

[Translation]

Consolidated Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2020
[U.S. GAAP]

January 31, 2020

Listed Company: Wacoal Holdings Corp.

Stock Exchange: Tokyo

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

Representative: Position: Representative Director and President

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Supplementary materials regarding quarterly business results: Yes

Explanatory meeting regarding quarterly business results: No

(Amounts less than 1 million yen have been rounded)

1. Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – December 31, 2019)

(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, 2019	144,031	(2.2)	9,801	(12.3)	15,669	175.8	11,014	153.7
Third Quarter ended December 31, 2018	147,247	(0.8)	11,174	(8.8)	5,681	(61.7)	4,342	(56.0)

(Note) Quarterly comprehensive income: 10,212 million yen (186.5 %) for the third quarter ended
December 31, 2019
3,565 million yen ((82.0) %) for the third quarter ended
December 31, 2018

	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, 2019	171.16	170.49
Third Quarter ended December 31, 2018	65.33	65.09

(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, 2019	293,633	220,919	216,195	73.6	3,412.34
As of the end of Fiscal Year (March 31, 2019)	281,767	221,144	216,494	76.8	3,321.57

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, 2019	–	36.00	–	36.00	72.00
Fiscal Year Ending March 31, 2020	–	40.00	–		
Fiscal Year Ending March 31, 2020 (Estimates)				40.00	80.00

(Note) Revision of estimated dividends announced during the latest quarter: None

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

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 Business Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(% 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	191,000	(1.6)	7,000	43.5	9,500	331.2	6,500	-	101.01	

(Note) Revision of forecast of consolidated business results announced during the latest quarter: Yes

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, 2019	Fiscal Year ended March 31, 2019
(i) Number of issued shares (including treasury stock) as of the end of:	68,589,042 shares	70,689,042 shares
(ii) Number of shares held as treasury stock as of the end of:	5,232,292 shares	5,510,891 shares
(iii) Average number of shares during consolidated third quarter (third quarter ended December 31):	64,348,678 shares	66,461,009 shares

*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, 2019

	(Millions of Yen)			
	Previous Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Current Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)	Increased/(Decreased) from previous cumulative third quarter	
	Amount	Amount	Amount	%
Net sales	147,247	144,031	(3,216)	(2.2)
Cost of sales	67,066	63,915	(3,151)	(4.7)
Sales profit	80,181	80,116	(65)	(0.1)
Selling, general and administrative expenses	69,007	70,315	+1,308	+1.9
Operating income	11,174	9,801	(1,373)	(12.3)
Other income (expenses)	2,419	1,382	(1,037)	(42.9)
A: Valuation gain (loss) on marketable securities and investments – net	(7,912)	4,486	+12,398	-
Income before income taxes and equity in net income of affiliated companies	5,681	15,669	+9,988	+175.8
Net income attributable to Wacoal Holdings Corp.	4,342	11,014	+6,672	+153.7
Reference figure: Income before income taxes and equity in net income of affiliated companies not taking into account A	13,593	11,183	(2,410)	(17.7)

Our group entered the first year of our mid-term business plan. In order for our business to return to growth, Wacoal Corp. has focused on rebuilding relationships with customers through innovation, including opening of innerwear shops for the next generation that have introduced 3D body scanning and AI (artificial intelligence), and on further improving profitability. In the overseas markets, we have made efforts to create growth opportunities and strengthen our competitiveness in e-commerce in each country. As part of such initiative, we acquired all of the issued and outstanding shares of Intimates Online, Inc. (“Intimates Online”), a women’s innerwear design and sales company in the U.S. under its LIVELY brand, at the end of July 2019, making Intimates Online our wholly-owned subsidiary. Our domestic subsidiaries have shifted toward a business framework that can generate stable earnings by being selective about and concentrating its businesses. The operating results of our acquired subsidiary, Intimates Online, have been included in our consolidated results from the current second quarter and are disclosed along with Wacoal International Corp. (the United States) under the “Wacoal Business (Overseas)” segment.

