

[Translation]

**Consolidated Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2021
[U.S. GAAP]**

January 29, 2021

Listed Company: Wacoal Holdings Corp.

Stock Exchange: Tokyo

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

Representative: (Position) Representative Director, President and Corporate Officer (Name) Hironobu Yasuhara

For Inquiries: (Position) Corporate Officer, General Manager of Corporate Planning (Name) Hiroaki Miyake

Tel: +81 (075) 682-1010

Scheduled quarterly report submission date: February 12, 2021

Scheduled dividend payment start date: -

Supplementary materials regarding quarterly business results: Yes

Explanatory meeting regarding quarterly business results: Yes (for institutional investors, analysts and the press)

(Amounts less than 1 million yen have been rounded)

1. Third Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – December 31, 2020)

(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, 2020	114,901	(20.2)	3,956	(59.6)	10,873	(30.6)	4,972	(54.9)
Third Quarter ended December 31, 2019	144,031	(2.2)	9,801	(12.3)	15,669	175.8	11,014	153.7

(Note) Quarterly comprehensive income : 3,943 million yen ((61.4%) for the third quarter ended
December 31, 2020
10,212 million yen (186.5 %) for the third quarter ended
December 31, 2019

	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, 2020	79.67	79.34
Third Quarter ended December 31, 2019	171.16	170.49

(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, 2020	314,471	209,672	206,481	65.7	3,308.60
As of the end of Fiscal Year (March 31, 2020)	277,688	209,448	205,371	74.0	3,291.06

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, 2020	–	40.00	–	20.00	60.00
Fiscal Year Ending March 31, 2021	–	20.00	–		
Fiscal Year Ending March 31, 2021 (Estimates)				20.00	40.00

(Note) Revision of estimated dividends announced during the latest quarter: No

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(% indicates increase (decrease) from the previous fiscal year)

	Net Sales		Operating (Loss) Income		Income Before Income Taxes and Equity in Net Income of Affiliated Companies		Net (Loss) Income Attributable to Wacoal Holdings Corp.		Net (Loss) Income Attributable to Wacoal Holdings Corp. Per Share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
Annual	156,000	(16.5)	(1,000)	-	300	(93.1)	(500)	-	(8.01)	

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

Notes

- (1) Changes in significant subsidiaries in the consolidated cumulative third quarter of the current fiscal year (i.e. changes in specified subsidiaries (*tokutei kogaisha*) which involve change in scope of consolidation): None
- (2) Application of simplified accounting methods and specific accounting methods: None
- (3) Changes in accounting principles:
 - (i) Changes due to modifications in accounting standards, etc.: None
 - (ii) Changes other than (i) above: None
- (4) Number of Issued Shares (Common Stock)

	Third Quarter ended December 31, 2020	Fiscal Year ended March 31, 2020
(i) Number of issued shares (including treasury stock) as of the end of:	65,589,042 shares	68,589,042 shares
(ii) Number of shares held as treasury stock as of the end of:	3,181,704 shares	6,186,410 shares
(iii) Average number of shares during consolidated third quarter (third quarter ended December 31):	62,403,898 shares	64,348,678 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. For notes on conditions used for the forecast of business results and cautionary statements regarding forecast of business results, please see “1. Qualitative Information regarding Consolidated Performance during the Third Quarter – (3) Qualitative Information regarding Forecast of Consolidated Business Results” on page 8 of the attached materials.

Table of Contents for Attached Materials

1.	Qualitative Information regarding Consolidated Performance during the Third Quarter -----	2
(1)	Qualitative Information regarding Consolidated Business Results -----	2
(2)	Qualitative Information regarding Consolidated Financial Condition -----	7
(3)	Qualitative Information regarding Forecast of Consolidated Business Results -----	8
2.	Consolidated Quarterly Financial Statements and Accompanying Notes -----	9
(1)	Consolidated Quarterly Balance Sheets -----	9
(2)	Consolidated Quarterly Statements of Income -----	11
(3)	Consolidated Quarterly Statements of Comprehensive Income -----	11
(4)	Consolidated Quarterly Statements of Cash Flows -----	12
(5)	Notes to Consolidated Quarterly Financial Statements -----	13
	(Notes on Going Concern) -----	13
	(Notes on Significant Changes in the Amount of Total Shareholders' Equity) -----	13
	(Segment Information) -----	13
(6)	Status of Sales -----	14

