

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021 (U.S. Accounting Standards)
[Translation]

May 14, 2021

Listed Company: Wacoal Holdings Corp.

Stock Exchanges: Tokyo (1st section)

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

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

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Scheduled date of Ordinary Shareholders' Meeting: June 29, 2021 Scheduled Commencement Date of Dividend Payment: June 4, 2021

Scheduled date of Annual Securities Report Filing: June 29, 2021

Supplementary materials regarding Annual Business Results: Yes

Explanatory meeting regarding Annual Business Results: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021 | 152,204 (18.5) | (1,115) - | 10,792 147.6 | 7,025 102.3 |
| Fiscal Year Ended March 31, 2020 | 186,760 (3.8) | 6,632 35.9 | 4,359 97.9 | 3,472 918.2 |

(Note) Comprehensive income: Fiscal Year ended March 31, 2021: 13,043 million yen (757.5%)

Fiscal Year ended March 31, 2020: 1,521 million yen (- %)

| | 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, 2021 | 112.57 | 112.09 | 3.3 | 3.6 | (0.7) |
| Fiscal Year Ended March 31, 2020 | 54.26 | 54.05 | 1.6 | 1.6 | 3.6 |

(Reference) Equity in net income of affiliated companies:

Fiscal Year ended March 31, 2021: 93 million yen

Fiscal Year ended March 31, 2020: 62 million yen

(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, 2021 | 322,761 | 218,616 | 215,612 | 66.8 | 3,454.18 |
| Fiscal Year Ended March 31, 2020 | 277,688 | 209,448 | 205,371 | 74.0 | 3,291.06 |

(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, 2021 | 4,260 | (2,562) | 33,605 | 63,557 |
| Fiscal Year Ended March 31, 2020 | 13,325 | 2,569 | (17,471) | 27,905 |

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, 2020 | - | 40.00 | - | 20.00 | 60.00 | 3,808 | 110.6 | 1.8 |
| Fiscal Year Ended March 31, 2021 | - | 20.00 | - | 20.00 | 40.00 | 2,496 | 35.5 | 1.2 |
| Fiscal Year Ending March 31, 2022 (Estimates) | - | 20.00 | - | 30.00 | 50.00 | | 56.7 | |

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(% 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 % 184,000 20.9 | Millions of Yen % 6,000 - | Millions of Yen % 7,900 (26.8) | Millions of Yen % 5,500 (21.7) | Yen 88.11 |

*Notes

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2021 (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 20.

- (2) Changes in Accounting Principles:

(i) Changes due to modifications in accounting standards, etc.: None

(ii) Changes other than (i) above: None

- (3) Number of Issued Shares (Common Stock)

| | Fiscal Year Ended March 31, 2021 | Fiscal Year Ended March 31, 2020 |
|--|-------------------------------------|-------------------------------------|
| (i) Number of issued shares (including treasury stock) as of period-end: | 65,589,042 shares | 68,589,042 shares |
| (ii) Number of shares held as treasury stock as of period-end: | 3,168,353 shares | 6,186,410 shares |
| (iii) Average number of shares during the period: | 62,406,826 shares | 63,989,561 shares |

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

- (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, 2021 | 16,429 | 23.1 | 12,749 | 36.0 | 12,048 | 32.2 | 11,544 | 31.7 |
| Fiscal Year Ended March 31, 2020 | 13,346 | (15.1) | 9,371 | (20.5) | 9,111 | (19.0) | 8,762 | 46.8 |

| | Net Income Per Share | Diluted Net Income Per Share |
|----------------------------------|-------------------------|---------------------------------|
| | Yen | Yen |
| Fiscal Year Ended March 31, 2021 | 184.98 | 184.16 |
| Fiscal Year Ended March 31, 2020 | 136.93 | 136.39 |

- (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, 2021 | 191,737 | 140,106 | 72.8 | 2,235.07 |
| Fiscal Year Ended March 31, 2020 | 156,000 | 130,996 | 83.6 | 2,090.11 |

(Reference) Equity Capital: As of the end of the fiscal year ended March 31, 2021: 139,514 million yen

As of the end of the fiscal year ended March 31, 2020: 130,428 million yen

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

* 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 details, please see “1. Business Results - (1) Business Results for Fiscal Year 2021 - (ii) Business Forecast for Next Fiscal Year” on page 11.

