

[Translation]

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

January 31, 2019

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: February 12, 2019

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. Third Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – December 31, 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	%
Third Quarter ended December 31, 2018	147,247	(0.8)	11,174	(8.8)	5,681	(61.7)	4,342	(56.0)
Third Quarter ended December 31, 2017	148,416	(0.4)	12,246	17.9	14,833	(10.3)	9,868	(18.3)

(Note) Quarterly comprehensive income: 3,565 million yen ((82.0)%) for the third quarter ended December 31, 2018
19,849 million yen (101.8 %) for the third quarter ended December 31, 2017

(Note) Reclassification adjustments have been made to the consolidated quarterly statements of income for the third quarter ended December 31, 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
Third Quarter ended December 31, 2018	65.33	65.09
Third Quarter ended December 31, 2017	144.88	144.40

(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 December 31, 2018	291,224	229,701	224,917	77.2	3,451.42
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	150.46	

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

Notes

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

	Third Quarter ended December 31, 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:	5,522,453 shares	4,322,121 shares
(iii) Average number of shares during consolidated third quarter (third quarter ended December 31):	66,461,009 shares	68,113,218 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 Third Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Nine Months ended December 31, 2018

Our group is continuing to build 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 strengthen collaboration and improve productivity through reorganization of our wholesale business, and to improve profitability of our retail business. In addition, we completed and began partial operation of our omni-channel service base. In our overseas business, we will expand the number of countries 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 production bases are located, we are moving forward with efforts to build facilities to supply non-sewing products and materials that are highly competitive in terms of product quality and cost.

Consolidated sales for the nine months ended December 31, 2018 (April 1, 2018 – December 31, 2018) decreased by 1% from such sales for the corresponding period of the previous fiscal year. In our domestic business, we recorded a decrease in revenue due to a decrease in over-the-counter sales in the summer season which was impacted by the weak sales of pajamas, maternity innerwear and men's innerwear products, while our core brassieres products showed strong sales since October 2018. Overall sales from our overseas business recorded an increase in revenue supported by growth in China, although sales growth lost momentum due to inventory adjustments at certain department stores in the United States and United Kingdom, where business conditions deteriorated. While revenue from our Peach John business decreased, sales from our other business segment recorded an increase in revenue, driven by favorable sales from the construction business of Nanasai Co., Ltd. ("Nanasai").

Consolidated operating income decreased by 9% from consolidated operating income for the corresponding period of the previous fiscal year. In our domestic business, while we improved the gross profit rate and would have achieved an increase in profit with improved business efficiency except for the fact that we recorded for the corresponding period of the previous fiscal year, but not for the current consolidated third quarter, a one-time profit from compensation income from leaving a factory space occupied by our subsidiary. In our overseas business, we recorded an increase in profit as a result of an increase in revenue. We recorded an operating loss for both our Peach John business and other business segments.

Consolidated income before income taxes and equity in net income of affiliated companies decreased by 62% from such consolidated income for the corresponding period of the previous fiscal year. This was due to recognition of valuation loss on equity securities of 7,912 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)), in addition to a decrease in operating profit.

The key exchange rates used for the current consolidated third quarter were: 111.14 yen to the U.S. dollar, 146.34 yen to the Sterling pound, and 16.85 yen to the Chinese yuan.

Net sales:	147,247 million yen (a decrease of 0.8% as compared to the corresponding period of the previous fiscal year)
Operating income:	11,174 million yen (a decrease of 8.8% as compared to the corresponding period of the previous fiscal year)
Income before income taxes and equity in net income of affiliated companies:	5,681 million yen (a decrease of 61.7% as compared to the corresponding period of the previous fiscal year)
Net income attributable to Wacoal Holdings Corp.:	4,342 million yen (a decrease of 56.0% 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 the “Wholesale Division” to unify our sales efforts toward retailers.

Sales from our Wholesale Division decreased by 3% as compared to such sales for the corresponding period of the previous fiscal year. Over-the-counter sales of our core brassieres products under both Wacoal and Wing brand increased by 2% as compared to such sales for the corresponding period of the previous fiscal year as a result of strong sales achieved since October 2018. However, overall sales continued to decrease as a result of poor sales of nightwear products, including pajamas, maternity innerwear products and innerwear products targeting juniors under Wacoal brand at department stores and weak sales of men’s innerwear products and “CW-X” sport brand products in the key distribution channels.

