

[Translation]

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

October 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: November 9, 2018

Scheduled dividend payment start date: December 4, 2018

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, 2019 (April 1, 2018 – September 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	%
Second Quarter ended September 30, 2018	101,815	(0.2)	8,994	(5.4)	16,311	48.2	11,391	53.2
Second Quarter ended September 30, 2017	101,976	(0.4)	9,511	29.2	11,005	(7.4)	7,437	(19.2)

(Note) Quarterly comprehensive income: 11,759 million yen ((7.1)%) for the second quarter ended September 30, 2018
12,651 million yen (- %) for the second quarter ended September 30, 2017

(Note) Reclassification adjustments have been made to the consolidated quarterly statements of income for the second quarter ended September 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
Second Quarter ended September 30, 2018	170.35	169.73
Second Quarter ended September 30, 2017	108.88	108.53

(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, 2018	309,986	243,685	239,091	77.1	3,607.35
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	–	36.00			
Fiscal Year Ending March 31, 2019 (Estimates)			–	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 ended 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 ended 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)

	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	2.2	10,000	(13.0)	13,000	(9.0)	10,000	2.6	149.55	

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

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, 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:	4,410,145 shares	4,322,121 shares
(iii) Average number of shares during consolidated second quarter (second quarter ended September 30):	66,866,299 shares	68,303,670 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 “average number of shares during consolidated third quarter” has 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 Second Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Six Months ended September 30, 2018

Our group is working to complete the building of 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 six months ended September 30, 2018 (April 1, 2018 – September 30, 2018) remained at about the same level as such sales for the corresponding period of the previous fiscal year. In our domestic business, our core wholesale business recorded a decrease in revenue due to decreases in over-the-counter sales at department stores and general merchandise stores in the summer season. Overall sales from our overseas business on a yen converted basis recorded an increase in revenue, driven by favorable sales in China, which exceeded by 16% such sales for the corresponding period of the previous fiscal year. While revenue from our Peach John business decreased, sales from our other business segment exceeded such sales for the corresponding period of the previous fiscal year.

Consolidated operating income decreased by 5% from consolidated operating income for the corresponding period of the previous fiscal year. In our domestic business, while we achieved an improvement in the gross profit rate and a reduction in selling, general and administrative expenses as a result of improved business efficiency due to restructuring of our business structure, operating income fell below the operating income for the corresponding period of the previous fiscal year due to the absence of the non-recurring 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. Profit from our overseas business increased as a result of increased revenue. We recorded less profit from both our Peach John business and other business segments decreased due to lower business efficiency.

Consolidated income before income taxes and equity in net income of affiliated companies increased by 48% from such consolidated income for the corresponding period of the previous fiscal year, due to recognition of valuation gain on equity securities of 5,660 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 second quarter were: 110.26 yen to the U.S. dollar; 146.91 yen to the Sterling pound; and 17.09 yen to the Chinese yuan.

Net sales:	101,815 million yen (a decrease of 0.2% as compared to the corresponding period of the previous fiscal year)
Operating income:	8,994 million yen (a decrease of 5.4% as compared to the corresponding period of the previous fiscal year)
Income before income taxes and equity in net income of affiliated companies:	16,311 million yen (an increase of 48.2% as compared to the corresponding period of the previous fiscal year)
Net income attributable to Wacoal Holdings Corp.:	11,391 million yen (an increase of 53.2% 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. reorganized during the current fiscal year its divisions, formerly called the Wacoal Brand Operation Division, Chain Store Operation Division and Wellness Operation Division, into “Wholesale Division” to unify our sales efforts toward retailers.

Sales from our Wholesale Division decreased by 4% as compared to such sales for the corresponding period of the previous fiscal year due to weak sales of our luxury product lineup at department stores and management of inventories as a result of poor sales at general merchandise stores in the summer season, in addition to the impact of natural disasters including typhoons, and heatwave. Over-the-counter sales of our brassieres products under both Wacoal and Wing brand decreased by 1% as compared to such sales for the corresponding period of the previous fiscal year. This was due to over-the-counter sales of Wacoal brand products, which remained at about the same level as such sales for the corresponding period of the previous fiscal year as a result of sales growth from our e-commerce sales through our website, and over-the-counter sales of Wing brand products, which decreased by 3% as compared to such sales for the corresponding period of the previous fiscal year due to weak sales of our core summer products.