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, 2020

	(Millions of Yen)			
	Previous Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)	Current Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)	Increased/(Decreased) from previous cumulative third quarter	
	Amount	Amount	Amount	%
Net sales	144,031	114,901	(29,130)	(20.2)
Cost of sales	63,915	50,279	(13,636)	(21.3)
Sales profit	80,116	64,622	(15,494)	(19.3)
Selling, general and administrative expenses	70,315	60,666	(9,649)	(13.7)
Operating income	9,801	3,956	(5,845)	(59.6)
Other income	1,382	1,192	(190)	(13.7)
A: Valuation gain on marketable securities and investments – net	4,486	5,725	+1,239	+27.6
Income before income taxes and equity in net income of affiliated companies	15,669	10,873	(4,796)	(30.6)
Net income attributable to Wacoal Holdings Corp.	11,014	4,972	(6,042)	(54.9)
Reference figure: Income before income taxes and equity in net income of affiliated companies not taking into account A	11,183	5,148	(6,035)	(54.0)

The business of our group during the current cumulative third quarter (April 1, 2020 – December 31, 2020) was significantly impacted by the global spread of the coronavirus (the “outbreak”). Although a trend toward recovery is visible as compared to April and May, when stay-at-home measures and temporary closings of physical stores were implemented in many countries and regions, there are significant uncertainties as we continue to face the impact of the spread of the outbreak. Under such circumstances, we continued to move forward with our initiatives to create a management structure that leads to high profitability based on the following policies for regrowth, while keeping the safety and well-being of our customers, employees and partner companies as our first priority.

【Basic Policies】	To prioritize the health and safety of our customers, employees and partner companies
【Short-Term Policies】	To implement cost reduction in response to deterioration in business conditions, and to secure a stable financial foundation
	<ul style="list-style-type: none"> • to reassess our current initiatives and spending plans in all business fields • to strengthen liquidity on hand in preparation for the prolonged impact of the outbreak • to adjust production to avoid having excess inventory resulting from decreased sales
【Mid- and Long-Term Policies】	To conduct thorough inspection and renovation of the value chain – turning point for creating management structure that provides high profitability
	<ul style="list-style-type: none"> • to reassess current cost structure (promote initiatives to reduce fixed costs) • to accelerate initiatives on digital transformation • to review and rebuild customer touchpoints (in response to changes in key sales channels) • to develop products and services that our customers want to buy for their new lifestyle and to strengthen our capability to address new customer service and sale styles

Consolidated sales for the nine months ended December 31, 2020 were 114.90 billion yen, a decrease of 20.2% from such sales for the corresponding period of the previous fiscal year due to stay-at-home efforts and temporary closings of retail stores resulting from the spread of the outbreak, as well as a decrease in the number of customers visiting stores. On the other hand, sales for the current consolidated third quarter (from October to December) were 41.75 billion yen (a decrease of 2.0% from such sales for the corresponding period of the previous fiscal year). Although the impact of the outbreak remained, sales significantly recovered (39.7% decrease for the current consolidated first quarter, and 17.6% decrease for the current consolidated second quarter, respectively from such sales for the corresponding period of the previous fiscal year), as a result of the absence of decreased demand after the consumption tax increase in Japan during the

previous fiscal year, and the growth of our Peach John Business and Intimates Online Inc. (“Intimates Online”), which we acquired during the previous fiscal year.

We recorded an operating income of 3.96 billion yen (a decrease of 59.6% from such operating income for the corresponding period of the previous fiscal year) as a result of our efforts to reduce costs and the use of employment adjustment subsidy and other government assistance in various countries, despite a significant decrease in revenue. Operating income for the current consolidated third quarter significantly increased to 2.68 billion yen (an increase of 775.8% from such operating income for the corresponding period of the previous fiscal year) as a result of improvement in gross profit rate (an increase of 1.0 point), as well as our continued efforts to reduce costs.

Consolidated income before income taxes and equity in net income of affiliated companies was 10.87 billion yen (a decrease of 30.6% from such consolidated income for the corresponding period of the previous fiscal year) as a result of recognition of a valuation gain on marketable securities and investments of 5.73 billion yen, despite an impact of a decrease in operating income.

(Under the U.S. accounting standards that we use, an employment adjustment subsidy is deducted from cost of sales and selling, general and administrative expenses. 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: 106.11 yen (108.67 yen) to the U.S. dollar; 136.24 yen (137.79 yen) to the Sterling pound; and 15.37 yen (15.90 yen) to the Chinese yuan.

(ii) Business Overview of Our Operating Segments

*Since the current consolidated cumulative first quarter, information on Ai Co., Ltd., which had previously been included in our “Wacoal Business (Domestic)” segment, and “Peach John Business” segment, has been included in our “Other” segment following review of certain management classification of performance within our group. In addition, starting from the current consolidated cumulative second quarter, we have changed our “Peach John Business” to be presented as a separate operating segment, which had been included in our “Other” segment, because it satisfied the quantitative criteria during the current consolidated cumulative second quarter. The segment information for the previous consolidated cumulative third quarter has been prepared based on the segments reported for the current consolidated cumulative third quarter.