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 wireless brassieres “BRAGENIC” continued to show significant growth and drove the sales as a whole, sales from our retail business were affected by the reduced scale of sale discounts to improve profitability and a decrease in the number of business days due to natural disasters in the summer season.

Sales from Ai Co., Ltd. decreased by 20% as compared to such sales for the corresponding period of the previous fiscal year, as we were significantly affected by the weak sales from our core swimwear business in the summer season, which is the period of peak demand.

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 6% as compared to operating income for the corresponding period of the previous fiscal year. As a result of our continued initiatives to enhance management efficiency mainly in our wholesale business and retail business, Wacoal Corp. achieved an increase in profit resulting from improved gross profit rate. Operating income, however, fell short of the operating income for the corresponding period of the previous fiscal year due to the absence of the one-time increase in profit recorded for the corresponding period of the previous fiscal year in respect of the one-time compensation income from leaving a factory space occupied by our subsidiary.

Net sales:	86,581 million yen (a decrease of 2.9% as compared to the corresponding period of the previous fiscal year)
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Operating income:	7,214 million yen (a decrease of 5.5% 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 4% as compared to such sales for the corresponding period of the previous fiscal year. While e-commerce sales increased by 7%, over-the-counter sales decreased by 7% as compared to such sales for the corresponding period of the previous fiscal year, as the over-the-counter sales at department stores (physical stores) remained weak. 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 21% as compared to such operating income for the corresponding period of the previous fiscal year due to decreased revenue and an increase in the portion of sales attributed to discounted items which decreased the gross profit rate, as well as an increase in advertising expenses for enhancement of e-commerce business.

Sales on a local currency basis (Sterling pound) for Wacoal Europe remained at about the same level as such sales for the corresponding period of the previous fiscal year. An increase in sales from our business in the United Kingdom, our major market, remained at 2% due to a decrease in the number of orders received since October 2018 at certain department stores, where business conditions are deteriorating. Sales in the United States, where Wacoal Europe and Wacoal International Corp. (U.S.) have separate sales frameworks based on brand, increased by 6% as compared to such sales for

the corresponding period of the previous fiscal year as a result of our successful sales promotion at prominent department stores, as well as strong sales through e-commerce websites. However, sales were adversely affected by a sharp drop in sales in France and closings of our unprofitable directly managed retail stores. Sales of our underwear and swimwear products under plus-size brand “elomi” expanded by 17%, maintaining a high growth.

Operating income on a local currency basis increased by 26% as compared to such operating income for the corresponding period of the previous fiscal year. This increase was due to an improvement in the gross profit rate, resulting from our efforts to decrease the amount of sale discounts and reevaluation of suggested retail price in the United Kingdom.

In China, sales on a local currency basis increased by 9% as compared to such sales for the corresponding period of the previous fiscal year. Over-the-counter sales at department stores increased by 2% 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, International Women’s Day and Qixi Festival. Further, e-commerce sales through third-party e-commerce websites expanded by 47% as a result of our enhanced sales during China’s high-demand seasons, as well as an increase in advertising spending and enhancement of the distribution system.

Operating income on a local currency basis increased by 22% as compared to such operating income for the corresponding period of the previous fiscal year. This increase was due to improvement in the gross profit rate resulting from the increased revenue and the higher percentage of e-commerce sales, despite increases in advertising expenses and labor costs to strengthen 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:	39,924 million yen (an increase of 1.5% as compared to the corresponding period of the previous fiscal year)
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Operating income:	4,106 million yen (an increase of 4.4% as compared to the corresponding period of the previous fiscal year)
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c. Peach John Business

Overall sales attributable to our “Peach John Business” segment fell below such sales for the corresponding period of the previous fiscal year by 1%. Sales from our domestic business, however, fell below the results for the corresponding period of the previous fiscal year for the consecutive nine months of the cumulative third quarter due to our retail business which was affected by a decrease in the number of shop visitors caused by the lack of trending topics and attractive customer service, although sales from our mail-order catalogue business on our e-commerce website were at about the same level of sales for the corresponding period of the previous fiscal year. Sales in Taiwan, where we increased brand awareness through events and blogs, increased by 44% as compared to such sales for the corresponding period of the previous fiscal year, as a result of strong over-the-counter sales and sales from our e-commerce website.