Sales from our retail business increased by 1% as compared to such sales for the corresponding period of the previous fiscal year. While sales of our products under “BRANGENIC,” a brand covering our cross-store common products among directly managed retail stores continued to show strong sales, which were twice such sales for the corresponding period of the previous fiscal year, sales from our retail business were affected by a decrease in size of sale and a decrease in the number of business days due to natural disasters.

Sales from Ai Co., Ltd. decreased by 22% as compared to such sales for the corresponding period of the previous fiscal year, as we were significantly challenged by a decrease in demand from young adults and changes in the swimwear market, with increased competition from new entrants in the low-priced product market, during the second quarter of the current fiscal year, which is the period of peak demand.

As a result of the above, sales attributable to our “Wacoal Business (Domestic)” segment decreased by 3% as compared to such sales for the corresponding period of the previous fiscal year.

Operating income decreased by 5% 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 an increase in profit at Wacoal Corp. resulting from improved gross profit rate and higher ratio of operating income. Operating income, however, fell short of the operating income for the corresponding period of the previous fiscal year due to the absence of 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:	58,585 million yen (a decrease of 3.0% as compared to the corresponding period of the previous fiscal year)
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Operating income:	4,964 million yen (a decrease of 5.3% as compared to the corresponding period of the previous fiscal year)
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b. Wacoal Business (Overseas)

Sales on a local currency basis from Wacoal International Corp. (U.S.) decreased by 2% as compared to such sales for the corresponding period of the previous fiscal year. While e-commerce sales increased by 9%, over-the-counter sales at department stores (actual shops) decreased by 8% as compared to such sales for the corresponding period of the previous fiscal year. In addition, sales were impacted by closings of certain department stores that went bankrupt and the absence of the positive impact of initial product delivery during the corresponding period of the previous fiscal year due to an increase in the number of department stores handling our products.

Operating income on a local currency basis decreased by 9% as compared to such operating income for the corresponding period of the previous fiscal year due to decreased revenue, while we achieved to reduce selling, general and administrative expenses.

Sales on a local currency basis (Sterling pound) for Wacoal Europe increased by 2% as compared to such sales for the corresponding period of the previous fiscal year. Sales in the United Kingdom and the United States, our major

markets, were strong and increased by 8% and 4%, respectively, at department stores and through third-party e-commerce websites. Sales of our underwear and swimwear products under plus-size brand “elomi” continued to show strong growth with an increase of 20%, driving the overall sales.

Operating income on a local currency basis increased by 27% as compared to such operating income for the corresponding period of the previous fiscal year due to decreases in the amount of sale discounts and reevaluation of suggested retail price in the United Kingdom, which improved the gross profit rate, in addition to the favorable effect of increased revenue.

In China, sales on a local currency basis increased by 11% as compared to such sales for the corresponding period of the previous fiscal year. Over-the-counter sales at department stores increased by 4% as compared to such sales for the corresponding period of the previous fiscal year due to an increase in the number of purchasers resulting from our successful sales promotion conducted during China’s high-demand seasons such as the Chinese New Year and International Women’s Day. Further, e-commerce sales through third-party e-commerce websites expanded by 54% as a result of our successful sales promotion during China’s high-demand seasons as well.

Operating income on a local currency basis increased by 51% 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.

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:	28,821 million yen (an increase of 3.9% as compared to the corresponding period of the previous fiscal year)
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Operating income:	3,841 million yen (an increase of 7.6% as compared to the corresponding period of the previous fiscal year)
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c. Peach John Business

While sales in Taiwan, where we increased recognition of our brand through enhanced efforts with bloggers, increased by 45% as compared to such sales for the corresponding period of the previous fiscal year, our domestic retail stores continued to show weak sales, although sales from our mail-order catalogue business achieved an increase of 1% as a result of enhanced advertisement using SNS. As a result, overall sales attributable to our “Peach John Business” segment fell below such sales for the corresponding period of the previous fiscal year by 2%.