Consolidated sales for the nine months ended December 31, 2019 (April 1, 2019 – December 31, 2019) decreased by 2% from such sales for the corresponding period of the previous fiscal year. Revenue from our domestic business remained at about the same level as such revenue for the corresponding period of the previous fiscal year, reflecting the net effect of the last-minute rise in demand before the consumption tax increase, which was offset by the subsequent decrease in demand after the tax increase. Despite the positive impact of the consolidation of Intimates Online results and a recovery seen in sales from our existing business in the United States, revenue from our overseas business decreased due to the weak sales from our raw materials factory in Thailand and the negative impact of exchange rate fluctuation (equivalent to 1.5 billion yen). Revenue from our Peach John business and other business segments also decreased.

Consolidated operating income decreased by 12% from such operating income for the corresponding period of the previous fiscal year. In our domestic business, we recorded a decrease in profit due to an increase in IT related expenses. Profit from our overseas business significantly decreased due to the impact of the inclusion of operating loss for Intimates Online, and the recognition of non-recurring expenses incurred for the acquisition. We recorded income, as compared to operating loss that we recorded for the corresponding period of the previous fiscal year, for both our Peach John business and other business segments.

Consolidated income before income taxes and equity in net income of affiliated companies significantly increased by 176% from such consolidated income for the corresponding period of the previous fiscal year. This increase was as a result of the recognition of valuation gain on marketable securities and investments of 4.49 billion yen for the current third

quarter, while we recorded valuation loss of 7.91 billion yen on marketable securities and investments for the corresponding period of the previous fiscal year (See Row A in the table above: a 12.40 billion yen increase). (We have been using U.S. accounting standards, under which equity securities held by the Company and consolidated subsidiaries are measured at fair value, and any change from the beginning of the period are recognized as other income (expenses).)

The key exchange rates used for the current consolidated third quarter (previous third quarter) were: 108.67 yen (111.14 yen) to the U.S. dollar; 137.79 yen (146.34 yen) to the Sterling pound; and 15.90 yen (16.85 yen) to the Chinese yuan.

(ii) Business Overview of Our Operating Segments

(Millions of Yen)

	Previous Cumulative Third Quarter (from April 1, 2018 to December 31, 2018)		Current Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Total Net Sales	147,247	100.0	144,031	100.0	(3,216)	(2.2)
Wacoal Business (Domestic)	86,581	58.8	85,955	59.7	(626)	(0.7)
Wacoal Business (Overseas)	39,924	27.1	38,110	26.4	(1,814)	(4.5)
Peach John Business	8,012	5.4	7,865	5.5	(147)	(1.8)
Other	12,730	8.7	12,101	8.4	(629)	(4.9)

	Previous Cumulative Third Quarter (from April 1, 2018 to December 31, 2018)		Current Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Operating Income/(Loss)	11,174	7.6	9,801	6.8	(1,373)	(12.3)
Wacoal Business (Domestic)	7,214	8.3	6,982	8.1	(232)	(3.2)
Wacoal Business (Overseas)	4,106	10.3	2,627	6.9	(1,479)	(36.0)
Peach John Business	(29)	-	168	2.1	+197	-
Other	(117)	-	24	0.2	+141	-

(Reference) Net Sales and Operating Income/ (Loss) of Major Subsidiaries

(Millions of Yen)

Net Sales	Previous Cumulative Third Quarter (from April 1, 2018 to December 31, 2018)		Current Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Wacoal Corp.	78,769	53.5	78,749	54.7	(20)	(0.0)
Ai Co., Ltd.	3,585	2.4	3,083	2.1	(502)	(14.0)
Wacoal International Corp. (U.S.)	14,064	9.6	14,241	9.9	+177	+1.3
Wacoal Europe Ltd.	10,324	7.0	9,875	6.9	(449)	(4.3)
Wacoal China Co., Ltd.	8,717	5.9	8,288	5.8	(429)	(4.9)
Peach John Co., Ltd.	8,012	5.4	7,865	5.5	(147)	(1.8)
Lecien Corporation	4,659	3.2	4,363	3.0	(296)	(6.4)
Nanasai Co., Ltd.	6,856	4.7	6,480	4.5	(376)	(5.5)