(Millions of Yen)

	Previous Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Current Cumulative Third Quarter (from April 1, 2020 to December 31, 2020)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Total Net Sales	144,031	100.0	114,901	100.0	(29,130)	(20.2)
Wacoal Business (Domestic)	82,872	57.5	66,935	58.3	(15,937)	(19.2)
Wacoal Business (Overseas)	38,110	26.5	29,848	26.0	(8,262)	(21.7)
Peach John Business	7,865	5.5	8,665	7.5	+800	+10.2
Other	15,184	10.5	9,453	8.2	(5,731)	(37.7)

	Previous Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Current Cumulative Third Quarter (from April 1, 2020 to December 31, 2020)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Operating Income/(Loss)	9,801	6.8	3,956	3.4	(5,845)	(59.6)
Wacoal Business (Domestic)	7,113	8.6	3,008	4.5	(4,105)	(57.7)
Wacoal Business (Overseas)	2,627	6.9	(83)	-	(2,710)	-
Peach John Business	168	2.1	1,614	18.6	+1,446	+860.7
Other	(107)	-	(583)	-	(476)	-

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

(Millions of Yen)

Net Sales	Previous Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Current Cumulative Third Quarter (from April 1, 2020 to December 31, 2020)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Wacoal Corp.	78,749	54.7	62,546	54.4	(16,203)	(20.6)
Wacoal International Corp. (U.S.)	14,241	9.9	12,790	11.1	(1,451)	(10.2)
Wacoal Europe Ltd.	9,875	6.9	7,027	6.1	(2,848)	(28.8)
Wacoal China Co., Ltd.	8,288	5.8	6,502	5.7	(1,786)	(21.5)
Peach John Co., Ltd.	7,865	5.5	8,665	7.5	+800	+10.2
Lecien Corporation	4,363	3.0	3,430	3.0	(933)	(21.4)
Nanasai Co., Ltd.	6,480	4.5	3,949	3.4	(2,531)	(39.1)
Ai Co., Ltd.	3,083	2.1	1,377	1.2	(1,706)	(55.3)

*Sales to external customers only

(Millions of Yen)

Operating Income/(Loss)	Previous Cumulative Third Quarter (from April 1, 2019 to December 31, 2019)		Current Cumulative Third Quarter (from April 1, 2020 to December 31, 2020)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Wacoal Corp.	4,927	6.3	581	0.9	(4,346)	(88.2)
Wacoal International Corp. (U.S.)	479	3.4	(1,051)	-	(1,530)	-
Wacoal Europe Ltd.	750	7.6	212	3.0	(538)	(71.7)
Wacoal China Co., Ltd.	733	8.8	483	7.4	(250)	(34.1)
Peach John Co., Ltd.	168	2.1	1,614	18.6	+1,446	+860.7
Lecien Corporation	(162)	-	149	4.3	+311	-
Nanasai Co., Ltd.	177	2.7	(299)	-	(476)	-
Ai Co., Ltd.	(118)	-	(441)	-	(323)	-

*Sales and operating income/(loss) amounts of major subsidiaries are based on the accounting standards in respective countries

a. Wacoal Business (Domestic)

Sales attributable to our “Wacoal Business (Domestic)” segment were 66.94 billion yen (a decrease of 19.2% as compared to such sales for the corresponding period of the previous fiscal year) due to decreased revenue in the first half from the impact of the spread of the outbreak. Sales for the current consolidated third quarter were 25.90 billion yen (an increase of 3.2% as compared to such sales for the corresponding period of the previous fiscal year) showing a certain sign of recovery. However, our business environment remains difficult due to various factors such as a decrease again in the number of customers visiting physical stores, as the number of coronavirus infections has increased since late November.

While operating income decreased due to decreased revenue, we recorded an operating income of 3.01 billion yen (a decrease of 57.7% from such operating income for the corresponding period of the previous fiscal year) as a result of reduction of costs and the use of an employment adjustment subsidy and other government assistance. Operating income for the current consolidated third quarter was 2.10 billion yen (an increase of 149.7% from such operating income for the corresponding period of the previous fiscal year) as a result of our continued efforts to reduce costs, in addition to the impact of the increased revenue.