We recorded an operating loss due to an increase in labor costs to retain personnel and following review of working conditions to revitalize our retail business as well as the impact of non-recurring expenses incurred for the relocation of the head office, in addition to the impact of weak sales growth from our Chinese business resulting from aggressive competition and decreased revenue from our domestic business.

Net sales:	8,012 million yen (a decrease of 1.1% as compared to the corresponding period of the previous fiscal year)
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Operating loss:	29 million yen (512 million yen of operating income for the corresponding period of the previous fiscal year)
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d. Other

Sales from Lecien Corporation (“Lecien”) decreased by 10% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our core innerwear business decreased by 13% from such sales for the corresponding period of the previous fiscal year, due to 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 and recorded a double-digit decrease.

Sales from Nanasai increased by 27% as compared to such sales for the corresponding period of the previous fiscal year. Sales from our construction business increased by 43% and sales from our sales business increased by 22% as compared to such sales for the corresponding period of the previous fiscal year due to an increase in the number of orders newly received for interior finishes, as well as the result of renovation of a major department store’s headquarters.

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.

Although Nanasai recorded an increase in operating income resulting from increased revenue, we recorded an operating loss for overall sales and operating income attributable to our “Other” segment in total as the amount of operating income was not enough to offset the amount of operating loss incurred from Lecien.

Net sales:	12,730 million yen (an increase of 7.9% as compared to the corresponding period of the previous fiscal year)
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Operating loss:	117 million yen (168 million yen of operating income for 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 third quarter were 291,224 million yen, a decrease of 7,310 million yen from the end of the previous fiscal year, mainly due to a decrease in investments at market value, as well as a decrease in notes and accounts receivable.

Our total liabilities were 61,523 million yen, an increase of 486 million yen from the end of the previous fiscal year, mainly due to accrual of refund liability, despite decreases in notes and accounts payable and deferred income taxes.

Total Wacoal Holdings Corp. shareholders’ equity was 224,917 million yen, a decrease of 7,795 million yen from the end of the previous fiscal year, mainly due to cash dividend payments and repurchase of treasury stock, despite recognizing net income.

As a result of the above, our total shareholders’ equity ratio as of the end of the current consolidated third quarter was 77.2%, a decrease of 0.8% from the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of the end of the consolidated third quarter of the current fiscal year were 28,767 million yen, a decrease of 720 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 13,325 million yen, a decrease of 598 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 4,496 million yen plus adjustments for depreciation, amortization and deferred income taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 3,477 million yen, a decrease of 1,175 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 10,754 million yen, a decrease of 1,213 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 Third Quarter as of December 31, 2018	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	29,487	28,767	(720)
Time deposits	4,296	5,704	1,408
Marketable securities	1,567	559	(1,008)
Notes and accounts receivable	25,873	21,442	(4,431)
Allowance for returns and doubtful receivables	(2,459)	(205)	2,254
Inventories	42,676	43,395	719
Return assets	-	1,474	1,474
Other current assets	4,372	5,693	1,321
Total current assets	105,812	106,829	1,017
II. Property, plant and equipment:			
Land	21,561	21,552	(9)
Buildings and structures	73,618	73,850	232
Machinery and equipment	18,268	18,930	662
Construction in progress	<u>254</u>	<u>396</u>	<u>142</u>
	113,701	114,728	1,027
Accumulated depreciation	(59,368)	(61,254)	(1,886)
Net property, plant and equipment	54,333	53,474	(859)
III. Other assets:			
Investments in affiliated companies	22,512	22,461	(51)
Investments	69,318	61,603	(7,715)
Goodwill	16,594	15,918	(676)
Other intangible assets	12,859	13,326	467
Prepaid pension expense	10,178	10,566	388
Deferred income taxes	1,194	1,260	66
Other	5,734	5,787	53
Total other assets	138,389	130,921	(7,468)
Total assets	298,534	291,224	(7,310)