*Sales to external customers only

Operating Income/(Loss)	Previous Cumulative Third Quarter (from April 1, 2018 to December 31, 2018)		Current Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Wacoal Corp.	5,764	7.3	4,927	6.3	(837)	(14.5)
Ai Co., Ltd.	(233)	-	(118)	-	+115	-
Wacoal International Corp. (U.S.)	1,660	11.8	479	3.4	(1,181)	(71.1)
Wacoal Europe Ltd.	846	8.2	750	7.6	(96)	(11.3)
Wacoal China Co., Ltd.	903	10.4	733	8.8	(170)	(18.8)
Peach John Co., Ltd.	(29)	-	168	2.1	+197	-
Lecien Corporation	(334)	-	(162)	-	+172	-
Nanasai Co., Ltd.	230	3.4	177	2.7	(53)	(23.0)

a. Wacoal Business (Domestic)

Sales attributable to our “Wacoal Business (Domestic)” segment remained at about the same level, but operating income attributable to our “Wacoal Business (Domestic)” segment decreased by 3%, as compared to such sales and operating income, respectively, for the corresponding period of the previous fiscal year.

Wacoal Corp.:

Sales from Wacoal Corp. remained at about the same level as such sales for the corresponding period of the previous fiscal year. Revenue decreased in our wholesale business due to the greater than anticipated impact of the decrease in demand following the consumption tax, as well as weak over-the-counter sales at our core sales channels throughout the current consolidated third quarter. On the other hand, revenue increased in our retail business as we intensified our sales promotion of our brassieres with better design “Grama-Rich” in October, and due to other successful initiatives to minimize the impact of the decrease in demand following the consumption tax increase. Despite a decrease recorded in sales from our mail-order catalogue business due to the impact of the decrease in demand following the consumption tax increase, we also achieved an increase in revenue for our website business as a result of strong sales from our e-commerce website, which resulted from strengthened communication attributable to marketing automation.

Operating income decreased by 15% as compared to such operating income for the corresponding period of the previous fiscal year due to an increase in IT related expenses incurred for the implementation of our omni-channel strategies, despite our effort to save a part of advertising spending and an improvement in gross profit rate from our wholesale and retail businesses.

b. Wacoal Business (Overseas)

Sales attributable to our “Wacoal Business (Overseas)” segment on a Japanese yen basis decreased by 5% as compared to such sales for the corresponding period of the previous fiscal year due to downward pressure of exchange rate fluctuations, as well as weak sales from our raw materials factory in Thailand attributable to a decrease in the number of orders received. Operating income decreased by 36% as compared to such operating income for the corresponding period of the previous fiscal year due to the impact of decreased revenue from Wacoal International Corp. (U.S.) resulting from the acquisition of Intimates Online.

Wacoal International Corp. (U.S.):

Sales from Wacoal International Corp. (U.S.) on a local currency basis increased by 4% as compared to such sales for the corresponding period of the previous fiscal year, while sales on a Japanese yen basis increased by 1%. This increase was due to the inclusion of sales of 0.76 billion yen from Intimates Online, which was newly consolidated in our business results after August, as well as sales from our existing business which continued to show improvement. Operating income on a local currency basis decreased by 70% (71% on a Japanese yen basis) as compared to such operating income for the corresponding period of the previous fiscal year. This decrease was due to lower gross profit rate resulting from the higher percentage of sales subject to discounts, the impact of decreased revenue from the existing business resulting from higher labor costs and office lease expenses, the impact of inclusion of operating loss ((0.65 billion yen)) from Intimates Online, as well as non-recurring expenses incurred for the acquisition.

Wacoal Europe Ltd.:

Sales from Wacoal Europe Ltd. on a local currency basis increased by 2% as compared to such sales for the corresponding period of the previous fiscal year, while sales on a Japanese yen basis decreased by 4% due to the impact of exchange rate fluctuations. Sales exceeded such sales for the corresponding period of the previous fiscal year resulting from the expansion of sales in the North America, France and other European countries, while sales were weak in the United Kingdom due to poor sales at department stores. We have launched our full-scale sales operations on our redesigned e-commerce website from the current consolidated third quarter. Operating income on a local currency basis decreased by 6% (11% on a Japanese yen basis) as compared to such operating income for the corresponding period of the previous fiscal year. This decrease was due to an increase in packing and shipping costs incurred as a result of promoting small-lot delivery, a more aggressive advertising campaign to expand our brand awareness, as well as recognition of expenses incurred for the redesign of our own e-commerce website.

