

**Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019 (U.S. Accounting Standards)**  
[Translation]

May 15, 2019

Listed Company: Wacoal Holdings Corp.

Stock Exchanges: Tokyo (1st section)

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

Representative: (Position) Representative Director and President (Name) Hironobu Yasuhara

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Scheduled date of Ordinary Shareholders' Meeting: June 27, 2019 Scheduled Commencement Date of Dividend Payment: June 4, 2019

Scheduled date of Annual Securities Report Filing: June 27, 2019

Supplementary materials regarding Annual Business Results: Yes

Explanatory meeting regarding Annual Business Results: Yes

(Amounts less than 1 million yen have been rounded.)

1. Consolidated Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated Business Results

(% indicates changes from 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 %                                |
| Fiscal Year Ended March 31, 2019 | 194,201 (0.8)     | 4,879 (57.6)      | 2,203 (84.6)  | 341 (96.5)                                       |
| Fiscal Year Ended March 31, 2018 | 195,725 (0.1)     | 11,494 11.8       | 14,286 (13.8)   | 9,745 (22.2)                                     |

(Note) Comprehensive income: Fiscal Year ended March 31, 2019: (5,046) million yen (- %)

Fiscal Year ended March 31, 2018: 16,448 million yen (33.8 %)

(Note) Reclassification adjustments have been made to the consolidated statements of income for the fiscal year ended March 31, 2018 pursuant to the changes in accounting principles. For details, please see "3. Consolidated Financial Statements and Accompanying Notes (7) Basic Significant Matters in Preparation of Consolidated Financial Statements" on page 17.

|                                  | Net Income Attributable to Wacoal Holdings Corp. Per Share | Diluted Net Income Attributable to Wacoal Holdings Corp. Per Share | Ratio of Net Income Attributable to Wacoal Holdings Corp. to Shareholders' Equity | Ratio of Income Before Income Taxes and Equity in Net Income of Affiliated Companies to Total Assets | Ratio of Operating Income to Net Sales |
|----------------------------------|--|--|---|--|--|
|                                  | Yen  | Yen  | %   | %  | %                                      |
| Fiscal Year Ended March 31, 2019 | 5.16   | 5.14   | 0.2   | 0.8  | 2.5                                    |
| Fiscal Year Ended March 31, 2018 | 143.46   | 142.98   | 4.2   | 4.8  | 5.9                                    |

(Reference) Equity in net income of affiliated companies: Fiscal Year ended March 31, 2019: 725 million yen

Fiscal Year ended March 31, 2018: 916 million yen

(Note) We have conducted a share consolidation of common stock of Wacoal Holding 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                            |
| Fiscal Year Ended March 31, 2019 | 281,767         | 221,144                   | 216,494                    | 76.8                             | 3,321.57                       |
| Fiscal Year Ended March 31, 2018 | 298,534         | 237,497                   | 232,712                    | 78.0                             | 3,454.40                       |

(3) Consolidated Cash Flow Status

|                                  | Cash Flow provided by Operating Activities | Cash Flow provided by (used in) Investing Activities | Cash Flow provided by (used in) Financing Activities | Balance of Cash and Cash Equivalents at End of Fiscal Year |
|----------------------------------|--|--|--|--|
|                                  | Millions of Yen                            | Millions of Yen                                      | Millions of Yen                                      | Millions of Yen  |
| Fiscal Year Ended March 31, 2019 | 13,620                                     | (2,474)  | (10,872)   | 30,133   |
| Fiscal Year Ended March 31, 2018 | 15,493                                     | (7,362)  | (12,303)   | 29,487   |

## 2. Status of Dividends

|   | Annual Dividend      |                       |                      |          |        | Total Amount of Dividends (annual) | Payout Ratio (consolidated) | Ratio of Dividend to Shareholders' Equity (consolidated) |
|---|----------------------|-----------------------|----------------------|----------|--------|------------------------------------|-----------------------------|--|
|   | End of First Quarter | End of Second Quarter | End of Third Quarter | Year-end | Annual |                                    |                             |  |
|   | Yen                  | Yen                   | Yen                  | Yen      | Yen    | Millions of Yen                    | %                           | %  |
| Fiscal Year Ended March 31, 2018              | -                    | 18.00                 | -                    | 36.00    | -      | 4,871                              | 50.2                        | 2.1  |
| Fiscal Year Ended March 31, 2019              | -                    | 36.00                 | -                    | 36.00    | 72.00  | 4,732                              | 1,395.3                     | 2.1  |
| Fiscal Year Ending March 31, 2020 (Estimates) | -                    | 40.00                 | -                    | 40.00    | 80.00  |                                    | 57.9                        |  |

(Note) 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 ending March 31, 2018, without taking into consideration of the share consolidation, are 18 yen and 36 yen, respectively.

(Note) Breakdown of the end of second quarter cash dividend per share for the fiscal year ending March 31, 2020 (Estimates):

Ordinary dividend: 36.00 yen

Special anniversary dividend: 4.00 yen

Breakdown of the year-end cash dividend per share for the fiscal year ending March 31, 2020 (Estimates):

Ordinary dividend: 36.00 yen

Special anniversary dividend: 4.00 yen

## 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(% indicates changes 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 |
|--------|----------------------------------|-----------------------------------|---|--|--|
| Annual | Millions of Yen %<br>200,000 3.0 | Millions of Yen %<br>11,000 125.5 | Millions of Yen %<br>12,000 444.7   | Millions of Yen %<br>9,000 -                     | Yen<br>138.08  |

### \*Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2019 (change in scope of consolidation): None

New: None

Excluded: None

(Note) For details, please see “3. Consolidated Financial Statements and Accompanying Notes (7) Basic Significant Matters in Preparation of Consolidated Financial Statements” on page 16.

(2) 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 “3. Consolidated Financial Statements and Accompanying Notes (7) Basic Significant Matters in Preparation of Consolidated Financial Statements” on page 17.

(3) Number of Issued Shares (Common Stock)

|  | Fiscal Year Ended March 31, 2019 | Fiscal Year Ended March 31, 2018 |
|--|----------------------------------|----------------------------------|
| (i) Number of issued shares (including treasury stock) as of period-end: | 70,689,042 shares                | 71,689,042 shares                |
| (ii) Number of shares held as treasury stock as of period-end:           | 5,510,891 shares                 | 4,322,121 shares                 |
| (iii) Average number of shares during the period:                        | 66,143,405 shares                | 67,928,557 shares                |

(Note) 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. Accordingly, the “average number of shares during the period” has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated Business Results

(% indicates changes from previous fiscal year)

|                                  | Net Sales       |       | Operating Income |       | Ordinary Income |        | Net Income      |        |
|----------------------------------|-----------------|-------|------------------|-------|-----------------|--------|-----------------|--------|
|                                  | Millions of Yen | %     | Millions of Yen  | %     | Millions of Yen | %      | Millions of Yen | %      |
| Fiscal Year Ended March 31, 2019 | 15,715          | 24.3  | 11,792           | 38.0  | 11,255          | 78.4   | 5,968           | (7.6)  |
| Fiscal Year Ended March 31, 2018 | 12,644          | (3.8) | 8,546            | (7.5) | 6,308           | (31.5) | 6,461           | (43.6) |

|                                  | Net Income | Diluted Net Income |
|----------------------------------|------------|--------------------|
|                                  | Per Share  | Per Share          |
|                                  | Yen        | Yen                |
| Fiscal Year Ended March 31, 2019 | 90.24      | 89.91              |
| Fiscal Year Ended March 31, 2018 | 95.12      | 94.47              |