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Qualitative Information and Financial Statements

1. Business Results

(1) Business Results for Fiscal Year 2021

(i) Results for the Fiscal Year Ended March 31, 2021

(Millions of Yen)

| | Previous Fiscal Year (ended March 2020) | Current Fiscal Year (ended March 2021) | Increased/(Decreased) from previous fiscal year | |
|--|--|---|--|---------------|
| | Amount | Amount | Amount | % |
| Net sales | 186,760 | 152,204 | (34,556) | (18.5) |
| Cost of sales | 84,959 | 67,798 | (17,161) | (20.2) |
| Sales profit | 101,801 | 84,406 | (17,395) | (17.1) |
| Selling, general and administrative expenses | 94,696 | 82,836 | (11,860) | (12.5) |
| Impairment charges on goodwill and other intangible assets (A) | 473 | 2,685 | +2,212 | +467.7 |
| Operating (loss) income | 6,632 | (1,115) | (7,747) | - |
| Other income | 1,487 | 1,517 | +30 | +2.0 |
| Valuation gain (loss) on marketable securities and investments – net (B) | (3,760) | 10,390 | +14,150 | - |
| Income before income taxes and equity in net income of affiliated companies | 4,359 | 10,792 | +6,433 | +147.6 |
| Net income attributable to Wacoal Holdings Corp. | 3,472 | 7,025 | +3,553 | +102.3 |
| Reference figure (i): Operating income not taking into account A | 7,105 | 1,570 | (5,535) | (77.9) |
| Reference figure (ii): Income before income taxes and equity in net income of affiliated companies not taking into account A and B | 8,592 | 3,087 | (5,505) | (64.1) |

The business environment surrounding our group during the current fiscal year (from April 1, 2020 to March 31, 2021) has continued to remain difficult due to stagnation of economic activities resulting from the global coronavirus pandemic (the “pandemic”). While vaccination has started in many countries and regions and we see progress toward the end of the pandemic, we must remain vigilant of the impact of the pandemic spreading further especially in Japan, and the future remains uncertain.

Under such circumstances, we have moved forward with our initiatives to create a management structure that leads to high profitability based on the following policies for regrowth, while conducting business activities by prioritizing the safety and well-being of our customers, employees and partner companies.

| | |
|-----------------------------|--|
| Basic Policies: | To prioritize the health and well-being 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 • to strengthen liquidity on hand in preparation for the prolonged impact of the pandemic • 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 current fiscal year were 152.20 billion yen, a decrease of 18.5% from such sales for the previous fiscal year. Revenue significantly decreased due to the impact of temporary closings or shortened business hours of retail stores due to stay home measures, as well as a decrease in the number of customers visiting stores in the metropolitan areas, despite growth in e-commerce sales in various countries in response to higher demand from consumers staying home.

Our efforts to reduce costs at our operating companies, as well as our use of an employment adjustment subsidy and other government assistance in various countries were not enough to offset the impairment charges recorded on goodwill related to Wacoal Europe Ltd. (“Wacoal Europe”) and fixed assets at other group companies due to the impact of the pandemic, and as a result, we recorded a consolidated operating loss of 1.12 billion yen (consolidated operating income of 6.63 billion yen for the previous fiscal year).

Wacoal Europe has continued to show stable growth since our acquisition in 2012 by developing high value-added products and implementing marketing activities that are tailored to the characteristics of each country where we do business or operate distribution channels. However, in light of the impact of the pandemic in the United Kingdom and Europe, we reassessed the fair value of goodwill based on our outlook of our business, and recorded the impairment charges of 2.67 billion yen. As a result, the residual value of goodwill with respect to Wacoal Europe was 9.40 billion yen (61.7 million pound) based on the exchange rate as of the end of current fiscal year.