Wacoal China Co., Ltd.:

Sales from Wacoal China Co., Ltd. on a local currency basis remained at about the same level as such sales for the corresponding period of the previous fiscal year, while sales on a Japanese yen basis decreased by 5% due to the impact of exchange rate fluctuations. Although we maintained high growth from our e-commerce sales by strengthening our alliance

with online mall providers and promoting sales during the high demand season, the closing of certain department stores and the weak sales of our products other than the “Wacoal” brand products affected sales. Operating income on a local currency basis decreased by 14% (19% on a Japanese yen basis) as compared to such operating income for the corresponding period of the previous fiscal year. We recorded a decrease in profit due to an increase in advertising expenses and recognition of non-recurring expenses incurred for relocation of a warehouse, despite improvement in the gross profit rate resulting from a lower percentage of products with low profit margins.

c. Peach John Business

Overall sales attributable to our “Peach John Business” segment decreased by 2% as compared to such sales for the corresponding period of the previous fiscal year. Revenue from our domestic retail stores increased after closing certain underperforming stores in Japan due to steady sales of our regular products, as well as strong winter sales. On the other hand, revenue from the mail-order business decreased as we ceased distribution of the winter catalogue in an effort to improve business efficiency. We recorded operating income, as compared to operating loss for the corresponding period of the previous fiscal year due to efforts including reduction of selling, general and administrative expenses in Japan and absence of non-recurring expenses incurred for the relocation of the head office during the corresponding period of the previous fiscal year.

d. Other

Overall sales attributable to our “Other” business segment decreased by 5% as compared to such sales for the corresponding period of the previous fiscal year, while we recorded an operating income, as compared to operating loss for the corresponding period of the previous fiscal year.

Lecien Corporation:

Although a sign of recovery was visible in the sales of our private products handled at core general merchandise stores and specialty stores, sales from Lecien Corporation decreased by 6% as compared to such sales for the corresponding period of the previous fiscal year due to the impact of decreased revenue in our material business. The amount of operating loss was less compared to such operating loss for the corresponding period of the previous fiscal year due to efforts including reduction of selling, general and administrative expenses. As part of business restructuring, Lecien is scheduled to withdraw from the business of fabrics for crafts and hobbies and clothing and apparel business at the end of March 2020.

Nanasai Co., Ltd.:

Sales from Nanasai Co., Ltd decreased by 6% as compared to such sales for the corresponding period of the previous fiscal year due to the absence of the one-time increase in revenue (large-scale construction for renovation of department stores) in the corresponding period of the previous fiscal year. Operating income decreased by 23% as compared to such operating income for the corresponding period of the previous fiscal year due to decreased revenue.

(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 293,633 million yen, an increase of 11,866 million yen from the end of the previous fiscal year, mainly due to the recognition of operating leases right-of-use assets following the changes in the accounting policy.

Our total liabilities were 72,714 million yen, an increase of 12,091 million yen from the end of the previous fiscal year, mainly due to similar factor as the assets section, the recognition of operating lease liabilities following the changes in the accounting policy, as well as increases in contingent consideration liability and other current liabilities.

Total Wacoal Holdings Corp. shareholders' equity was 216,195 million yen, a decrease of 299 million yen from the end of the previous fiscal year, due to a decrease in foreign currency translation adjustments.

As a result of the above, our total shareholders' equity ratio as of the end of the current consolidated third quarter was 73.6%, a decrease of 3.2% 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 27,885 million yen, a decrease of 2,248 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 13,019 million yen, a decrease of 306 million yen as compared to the corresponding period of the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of 11,124 million yen plus adjustments for depreciation, amortization and deferred income taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 830 million yen, an decrease of 2,647 million yen as compared to the corresponding period of the previous fiscal year, due to acquisition of subsidiaries (net of cash acquired) as well as capital expenditures and payments to acquire tangible and intangible assets, despite proceeds from sales and redemption of equity securities and a decrease in time deposits.