(Note) 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. Accordingly, the “net income per share” and “diluted net income per share” have been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Condition

(% indicates changes from previous fiscal year)

|                                  | Total Assets    | Net Assets      | Capital-to-asset Ratio | Net Asset per Share |
|----------------------------------|-----------------|-----------------|------------------------|---------------------|
|                                  | Millions of Yen | Millions of Yen | %                      | Yen                 |
| Fiscal Year Ended March 31, 2019 | 154,554         | 134,813         | 86.9                   | 2,060.13            |
| Fiscal Year Ended March 31, 2018 | 160,086         | 140,510         | 87.5                   | 2,078.38            |

(Reference) Equity Capital: As of the end of the fiscal year ended March 31, 2019: 134,275 million yen

As of the end of the fiscal year ended March 31, 2018: 140,013 million yen

(Note) Because the presentation method was changed pursuant to the application of the ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) from the fiscal year ended March 31, 2019, the non-consolidated financial condition for the fiscal year ended March 31, 2018 shows the numbers after such accounting standard has been applied retroactively thereto.

\*These financial statements are not subject to audit procedures by the certified public accountants or the independent auditor.

\*Cautionary Statement regarding Forward 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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## Qualitative Information and Financial Statements

### 1. Business Results

#### (1) Business Results for Fiscal Year 2019

##### (i) Results for the Fiscal Year Ended March 31, 2019

(Millions of Yen)

|  | Previous Fiscal Year<br>(ended March 2018) | Current Fiscal Year<br>(ended March 2019) | Increased/(Decreased) from<br>previous fiscal year |               |
|--|--|---|--|---------------|
|  | Amount                                     | Amount                                    | Amount   | %             |
| <b>Net sales</b>   | <b>195,725</b>                             | <b>194,201</b>                            | <b>(1,524)</b>                                     | <b>(0.8)</b>  |
| Cost of sales  | 92,032                                     | 89,804                                    | (2,228)  | (2.4)         |
| <b>Sales profit</b>  | <b>103,693</b>                             | <b>104,397</b>                            | <b>704</b>   | <b>0.7</b>    |
| Selling, general and administrative expenses   | 92,701                                     | 93,684                                    | 983  | 1.1           |
| Compensation income  | (708)                                      | -   | 708  | -             |
| A: Impairment charges on goodwill and other intangible assets  | 206  | 5,834                                     | 5,628  | -             |
| <b>Operating income</b>  | <b>11,494</b>                              | <b>4,879</b>                              | <b>(6,615)</b>                                     | <b>(57.6)</b> |
| Other income (expenses)  | 2,789                                      | 2,894                                     | 105  | 3.8           |
| B: Valuation gain (loss) on marketable securities and investments – net  | 3  | (5,570)                                   | (5,573)  | -             |
| <b>Income before income taxes and equity in net income of affiliated companies</b>   | <b>14,286</b>                              | <b>2,203</b>                              | <b>(12,083)</b>                                    | <b>(84.6)</b> |
| <b>Net income attributable to Wacoal Holdings Corp.</b>  | <b>9,745</b>                               | <b>341</b>                                | <b>(9,404)</b>                                     | <b>(96.5)</b> |
| Reference figure (i): Operating income not taking into account A   | 11,700                                     | 10,713                                    | (987)  | (8.4)         |
| Reference figure (ii): Income before income taxes and equity in net income of affiliated companies not taking into account A and B | 14,489                                     | 13,607                                    | (882)  | (6.1)         |

During the current fiscal year (from April 1, 2018 to March 31, 2019), which is the last year of our current mid-term (3 year) business plan (from fiscal year 2017 to fiscal year 2019), in order for our business to return to growth during the period covered by our next mid-term business plan, our group proceeded to build the foundation to enhance our business efficiency and to invest in fields where we can expect growth. Wacoal Corp. improved business efficiency in our wholesale business through reorganization and profitability of our retail business through improved brand value, and completed preparation for introduction of 3D body scanning and AI (artificial intelligence)-based customer service as a part of our omni-channel strategy. In the overseas markets, we have strengthened our business framework in response to the e-commerce channels, which continue to show a high rate of growth in sales, and expanded our brand awareness in Chinese and European markets. On the other hand, in improving the production base, we were successful in enhancing the production capability of highly competitive products in Dalian and Vietnam, while the structural reform in the raw materials factory in Thailand required time.

Our consolidated sales for the current fiscal year fell by 1% from such sales for the previous fiscal year. While e-commerce sales from our business in China expanded and sales from Nanasai Co., Ltd. (“Nanasai”) showed significant growth resulting from its active construction business, overall sales were affected by the slow growth in our domestic wholesale business of Wacoal Corp. due to weak sales from department stores and decreased revenue from our domestic consolidated subsidiaries, including Lecien Corporation (“Lecien”), Ai Co., Ltd., Peach John Co., Ltd. (“Peach John”), due to delays in addressing market changes.

Consolidated operating income decreased by 58% as compared to such consolidated operating income for the previous fiscal year. This decrease was due to the impact of the recognition of the impairment charges on goodwill and other intangible assets with respect to Peach John, while Wacoal Corp. recorded an increase in profit as a result of a record-high gross profit rate with improved business efficiency and our overseas business recorded an increase in profit as a result of an increase in revenue.

Ever since 2008 when Peach John became a wholly owned Wacoal subsidiary, the demand for undergarments, which strongly reflects consumer trends, decreased, and the size of the market for catalog mail-order business declined, and due to failure to achieve the anticipated growth expansion, we have recorded impairment charges on intangible assets several times. Although we have formed a growth plan under which we have made efforts to change the brand image, strengthen product development, invest resources into our retail sales and e-commerce sales, as well as expand our business overseas, we did not achieve profitability. As a result of our reevaluation of fair value of goodwill and trademarks in connection with our consideration of the current forecast of business results, we ended up recording impairment charges of 5.64 billion yen on intangible assets after a series of assessments.

Consolidated income before income taxes and equity in net income of affiliated companies fell by 85% from such consolidated income for the previous fiscal year, due to recognition of valuation loss on marketable securities and investments of 5.57 billion yen following the changes in accounting policy (please see “3. Consolidated Financial Statements and Accompanying Notes (7) Basic Significant Matters in Preparation of Consolidated Financial Statements (v) Changes in Accounting Policy” on page 17), in addition to a decrease in operating profit.

As a result of the above, the ratio of operating income to net sales and the ratio of net income attributable to Wacoal Holdings Corp. to shareholders’ equity for the current fiscal year were, 2.5% and 0.2%, respectively. The key exchange rates used for the current fiscal year (previous fiscal year) were: 110.91 yen (110.85 yen) to the U.S. dollar; 145.68 yen (147.03 yen) to the Sterling pound; and 16.72 yen (16.63 yen) to the Chinese yuan.