Wacoal Corp.:

Sales from Wacoal Corp. decreased by 20.6% as compared to such sales for the corresponding period of the previous fiscal year due to sales from physical stores weakened by a narrower range of activities available to consumers, while our e-commerce website maintained high growth. Sales for the current consolidated third quarter increased by 3.0% as compared to such sales for the corresponding period of the previous fiscal year due to the growth achieved through our e-commerce website and the absence of decreased demand after the consumption tax increase during the previous fiscal year, despite the continued impact of the spread of the outbreak.

Sales from our strategically strengthened e-commerce website increased by 62.7% (an increase of 56.0% for the current consolidated third quarter) as compared to such sales for the corresponding period of the previous fiscal year as a result of strong sales of our products such as “Night Up Bra”, our sleep bra, in response to the demand from consumers affected by stay-at-home measures, as well as the positive impact of expanded sales from marketing activities that led to the acquisition of new customers and redirected our retail store-registered members to our e-commerce website.

On the other hand, although shop sales are showing a sign of recovery, sales from physical stores located in the center of the metropolitan areas remained weak due to large-scale efforts to promote remote work, as well as changes in consumer attitudes and behavior that led to less travel and fewer crowds. While shop sales from department stores and directly-managed stores for the current consolidated third quarter were below such sales for the corresponding period of the previous fiscal year, sales of Wacoal and Wing brand products sold by general merchandise stores in suburbs exceeded such results for the corresponding period of the previous fiscal year as a result of our successful marketing activities, including the Black Friday sale.

We completed the installation of our 3D body scanning and AI (artificial intelligence)-based customer service system at fifteen shops by the end of December 2020. On October 31, we also launched a new customer experience-focused service for selecting innerwear and new counseling service involving creation of a new work style for our store personnel using avatars.

We recorded an operating income of 0.58 billion yen (a decrease of 88.2% as compared to such operating income for the corresponding period of the previous fiscal year). While profit from sales substantially decreased due to a decrease in revenue, we recorded an operating income as a result of improvement in gross profit rate, as well as our efforts to reduce labor costs and expenses. The employment adjustment subsidy of 1.56 billion yen is not included and reflected in this operating income, because it is recognized as non-operating income (which has been reclassified as operating income under the consolidated business results based on the U.S. accounting standards).

b. Wacoal Business (Overseas)

Sales attributable to our “Wacoal Business (Overseas)” segment on a Japanese yen basis were 29.85 billion yen (a decrease of 21.7% as compared to such sales for the corresponding period of the previous fiscal year) due to temporary closings of retail stores across the world following the spread of the outbreak, as well as the appreciation of the Japanese yen (0.67 billion yen). Sales for the current consolidated third quarter were 10.14 billion yen (a decrease of 6.6% as compared to such sales for the corresponding period of the previous fiscal year) due to sales from Wacoal Europe Ltd. weakened by the impact of the spread of the outbreak. We recorded an operating loss of 0.08 billion yen (operating income of 2.63 billion yen for the corresponding period of the previous fiscal year). This operating loss was due to our continued strategic marketing investments to achieve rapid growth of Intimates Online, which we acquired during the previous fiscal year, as well as the impact of decreased revenue, despite our efforts to reduce costs and by using government assistance provided by governments across the world. We recorded an operating income of 0.20 billion yen for the current consolidated third quarter (operating loss of 0.40 billion yen for the corresponding period of the previous fiscal year) as a result of a decrease in operating loss recorded at Wacoal International Corp. (U.S.).

Wacoal International Corp. (U.S.):

Sales from Wacoal International Corp. (U.S.) on a local currency basis decreased by 8.0% (a decrease of 10.2% on a Japanese yen basis) as compared to such sales for the corresponding period of the previous fiscal year. Sales for the current consolidated third quarter increased by 10.9% (an increase of 6.6% on a Japanese yen basis) as compared to such sales for the corresponding period of the previous fiscal year due to an increase of 61.8% in sales recorded at Intimates Online, which we acquired during the previous fiscal year, as well as an increase of 4.5% in sales recorded at Wacoal America Inc., which distributes “Wacoal” and “b.tempt’d” brand products, from growth achieved through e-commerce sales.

The sales from the e-commerce business of Wacoal America Inc. maintained high growth, achieving an increase of 57.1% (an increase of 45.6% for the current consolidated third quarter) from such sales for the corresponding period of the previous fiscal year. Sales from third-party e-commerce websites were also strong. Sales from physical stores (department stores), however, were weak due to the impact of our clients’ expense control efforts over purchases, in addition to the temporary closings following the implementation of lockdown measures and a delay in recovery after the lifting of such measures. Intimates Online maintained high growth, which reflected our successful advertising investments.

