

[Translation]

Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2019
[U.S. GAAP]

July 31, 2018

Listed Company: Wacoal Holdings Corp.

Stock Exchange: Tokyo

Code Number: 3591 (URL: <http://www.wacoalholdings.jp/>)

Representative: Position: Representative Director and President

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Scheduled quarterly report submission date: August 10, 2018

Scheduled dividend payment start date: -

Supplementary materials regarding quarterly business results: None

Explanatory meeting regarding quarterly business results: None

(Amounts less than 1 million yen have been rounded)

1. First Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – June 30, 2018)

(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	%
First Quarter ended June 30, 2018	49,373	1.4	4,397	(0.7)	8,921	58.1	6,289	59.6
First Quarter ended June 30, 2017	48,674	0.5	4,430	76.0	5,644	(18.0)	3,941	(20.3)

(Note) Quarterly comprehensive income: 5,573 million yen ((23.8)%) for the first quarter ended June 30, 2018
7,318 million yen (- %) for the first quarter ended June 30, 2017

(Note) Reclassification adjustments have been made to the consolidated quarterly statements of income for the first quarter ended June 30, 2018 pursuant to the changes in accounting principles. For details, please see “2. Consolidated Quarterly Financial Statements and Accompanying Notes (5) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy).”

	Net Income Attributable to Wacoal Holdings Corp. Per Share	Diluted Net Income Attributable to Wacoal Holdings Corp. Per Share
	Yen	Yen
First Quarter ended June 30, 2018	93.51	93.17
First Quarter ended June 30, 2017	57.46	57.27

(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 June 30, 2018	310,463	239,616	235,050	75.7	3,510.49
As of the end of Fiscal Year (March 31, 2018)	298,534	237,497	232,712	78.0	3,454.40

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, 2018	–	18.00	–	36.00	–
Fiscal Year Ending March 31, 2019	–				
Fiscal Year Ending March 31, 2019 (Estimates)		36.00	–	36.00	72.00

(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 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, without taking into consideration of the share consolidation, are 18 yen and 36 yen, respectively.

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(% indicates increase (decrease) from the previous fiscal year and from corresponding six-month 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.		Net Income Attributable to Wacoal Holdings Corp. Per Share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
Six-month Period Ending September 30, 2018	103,000	1.0	8,000	(15.9)	9,500	(13.7)	7,000	(5.9)	104.08	
Annual	200,000	2.2	10,000	(13.0)	13,000	(9.0)	10,000	2.6	148.69	

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

Notes

- (1) Changes in significant subsidiaries in the consolidated cumulative first 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)

	First Quarter ended June 30, 2018	Fiscal Year ended March 31, 2018
(i) Number of issued shares (including treasury stock) as of the end of:	70,689,042 shares	71,689,042 shares
(ii) Number of shares held as treasury stock as of the end of:	3,732,609 shares	4,322,121 shares
(iii) Average number of shares during consolidated first quarter (first quarter ended June 30):	67,254,020 shares	68,589,485 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 third 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.

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1. Qualitative Information regarding Consolidated Performance during the First Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Three Months ended June 30, 2018

During the current consolidated first quarter (from April 1, 2018 to June 30, 2018), the domestic economy showed signs of mild recovery in consumer spending as the employment and income environment improved. With respect to the overseas markets, in the United States, consumer sentiment remained strong and consumer spending was stable due to better income environment and reduced income tax rates. While the improvement in the consumer sentiment remained limited in the United Kingdom due to increasing uncertainty over Brexit, the economy in the Eurozone area continued to show signs of mild recovery as the employment and income environment improved. In China, consumer spending continued to contribute to the economic growth due to strong retail sales resulting from strong growth in the real per capital disposable income.

Our group is working to complete the foundation to enhance our business efficiency and to invest in fields where we can expect growth during the current fiscal year, which is the last year of our mid-term business plan (from fiscal year 2017 to fiscal year 2019). In our domestic business, we are making efforts to further strengthen collaboration, and to improve productivity in our wholesale business through reorganization. In addition, we will further make efforts to improve profitability of our retail business, and to complete and begin phased operation of our omni-channel service base. In our overseas business, we will expand the number of counties where our e-commerce website is available, and strengthen sales of our products sold at regular price through third-party e-commerce websites, while also improving our services at department stores and our directly managed retail stores. In China and ASEAN-member countries where our product supply bases are located, we are moving forward with efforts to build facilities to produce non-sewing products that are highly competitive in terms of product quality and cost.