(ii) Business Overview of Our Operating Segments

(Millions of Yen)

|                            | Previous Fiscal Year<br>(ended March 31, 2018) |                           | Current Fiscal Year<br>(ended March 31, 2019) |                           | Increased/(Decreased) from<br>previous fiscal year |              |
|----------------------------|--|---------------------------|---|---------------------------|--|--------------|
|                            | Amount   | Distribution<br>Ratio (%) | Amount  | Distribution<br>Ratio (%) | Amount   | %            |
| <b>Total Net Sales</b>     | <b>195,725</b>                                 | <b>100</b>                | <b>194,201</b>                                | <b>100</b>                | <b>(1,524)</b>                                     | <b>(0.8)</b> |
| Wacoal Business (Domestic) | 116,085  | 59.3                      | 113,400                                       | 58.4                      | (2,685)  | (2.3)        |
| Wacoal Business (Overseas) | 51,888   | 26.5                      | 53,100  | 27.3                      | 1,212  | 2.3          |
| Peach John Business        | 10,795   | 5.5                       | 10,491  | 5.4                       | (304)  | (2.8)        |
| Other                      | 16,957   | 8.7                       | 17,210  | 8.9                       | 253  | 1.5          |

|                                | Previous Fiscal Year<br>(ended March 31, 2018) |            | Current Fiscal Year<br>(ended March 31, 2019) |            | Increased/(Decreased) from<br>previous fiscal year |               |
|--------------------------------|--|------------|---|------------|--|---------------|
|                                | Amount   | % to Sales | Amount  | % to Sales | Amount   | %             |
| <b>Operating Income/(Loss)</b> | <b>11,494</b>                                  | <b>5.9</b> | <b>4,879</b>                                  | <b>2.5</b> | <b>(6,615)</b>                                     | <b>(57.6)</b> |
| Wacoal Business (Domestic)     | 6,845  | 5.9        | 6,325   | 5.6        | (520)  | (7.6)         |
| Wacoal Business (Overseas)     | 3,852  | 7.4        | 4,581   | 8.6        | 729  | 18.9          |
| Peach John Business            | 441  | 4.1        | (5,859)                                       | -          | (6,300)  | -             |
| Other                          | 356  | 2.1        | (168)   | -          | (524)  | -             |

a. Wacoal Business (Domestic)

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

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

b. Wacoal Business (Overseas)

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

Operating income on a Japanese yen basis increased by 19% as compared to such operating income for the previous fiscal year. Positive factors attributable to the increase in the operating income include: increased revenue, an improvement in inventory efficiency, and an

improvement in the gross profit rate resulting from a higher percentage of e-commerce sales in China; reevaluation of suggested retail price and closings of our unprofitable directly managed retail stores in the United Kingdom; productivity enhancement in our factory in Vietnam; gain on sale of property related to raw materials factory in Thailand; and the absence of one-time impairment charges recorded during the previous fiscal year.

c. Peach John Business

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

Operating income was affected by decreased revenue from our domestic business, weak growth from our Chinese business resulting from aggressive competition, an increase in labor costs to retain personnel and distribution expenses, as well as the impact of non-recurring expenses incurred for the relocation of the head office. As a result, we recorded an operating loss of 0.22 billion yen, as well as impairment charges of 5.64 billion yen on goodwill and other intangible assets.

d. Other

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

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

(iii) Forecast for Next Fiscal Year

Consolidated Net Sales and Operating Income

(Millions of Yen)

|   | Fiscal Year ended March 2019 |            | Fiscal Year ended March 2020 |            | Increased/(Decreased) from previous fiscal year |       |
|---|------------------------------|------------|------------------------------|------------|---|-------|
|   | Amount                       | % to Sales | Amount                       | % to Sales | Amount  | %     |
| Consolidated Net Sales  | 194,201                      | -          | 200,000                      | -          | 5,799   | 3     |
| Operating Income  | 4,879                        | 2.5        | 11,000                       | 5.5        | 6,121   | 125.5 |
| Income before income taxes and equity in net income of affiliated companies | 2,203                        | 1.1        | 12,000                       | 6.0        | 9,797   | 444.7 |
| Net income attributable to Wacoal Holdings Corp.                            | 341                          | 0.2        | 9,000                        | 4.5        | 8,659   | -     |

Our forecast for the next fiscal year (ending March 2020) is shown in the above table. The impact of the changes in the valuation loss or gain on marketable securities and investments to our business results is not reflected in the forecast above. The exchange rate used for the U.S. dollar is 110.00 yen to the dollar; the exchange rate used for the Sterling pound is 145.00 yen to the pound; and the exchange rate used for the Chinese yuan is 16.50 yen to the yuan.

We continue to move forward with efforts to become “Wacoal of the World as a Group”, that is, to continue to offer pioneering products to the global markets by taking full advantage of our management resources and our group’s network, and to gain reputation for our reliability from stakeholders around the world on our group’s products and services as well as our commitments to social issues by cultivating new market opportunities for the undergarment industry.

We are currently drafting our mid- to long-term strategy visions, and we mark the three years (from fiscal year 2020 to fiscal year 2022) as the period to achieve the following major goals:

- Achieve strong growth in Japan and overseas
- Examine the potential of unprofitable businesses and brands, and promote review and structural reform of group businesses where no business will be safe from such review or structural reform
- Enhance corporate value by improving economic and social values

In the middle of June, 2019, we plan to announce our new three-year mid-term business plan, along with the details of the business strategies for the next fiscal year ending March 31, 2020, which will be the first year of the new three-year mid-term business plan.

## (2) Financial Condition as of Fiscal Year 2019

### Status of Assets, Liabilities and Shareholders' Equity

Our total assets as of March 31, 2019 were 281,767 million yen, a decrease of 16,767 million yen from the end of the previous fiscal year, mainly due to decreases in investments at market value and impairment charges on goodwill.

With regard to liabilities, our current liabilities were 60,623 million yen, a decrease of 414 million yen from the end of the previous fiscal year, due to decreases in accounts payable and deferred income taxes, despite increases in short-term bank loans and recognition of refund liability.

Shareholders' equity was 216,494 million yen, a decrease of 16,218 million yen from the end of the previous fiscal year, due to cash dividend payments, repurchase of treasury stock and decrease in pension liability adjustments.

As a result of the above, our total shareholders' equity ratio as of March 31, 2019 was 76.8%, a decrease of 1.2% from the end of the previous fiscal year.

### Cash Flows Status

Cash flow provided by operating activities:

Cash flow provided by operating activities was 13,620 million yen, a decrease of 1,873 million yen as compared to the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of 395 million yen plus adjustments for depreciation expenses and deferred taxes.

Cash flow used in investing activities:

Cash flow used in investing activities was 2,474 million yen, a decrease of 4,888 million yen as compared to the previous fiscal year, due to cash outflows such as capital expenditures and payments to acquire intangible assets, which exceeded cash inflows such as sale of equity securities.