We recorded an operating loss of 9.9 million dollars on a local currency basis (1.05 billion yen on a Japanese yen basis) (operating income of 4.4 million dollars (0.48 billion yen on a Japanese yen basis) for the corresponding period of the previous fiscal year) due to our continued strategic growth investments in our LIVELY brand distributed by Intimates

Online, as well as the impact of the decreased revenue, despite our efforts to reduce costs and the use of government assistance. Operating loss for the current consolidated third quarter was 1.4 million dollars (0.14 billion yen on a Japanese yen basis), significantly improving from the corresponding period of the previous fiscal year (an operating loss of 6.1 million dollars (0.67 billion yen on a Japanese yen basis)).

Wacoal Europe Ltd.:

Sales from Wacoal Europe Ltd. on a local currency basis decreased by 28.0% (a decrease of 28.8% on a Japanese yen basis) as compared to such sales for the corresponding period of the previous fiscal year. Sales for the current consolidated third quarter decreased by 14.2% (a decrease of 15.7% on a Japanese yen basis) as compared to such sales for the corresponding period of the previous fiscal year due to the significant impact of the lockdown measures implemented again in the United Kingdom and major counties in Europe, even though sales on a monthly basis for certain months exceeded the results for the corresponding months of the previous year in some counties or regions due to a temporary increase in delivery targeting Christmas sales. Sales for the current consolidated third quarter in the United Kingdom, Europe and North America decreased by 9.1%, 24.9% and 17.8%, respectively. Sales from our e-commerce business, which we launched in the previous fiscal year, exceeded our plan.

Although operating income on a local currency basis significantly decreased by 71.3% (a decrease of 71.7% on a Japanese yen basis) due to the impact of decreased revenue, we were able to record profit as a result of our efforts to reduce costs and use of government assistance.

Wacoal China Co., Ltd.:

Sales from Wacoal China Co., Ltd. on a local currency basis decreased by 18.8% (a decrease of 21.5% on a Japanese yen basis) as compared to such sales for the corresponding period of the previous fiscal year. Although we achieved strong sales from our “Wacoal” brand products at physical stores and our website, sales for the current consolidated third quarter (from July to September) decreased by 1.0% (an increase of 0.5% on a Japanese yen basis) from such sales for the corresponding period of the previous fiscal year as a result of weak sales from our “Peach John” brand products in China.

Although operating income on a local currency basis decreased by 31.9% (a decrease of 34.1% on a Japanese yen basis) due to the impact of decreased sales, we recorded profit as a result of our efforts to reduce costs and positive effect of government assistance.

c. Peach John Business

Sales attributable to our “Peach John Business” segment were 8.67 billion yen (an increase of 10.2% as compared to such sales for the corresponding period of the previous fiscal year) as a result of our successful marketing activities based on new product planning that met our consumer needs and promotions that trended on SNS and elsewhere online, as well as our success in maintaining high growth in sales from our e-commerce website. Sales for the current consolidated third quarter in Japan increased by 42.6% as compared to such sales for the corresponding period of the previous fiscal year due to a significant increase in the number of new customers, and sales from our physical stores increased by 6.0% as compared to such sales for the corresponding period of the previous fiscal year as a result of an improved purchase rate of customers visiting our shops.

We recorded an operating income of 1.61 billion yen, a significant increase from the corresponding period of the previous fiscal year (0.17 billion yen). This profit was attributable to the positive impact of the increased revenue, the impact of improved gross profit rate from increased e-commerce sales through our website as a percentage of total sales and a lower percentage of sales subject to discounts, as well as from rent concessions by the landlords of our offices following temporary closings of physical stores.

d. Other

Overall sales attributable to our “Other” business segment were 9.45 billion yen (a decrease of 37.7% as compared to such sales for the corresponding period of the previous fiscal year), while we recorded an operating loss of 0.58 billion yen (operating loss of 0.11 billion yen for the corresponding period of the previous fiscal year).

Lecien Corporation:

Sales from Lecien Corporation decreased by 21.4% as compared to such sales for the corresponding period of the previous fiscal year due to the weak sales of our private products sold by general merchandise stores and specialty stores, which were impacted by our clients’ expense control efforts over purchases. We recorded an operating income of 0.15 billion yen (as compared to operating loss of 0.16 billion yen for the corresponding period of the previous fiscal year) due

to our efforts to withdraw from underperforming businesses in the fourth quarter of the previous fiscal year and to reduce costs.

Nanasai Co., Ltd.:

Sales from Nanasai Co., Ltd. decreased by 39.1% as compared to such sales for the corresponding period of the previous fiscal year due to our construction business weakened by the cancellation and postponement of new shop openings and various events following the spread of the outbreak. We recorded an operating loss of 0.30 billion yen (as compared to operating income of 0.18 billion yen for the corresponding period of the previous fiscal year) due to decreased revenue, despite our efforts to reduce costs.

