flow Information

Cash paid for:		
Interest	23	10
Income taxes	1,148	3,208
Noncash investing activities		
Acquisition of fixed assets by assuming payment obligation	958	522
Acquisition of securities	295	-

(5) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Total Shareholders' Equity)

Not applicable.

(Changes in Accounting Policy)

New accounting guidance has been adopted for the balance sheet classification of deferred taxes from the current fiscal year. The new guidance requires deferred tax assets and liabilities to be classified as noncurrent on the consolidated balance sheet. The new accounting guidance has not been applied retrospectively for the financial statements for the prior periods. The amount of current deferred tax assets as of the end of the previous fiscal year was 4,049 million yen.

(Segment Information)

(i) Operating Segment Information

Previous Consolidated Cumulative Second Quarter (From April 1, 2016 to September 30, 2016)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	61,615	25,719	5,733	9,345	102,412	-	102,412
(2) Intersegment	560	4,888	504	2,920	8,872	(8,872)	-
Total	62,175	30,607	6,237	12,265	111,284	(8,872)	102,412
Operating income	4,720	2,371	321	475	7,887	-	7,887

Current Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	60,427	27,744	5,559	8,246	101,976	-	101,976
(2) Intersegment	558	5,575	691	2,591	9,415	(9,415)	-
Total	60,985	33,319	6,250	10,837	111,391	(9,415)	101,976
Operating income	5,821	3,569	394	308	10,092	-	10,092

(Note) Core products of respective businesses:

- Wacoal business (Domestic): innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, etc.
- Wacoal business (Overseas): innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, other textile-related products, etc.
- Peach John business: innerwear (foundation, lingerie, and nightwear), outerwear, and other textile-related products, etc.
- Other: innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, other textile-related products, mannequins, construction of stores and interior design, etc.

(ii) Segment Information by Region

Previous Consolidated Cumulative Second Quarter (From April 1, 2016 to September 30, 2016)

(Millions of Yen)				
	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	76,512	9,990	15,910	102,412
Distribution ratio	74.7%	9.8%	15.5%	100.0%
Operating income	5,310	1,489	1,088	7,887

Current Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)

(Millions of Yen)				
	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	73,946	10,572	17,458	101,976
Distribution ratio	72.5%	10.4%	17.1%	100.0%
Operating income	6,401	1,100	2,591	10,092

- (Note)
1. Countries or areas are classified according to geographical proximity.
 2. Main countries and areas belonging to classifications other than Japan:
Asia/Oceania: various countries of East Asia, Southeast Asia and West Asia, and Australia
Europe/N.A.: North America and European countries
 3. Sales in respect of consolidated companies are categorized by location.

(6) Status of Sales

Type of product		Previous Consolidated Cumulative Second Quarter (From April 1, 2016 to September 30, 2016)		Current Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
		Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Innerwear	Foundation and lingerie	75,810	74.0	77,203	75.7	1,393	1.8
	Nightwear	4,547	4.4	4,403	4.3	(144)	(3.2)
	Children's underwear	774	0.8	742	0.7	(32)	(4.1)
	Subtotal	81,131	79.2	82,348	80.7	1,217	1.5
Outerwear/Sportswear		9,949	9.7	9,289	9.1	(660)	(6.6)
Hosiery		1,115	1.1	987	1.0	(128)	(11.5)
Other textile goods and related products		4,727	4.6	4,240	4.2	(487)	(10.3)
Other		5,490	5.4	5,112	5.0	(378)	(6.9)
Total		102,412	100.0	101,976	100.0	(436)	(0.4)