Cash flow used in financing activities:

Cash flow used in financing activities was 10,872 million yen, a decrease of 1,431 million yen as compared to the previous fiscal year, due to repurchase of treasury stock and cash dividend payments.

As a result, the balance of cash and cash equivalents at the end of fiscal year 2019, calculated by adding the exchange difference on cash and cash equivalents to the above total, was 30,133 million yen, an increase of 646 million yen as compared to the end of the previous fiscal year.

Free cash flow, which was calculated by subtracting the amount of capital investment from the cash flow provided by operating activities, amounted to 7,837 million yen.

Trends in certain cash-flow indicators

|  | Fiscal Year<br>Ended<br>March 31, 2017 | Fiscal Year<br>Ended<br>March 31, 2018 | Fiscal Year<br>Ended<br>March 31, 2019 |
|--|--|--|--|
| Shareholders' equity ratio (%)                       | 77.2                                   | 78.0                                   | 76.8                                   |
| Shareholders' equity ratio based on market value (%) | 63.9                                   | 69.5                                   | 63.7                                   |
| Debt redemption years (years)                        | 0.5                                    | 0.5                                    | 0.6                                    |
| Interest coverage ratio (times)                      | 605.6                                  | 1,408.5                                | 1,238.2                                |

Shareholders' equity ratio = shareholders' equity/total assets

Shareholders' equity ratio based on the market value = aggregate market value of shareholders' equity/total assets

Debt redemption years = interest-bearing debt/cash flow provided by operating activities

Interest coverage ratio = cash flow provided by operating activities/interest payment

Interest payment = "cash paid for interest" as described in the additional cash flow information following the consolidated statements of cash flows

### (3) Basic Policy Regarding Distribution of Profits and Dividends for Fiscal Year 2019 and Fiscal Year 2020

Our basic policy on profit distributions to shareholders is to make stable distributions based on consideration of our consolidated performance, while seeking to increase our enterprise value through active investments aimed at higher profitability and to increase net income per share. With respect to retained earnings, we have actively invested and will continue to actively invest in expanding our customer bases for our domestic business and our overseas businesses, with the aim of improving our corporate value. We also plan to use our retained earnings for strategic investments for maintaining competitiveness and reinforcing growth. With these efforts, we seek to benefit our shareholders by improving future profitability.

We also intend to acquire treasury stock in a flexible manner taking into account the level of free cash flow as well as the market environment, and will make effort to improve capital efficiency and return profits to our shareholders.

Based on this policy, we are scheduled to distribute 36.00 yen per share as a year-end dividend for the current fiscal year, the estimated dividend as announced during the latest quarter, and the annual cash dividend per share will be 72.00 yen, including the interim dividend per share of 36.00 yen.

For the next fiscal year ending March 31, 2020, we plan to declare a special dividend for the 70th anniversary of our foundation, and the annual cash dividend per share will be 80.00 yen, the total of interim and year-end dividend per share of 40.00 yen (ordinary dividend of 36.00 yen, and special anniversary dividend of 4.00 yen), respectively.

In the middle of June, 2019, we plan to announce our new three-year mid-term business plan, with the first year starting fiscal year ending March 31, 2020. We also plan to announce our new financial strategies including the basic policy regarding distribution of profits and dividends.

#### 2. Basic Policies regarding Selection of Accounting Standards

Our group has been preparing our consolidated financial statements based on the accounting standards prior to the introduction of the accounting standards for consolidated financial statements in Japan, and for this reason, we have been using the accounting standards generally accepted in the United States.

Our group is making efforts to prepare internal manuals and guidelines in anticipation of International Financial Reporting Standards adoption in the future.

### 3. Consolidated Financial Statements and Accompanying Notes

#### (1) Consolidated Balance Sheets

| Accounts                                       | As of March 31, 2018 | As of March 31, 2019 | Amount Increased/(Decreased) |
|--|----------------------|----------------------|------------------------------|
| (Assets)                                       | Millions of Yen      | Millions of Yen      | Millions of Yen              |
| <b>I. Current assets</b>                       |                      |                      |                              |
| Cash and cash equivalents                      | 29,487               | 30,133               | 646                          |
| Time deposits                                  | 4,296                | 4,004                | (292)                        |
| Marketable securities                          | 1,567                | 446                  | (1,121)                      |
| Notes and accounts receivable                  | 25,873               | 24,989               | (884)                        |
| Allowance for returns and doubtful receivables | (2,459)              | (229)                | 2,230                        |
| Inventories                                    | 42,676               | 42,508               | (168)                        |
| Return assets                                  | -                    | 1,180                | 1,180                        |
| Other current assets                           | 4,372                | 4,985                | 613                          |
| <b>Total current assets</b>                    | <b>105,812</b>       | <b>108,016</b>       | <b>2,204</b>                 |
| <b>II. Property, Plant and Equipment</b>       |                      |                      |                              |
| Land   | 21,561               | 21,549               | (12)                         |
| Buildings and building improvements            | 73,618               | 74,033               | 415                          |
| Machinery and equipment                        | 18,268               | 18,914               | 646                          |
| Construction in progress                       | <u>254</u>           | <u>478</u>           | <u>224</u>                   |
|  | 113,701              | 114,974              | 1,273                        |
| Accumulated depreciation                       | (59,368)             | (61,704)             | (2,336)                      |
| <b>Net property, plant and equipment</b>       | <b>54,333</b>        | <b>53,270</b>        | <b>(1,063)</b>               |
| <b>III. Other assets</b>                       |                      |                      |                              |
| Investments in affiliated companies            | 22,512               | 21,859               | (653)                        |
| Investments                                    | 69,318               | 63,372               | (5,946)                      |
| Goodwill                                       | 16,594               | 11,954               | (4,640)                      |
| Other intangible assets                        | 12,859               | 12,297               | (562)                        |
| Prepaid pension expense                        | 10,178               | 3,990                | (6,188)                      |
| Deferred income taxes                          | 1,194                | 1,362                | 168                          |
| Other  | 5,734                | 5,647                | (87)                         |
| <b>Total other assets</b>                      | <b>138,389</b>       | <b>120,481</b>       | <b>(17,908)</b>              |
| <b>Total Assets</b>                            | <b>298,534</b>       | <b>281,767</b>       | <b>(16,767)</b>              |