(Cash Flow Used in Financing Activities)

Cash flow used in financing activities was 14,067 million yen, an increase of 3,313 million yen as compared to the corresponding period of the previous fiscal year, due to a decrease in short-term bank loans, repurchase of treasury stock and cash dividend payments.

(3) Qualitative Information regarding Forecast of Consolidated Business Results

We have revised our forecast of consolidated business results for the fiscal year ending March 31, 2020 which was announced on May 15, 2019 due to several reasons including: the impact of the consolidation of results of Intimates Online (a U.S. entity), which we acquired in July 2019; the delay in the recovery of sales after the consumption tax increase; and expenses expected to incur in connection with the business restructuring of the domestic and foreign subsidiaries. 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.

(Unit: Millions of Yen, unless otherwise indicated)

	Net sales	Operating income	Pre-tax net income	Net income attributable to Wacoal Holdings Corp. shareholders	Net income attributable to Wacoal Holdings Corp. shareholders per share (in Yen)
Previous Forecast ("A")	200,000	11,000	12,000	9,000	138.08
Revised Forecast ("B")	191,000	7,000	9,500	6,500	101.01
Variance (B - A)	(9,000)	(4,000)	(2,500)	(2,500)	
Variance as Percentage (%)	(4.5)	(36.4)	(20.8)	(27.8)	
(Reference) Results for the Previous Fiscal Year ended March 31, 2019	194,201	4,879	2,203	341	5.16

2. Consolidated Quarterly Financial Statements and Accompanying Notes

(1) Consolidated Quarterly Balance Sheets

Accounts	Previous Fiscal Year as of March 31, 2019	Current Consolidated Third Quarter as of December 31, 2019	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	30,133	27,885	(2,248)
Time deposits	4,004	852	(3,152)
Marketable securities	446	551	105
Notes and accounts receivable	24,989	20,485	(4,504)
Allowance for doubtful receivables	(229)	(240)	(11)
Inventories	42,508	44,207	1,699
Return assets	1,180	1,382	202
Other current assets	4,985	4,795	(190)
Total current assets	108,016	99,917	(8,099)
II. Property, plant and equipment:			
Land	21,549	21,471	(78)
Buildings and structures	74,033	74,286	253
Machinery and equipment	18,914	18,909	(5)
Construction in progress	<u>478</u>	<u>1,106</u>	<u>628</u>
	114,974	115,772	798
Accumulated depreciation	(61,704)	(62,956)	(1,252)
Net property, plant and equipment	53,270	52,816	(454)
III. Other assets:			
Operating leases right-of-use assets	-	13,361	13,361
Investments in affiliated companies	21,859	21,200	(659)
Investments	63,372	57,369	(6,003)
Goodwill	11,954	23,516	11,562
Other intangible assets	12,297	14,828	2,531
Prepaid pension expense	3,990	4,198	208
Deferred income taxes	1,362	940	(422)
Other	5,647	5,488	(159)
Total other assets	120,481	140,900	20,419
Total assets	281,767	293,633	11,866

Accounts	Previous Fiscal Year as of March 31, 2019	Current Consolidated Third Quarter as of December 31, 2019	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	8,116	4,048	(4,068)
Notes and accounts payable:			
Trade notes payable	1,155	1,275	120
Trade accounts payable	10,638	9,395	(1,243)
Other payables	<u>6,548</u>	<u>4,861</u>	<u>(1,687)</u>
	18,341	15,531	(2,810)
Accrued payroll and bonuses	7,209	5,496	(1,713)
Income taxes payable	2,759	4,250	1,491
Refund liability	3,482	3,750	268
Short-term operating lease liabilities	-	4,332	4,332
Contingent consideration (short-term)	-	1,096	1,096
Other current liabilities	3,955	5,957	2,002
Total current liabilities	43,862	44,460	598
II. Long-term liabilities:			
Liability for termination and retirement benefits	1,828	1,878	50
Deferred income taxes	12,567	11,730	(837)
Long-term operating lease liabilities	-	9,179	9,179
Contingent consideration(long-term)	-	3,111	3,111
Other long-term liabilities	2,366	2,356	(10)
Total long-term liabilities	16,761	28,254	11,493
Total liabilities	60,623	72,714	12,091
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,807	29,846	39
III. Retained earnings	193,139	192,791	(348)
IV. Accumulated other comprehensive (loss) income:			
Foreign currency translation adjustments	1,551	(10)	(1,561)
Pension liability adjustments	(5,679)	(5,062)	617
V. Treasury stock, at cost	(15,584)	(14,630)	954
Total Wacoal Holdings Corp. shareholders' equity	216,494	216,195	(299)
VI. Noncontrolling interests	4,650	4,724	74
Total equity	221,144	220,919	(225)
Total liabilities and equity	281,767	293,633	11,866