Consolidated sales for the three months ended June 30, 2018 increased by 1% from consolidated sales for the corresponding period of the previous fiscal year. In our domestic innerwear business, while wholesale sales regained some vitality and retail achieved strong sales, sales from our wellness business and swimwear business were weak. Overall sales from our overseas business were driven by the sales (on the Japanese Yen basis) from China, which exceeded by 17% from such sales for the corresponding period of the previous fiscal year. While revenue from our Peach John decreased due to poor domestic sales, sales from other business segment recorded a significant increase in revenue due to the completion of large-scale construction by Nanasai Co., Ltd. (“Nanasai”).

Consolidated operating income decreased by 1% from consolidated operating income for the corresponding period of the previous fiscal year. The gross profit rate increased for our domestic business as a result of reforming the business structure and sales profit from our overseas business increased due to increased revenue. On the other hand, operating income fell below operating income for the corresponding period of the previous fiscal year due to decreased profit from both Peach John business and other business segments resulting from weak sales in Japan and poor sales from Lecien Corporation (“Lecien”), respectively, as well as due to the absence of an increase in profit generated from compensation income from leaving a factory space occupied by our subsidiary recorded during the corresponding period of the previous fiscal year.

Consolidated income before income taxes and equity in net income of affiliated companies increased by 58% from such consolidated income for the corresponding period of the previous fiscal year, due to recognition of valuation gain on equity securities of 3,200 million yen following the changes in accounting policy (please see “2. Consolidated Quarterly Financial Statements and Accompanying Notes (5) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy)).

The key exchange rates used for the current consolidated first quarter were: 109.07 yen to the U.S. dollar; 148.55 yen to the Sterling pound; and 17.05 yen to the Chinese yuan.

Net sales:	49,373 million yen (an increase of 1.4% as compared to the corresponding period of the previous fiscal year)
Operating income:	4,397 million yen (a decrease of 0.7% as compared to the corresponding period of the previous fiscal year)
Income before income taxes and equity in net	8,921 million yen (an increase of 58.1% as compared to the corresponding period of the

income of affiliated companies: previous fiscal year)

Net income attributable to Wacoal Holdings Corp.: 6,289 million yen (an increase of 59.6% as compared to the corresponding period of the previous fiscal year)

(ii) Business Overview of Our Operating Segments

a. Wacoal Business (Domestic)

To strengthen collaboration and improve productivity in our wholesale business, Wacoal Corp. integrated and reorganized its divisions, formerly called the Wacoal Brand Operation Division, Chain Store Operation Division and Wellness Operation Division, to unify our sales efforts toward retailers, under the supervision of “Wholesale Division” during the current fiscal year.

Sales from our Wholesale Division decreased by 1% as compared to such sales for the corresponding period of the previous fiscal year. Over-the-counter sales decreased by 3% due to withdrawal of certain brands and weak sales of luxury product lineup, while sales of “GOCOCi,” our brassieres marketed for their comfort and “PARFAGE,” our brand designed specifically for career women, were strong. However, sale productivity improved as a result of changing our sale style to one where sales representatives sell both Wacoal and Wing brand products. As a result, sales from general merchandise stores increased by 5% due to strong sales of “Pulili,” our product under the Wing brand targeting juniors, which increased by 12%, on top of sales of Wacoal brand products, which remained at about the same level as such sales for the corresponding period of the previous fiscal year. On the other hand, although sales of Wing brand products were strong as a result of advanced delivery in preparation for the summer sales campaigns of the major general merchandise stores, wholesale sales were negatively impacted by the weak over-the-counter sales at department stores, as well as poor sales of “CW-X” sport brand products, whose sales expanded during the corresponding period of the previous fiscal year through sport specialty stores and third-party e-commerce websites, resulting from increasing competition in the market of functionality tights.

Sales from our retail business exceeded such sales for the corresponding period of the previous fiscal year by 5%. This increase was due to the expansion of sales of tube top products newly launched under “BRANGENIC,” a brand covering our cross-store common products among directly managed retail stores that received a favorable market response, and sales from our core directly managed retail stores, “AMPHI,” which increased by 10% from such sales for the corresponding period of the previous fiscal year with a higher percentage of visitors making purchases as a result of our continued initiatives to strengthen relationships with our customers.