| Accounts   | As of March 31, 2018 | As of March 31, 2019 | Amount Increased/(Decreased) |
|--|----------------------|----------------------|------------------------------|
| (Liabilities)  | Millions of Yen      | Millions of Yen      | Millions of Yen              |
| <b>I. Current Liabilities</b>                            |                      |                      |                              |
| Short-term bank loans                                    | 7,104                | 8,116                | 1,012                        |
| Notes and accounts payables                              |                      |                      |                              |
| Trade notes  | 1,174                | 1,155                | (19)                         |
| Trade accounts   | 11,393               | 10,638               | (755)                        |
| Other payables   | <u>7,053</u>         | <u>6,548</u>         | <u>(505)</u>                 |
|  | 19,620               | 18,341               | (1,279)                      |
| Accrued payroll and bonuses                              | 7,213                | 7,209                | (4)                          |
| Income taxes payable                                     | 1,979                | 2,759                | 780                          |
| Refund liabilities                                       | -                    | 3,482                | 3,482                        |
| Current portion of long-term debt                        | 50                   | 50                   | -                            |
| Other current liabilities                                | 3,666                | 3,905                | 239                          |
| <b>Total current liabilities</b>                         | <b>39,632</b>        | <b>43,862</b>        | <b>4,230</b>                 |
| <b>II. Long-term liabilities</b>                         |                      |                      |                              |
| Long-term debt   | 138                  | 88                   | (50)                         |
| Liabilities for termination and retirement benefit       | 1,852                | 1,828                | (24)                         |
| Deferred income taxes                                    | 17,231               | 12,567               | (4,664)                      |
| Other long-term liabilities                              | 2,184                | 2,278                | 94                           |
| <b>Total long-term liabilities</b>                       | <b>21,405</b>        | <b>16,761</b>        | <b>(4,644)</b>               |
| <b>Total liabilities</b>                                 | <b>61,037</b>        | <b>60,623</b>        | <b>(414)</b>                 |
| <b>(Equity)</b>  |                      |                      |                              |
| <b>I. Common stock</b>                                   | <b>13,260</b>        | <b>13,260</b>        | <b>-</b>                     |
| <b>II. Additional paid-in capital</b>                    | <b>29,765</b>        | <b>29,807</b>        | <b>42</b>                    |
| <b>III. Retained earnings</b>                            | <b>172,418</b>       | <b>193,139</b>       | <b>20,721</b>                |
| <b>IV. Accumulated other comprehensive income (loss)</b> |                      |                      |                              |
| Foreign currency translation adjustments                 | 2,274                | 1,551                | (723)                        |
| Unrealized gain on securities                            | 27,424               | -                    | (27,424)                     |
| Pension liability adjustments                            | (1,101)              | (5,679)              | (4,578)                      |
| <b>V. Treasury stock, at cost</b>                        | <b>(11,328)</b>      | <b>(15,584)</b>      | <b>(4,256)</b>               |
| <b>Total Wacoal Holdings Corp. shareholders' equity</b>  | <b>232,712</b>       | <b>216,494</b>       | <b>(16,218)</b>              |
| <b>VI. Noncontrolling interests</b>                      | <b>4,785</b>         | <b>4,650</b>         | <b>(135)</b>                 |
| <b>Total equity</b>                                      | <b>237,497</b>       | <b>221,144</b>       | <b>(16,353)</b>              |
| <b>Total liabilities and equity</b>                      | <b>298,534</b>       | <b>281,767</b>       | <b>(16,767)</b>              |

## (2) Consolidated Statements of Income

| Accounts   | Fiscal Year Ended<br>March 31, 2018 |       | Fiscal Year Ended<br>March 31, 2019 |       | Amount<br>Increased/(Decreased) |
|--|-------------------------------------|-------|-------------------------------------|-------|---------------------------------|
|  | Millions of Yen                     | %     | Millions of Yen                     | %     |                                 |
| I. Net Sales   | 195,725                             | 100.0 | 194,201                             | 100.0 | (1,524)                         |
| II. Operating costs and expenses   |                                     |       |                                     |       |                                 |
| Cost of sales  | 92,032                              | 47.0  | 89,804                              | 46.3  | (2,228)                         |
| Selling, general and administrative expenses                                   | 92,701                              | 47.4  | 93,684                              | 48.2  | 983                             |
| Compensation income  | (708)                               | (0.4) | -                                   | -     | 708                             |
| Impairment charges on goodwill and other intangible assets                     | 206                                 | 0.1   | 5,834                               | 3.0   | 5,628                           |
| Total operating costs and expenses   | 184,231                             | 94.1  | 189,322                             | 97.5  | 5,091                           |
| Operating income   | 11,494                              | 5.9   | 4,879                               | 2.5   | (6,615)                         |
| III. Other income (expenses)   |                                     |       |                                     |       |                                 |
| Interest income  | 194                                 |       | 289                                 |       | 95                              |
| Interest expense   | (10)                                |       | (11)                                |       | (1)                             |
| Dividend income  | 1,329                               |       | 1,429                               |       | 100                             |
| Gain (loss) on sale or exchange of marketable securities and investments – net | 203                                 |       | 140                                 |       | (63)                            |
| Valuation gain (loss) on marketable securities and investments – net           | 3                                   |       | (5,570)                             |       | (5,573)                         |
| Other – net  | 1,073                               |       | 1,047                               |       | (26)                            |
| Total other income (expenses)  | 2,792                               | 1.4   | (2,676)                             | (1.4) | (5,468)                         |
| Income before income taxes and equity in net income of affiliated companies    | 14,286                              | 7.3   | 2,203                               | 1.1   | (12,083)                        |
| Income taxes   |                                     |       |                                     |       |                                 |
| Current  | 4,880                               | 2.5   | 5,350                               | 2.8   | 470                             |
| Deferred   | 662                                 | 0.3   | (2,817)                             | (1.5) | (3,479)                         |
| Total income taxes   | 5,542                               | 2.8   | 2,533                               | 1.3   | (3,009)                         |
| Income (loss) before equity in net income of affiliated companies              | 8,744                               | 4.5   | (330)                               | (0.2) | (9,074)                         |
| Equity in net income of affiliated companies                                   | 916                                 | 0.4   | 725                                 | 0.4   | (191)                           |
| Net income   | 9,660                               | 4.9   | 395                                 | 0.2   | (9,265)                         |
| Net income (loss) attributable to non-controlling interests                    | 85                                  | 0.1   | (54)                                | (0.0) | (139)                           |
| Net income attributable to Wacoal Holdings Corp.                               | 9,745                               | 5.0   | 341                                 | 0.2   | (9,404)                         |

## (3) Consolidated Statements of Comprehensive Income

| Accounts  | Fiscal Year Ended<br>March 31, 2018 | Fiscal Year Ended<br>March 31, 2019 | Amount<br>Increased/(Decreased) |
|---|-------------------------------------|-------------------------------------|---------------------------------|
|   | Millions of Yen                     | Millions of Yen                     | Millions of Yen                 |
| I. Net income   | 9,660                               | 395                                 | (9,265)                         |
| II. Other comprehensive income (loss)<br>– net of tax                   |                                     |                                     |                                 |
| Foreign currency translation adjustments                                | 1,113                               | (750)                               | (1,863)                         |
| Net unrealized gain (loss) on securities                                | 6,355                               | (104)                               | (6,459)                         |
| Pension liability adjustments   | (680)                               | (4,587)                             | (3,907)                         |
| Other comprehensive income (loss)                                       | 6,788                               | (5,441)                             | (12,229)                        |
| Comprehensive income (loss)   | 16,448                              | (5,046)                             | (21,494)                        |
| Comprehensive income (loss) attributable to<br>noncontrolling interests | 21                                  | (18)                                | (39)                            |
| Comprehensive income (loss) attributable to<br>Wacoal Holdings Corp.    | 16,469                              | (5,064)                             | (21,533)                        |