Consolidated income before income taxes and equity in net income was 10.79 billion yen (an increase of 147.6% from such consolidated income for the previous fiscal year). This significant increase was due to the recognition of a valuation gain on marketable securities and investments (net) of 10.39 billion yen.

As a result of the above, net income attributable to Wacoal Holdings Corp. and the ratio of net income attributable to Wacoal Holdings Corp. to shareholders’ equity for the current fiscal year were 7.03 billion yen (an increase of 102.3% from such net income for the previous fiscal year) and 3.3%, respectively. The exchange rates used for the current fiscal year (previous fiscal year) were: 106.06 yen (108.74 yen) to the U.S. dollar; 138.68 yen (138.24 yen) to the Sterling pound; and 15.48 yen (15.78 yen) to the Chinese yuan.

(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 Wacoal Holdings Corp. and consolidated subsidiaries are measured at fair value, and any change from the beginning of the period are recognized as valuation loss/gain on marketable securities and investments – net under other income/expenses.)

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 reporting segment, which had been included in our “Other” segment, because it satisfied the relevant quantitative criteria. The segment information for the previous fiscal year has been prepared based on the segments reported for the current fiscal year.

(Millions of Yen)

| | Previous Fiscal Year (ended March 31, 2020) | | Current Fiscal Year (ended March 31, 2021) | | Increased/(Decreased) from previous year | |
|----------------------------|--|---------------------------|---|---------------------------|---|--------|
| | Amount | Distribution Ratio (%) | Amount | Distribution Ratio (%) | Amount | % |
| Total Net Sales | 186,760 | 100.0 | 152,204 | 100.0 | (34,556) | (18.5) |
| Wacoal Business (Domestic) | 106,112 | 56.8 | 86,133 | 56.6 | (19,979) | (18.8) |
| Wacoal Business (Overseas) | 49,808 | 26.7 | 41,355 | 27.2 | (8,453) | (17.0) |
| Peach John Business | 11,224 | 6.0 | 12,200 | 8.0 | +976 | +8.7 |
| Other | 19,616 | 10.5 | 12,516 | 8.2 | (7,100) | (36.2) |

(Millions of Yen)

| | Previous Fiscal Year (ended March 31, 2020) | | Current Fiscal Year (ended March 31, 2021) | | Increased/(Decreased) from previous fiscal year | |
|----------------------------|--|------------|---|------------|--|--------|
| | Amount | % to Sales | Amount | % to Sales | Amount | % |
| Operating Income/(Loss) | 6,632 | 3.6 | (1,115) | - | (7,747) | - |
| Wacoal Business (Domestic) | 6,083 | 5.7 | 627 | 0.7 | (5,456) | (89.7) |
| Wacoal Business (Overseas) | 1,493 | 3.0 | (2,603) | - | (4,096) | - |
| Peach John Business | (351) | - | 1,591 | 13.0 | +1,942 | - |
| Other | (593) | - | (730) | - | (137) | - |

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

(Millions of Yen)

| Net Sales | Previous Fiscal Year (ended March 31, 2020) | | Current Fiscal Year (ended March 31, 2021) | | Increased/(Decreased) from previous fiscal year | |
|-------------------------------------|--|---------------------------|---|---------------------------|--|--------|
| | Amount | Distribution Ratio (%) | Amount | Distribution Ratio (%) | Amount | % |
| Wacoal Corp. | 99,224 | 53.1 | 79,877 | 52.5 | (19,347) | (19.5) |
| Wacoal International Corp. (U.S) | 19,194 | 10.3 | 17,649 | 11.6 | (1,545) | (8.0) |
| Wacoal Europe Ltd. | 12,988 | 7.0 | 9,896 | 6.5 | (3,092) | (23.8) |
| Wacoal China Co., Ltd. | 10,337 | 5.5 | 8,755 | 5.8 | (1,582) | (15.3) |
| Peach John Co., Ltd. | 11,224 | 6.0 | 12,200 | 8.0 | +976 | +8.7 |
| Lecien Corporation | 5,760 | 3.1 | 4,614 | 3.0 | (1,146) | (19.9) |
| Nanasai Co., Ltd. | 8,717 | 4.7 | 5,312 | 3.5 | (3,405) | (39.1) |