Ai Co., Ltd.:

Sales from Ai Co., Ltd. decreased by 55.3% as compared to such sales for the corresponding period of the previous fiscal year due to sales of our resort wear (swimwear) weakened by less travel by people and beach closures following the spread of the outbreak. We recorded an operating loss of 0.44 billion yen (as compared to operating loss of 0.12 billion yen for the corresponding period of the previous fiscal year) due to a significant decrease in revenue, despite our efforts to reduce costs.

(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 314,471 million yen, an increase of 36,783 million yen from the end of the previous fiscal year, mainly due to an increase in cash and cash equivalents in effort to ensure liquidity on hand.

Our total liabilities were 104,799 million yen, an increase of 36,559 million yen from the end of the previous fiscal year, mainly due to increases in short-term bank loans for reasons similar to those discussed with respect to assets.

Total Wacoal Holdings Corp. shareholders' equity was 206,481 million yen, an increase of 1,110 million yen from the end of the previous fiscal year, due to recognition of net income and changes 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 65.7%, a decrease of 8.3% 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 62,425 million yen, an increase of 34,520 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 2,734 million yen, a decrease of 10,285 million yen as compared to the corresponding period of the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of 4,816 million yen plus adjustments for depreciation expenses and deferred taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 2,718 million yen, an increase of 1,888 million yen as compared to the corresponding period of the previous fiscal year, due to capital expenditures and payments to acquire intangible assets.

(Cash Flow Provided by Financing Activities)

Cash flow provided by financing activities was 34,754 million yen, as compared to cash outflow of 14,067 million yen for the corresponding period of the previous fiscal year, due to procurement of short-term bank loans and long-term debts, despite cash outflow including payments made for dividends as well as payments made to acquire interests in subsidiaries from holders of noncontrolling interests and contingent consideration.

(3) Qualitative Information regarding Forecast of Consolidated Business Results

Although we have not revised our forecast of consolidated business results for the fiscal year ending March 31, 2021, which were previously announced on October 30, 2020, significant uncertainties remain, as the impact of the spread of the outbreak prolongs. We will disclose our revised forecast promptly if we determine that the current forecast needs to be revised. (The impact of the change in the valuation loss or gain on marketable securities and investments to our business results is not reflected in the forecast.)

2. Consolidated Quarterly Financial Statements and Accompanying Notes

(1) Consolidated Quarterly Balance Sheets

Accounts	Previous Fiscal Year as of March 31, 2020	Current Consolidated Third Quarter as of December 31, 2020	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	27,905	62,425	34,520
Time deposits	797	1,336	539
Marketable securities	656	520	(136)
Notes and accounts receivable	20,062	19,311	(751)
Allowance for doubtful receivables	(489)	(449)	40
Inventories	43,427	42,178	(1,249)
Return assets	868	792	(76)
Other current assets	4,964	7,383	2,419
Total current assets	98,190	133,496	35,306
II. Property, plant and equipment:			
Land	21,460	20,793	(667)
Buildings and structures	74,039	73,707	(332)
Machinery and equipment	18,782	18,923	141
Construction in progress	<u>1,090</u>	<u>1,224</u>	<u>134</u>
	115,371	114,647	(724)
Accumulated depreciation	(63,288)	(64,065)	(777)
Net property, plant and equipment	52,083	50,582	(1,501)
III. Other assets:			
Operating leases right-of-use assets	13,540	11,998	(1,542)
Investments in affiliated companies	21,595	20,744	(851)
Investments	43,904	48,361	4,457
Goodwill	22,371	22,330	(41)
Other intangible assets	14,547	14,586	39
Prepaid pension expense	4,974	5,368	394
Deferred income taxes	1,118	1,436	318
Other	5,366	5,570	204
Total other assets	127,415	130,393	2,978
Total assets	277,688	314,471	36,783