Sales from our web sales business decreased by 6% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our webstore business increased by 10% from such sales for the corresponding period of the previous fiscal year due to our successful initiatives to attract users who visit our own e-commerce website in collaboration with other companies run by customers or through marketing automation, and due to strong sales of “Minimizer Bras” and “Night Up Bra.” However, sales from mail-order catalogue business fell below such sales for the corresponding period of the previous fiscal year due to the weak number of orders received following an increase in shipping costs.

Sales from Ai Co., Ltd. decreased by 24% as compared to such sales for the corresponding period of the previous fiscal year. In our core swimwear business, although we made efforts to improve sale productivity by reducing the number of our seasonal stores opened, we were challenged by increased competition from new entrants into the market and low-priced products, in addition to a decrease in demand by young adult segment, which is our core target consumer.

As a result of the above, sales attributable to our “Wacoal Business (Domestic)” segment decreased by 1% as compared to such sales for the corresponding period of the previous fiscal year.

Operating income increased by 2% as compared to operating income for the corresponding period of the previous fiscal year. Our continued initiatives to enhance management efficiency in our wholesale business and retail business have led to improvement in the gross profit rate and reduction of selling, general and administrative expenses, despite the non-recurring impact of increased profit recorded during the corresponding period of the previous fiscal year for compensation income from leaving a factory space occupied by our subsidiary.

Net sales: 27,478 million yen (a decrease of 1.4% as compared to the corresponding period of the

previous fiscal year)

Operating income: 1,994 million yen
(an increase of 2.4% as compared to the corresponding period of the previous fiscal year)

b. Wacoal Business (Overseas)

Sales (on a local currency basis) from Wacoal International Corp. (U.S.) decreased by 6% as compared to such sales for the corresponding period of the previous fiscal year. This decrease was due to a 7% decrease in the over-the-counter sales at department stores (actual shops), as well as the absence of the favorable effect of the initial product delivery from the increased number of department stores handling Wacoal brand products during the corresponding period of the previous fiscal year, although e-commerce sales through our website and third-party e-commerce websites increased by 8%.

Operating income on a local currency basis decreased by 10% as compared to such operating income for the corresponding period of the previous fiscal year due to decreased revenue, while the gross profit rate increased as a result of increasing the percentage of sales from our own e-commerce website and reducing discount sales.

Sales on a local currency basis (Sterling pound) for Wacoal Europe increased by 4% as compared to such sales for the corresponding period of the previous fiscal year. While sales in Eurozone area, such as France, Spain and Italy, were poor due to weak sales of the specialty stores, sales of our 2018 Spring/Summer collection in the United Kingdom and the United States, our major markets, were strong and increased by 12% and 7%, respectively, at department stores and through third-party e-commerce websites. Sales of our underwear and swimwear products under plus-size brand “elomi” were strong with an increase of over 20% and our underwear products under “FANTASIE,” “Freya” and “Wacoal” were also strong.

Operating income on a local currency basis increased by 39% as compared to such operating income for the corresponding period of the previous fiscal year due to the reevaluation of suggested retail price in the United Kingdom and improved gross profit rate resulting from a change in the percentage of products and brands sold, in addition to the favorable effect of increased revenue.

In China, sales on a local currency basis increased by 13% as compared to such sales for the corresponding period of the previous fiscal year. Over-the-counter sales at department stores increased by 6% due to an increase in the number of purchasers resulting from our successful sales promotion conducted in the current first quarter, the quarter that we achieve the largest percentage of sales in the quarters since it is the China’s high-demand season such as the Chinese New Year and International Women’s Day. Further, e-commerce sales through third-party e-commerce websites expanded by 68% as a result of increasing the percentage of products sold at regular-price.

Operating income on a local currency basis increased by 47% as compared to such operating income for the corresponding period of the previous fiscal year due to improvement in the gross profit rate resulting from the higher percentage of e-commerce sales and sales of Wacoal brand products, despite an increase in selling, general and administrative expenses such as labor costs and advertising expenses to strengthen e-commerce sales.

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 both exceeded such sales and operating income for the corresponding period of the previous fiscal year.