Accounts	Previous Fiscal Year as of March 31, 2018	Current Consolidated Third Quarter as of December 31, 2018	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	7,104	8,197	1,093
Notes and accounts payable:			
Trade notes payable	1,174	1,493	319
Trade accounts payable	11,393	10,298	(1,095)
Other payables	<u>7,053</u>	<u>5,065</u>	<u>(1,988)</u>
	19,620	16,856	(2,764)
Accrued payroll and bonuses	7,213	5,562	(1,651)
Income taxes payable	1,979	2,226	247
Refund liability	-	4,021	4,021
Other current liabilities	3,716	5,475	1,759
Total current liabilities	39,632	42,337	2,705
II. Long-term liabilities:			
Liability for termination and retirement benefits	1,852	1,803	(49)
Deferred income taxes	17,231	15,166	(2,065)
Other long-term liabilities	2,322	2,217	(105)
Total long-term liabilities	21,405	19,186	(2,219)
Total liabilities	61,037	61,523	486
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,765	29,811	46
III. Retained earnings	172,418	197,152	24,734
IV. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	2,274	1,409	(865)
Unrealized gain on securities	27,424	-	(27,424)
Pension liability adjustments	(1,101)	(1,099)	2
V. Treasury stock, at cost	(11,328)	(15,616)	(4,288)
Total Wacoal Holdings Corp. shareholders' equity	232,712	224,917	(7,795)
VI. Noncontrolling interests	4,785	4,784	(1)
Total equity	237,497	229,701	(7,796)
Total liabilities and equity	298,534	291,224	(7,310)

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)		Current Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	148,416	100.0	147,247	100.0	(1,169)
II. Operating costs and expenses					
Cost of sales	68,341	46.0	67,066	45.5	(1,275)
Selling, general and administrative expenses	68,537	46.2	69,007	46.9	470
Compensation income	(708)	(0.5)	-		708
Total operating costs and expenses	136,170	91.7	136,073	92.4	(97)
Operating income	12,246	8.3	11,174	7.6	(1,072)
III. Other income (expenses):					
Interest income	135		200		65
Interest expense	(10)		(10)		(0)
Dividend income	1,267		1,365		98
Gain or loss on sales or exchange of marketable securities and investments - net	203		140		(63)
Valuation loss on marketable securities and investments - net	4		(7,912)		(7,916)
Other - net	988		724		(264)
Total other income (expenses)	2,587	1.7	(5,493)	(3.7)	(8,080)
Income before income taxes and equity in net income of affiliated companies	14,833	10.0	5,681	3.9	(9,152)
Income taxes	5,746	3.9	1,980	1.4	(3,766)
Income before equity in net income of affiliated companies	9,087	6.1	3,701	2.5	(5,386)
Equity in net income of affiliated companies	826	0.6	795	0.5	(31)
Net income	9,913	6.7	4,496	3.0	(5,417)
Net income attributable to noncontrolling interests	(45)	(0.1)	(154)	(0.1)	(109)
Net income attributable to Wacoal Holdings Corp.	9,868	6.6	4,342	2.9	(5,526)

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)	Current Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	9,913	4,496	(5,417)
II. Other comprehensive income (loss) - net of tax:			
Foreign currency translation adjustments	2,485	(829)	(3,314)
Unrealized gain (loss) on securities	7,598	(104)	(7,702)
Pension liability adjustments	(147)	2	149
Other comprehensive income (loss)	9,936	(931)	(10,867)
Comprehensive income (loss)	19,849	3,565	(16,284)
Comprehensive loss (income) attributable to noncontrolling interests	(100)	(190)	(90)
Comprehensive income (loss) attributable to Wacoal Holdings Corp.	19,749	3,375	(16,374)