Accounts	Previous Fiscal Year as of March 31, 2020	Current Consolidated Third Quarter as of December 31, 2020	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	3,364	41,575	38,211
Notes and accounts payable:			
Trade notes payable	1,112	905	(207)
Trade accounts payable	9,588	7,791	(1,797)
Other payables	<u>7,107</u>	<u>5,487</u>	<u>(1,620)</u>
	17,807	14,183	(3,624)
Accrued payroll and bonuses	6,734	5,471	(1,263)
Income taxes payable	4,878	3,888	(990)
Refund liability	2,645	2,912	267
Short-term operating lease liabilities	4,600	4,182	(418)
Contingent consideration (short-term)	-	1,035	1,035
Other current liabilities	4,079	6,636	2,557
Total current liabilities	44,107	79,882	35,775
II. Long-term liabilities:			
Long-term debt	35	1,419	1,384
Liability for termination and retirement benefits	2,069	2,052	(17)
Deferred income taxes	7,911	9,600	1,689
Long-term operating lease liabilities	9,101	7,999	(1,102)
Contingent consideration(long-term)	2,786	1,615	(1,171)
Other long-term liabilities	2,231	2,232	1
Total long-term liabilities	24,133	24,917	784
Total liabilities	68,240	104,799	36,559
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,836	29,136	(700)
III. Retained earnings	185,233	179,302	(5,931)
IV. Accumulated other comprehensive loss:			
Foreign currency translation adjustments	(1,033)	(2,180)	(1,147)
Pension liability adjustments	(4,594)	(4,124)	470
V. Treasury stock, at cost	(17,331)	(8,913)	8,418
Total Wacoal Holdings Corp. shareholders' equity	205,371	206,481	1,110
VI. Noncontrolling interests	4,077	3,191	(886)
Total equity	209,448	209,672	224
Total liabilities and equity	277,688	314,471	36,783

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)		Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	144,031	100.0	114,901	100.0	(29,130)
II. Operating costs and expenses:					
Cost of sales	63,915	44.4	50,279	43.8	(13,636)
Selling, general and administrative expenses	70,315	48.8	60,666	52.8	(9,649)
Total operating costs and expenses	134,230	93.2	110,945	96.6	(23,285)
Operating income	9,801	6.8	3,956	3.4	(5,845)
III. Other income (expenses):					
Interest income	167		52		(115)
Interest expense	(17)		(56)		(39)
Dividend income	1,452		1,078		(374)
Valuation gain on marketable securities and investments – net	4,486		5,725		1,239
Other – net	(220)		118		338
Total other income	5,868	4.1	6,917	6.1	1,049
Income before income taxes and equity in net income of affiliated companies	15,669	10.9	10,873	9.5	(4,796)
Income taxes	4,887	3.4	6,506	5.7	1,619
Income before equity in net income of affiliated companies	10,782	7.5	4,367	3.8	(6,415)
Equity in net income of affiliated companies	342	0.2	449	0.4	107
Net income	11,124	7.7	4,816	4.2	(6,308)
Net loss (income) attributable to noncontrolling interests	(110)	(0.1)	156	0.1	266
Net income attributable to Wacoal Holdings Corp.	11,014	7.6	4,972	4.3	(6,042)

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)	Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	11,124	4,816	(6,308)
II. Other comprehensive income (loss) – net of tax:			
Foreign currency translation adjustments	(1,529)	(1,343)	186
Pension liability adjustments	617	470	(147)
Other comprehensive income (loss)	(912)	(873)	39
Comprehensive income	10,212	3,943	(6,269)
Comprehensive loss (income) attributable to noncontrolling interests	(142)	352	494
Comprehensive income attributable to Wacoal Holdings Corp.	10,070	4,295	(5,775)

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)	Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	11,124	4,816
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	4,409	4,558
(2) Allowance for doubtful receivables - net	26	(12)
(3) Deferred income taxes	(1,505)	1,211
(4) (Gain) loss on sales or disposal of property, plant and equipment - net	49	(361)
(5) Impairment charges on property, plant and equipment	-	625
(6) Valuation gain on marketable securities and investments - net	(4,486)	(5,725)
(7) Equity in net income of affiliated companies, less dividends received	199	96
(8) Changes in assets and liabilities		
Decrease in notes and receivable	4,358	647
Decrease(increase) in inventories	(1,790)	1,115
Decrease(increase) in return assets	(202)	76
(Increase)decrease in other current assets	163	(2,444)
Decrease in notes and accounts payable	(2,445)	(2,700)
Increase in refund liability	268	267
Increase in liability for termination and retirement benefits	727	276
Increase in other liabilities	1,771	299
(9) Other	353	(10)
Net cash provided by operating activities	13,019	2,734
II. Investing activities		
1. Increase in time deposits	(473)	(857)
2. Decrease in time deposits	3,534	291
3. Proceeds from sales and redemption of equity securities	10,291	940
4. Payments to acquire equity securities	(262)	(6)
5. Proceeds from redemption of debt securities	326	424
6. Proceeds from sales of property, plant and equipment	94	646
7. Capital expenditures	(2,582)	(1,699)
8. Payments to acquire intangible assets	(2,591)	(2,169)
9. Payments for loans	-	(315)
10. Acquisition of new subsidiaries (net of cash acquired)	(9,181)	-
11. Other	14	27
Net cash used in investing activities	(830)	(2,718)
III. Financing activities		
1. Net increase (decrease) in short-term bank loans with original maturities of three months or less	(4,053)	17,747
2. Procurement of short-term loan (over 3 months)	-	20,424
3. Procurement of long-term debt	-	1,447
4. Repayment of long-term debt	(38)	(35)
5. Repurchase of treasury stock	(5,001)	(1)
6. Dividends paid on common stock	(4,907)	(2,496)
7. Dividends paid to noncontrolling interests	(184)	(81)
8. Proceeds from stock issuance to noncontrolling interests	116	-
9. Payments to acquire interests in subsidiaries from noncontrolling interests	-	(1,190)
10. Contingent consideration payment	-	(1,061)
Net cash provided by (used in) financing activities	(14,067)	34,754
IV. Effect of exchange rate changes on cash and cash equivalents	(370)	(250)
V. Net increase (decrease) in cash and cash equivalents	(2,248)	34,520
VI. Cash and cash equivalents, beginning of period	30,133	27,905
VII. Cash and cash equivalents, end of period	27,885	62,425