Net sales: 14,728 million yen
(an increase of 2.6% as compared to the corresponding period of the previous fiscal year)

Operating income: 2,345 million yen
(an increase of 6.3% as compared to the corresponding period of the previous fiscal year)

c. Peach John Business

Overall sales attributable to our “Peach John Business” segment decreased by 2% from such sales for the corresponding period of the previous fiscal year due to weak sales from our domestic mail-order catalogue business and retail stores. Operating income attributable to our “Peach John Business” segment decreased by 75% as compared to such

operating income for the corresponding period of the previous fiscal year due to the impact of an increase in selling, general and administrative expenses and steady sales from our Chinese business.

With respect to sales from our domestic business, sales from mail-order catalogue business decreased by 2% as a result of poor sales of our apparel products, despite the strong sales of our brassieres products, mainly “Miracle Nudy Bra” along with an increase in the number of users as a result of measures using SNS. Sales from retail stores decreased by 7% due to the impact of a decrease in the number of shop visitors caused by the lack of trending topics and a shortfall in the sales force attributable to difficulty in employment. Sales from our overseas business exceeded 41% over budget including both shop sales and our own e-commerce sales, as a result of increasing recognition of our brand in Taiwan and maintaining sufficient inventory of our popular products such as “Cover Cleavage Bra.”

Operating income was impacted by selling, general and administrative expenses, which increased due to TV advertising expenses and a higher percentage of distribution costs in mail-order catalogue business, in addition to a drop in sales profit resulting from decreased revenue, although gross profit rate improved as a result of reducing discount sales in our domestic business. In addition, operating income was impacted by a decrease in sales of our core products in China and an increase in advertising expenses for third-party e-commerce websites and significantly fell below such operating income for the corresponding period of the previous fiscal year.

Net sales:	2,707 million yen (a decrease of 1.9% as compared to the corresponding period of the previous fiscal year)
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Operating income:	55 million yen (a decrease of 75.2% as compared to the corresponding period of the previous fiscal year)
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d. Other

Sales from the business of Lecien decreased by 17% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our core innerwear business decreased by 21% from such sales for the corresponding period of the previous fiscal year, due to a decrease in the number of orders received resulting from a decrease in the number of our private products handled at major general merchandise stores. Sales from our material business exceeded such sales for the corresponding period of the previous fiscal year as a sign of recovery was seen in demand for garment laces, while sales from our art & hobby business and apparel business were weak.

We recorded an operating loss due to worsened gross profit rate resulting from an increase in processing fee paid at overseas factories in our innerwear business and an increase in the percentage of sales from our material business, in addition to the impact of decreased revenue.

Sales from Nanasai increased by 77% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our construction business and sales business increased by 155% and 41%, respectively, as compared to such sales for the corresponding period of the previous fiscal year, as a result of completion of renovation of a major department store’s headquarters.

With respect to operating income, we recorded income, as compared to loss that we recorded for the corresponding period of the previous fiscal year, due to an increase in sales profit resulting from increased revenue, while gross profit rate decreased as the percentage of sales from our construction business increased.

As a result of the above, overall sales attributable to our “Other” segment increased by 21%, and operating income attributable to our “Other” segment decreased by 95%, as compared to the corresponding period of the previous fiscal year.

Net sales:	4,460 million yen (an increase of 21.0% as compared to the corresponding period of the previous fiscal year)
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Operating income:	3 million yen (a decrease of 94.5% as compared to the corresponding period of the previous fiscal year)
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(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 first quarter were 310,463 million yen, an increase of 11,929 million yen from the end of the previous fiscal year, mainly due to increases in cash and cash equivalents and other current assets, as well as an increase in investments at market value.

Our total liabilities were 70,847 million yen, an increase of 9,810 million yen from the end of the previous fiscal year, mainly due to increases in short-term bank loans and other current liabilities, as well as accrual of refund liability.

Total Wacoal Holdings Corp. shareholders' equity was 235,050 million yen, an increase of 2,338 million yen from the end of the previous fiscal year, mainly due to an increase in retained earnings.