Operating income was impacted by weak sales growth from our Chinese business and increases in advertising expenses for third-party e-commerce websites, in addition to the impact of decreased revenue from our domestic business, and decreased by 54% as compared to such operating income for the corresponding period of the previous fiscal year.

Net sales:	5,470 million yen (a decrease of 1.6% as compared to the corresponding period of the previous fiscal year)
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Operating income:	182 million yen (a decrease of 53.8% as compared to the corresponding period of the previous fiscal year)
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d. Other

Sales from Lecien Corporation (“Lecien”) decreased by 15% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our core innerwear business decreased by 16% 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, art & hobby business and apparel business were also weak.

Sales from Nanasai Co., Ltd. (“Nanasai”) increased by 33% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our construction business increased by 49% as compared to such sales for the

corresponding period of the previous fiscal year, as a result of renovation of a major department store's headquarters that completed in the first quarter of the current fiscal year, and sales from our sales business also increased by 30% as compared to such sales for the corresponding period of the previous fiscal year.

As a result of the above, overall sales attributable to our "Other" segment increased by 8% as compared to such sales for the corresponding period of the previous fiscal year.

We recorded an operating loss at Lecien due to the impact of decreased revenue, and due to decreased gross profit rate resulting from higher percentage of sales from our construction business at Nanasai, despite the increased revenue, and as a result, operating income decreased by 98% as compared to such operating income the corresponding period of the previous fiscal year.

Net sales:	8,939 million yen (an increase of 8.4% as compared to the corresponding period of the previous fiscal year)
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Operating income:	7 million yen (a decrease of 97.7% 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 second quarter were 309,986 million yen, an increase of 11,452 million yen from the end of the previous fiscal year, mainly due to an increase in investments at market value, as well as accrual of return assets.

Our total liabilities were 66,301 million yen, an increase of 5,264 million yen from the end of the previous fiscal year, mainly due to increases in deferred income taxes, as well as accrual of refund liability.

Total Wacoal Holdings Corp. shareholders' equity was 239,091 million yen, an increase of 6,379 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 second quarter was 77.1%, a decrease 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 29,436 million yen, a decrease of 51 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 7,974 million yen, a decrease of 525 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 11,472 million yen plus adjustments for depreciation, amortization and deferred income taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 2,703 million yen, a decrease of 1,308 million yen as compared to the corresponding period of the previous fiscal year, due to an increase in time deposits, as well as capital expenditures and payments to acquire tangible assets which exceeded the cash inflows such as proceeds from sales of marketable securities.

(Cash Flow Used in Financing Activities)

Cash flow used in financing activities was 5,978 million yen, a decrease of 1,322 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, 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 Second Quarter as of September 30, 2018	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	29,487	29,436	(51)
Time deposits	4,296	5,688	1,392
Marketable securities	1,567	1,220	(347)
Notes and accounts receivable	25,873	27,016	1,143
Allowance for returns and doubtful receivables	(2,459)	(211)	2,248
Inventories	42,676	42,432	(244)
Return assets	-	1,363	1,363
Other current assets	4,372	5,259	887
Total current assets	105,812	112,203	6,391
II. Property, plant and equipment:			
Land	21,561	21,578	17
Buildings and structures	73,618	73,928	310
Machinery and equipment	18,268	18,875	607
Construction in progress	<u>254</u>	<u>184</u>	<u>(70)</u>
	113,701	114,565	864
Accumulated depreciation	(59,368)	(60,840)	(1,472)
Net property, plant and equipment	54,333	53,725	(608)
III. Other assets:			
Investments in affiliated companies	22,512	21,671	(841)
Investments	69,318	75,282	5,964
Goodwill	16,594	16,562	(32)
Other intangible assets	12,859	13,121	262
Prepaid pension expense	10,178	10,437	259
Deferred income taxes	1,194	1,243	49
Other	5,734	5,742	8
Total other assets	138,389	144,058	5,669
Total assets	298,534	309,986	11,452