Additional Cash Flow Information

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)	Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)
Cash paid for:		
Interest	18	46
Income taxes	4,633	8,417
Noncash investing activities		
Acquisition of new subsidiaries (contingent consideration)	4,173	-
Acquisition of fixed assets by assuming payment obligation	521	1,088

(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.

(Segment Information)

(i) Operating Segment Information

Previous 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	82,872	38,110	7,865	15,184	144,031	-	144,031
(2) Intersegment	901	8,444	541	3,877	13,763	(13,763)	-
Total	83,773	46,554	8,406	19,061	157,794	(13,763)	144,031
Operating income (loss)	7,113	2,627	168	(107)	9,801	-	9,801

Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	66,935	29,848	8,665	9,453	114,901	-	114,901
(2) Intersegment	590	6,990	456	2,886	10,922	(10,922)	-
Total	67,525	36,838	9,121	12,339	125,823	(10,922)	114,901
Operating income (loss)	3,008	(83)	1,614	(583)	3,956	-	3,956

(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, sportswear, other textile-related products, mannequins, construction of stores and interior design, etc.

2. Matters regarding Changes to Operating Segments:

Starting from the current consolidated first quarter, information on Ai Co., Ltd., which was previously presented in our "Wacoal Business (Domestic)" segment and "Peach John Business" segment, is now reflected and presented in our "Other" segment

following review of certain management classification of performance within our group.

As a result of our assessment on quantitative criteria, “Peach John Business”, which had been previously presented in our “Other” segment, has satisfied the criteria and accordingly has been presented as a separate operating segment from the current consolidated second quarter. The segment information for the previous consolidated cumulative third quarter has been prepared based on the segments reported after this change.

3. Information on Assets by Operating Segment:

Assets attributable to our “Wacoal Business (Domestic)” segment increased by 42,458 million yen from the end of the previous fiscal year as a result of loans borrowed during the current consolidated third quarter. Accordingly, assets attributable to our “Wacoal Business (Domestic)” segment as of the end of the current consolidated third quarter were 279,852 million yen.

(ii) Segment Information by Region

Previous 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

Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	84,380	11,412	19,109	114,901
Distribution ratio	73.5%	9.9%	16.6%	100.0%
Operating income (loss)	4,076	515	(635)	3,956

- (Note)
1. Countries or areas are classified according to geographical proximity.
 2. Main countries and areas belonging to classifications other than Japan:
Asia/Oceania: Asian countries 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, 2019 to December 31, 2019)		Current Consolidated Cumulative Third Quarter (From April 1, 2020 to December 31, 2020)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
Innerwear	Foundation and lingerie	111,667	77.5	92,499	80.5	(19,168)	(17.2)
	Nightwear	5,915	4.1	5,155	4.5	(760)	(12.8)
	Children's underwear	834	0.6	574	0.5	(260)	(31.2)
	Subtotal	118,416	82.2	98,228	85.5	(20,188)	(17.0)
Outerwear/Sportswear		9,970	6.9	6,694	5.8	(3,276)	(32.9)
Hosiery		1,290	0.9	774	0.7	(516)	(40.0)
Other textile goods and related products		5,903	4.1	4,104	3.6	(1,799)	(30.5)
Other		8,452	5.9	5,101	4.4	(3,351)	(39.6)
Total		144,031	100.0	114,901	100.0	(29,130)	(20.2)