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)		Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	147,247	100.0	144,031	100.0	(3,216)
II. Operating costs and expenses:					
Cost of sales	67,066	45.5	63,915	44.4	(3,151)
Selling, general and administrative expenses	69,007	46.9	70,315	48.8	1,308
Total operating costs and expenses	136,073	92.4	134,230	93.2	(1,843)
Operating income	11,174	7.6	9,801	6.8	(1,373)
III. Other income (expenses):					
Interest income	200		167		(33)
Interest expense	(10)		(17)		(7)
Dividend income	1,365		1,452		87
Gain or loss on sales or exchange of marketable securities and investments - net	140		-		(140)
Valuation loss on marketable securities and investments - net	(7,912)		4,486		12,398
Other – net	724		(220)		(944)
Total other income (expenses)	(5,493)	(3.7)	5,868	4.1	11,361
Income before income taxes and equity in net income of affiliated companies	5,681	3.9	15,669	10.9	9,988
Income taxes	1,980	1.4	4,887	3.4	2,907
Income before equity in net income of affiliated companies	3,701	2.5	10,782	7.5	7,081
Equity in net income of affiliated companies	795	0.5	342	0.2	(453)
Net income	4,496	3.0	11,124	7.7	6,628
Net income attributable to noncontrolling interests	(154)	(0.1)	(110)	(0.1)	44
Net income attributable to Wacoal Holdings Corp.	4,342	2.9	11,014	7.6	6,672

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	4,496	11,124	6,628
II. Other comprehensive income (loss) - net of tax:			
Foreign currency translation adjustments	(829)	(1,529)	(700)
Unrealized loss on securities	(104)	-	104
Pension liability adjustments	2	617	615
Other comprehensive loss	(931)	(912)	19
Comprehensive income	3,565	10,212	6,647
Comprehensive income attributable to noncontrolling interests	(190)	(142)	48
Comprehensive income attributable to Wacoal Holdings Corp.	3,375	10,070	6,695

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	4,496	11,124
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	4,141	4,409
(2) Allowance for returns and doubtful receivables - net	(2,282)	26
(3) Deferred income taxes	(2,199)	(1,505)
(4) Loss (gain) on sales or disposal of property, plant and equipment - net	(96)	49
(5) Gain on sales or exchange of marketable securities and investments - net	(140)	-
(6) Valuation (gain) loss on marketable securities and investments - net	7,912	(4,486)
(7) Equity in net income of affiliated companies, less dividends received	(290)	199
(8) Changes in assets and liabilities		
Decrease in notes and receivable	4,372	4,358
Increase in inventories	(962)	(1,790)
Increase in return assets	(1,474)	(202)
Decrease (increase) in other current assets	(1,351)	163
Decrease in notes and accounts payable	(2,717)	(2,445)
Increase in refund liability	4,022	268
Increase (decrease) in liability for termination and retirement benefits	(437)	727
Increase in other liabilities	284	1,771
(9) Other	46	353
Net cash provided by operating activities	13,325	13,019
II. Investing activities		
1. Increase in time deposits	(4,327)	(473)
2. Decrease in time deposits	3,079	3,534
3. Proceeds from sales and redemption of equity securities	1,610	10,291
4. Payments to acquire equity securities	(117)	(262)
5. Proceeds from redemption of debt securities	677	326
6. Payments to acquire debt securities	(567)	-
7. Proceeds from sales of property, plant and equipment	265	94
8. Capital expenditures	(1,878)	(2,582)
9. Payments to acquire intangible assets	(2,252)	(2,591)
10. Acquisition of a subsidiary (net of cash acquired)	-	(9,181)
11. Other	33	14
Net cash used in investing activities	(3,477)	(830)
III. Financing activities		
1. Net (decrease) increase in short-term bank loans with original maturities of three months or less	1,205	(4,053)
2. Repayment of long-term debt	(38)	(38)
3. Repurchase of treasury stock	(6,919)	(5,001)
4. Dividends paid on common stock	(4,811)	(4,907)
5. Dividends paid to noncontrolling interests	(191)	(184)
6. Proceeds from stock issuance to noncontrolling interests	-	116
Net cash used in financing activities	(10,754)	(14,067)
IV. Effect of exchange rate changes on cash and cash equivalents	186	(370)
V. Net decrease in cash and cash equivalents	(720)	(2,248)
VI. Cash and cash equivalents, beginning of period	29,487	30,133
VII. Cash and cash equivalents, end of period	28,767	27,885