Accounts	Previous Fiscal Year as of March 31, 2018	Current Consolidated Second Quarter as of September 30, 2018	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	7,104	7,265	161
Notes and accounts payable:			
Trade notes payable	1,174	1,271	97
Trade accounts payable	11,393	10,856	(537)
Other payables	<u>7,053</u>	<u>5,008</u>	<u>(2,045)</u>
	19,620	17,135	(2,485)
Accrued payroll and bonuses	7,213	6,908	(305)
Income taxes payable	1,979	3,182	1,203
Refund liability	-	3,781	3,781
Other current liabilities	3,716	4,922	1,206
Total current liabilities	39,632	43,193	3,561
II. Long-term liabilities:			
Liability for termination and retirement benefits	1,852	1,840	(12)
Deferred income taxes	17,231	19,014	1,783
Other long-term liabilities	2,322	2,254	(68)
Total long-term liabilities	21,405	23,108	1,703
Total liabilities	61,037	66,301	5,264
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,765	29,796	31
III. Retained earnings	172,418	206,587	34,169
IV. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	2,274	2,744	470
Unrealized gain on securities	27,424	-	(27,424)
Pension liability adjustments	(1,101)	(1,099)	2
V. Treasury stock, at cost	(11,328)	(12,197)	(869)
Total Wacoal Holdings Corp. shareholders' equity	232,712	239,091	6,379
VI. Noncontrolling interests	4,785	4,594	(191)
Total equity	237,497	243,685	6,188
Total liabilities and equity	298,534	309,986	11,452

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)		Current Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	101,976	100.0	101,815	100.0	(161)
II. Operating costs and expenses					
Cost of sales	47,067	46.2	46,330	45.5	(737)
Selling, general and administrative expenses	46,106	45.2	46,491	45.7	385
Compensation income	(708)	(0.7)	-		708
Total operating costs and expenses	92,465	90.7	92,821	91.2	356
Operating income	9,511	9.3	8,994	8.8	(517)
III. Other income (expenses):					
Interest income	89		125		36
Interest expense	(10)		(10)		0
Dividend income	772		811		39
Gain or loss on sales or exchange of marketable securities and investments - net	44		140		96
Valuation loss on marketable securities and investments - net	2		5,660		5,658
Other - net	597		591		(6)
Total other income (expenses)	1,494	1.5	7,317	7.2	5,823
Income before income taxes and equity in net income of affiliated companies	11,005	10.8	16,311	16.0	5,306
Income taxes	3,973	3.9	5,185	5.1	1,212
Income before equity in net income of affiliated companies	7,032	6.9	11,126	10.9	4,094
Equity in net income of affiliated companies	429	0.4	346	0.4	(83)
Net income	7,461	7.3	11,472	11.3	4,011
Net income attributable to noncontrolling interests	(24)	(0.0)	(81)	(0.1)	(57)
Net income attributable to Wacoal Holdings Corp.	7,437	7.3	11,391	11.2	3,954

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)	Current Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	7,461	11,472	4,011
II. Other comprehensive income (loss) - net of tax:			
Foreign currency translation adjustments	1,653	389	(1,264)
Unrealized gain (loss) on securities	3,663	(104)	(3,767)
Pension liability adjustments	(126)	2	128
Other comprehensive income (loss)	5,190	287	(4,903)
Comprehensive income (loss)	12,651	11,759	(892)
Comprehensive loss (income) attributable to noncontrolling interests	(9)	0	9
Comprehensive income (loss) attributable to Wacoal Holdings Corp.	12,642	11,759	(883)