## (4) Consolidated Statements of Equity

Fiscal Year Ended March 31, 2018

| Item  | Equity                                      |                    |                                  |                      |  |                    |                                  |                             |                    |
|---|---|--------------------|----------------------------------|----------------------|--|--------------------|----------------------------------|-----------------------------|--------------------|
|   | Shares of<br>Outstanding<br>Common<br>Stock | Common<br>Stock    | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated other<br>comprehensive<br>income | Treasury<br>stock  | Total<br>Shareholders'<br>Equity | Noncontrolling<br>Interests | Total Equity       |
|   | Thousand<br>shares                          | Millions<br>of Yen | Millions of<br>Yen               | Millions of<br>Yen   | Millions of<br>Yen                           | Millions of<br>Yen | Millions of<br>Yen               | Millions of<br>Yen          | Millions<br>of Yen |
| As of March 31, 2017                                      | 68,605                                      | 13,260             | 29,707                           | 170,062              | 21,873                                       | (7,334)            | 227,568                          | 4,914                       | 232,482            |
| Cash dividends paid to Wacoal Holdings Corp. shareholders |   |                    |                                  | (7,386)              |  |                    | (7,386)                          |                             | (7,386)            |
| Cash dividends paid to noncontrolling interests           |   |                    |                                  |                      |  |                    | -                                | (194)                       | (194)              |
| Repurchase of treasury stock                              | (1,243)                                     |                    |                                  |                      |  | (4,007)            | (4,007)                          |                             | (4,007)            |
| Other   | 5   |                    | 58                               | (3)                  |  | 13                 | 68                               | 86                          | 154                |
| Net income  |   |                    |                                  | 9,745                |  |                    | 9,745                            | (85)                        | 9,660              |
| Other comprehensive income (loss)                         |   |                    |                                  |                      | 6,724  |                    | 6,724                            | 64                          | 6,788              |
| As of March 31, 2018                                      | 67,367                                      | 13,260             | 29,765                           | 172,418              | 28,597                                       | (11,328)           | 232,712                          | 4,785                       | 237,497            |

Fiscal Year Ended March 31, 2019

| Item  | Equity                                      |                    |                                  |                      |  |                    |                                  |                             |                    |
|---|---|--------------------|----------------------------------|----------------------|--|--------------------|----------------------------------|-----------------------------|--------------------|
|   | Shares of<br>Outstanding<br>Common<br>Stock | Common<br>Stock    | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated other<br>comprehensive<br>income | Treasury<br>stock  | Total<br>Shareholders'<br>Equity | Noncontrolling<br>Interests | Total Equity       |
|   | Thousand<br>shares                          | Millions<br>of Yen | Millions of<br>Yen               | Millions of<br>Yen   | Millions of<br>Yen                           | Millions of<br>Yen | Millions of<br>Yen               | Millions of<br>Yen          | Millions<br>of Yen |
| As of March 31, 2018                                      | 67,367                                      | 13,260             | 29,765                           | 172,418              | 28,597                                       | (11,328)           | 232,712                          | 4,785                       | 237,497            |
| Cumulative effects of adoption of ASU2016-01              |   |                    |                                  | 27,834               | (27,320)                                     |                    | 514                              |                             | 514                |
| Cash dividends paid to Wacoal Holdings Corp. shareholders |   |                    |                                  | (4,811)              |  |                    | (4,811)                          |                             | (4,811)            |
| Cash dividends paid to noncontrolling interests           |   |                    |                                  |                      |  |                    | -                                | (191)                       | (191)              |
| Repurchase of treasury stock                              | (2,200)                                     |                    |                                  |                      |  | (6,919)            | (6,919)                          |                             | (6,919)            |
| Cancellation of treasury stock                            |   |                    |                                  | (2,631)              |  | 2,631              | -                                |                             | -                  |
| Other   | 11  |                    | 42                               | (12)                 |  | 32                 | 62                               | 38                          | 100                |
| Net income  |   |                    |                                  | 341                  |  |                    | 341                              | 54                          | 395                |
| Other comprehensive income (loss)                         |   |                    |                                  |                      | (5,405)                                      |                    | (5,405)                          | (36)                        | (5,441)            |
| As of March 31, 2019                                      | 65,178                                      | 13,260             | 29,807                           | 193,139              | (4,128)                                      | (15,584)           | 216,494                          | 4,650                       | 221,144            |

(Note) 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. Accordingly, the "shares of outstanding common stock" have been calculated assuming that such shares consolidation has been conducted at the beginning of the previous fiscal year.