Additional Cash Flow Information

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)
Cash paid for:		
Interest	11	18
Income taxes	4,708	4,633
Noncash investing activities		
Acquisition of a subsidiary (contingent consideration)	-	4,173
Acquisition of fixed assets by assuming payment obligation	519	521

(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)

Leases

The new accounting guidance related to leases (ASU2016-02, 2018-01, 2018-11) has been adopted starting with the current consolidated fiscal year. This guidance requires an entity to recognize right-to-use assets and lease liabilities on the balance sheet for those leases classified as operating leases under the previous U.S. GAAP with a few exceptions. Our group has adopted the modified retrospective approach, electing to apply the transition requirements at the effective date with a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption, and prior periods were not restated. Our group elected to apply the package of practical expedients permitted under the transition guidance which does not require to reassess whether any expired or existing contracts are leases, lease classification and initial direct costs. Our group also elected to apply the practical expedient not to assess whether existing or expired land easements that were not previously accounted for as leases are leases. As a result of this adoption, operating leases right-of-use assets and operating leases liabilities of 14,550 million yen were recorded in the consolidated balance sheet as of April 1, 2019. In addition, the application of deferred tax accounting resulted in the recording of deferred tax liabilities of 515 million yen and the decreasing of the opening balance of retained earnings as a cumulative-effect adjustment in the same amount. The adoption of this guidance is not expected to have a material impact on our group's cash flows.

(Segment Information)

(i) Operating Segment Information

Previous 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

Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)

	(Millions of Yen)						
	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	85,955	38,110	7,865	12,101	144,031	-	144,031
(2) Intersegment	696	8,444	541	3,970	13,651	(13,651)	-
Total	86,651	46,554	8,406	16,071	157,682	(13,651)	144,031
Operating income	6,982	2,627	168	24	9,801	-	9,801

- (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, 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.
2. Information on assets by operating segment:
Assets attributable to our "Wacoal Business (Overseas)" segment increased by 12,126 million yen from the end of the previous fiscal year as a result of making Intimates Online our consolidated subsidiary during the current consolidated second quarter. Accordingly, assets attributable to our "Wacoal Business (Overseas)" segment as of the end of the current consolidated third quarter were 91,038 million yen.

(ii) Segment Information by Region

Previous 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

Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)

	(Millions of Yen)			
	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	105,188	15,740	23,103	144,031
Distribution ratio	73.0%	10.9%	16.1%	100.0%
Operating income	7,252	1,460	1,089	9,801

- (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, 2018 to December 31, 2018)		Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
Innerwear	Foundation and lingerie	Millions of Yen 111,233	% 75.5	Millions of Yen 111,667	% 77.5	Millions of Yen 434	% 0.4
	Nightwear	6,500	4.4	5,915	4.1	(585)	(9.0)
	Children's underwear	989	0.7	834	0.6	(155)	(15.7)
	Subtotal	118,722	80.6	118,416	82.2	(306)	(0.3)
Outerwear/Sportswear		11,216	7.6	9,970	6.9	(1,246)	(11.1)
Hosiery		1,469	1.0	1,290	0.9	(179)	(12.2)
Other textile goods and related products		7,150	4.9	5,903	4.1	(1,247)	(17.4)
Other		8,690	5.9	8,452	5.9	(238)	(2.7)
Total		147,247	100.0	144,031	100.0	(3,216)	(2.2)