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2017 to September 30, 2017)	Current Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	7,461	11,472
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	2,676	2,752
(2) Allowance for returns and doubtful receivables - net	287	(2,278)
(3) Deferred income taxes	(3)	1,642
(4) Gain on sales or disposal of property, plant and equipment - net	56	(1)
(5) Compensation income	(708)	-
(6) Gain on sales or exchange of marketable securities and investments - net	(44)	(140)
(7) Valuation loss on marketable securities and investments - net	(2)	(5,660)
(8) Equity in net income of affiliated companies, less dividends received	43	136
(9) Changes in assets and liabilities		
Increase in notes and receivable	(1,269)	(1,064)
Decrease (increase) in inventories	(134)	373
Increase in return assets	-	(1,363)
Decrease (increase) in other current assets	374	(891)
Decrease in notes and accounts payable	(1,425)	(2,445)
Increase in refund liability	-	3,758
Decrease in liability for termination and retirement benefits	(473)	(263)
Increase in other liabilities	1,594	1,988
(10) Other	66	(42)
Net cash provided by operating activities	8,499	7,974
II. Investing activities		
1. Increase in time deposits	(4,133)	(4,094)
2. Decrease in time deposits	2,199	2,986
3. Proceeds from sales and redemption of equity securities	59	882
4. Payments to acquire equity securities	(10)	(12)
5. Proceeds from redemption of debt securities	346	341
6. Payments to acquire debt securities	(576)	(333)
7. Proceeds from sales of property, plant and equipment	129	33
8. Compensation income	708	-
9. Capital expenditures	(1,876)	(1,036)
10. Payments to acquire intangible assets	(859)	(1,480)
11. Other	2	10
Net cash used in investing activities	(4,011)	(2,703)
III. Financing activities		
1. Net increase in short-term bank loans with original maturities of three months or less	(228)	163
2. Repayment of long-term debt	(23)	(25)
3. Repurchase of treasury stock	(2,001)	(3,500)
4. Dividends paid on common stock	(4,940)	(2,425)
5. Dividends paid to noncontrolling interests	(194)	(191)
6. Other	86	-
Net cash used in financing activities	(7,300)	(5,978)
IV. Effect of exchange rate changes on cash and cash equivalents	156	656
V. Net (decrease) increase in cash and cash equivalents	(2,656)	(51)
VI. Cash and cash equivalents, beginning of period	33,995	29,487
VII. Cash and cash equivalents, end of period	31,339	29,436

Additional Cash Flow Information

Cash paid for:		
Interest	10	10
Income taxes	3,208	2,615
Noncash investing activities		
Acquisition of fixed assets by assuming payment obligation	522	397

(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, 581 million yen has been reclassified as other (net) from operating costs and expenses for the previous fiscal consolidated second quarter. As a result, operating income decreased 581 million yen as compared to operating income before such reclassification for the previous consolidated second quarter.

(Segment Information)

(i) Operating Segment Information

Previous 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	5,240	3,569	394	308	9,511	-	9,511

Current Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	58,585	28,821	5,470	8,939	101,815	-	101,815
(2) Intersegment	473	5,377	665	2,595	9,110	(9,110)	-
Total	59,058	34,198	6,135	11,534	110,925	(9,110)	101,815
Operating income	4,964	3,841	182	7	8,994	-	8,994

(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 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	5,820	1,100	2,591	9,511

Current Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	72,619	11,779	17,417	101,815
Distribution ratio	71.3%	11.6%	17.1%	100.0%
Operating income	5,185	1,164	2,645	8,994

- (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, 2017 to September 30, 2017)		Current Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
Innerwear	Foundation and lingerie	Millions of Yen 77,203	% 75.7	Millions of Yen 77,052	% 75.7	Millions of Yen (151)	% (0.2)
	Nightwear	4,403	4.3	4,216	4.1	(187)	(4.2)
	Children's underwear	742	0.7	676	0.7	(66)	(8.9)
	Subtotal	82,348	80.7	81,944	80.5	(404)	(0.5)
Outerwear/Sportswear		9,289	9.1	8,181	8.0	(1,108)	(11.9)
Hosiery		987	1.0	895	0.9	(92)	(9.3)
Other textile goods and related products		4,240	4.2	4,705	4.6	465	11.0
Other		5,112	5.0	6,090	6.0	978	19.1
Total		101,976	100.0	101,815	100.0	(161)	(0.2)