## (5) Consolidated Statements of Cash Flows

| Accounts   | Fiscal Year Ended<br>March 31, 2018 | Fiscal Year Ended<br>March 31, 2019 | Amount<br>Increased/(Decreased) |
|--|-------------------------------------|-------------------------------------|---------------------------------|
|  | Millions of Yen                     | Millions of Yen                     | Millions of Yen                 |
| <b>I. Operating activities</b>   |                                     |                                     |                                 |
| 1. Net income  | 9,660                               | 395                                 | (9,265)                         |
| 2. Adjustments to reconcile net income to net cash provided by operating activities  |                                     |                                     |                                 |
| (1) Depreciation and amortization  | 5,492                               | 5,647                               | 155                             |
| (2) Provision for returns and doubtful receivables – net                             | 18                                  | (2,263)                             | (2,281)                         |
| (3) Deferred income taxes  | 662                                 | (2,817)                             | (3,479)                         |
| (4) Gain or loss on sales or disposal of property, plant and equipment –net          | 250                                 | 48                                  | (202)                           |
| (5) Impairment charges on property, plant and equipment                              | -                                   | 167                                 | 167                             |
| (6) Compensation income  | (708)                               | -                                   | 708                             |
| (7) Impairment charges on goodwill and other intangible assets                       | 206                                 | 5,834                               | 5,628                           |
| (8) Gain or loss on sales or exchange of marketable securities and investments - net | (203)                               | (140)                               | 63                              |
| (9) Valuation loss on marketable securities and investments – net                    | (3)                                 | 5,570                               | 5,573                           |
| (10) Equity in net income of affiliated companies, less dividends                    | (397)                               | (211)                               | 186                             |
| (11) Changes in assets and liabilities   |                                     |                                     |                                 |
| Decrease (increase) in notes and receivable  | (232)                               | 822                                 | 1,054                           |
| Decrease (increase) in inventories   | 1,012                               | (76)                                | (1,088)                         |
| Increase in return assets  | -                                   | (1,180)                             | (1,180)                         |
| Decrease in other current assets   | 270                                 | (653)                               | (923)                           |
| Increase (decrease) in notes and accounts payable                                    | 676                                 | (1,640)                             | (2,316)                         |
| Increase in refund liabilities   | -                                   | 3,482                               | 3,482                           |
| Decrease in liabilities for termination and retirement benefits                      | (833)                               | (620)                               | 213                             |
| Increase (decrease) in other liabilities   | (518)                               | 1,075                               | 1,593                           |
| (12) Other   | 141                                 | 180                                 | 39                              |
| Net cash provided by operating activities  | 15,493                              | 13,620                              | (1,873)                         |
| <b>II. Investing activities</b>  |                                     |                                     |                                 |
| 1. Increase in time deposits   | (5,129)                             | (4,783)                             | 346                             |
| 2. Decrease in time deposits   | 3,368                               | 5,226                               | 1,858                           |
| 3. Proceeds from sale and redemption of marketable securities                        | 394                                 | 2,497                               | 2,103                           |
| 4. Payments to acquire marketable securities   | (22)                                | (323)                               | (301)                           |
| 5. Proceeds from redemption of debt securities                                       | 567                                 | 1,008                               | 441                             |
| 6. Payments to acquire debt securities   | (1,605)                             | (900)                               | 705                             |
| 7. Proceeds from sale of property, plant and equipment                               | 159                                 | 276                                 | 117                             |
| 8. Compensation income   | 708                                 | -                                   | (708)                           |
| 9. Capital expenditures  | (3,429)                             | (2,603)                             | 826                             |
| 10. Payments to acquire intangible assets  | (2,455)                             | (3,180)                             | (725)                           |
| 11. Proceeds from sale of shares of an affiliated company                            | -                                   | 270                                 | 270                             |
| 12. Other  | 82                                  | 38                                  | (44)                            |
| Net cash used in investing activities  | (7,362)                             | (2,474)                             | 4,888                           |
| <b>III. Financing activities</b>   |                                     |                                     |                                 |
| 1. Net decrease in short-term bank loans   | (755)                               | 1,061                               | 1,816                           |
| 2. Repayment of long-term debt   | (47)                                | (50)                                | (3)                             |
| 3. Repurchase of treasury stock  | (4,007)                             | (6,919)                             | (2,912)                         |
| 4. Dividends paid on common stock  | (7,386)                             | (4,811)                             | 2,575                           |
| 5. Dividends paid to noncontrolling interests  | (194)                               | (191)                               | 3                               |
| 6. Other   | 86                                  | 38                                  | (48)                            |
| Net cash used in financing activities  | (12,303)                            | (10,872)                            | 1,431                           |
| <b>IV. Effect of exchange rate changes on cash and cash equivalents</b>              |                                     |                                     |                                 |
|  | (336)                               | 372                                 | 708                             |
| <b>V. Net decrease in cash and cash equivalents</b>                                  |                                     |                                     |                                 |
|  | (4,508)                             | 646                                 | 5,154                           |
| <b>VI. Cash and cash equivalents, beginning of year</b>                              |                                     |                                     |                                 |
|  | 33,995                              | 29,487                              | (4,508)                         |
| <b>VII. Cash and cash equivalents, end of year</b>                                   |                                     |                                     |                                 |
|  | 29,487                              | 30,133                              | 646                             |

## Additional Cash Flow Information

| Accounts   | Fiscal Year Ended<br>March 31, 2018 | Fiscal Year Ended<br>March 31, 2019 | Amount<br>Increased/(Decreased) |
|--|-------------------------------------|-------------------------------------|---------------------------------|
| Cash paid for  |                                     |                                     |                                 |
| Interest   | 11                                  | 11                                  | 0                               |
| Income taxes   | 5,853                               | 5,068                               | (785)                           |
| Noncash investing activities                               |                                     |                                     |                                 |
| Acquisition of fixed assets by assuming payment obligation | 583                                 | 954                                 | 371                             |

### (6) Notes on Going Concern

Not applicable.

### (7) Basic Significant Matters in Preparation of Consolidated Financial Statements

#### (i) Matters Regarding the Scope of Consolidation and Application of the Equity Method

Major consolidated subsidiaries:

Wacoal Corporation, Peach John Co., Ltd., Lecien Corporation, Kyushu Wacoal Manufacturing Corp., Torica Co., Ltd., Nanasai Co., Ltd., Wacoal International Corp., Wacoal America, Inc., Wacoal Europe Ltd., Wacoal EMEA Ltd., Wacoal Europe SAS, Wacoal Hong Kong Co., Ltd., Wacoal Investment Co. (Taiwan), Ltd., Wacoal China Co., Ltd., Wacoal International Hong Kong Co., Ltd. and A Tech Textile Co., Ltd.

Major Affiliated Companies:

Shinyoung Wacoal Inc., Taiwan Wacoal Co., Ltd. and Thai Wacoal Public Co., Ltd.

#### (ii) Changes Regarding Subsidiaries and Affiliated Companies

None.

#### (iii) Standard of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared based on terms, format and preparation methods in compliance with accounting standards generally accepted in the United States as required in connection with the issuance of American Depositary Receipts. For this reason, the consolidated financial statements may be different from those that have been prepared based on the Consolidated Financial Statement Regulations and the Standard of Preparation of Consolidated Financial Statements in Japan.

#### (iv) Significant Accounting Policies

##### a. Valuation Standard of Inventories

The average cost method was mainly used for goods, products and supplies, and the first-in first-out method was used for raw materials, with both valued at the lower of cost or market.

##### b. Valuation Standard of Property, Plant and Equipment and Method of Depreciation

Property, plant and equipment are valued at the acquisition cost. Depreciation expenses are calculated mainly using the fixed-rate method based on the estimated useful lives of the assets (the lease term is used for capitalized leased assets).

##### c. Valuation Standard of Securities and Investments

Based on the provisions of the U.S. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, "Investments – Debt Securities", and ASC 321 of FASB, "Investments – Equity Securities", marketable securities and investments have been classified as "debt securities" and "equity securities", and debt securities have been further classified as "available-for-sale securities" and "held-to-maturity securities". "Available-for-sale securities" are recorded at fair value, and "held-to-maturity securities" are recorded at amortized cost. Gain or loss on sale of marketable securities and investments is calculated based on cost using the moving-average method. Equity securities are measured at fair value and unrealized holding gain or loss is recorded as net profit or loss.

##### d. Liabilities for Termination and Retirement Benefits

This is accounted for based on FASB ASC 715.

##### e. Consumption Taxes

Consumption taxes have been excluded from sales.

##### f. Consolidated Statements of Cash Flows

In preparing the consolidated cash flow statements, highly liquid investments with original maturities of three (3) months or less have been included in cash and cash equivalents.

(v) Changes in Accounting Policy

a. *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 Liabilities” under current liabilities and rights to collect goods to be returned will be classified as “Return Assets” under current assets starting with the current consolidated fiscal year.

b. *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 ended March 31, 2019.

c. *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, 1,040 million yen has been reclassified as other expense (net) from operating costs and expenses for the previous fiscal consolidated year. As a result, operating income decreased 1,040 million yen as compared to operating income before such reclassification for the previous consolidated fiscal year.