As a result of the above, our total shareholders' equity ratio as of the end of the current consolidated first quarter was 75.7%, a decrease of 2.3% from the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of the end of the consolidated first quarter of the current fiscal year were 33,779 million yen, an increase of 4,292 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 2,890 million yen, an increase of 1,695 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 6,335 million yen plus adjustments for depreciation, amortization and deferred income taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 346 million yen, a decrease of 2,403 million yen as compared to the corresponding period of the previous fiscal year, due to capital expenditures and payments to acquire tangible assets which exceeded the cash inflows such as proceeds from sales of marketable securities.

(Cash Flow Provided by Financing Activities)

Cash flow provided by financing activities was 1,370 million yen, as compared to 758 million yen of cash outflow for the corresponding period of the previous fiscal year, due to an increase in short-term bank loans which exceeded the cash outflows such as 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 six-month period ending September 30, 2018 and the fiscal year ending March 31, 2019 since our announcement on May 15, 2018. Also, the impact of any change in valuation gain or loss on equity securities has not been reflected in our forecast of consolidated business results.

2. Consolidated Quarterly Financial Statements and Accompanying Notes

(1) Consolidated Quarterly Balance Sheets

Accounts	Previous Fiscal Year as of March 31, 2018	Current Consolidated First Quarter as of June 30, 2018	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	29,487	33,779	4,292
Time deposits	4,296	4,366	70
Marketable securities	1,567	1,716	149
Notes and accounts receivable	25,873	24,960	(913)
Allowance for returns and doubtful receivables	(2,459)	(201)	2,258
Inventories	42,676	43,458	782
Return assets	-	1,182	1,182
Other current assets	4,372	6,828	2,456
Total current assets	105,812	116,088	10,276
II. Property, plant and equipment:			
Land	21,561	21,567	6
Buildings and structures	73,618	73,696	78
Machinery and equipment	18,268	18,564	296
Construction in progress	<u>254</u>	<u>286</u>	<u>32</u>
	113,701	114,113	412
Accumulated depreciation	(59,368)	(60,108)	(740)
Net property, plant and equipment	54,333	54,005	(328)
III. Other assets:			
Investments in affiliated companies	22,512	21,619	(893)
Investments	69,318	72,422	3,104
Goodwill	16,594	16,247	(347)
Other intangible assets	12,859	12,795	(64)
Prepaid pension expense	10,178	10,305	127
Deferred income taxes	1,194	1,232	38
Other	5,734	5,750	16
Total other assets	138,389	140,370	1,981
Total assets	298,534	310,463	11,929

Accounts	Previous Fiscal Year as of March 31, 2018	Current Consolidated First Quarter as of June 30, 2018	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	7,104	12,409	5,305
Notes and accounts payable:			
Trade notes payable	1,174	1,471	297
Trade accounts payable	11,393	10,774	(619)
Other payables	<u>7,053</u>	<u>5,283</u>	<u>(1,770)</u>
	19,620	17,528	(2,092)
Accrued payroll and bonuses	7,213	5,445	(1,768)
Income taxes payable	1,979	1,506	(473)
Refund liability	-	3,575	3,575
Other current liabilities	3,716	7,728	4,012
Total current liabilities	39,632	48,191	8,559
II. Long-term liabilities:			
Liability for termination and retirement benefits	1,852	1,812	(40)
Deferred income taxes	17,231	18,563	1,332
Other long-term liabilities	2,322	2,281	(41)
Total long-term liabilities	21,405	22,656	1,251
Total liabilities	61,037	70,847	9,810
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,765	29,775	10
III. Retained earnings	172,418	201,485	29,067
IV. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	2,274	1,689	(585)
Unrealized gain on securities	27,424	0	(27,424)
Pension liability adjustments	(1,101)	(1,100)	1
V. Treasury stock, at cost	(11,328)	(10,059)	1,269
Total Wacoal Holdings Corp. shareholders' equity	232,712	235,050	2,338
VI. Noncontrolling interests	4,785	4,566	(219)
Total equity	237,497	239,616	2,119
Total liabilities and equity	298,534	310,463	11,929