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)	Current Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	9,913	4,496
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	4,033	4,141
(2) Allowance for returns and doubtful receivables - net	349	(2,282)
(3) Deferred income taxes	762	(2,199)
(4) Gain on sales or disposal of property, plant and equipment - net	67	(96)
(5) Compensation income	(708)	-
(6) Gain on sales or exchange of marketable securities and investments - net	(203)	(140)
(7) Valuation loss on marketable securities and investments - net	(4)	7,912
(8) Equity in net income of affiliated companies, less dividends received	(330)	(290)
(9) Changes in assets and liabilities		
Decrease in notes and receivable	2,867	4,372
Increase in inventories	(434)	(962)
Increase in return assets	-	(1,474)
Increase in other current assets	(368)	(1,351)
Decrease in notes and accounts payable	(1,894)	(2,717)
Increase in refund liability	-	4,022
Decrease in liability for termination and retirement benefits	(615)	(437)
Increase in other liabilities	450	284
(10) Other	38	46
Net cash provided by operating activities	13,923	13,325
II. Investing activities		
1. Increase in time deposits	(4,158)	(4,327)
2. Decrease in time deposits	3,026	3,079
3. Proceeds from sales and redemption of equity securities	394	1,610
4. Payments to acquire equity securities	(17)	(117)
5. Proceeds from redemption of debt securities	460	677
6. Payments to acquire debt securities	(1,385)	(567)
7. Proceeds from sales of property, plant and equipment	161	265
8. Compensation income	708	-
9. Capital expenditures	(2,422)	(1,878)
10. Payments to acquire intangible assets	(1,450)	(2,252)
11. Other	31	33
Net cash used in investing activities	(4,652)	(3,477)
III. Financing activities		
1. Net increase (decrease) in short-term bank loans with original maturities of three months or less	(431)	1,205
2. Repayment of long-term debt	(35)	(38)
3. Repurchase of treasury stock	(4,007)	(6,919)
4. Dividends paid on common stock	(7,386)	(4,811)
5. Dividends paid to noncontrolling interests	(194)	(191)
6. Other	86	-
Net cash used in financing activities	(11,967)	(10,754)
IV. Effect of exchange rate changes on cash and cash equivalents	364	186
V. Net decrease in cash and cash equivalents	(2,332)	(720)
VI. Cash and cash equivalents, beginning of period	33,995	29,487
VII. Cash and cash equivalents, end of period	31,663	28,767

Additional Cash Flow Information

Cash paid for:		
Interest	11	11
Income taxes	5,424	4,708
Noncash investing activities		
Acquisition of fixed assets by assuming payment obligation	562	519

(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, 810 million yen has been reclassified as other (net) from operating costs and expenses for the previous fiscal consolidated third quarter. As a result, operating income decreased 810 million yen as compared to operating income before such reclassification for the previous consolidated third quarter.

(Segment Information)

(i) Operating Segment Information

Previous Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	89,181	39,340	8,098	11,797	148,416	-	148,416
(2) Intersegment	833	8,127	1,000	3,921	13,881	(13,881)	-
Total	90,014	47,467	9,098	15,718	162,297	(13,881)	148,416
Operating income	7,633	3,933	512	168	12,246	-	12,246

Current Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	86,581	39,924	8,012	12,730	147,247	-	147,247
(2) Intersegment	718	8,206	868	4,015	13,807	(13,807)	-
Total	87,299	48,130	8,880	16,745	161,054	(13,807)	147,247
Operating income (loss)	7,214	4,106	(29)	(117)	11,174	-	11,174

(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 Third Quarter (From April 1, 2017 to December 31, 2017)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	108,698	15,632	24,086	148,416
Distribution ratio	73.3%	10.5%	16.2%	100.0%
Operating income	8,197	1,597	2,452	12,246

Current Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	106,692	17,007	23,548	147,247
Distribution ratio	72.5%	11.5%	16.0%	100.0%
Operating income	7,022	1,885	2,267	11,174

- (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 Third Quarter (From April 1, 2017 to December 31, 2017)		Current Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
Innerwear	Foundation and lingerie	Millions of Yen 112,031	% 75.5	Millions of Yen 111,233	% 75.5	Millions of Yen (798)	% (0.7)
	Nightwear	6,980	4.7	6,500	4.4	(480)	(6.9)
	Children's underwear	1,108	0.7	989	0.7	(119)	(10.7)
	Subtotal	120,119	80.9	118,722	80.6	(1,397)	(1.2)
Outerwear/Sportswear		12,560	8.5	11,216	7.6	(1,344)	(10.7)
Hosiery		1,515	1.0	1,469	1.0	(46)	(3.0)
Other textile goods and related products		6,502	4.4	7,150	4.9	648	10.0
Other		7,720	5.2	8,690	5.9	970	12.6
Total		148,416	100.0	147,247	100.0	(1,169)	(0.8)