(8) Notes to the Consolidated Financial Statements

(i) Per Share Information

|  | Fiscal Year Ended<br>March 31, 2018 | Fiscal Year Ended<br>March 31, 2019 |
|--|-------------------------------------|-------------------------------------|
| Net income attributable to Wacoal Holdings Corp.                   | 9,745 million yen                   | 341 million yen                     |
| Number of average shares issued during the year                    | 67,928,557 shares                   | 66,143,405 shares                   |
| Net income attributable to Wacoal Holdings Corp. per share         | 143.46 yen                          | 5.16 yen                            |
| Diluted net income attributable to Wacoal Holdings Corp. per share | 142.98 yen                          | 5.14 yen                            |

(Note) The “number of average shares issued during the year,” “net income attributable to Wacoal Holdings Corp. per share,” “diluted net income attributable to Wacoal Holdings Corp. per share” and “net income attributable to Wacoal Holdings Corp.” have been calculated assuming that the share consolidation, which we conducted during the current consolidated fiscal year, has been conducted at the beginning of the previous fiscal year.

## (ii) Segment Information

## a. Operating Segment Information

Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Millions of Yen)

|                                       | Wacoal<br>business<br>(Domestic) | Wacoal<br>business<br>(Overseas) | Peach John<br>business | Other  | Total   | Elimination | Consolidated |
|---------------------------------------|----------------------------------|----------------------------------|------------------------|--------|---------|-------------|--------------|
| Net sales                             |                                  |                                  |                        |        |         |             |              |
| (1) External customers                | 116,085                          | 51,888                           | 10,795                 | 16,957 | 195,725 | -           | 195,725      |
| (2) Intersegment                      | 1,051                            | 10,180                           | 1,281                  | 5,283  | 17,795  | (17,795)    | -            |
| Total                                 | 117,136                          | 62,068                           | 12,076                 | 22,240 | 213,520 | (17,795)    | 195,725      |
| Operating costs and expenses          | 110,291                          | 58,010                           | 11,635                 | 21,884 | 201,820 | (17,795)    | 184,025      |
| Impairment charges on goodwill        | -                                | 206                              | -                      | -      | 206     | -           | 206          |
| Total operating costs and<br>expenses | 110,291                          | 58,216                           | 11,635                 | 21,884 | 202,026 | (17,795)    | 184,231      |
| Operating income                      | 6,845                            | 3,852                            | 441                    | 356    | 11,494  | -           | 11,494       |

Fiscal Year Ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Millions of Yen)

|   | Wacoal<br>business<br>(Domestic) | Wacoal<br>business<br>(Overseas) | Peach John<br>business | Other  | Total   | Elimination | Consolidated |
|---|----------------------------------|----------------------------------|------------------------|--------|---------|-------------|--------------|
| Net sales   |                                  |                                  |                        |        |         |             |              |
| (1) External customers  | 113,400                          | 53,100                           | 10,491                 | 17,210 | 194,201 | -           | 194,201      |
| (2) Intersegment  | 905                              | 10,121                           | 1,083                  | 5,543  | 17,652  | (17,652)    | -            |
| Total   | 114,305                          | 63,221                           | 11,574                 | 22,753 | 211,853 | (17,652)    | 194,201      |
| Operating costs and expenses                                  | 107,785                          | 58,640                           | 11,794                 | 22,921 | 201,140 | (17,652)    | 183,488      |
| Impairment charges on goodwill<br>and other intangible assets | 195                              | -                                | 5,639                  | -      | 5,834   | -           | 5,834        |
| Total operating costs and<br>expenses                         | 107,980                          | 58,640                           | 17,433                 | 22,921 | 206,974 | (17,652)    | 189,322      |
| Operating income (loss)                                       | 6,325                            | 4,581                            | (5,859)                | (168)  | 4,879   | -           | 4,879        |

(Note) 1. Core products of respective businesses:

Wacoal business (Domestic): innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, etc.

Wacoal business (Overseas): innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, and 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, shop design and implementation, etc.

b. Information by Region

Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of Yen)

|                        | Japan   | Asia/Oceania | Europe/N.A. | Total   | Elimination or corporate | Consolidated |
|------------------------|---------|--------------|-------------|---------|--------------------------|--------------|
| I. Net sales           |         |              |             |         |                          |              |
| External customers     | 143,196 | 21,057       | 31,472      | 195,725 | -                        | 195,725      |
| II. Operating income   | 7,481   | 1,200        | 2,813       | 11,494  | -                        | 11,494       |
| III. Long-lived assets | 46,367  | 4,916        | 3,050       | 54,333  | -                        | 54,333       |

Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of Yen)

|                        | Japan   | Asia/Oceania | Europe/N.A. | Total   | Elimination or corporate | Consolidated |
|------------------------|---------|--------------|-------------|---------|--------------------------|--------------|
| I. Net sales           |         |              |             |         |                          |              |
| External customers     | 140,189 | 22,509       | 31,503      | 194,201 | -                        | 194,201      |
| II. Operating income   | 242     | 1,578        | 3,059       | 4,879   | -                        | 4,879        |
| III. Long-lived assets | 45,257  | 4,810        | 3,203       | 53,270  | -                        | 53,270       |

- (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.  
4. Long-lived assets include property, plant and equipment.

c. Overseas Sales

Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Millions of Yen)

|  | Asia/Oceania | Europe/N.A. | Total   |
|--|--------------|-------------|---------|
| I. Overseas net sales  | 21,057       | 31,472      | 52,529  |
| II. Consolidated net sales                                       | -            | -           | 195,725 |
| III. Ratio of overseas net sales to total consolidated net sales | 10.7%        | 16.1%       | 26.8%   |

Fiscal Year Ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Millions of Yen)

|  | Asia/Oceania | Europe/N.A. | Total   |
|--|--------------|-------------|---------|
| I. Overseas net sales  | 22,509       | 31,503      | 54,012  |
| II. Consolidated net sales                                       | -            | -           | 194,201 |
| III. Ratio of overseas net sales to total consolidated net sales | 11.6%        | 16.2%       | 27.8%   |

- (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

## (iii) Status of Sales

| Type of product                          | Fiscal Year Ended March 31, 2018 |                    | Fiscal Year Ended March 31, 2019 |                    |
|--|----------------------------------|--------------------|----------------------------------|--------------------|
|  | Amount                           | Distribution ratio | Amount                           | Distribution ratio |
|  | Millions of Yen                  | %                  | Millions of Yen                  | %                  |
| Innerwear                                |                                  |                    |                                  |                    |
| Foundation and lingerie                  | 146,970                          | 75.1               | 146,525                          | 75.4               |
| Nightwear                                | 8,758                            | 4.5                | 8,296                            | 4.3                |
| Children's underwear                     | 1,376                            | 0.7                | 1,213                            | 0.6                |
| Subtotal                                 | 157,104                          | 80.3               | 156,034                          | 80.3               |
| Outerwear/Sportswear                     | 16,128                           | 8.2                | 14,733                           | 7.6                |
| Hosiery                                  | 1,983                            | 1.0                | 1,881                            | 1.0                |
| Other textile goods and related products | 8,907                            | 4.6                | 9,428                            | 4.9                |
| Others                                   | 11,603                           | 5.9                | 12,125                           | 6.2                |
| Total                                    | 195,725                          | 100.0              | 194,201                          | 100.0              |

## (iv) Significant Subsequent Events

Not applicable.

- End -