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative First Quarter (From April 1, 2017 to June 30, 2017)		Current Consolidated Cumulative First Quarter (From April 1, 2018 to June 30, 2018)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	48,674	100.0	49,373	100.0	699
II. Operating costs and expenses					
Cost of sales	21,967	45.2	21,878	44.3	(89)
Selling, general and administrative expenses	22,985	47.2	23,098	46.8	113
Compensation income	(708)	(1.5)	-		708
Total operating costs and expenses	44,244	90.9	44,976	91.1	732
Operating income	4,430	9.1	4,397	8.9	(33)
III. Other income (expenses):					
Interest income	43		60		17
Interest expense	(4)		(8)		(4)
Dividend income	728		761		33
Gain or loss on sales or exchange of marketable securities and investments - net	1		140		139
Valuation loss on marketable securities and investments - net	(1)		3,161		3,162
Other - net	447		410		(37)
Total other income (expenses)	1,214	2.5	4,524	9.2	3,310
Income before income taxes and equity in net income of affiliated companies	5,644	11.6	8,921	18.1	3,277
Income taxes	2,037	4.2	2,834	5.8	797
Income before equity in net income of affiliated companies	3,607	7.4	6,087	12.3	2,480
Equity in net income of affiliated companies	343	0.7	248	0.5	(95)
Net income	3,950	8.1	6,335	12.8	2,385
Net income attributable to noncontrolling interests	(9)	(0.0)	(46)	(0.1)	(37)
Net income attributable to Wacoal Holdings Corp.	3,941	8.1	6,289	12.7	2,348

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative First Quarter (From April 1, 2017 to June 30, 2017)	Current Consolidated Cumulative First Quarter (From April 1, 2018 to June 30, 2018)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	3,950	6,335	2,385
II. Other comprehensive income (loss) - net of tax:			
Foreign currency translation adjustments	728	(659)	(1,387)
Unrealized gain (loss) on securities	2,745	(104)	(2,849)
Pension liability adjustments	(105)	1	106
Other comprehensive income (loss)	3,368	(762)	(4,130)
Comprehensive income (loss)	7,318	5,573	(1,745)
Comprehensive loss (income) attributable to noncontrolling interests	11	28	17
Comprehensive income (loss) attributable to Wacoal Holdings Corp.	7,329	5,601	(1,728)

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative First Quarter (From April 1, 2017 to June 30, 2017)	Current Consolidated Cumulative First Quarter (From April 1, 2018 to June 30, 2018)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	3,950	6,335
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	1,349	1,384
(2) Allowance for returns and doubtful receivables - net	32	(2,274)
(3) Deferred income taxes	421	1,220
(4) Gain on sales or disposal of property, plant and equipment - net	(8)	(1)
(5) Compensation income	(708)	-
(6) Gain on sales or exchange of marketable securities and investments - net	(1)	(140)
(7) Valuation loss on marketable securities and investments - net	1	(3,161)
(8) Equity in net income of affiliated companies, less dividends received	129	234
(9) Changes in assets and liabilities		
Decrease in notes and receivable	1,914	898
Increase in inventories	(2,123)	(822)
Increase in return assets	-	(1,182)
Increase in other current assets	(3,191)	(2,470)
Decrease in notes and accounts payable	(129)	(2,077)
Increase in refund liability	-	3,565
Decrease in liability for termination and retirement benefits	(284)	(165)
Increase (decrease) in other liabilities	(179)	1,758
(10) Other	22	(212)
Net cash provided by operating activities	1,195	2,890
II. Investing activities		
1. Increase in time deposits	(2,066)	(1,091)
2. Decrease in time deposits	439	1,167
3. Proceeds from sales and redemption of equity securities	4	596
4. Payments to acquire equity securities	(5)	(7)
5. Proceeds from redemption of debt securities	222	109
6. Payments to acquire debt securities	(575)	-
7. Proceeds from sales of property, plant and equipment	92	8
8. Compensation income	708	-
9. Capital expenditures	(1,159)	(475)
10. Payments to acquire intangible assets	(413)	(653)
11. Other	4	0
Net cash used in investing activities	(2,749)	(346)
III. Financing activities		
1. Net increase in short-term bank loans with original maturities of three months or less	4,722	5,361
2. Repayment of long-term debt	(12)	(13)
3. Repurchase of treasury stock	(440)	(1,362)
4. Dividends paid on common stock	(4,940)	(2,425)
5. Dividends paid to noncontrolling interests	(88)	(191)
Net cash used in financing activities	(758)	1,370
IV. Effect of exchange rate changes on cash and cash equivalents	(14)	378
V. Net (decrease) increase in cash and cash equivalents	(2,326)	4,292
VI. Cash and cash equivalents, beginning of period	33,995	29,487
VII. Cash and cash equivalents, end of period	31,669	33,779

Additional Cash Flow Information

Cash paid for:		
Interest	4	8
Income taxes	4,549	3,494
Noncash investing activities		
Acquisition of fixed assets by assuming payment obligation	471	395

(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)

(i) Revenue recognition

The new accounting guidance *Revenue from Contracts with Customers* (ASU2014-09, 2016-12) has been adopted starting with the current consolidated fiscal year. This guidance requires an entity to recognize the amount of revenue expected to be entitled in exchange for goods or services transferred under contract by such entity to customers. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows. Due to the adoption of this guidance, liability related to returns which were included in "Allowance for Returns and Doubtful Receivables" under current assets through the previous consolidated fiscal year will be classified as "Refund Liability" under current liabilities and rights to collect goods to be returned will be classified as "Return Asset" under current assets starting with the current consolidated fiscal year.

(ii) Recognition and Measurement of Financial Instruments

The new accounting guidance *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU2016-01, 2018-03) has been adopted starting with the current consolidated fiscal year. 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 any change in fair value recognized in net income. Adoption of the guidance has required the Company to recognize unrealized gains of 27,320 million yen (net of tax) on equity securities from accumulated other comprehensive income (loss), and unrealized gains of 514 million yen (net of tax) on non-marketable equity securities at cost as a cumulative-effect adjustment to retained earnings at the beginning of the fiscal year ending March 31, 2019.

(iii) Periodic Pension Cost

The new accounting guidance *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU2017-07) has been adopted starting with the current consolidated fiscal year. This guidance requires an entity to record components of net periodic pension costs and net periodic postretirement benefit costs other than the service cost component as other income or expenses. This guidance will be applied retrospectively to the presentation of the service cost and the other components of net periodic benefit costs. Due to the adoption of this guidance, 351 million yen has been reclassified as other (net) from operating costs and expenses for the previous fiscal consolidated first quarter. As a result, operating income decreased 351 million yen as compared to operating income before such reclassification for the previous consolidated first quarter.

(Segment Information)

(i) Operating Segment Information

Previous Consolidated Cumulative First Quarter (From April 1, 2017 to June 30, 2017)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	27,877	14,353	2,759	3,685	48,674	-	48,674
(2) Intersegment	279	3,011	269	1,251	4,810	(4,810)	-
Total	28,156	17,364	3,028	4,936	53,484	(4,810)	48,674
Operating income	1,947	2,206	222	55	4,430	-	4,430

Current Consolidated Cumulative First Quarter (From April 1, 2018 to June 30, 2018)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	27,478	14,728	2,707	4,460	49,373	-	49,373
(2) Intersegment	224	2,760	271	1,338	4,593	(4,593)	-
Total	27,702	17,488	2,978	5,798	53,966	(4,593)	49,373
Operating income	1,994	2,345	55	3	4,397	-	4,397

(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, 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 First Quarter (From April 1, 2017 to June 30, 2017)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	34,220	5,212	9,242	48,674
Distribution ratio	70.3%	10.7%	19.0%	100.0%
Operating income	2,250	652	1,528	4,430

Current Consolidated Cumulative First Quarter (From April 1, 2018 to June 30, 2018)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	34,477	5,837	9,059	49,373
Distribution ratio	69.8%	11.8%	18.4%	100.0%
Operating income	2,116	679	1,602	4,397

- (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 First Quarter (From April 1, 2017 to June 30, 2017)		Current Consolidated Cumulative First Quarter (From April 1, 2018 to June 30, 2018)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
Innerwear	Foundation and lingerie	Millions of Yen 36,937	% 75.9	Millions of Yen 37,156	% 75.3	Millions of Yen 219	% 0.6
	Nightwear	2,390	4.9	2,288	4.6	(102)	(4.3)
	Children's underwear	413	0.8	370	0.7	(43)	(10.4)
	Subtotal	39,740	81.6	39,814	80.6	74	0.2
Outerwear/Sportswear		4,119	8.5	3,631	7.4	(488)	(11.8)
Hosiery		489	1.0	493	1.0	4	0.8
Other textile goods and related products		2,139	4.4	2,271	4.6	132	6.2
Other		2,187	4.5	3,164	6.4	977	44.7
Total		48,674	100.0	49,373	100.0	699	1.4