*Sales to external customers only

(Millions of Yen)

| Operating Income/(Loss) | Previous Fiscal Year (ended March 31, 2020) | | Current Fiscal Year (ended March 31, 2021) | | Increased/(Decreased) from previous fiscal year | |
|--------------------------------------|--|------------|---|------------|--|--------|
| | Amount | % to Sales | Amount | % to Sales | Amount | % |
| Wacoal Corp. | 3,140 | 3.2 | (2,022) | - | (5,162) | - |
| Wacoal International Corp. (U.S.) | 401 | 2.1 | (914) | - | (1,315) | - |
| Wacoal Europe Ltd. | 1,007 | 7.8 | 666 | 6.7 | (341) | (33.9) |
| Wacoal China Co., Ltd. | 923 | 8.9 | 625 | 7.1 | (298) | (32.3) |
| Peach John Co., Ltd. | (351) | - | 1,591 | 13.0 | +1,942 | - |
| Lecien Corporation | (478) | - | 221 | 4.8 | +699 | - |
| Nanasai Co., Ltd. | 218 | 2.5 | (358) | - | (576) | - |

*Net sales and operating income/(loss) for the major subsidiaries above are based on the accounting standards of the respective countries.

a. Wacoal Business (Domestic)

Sales attributable to our “Wacoal Business (Domestic)” segment were 86.13 billion yen (a decrease of 18.8% from such sales for the previous fiscal year) and operating income was 0.63 billion yen (a decrease of 89.7% from such operating income for the previous fiscal year). Despite a significant decrease in profit due to the impact of decreased revenue, we recorded an operating income as a result of our efforts to reduce costs and our use of an employment adjustment subsidy and other government assistance.

Wacoal Corp.:

Sales from Wacoal Corp. decreased by 19.5% as compared to such sales for the previous fiscal year as a result of weak sales from physical stores over the year due to the impact of the pandemic, while our e-commerce website maintained high growth. Sales for the first half of the current fiscal year (from April to September) decreased by 30.6% as compared to such sales for the corresponding period of the previous fiscal year due to the absence of increased demand before the consumption tax increase during the previous fiscal year, in addition to the impact of temporary closings of physical stores and stay-at-home measures implemented during a state of emergency. Although sales recovered during the current consolidated third quarter, sales for the second half of the current fiscal year (from October to March) also decreased by 5.5% as compared to the corresponding period of the previous fiscal year due to consumers staying home during another state of emergency declared in the current consolidated fourth quarter.

While sales from general merchandise stores in the suburbs were strong, sales from physical stores located in the center of the metropolitan areas including outlet malls or other large-scale commercial facilities were stagnant due to a decrease in the number of customers visiting our retail stores in efforts to promote remote work, as well as changes in consumer attitudes and behavior that led to less travel and fewer crowds.

Sales from our strategically strengthened e-commerce website significantly increased since the previous fiscal year (an increase of 55.2% as compared to such sales for the previous fiscal year) as a result of additional acquisition of new customers making purchases from home, online-to-offline marketing initiatives such as redirecting our retail store-registered members to our e-commerce website, as well as the positive impact of expanded sales from existing customers whose purchase rate increased due to our marketing utilizing automation involving distribution of content tailored to each customers. Our virtual one-on-one consultation by our store personnel also significantly contributed to the acquisition of new customers in a new life style.

In efforts to improving CX (customer experience), we promoted the installation of our 3D body scanning and AI (artificial intelligence)-based customer service system and are providing such service at sixteen shops as of March 31, 2021 (addition of ten shops since the end of the previous fiscal year). We are piloting an avatar counseling system, which we are developing to introduce an online customer service by our store personnel during the current fiscal year, and are addressing issues toward commercialization.

Our efforts to reduce costs were not enough to offset the impact of the decreased revenue and as a result, we recorded an operating loss of 2.02 billion yen (operating income of 3.14 billion yen for the previous fiscal year). An employment adjustment subsidy of 2.00 billion yen is not included and reflected in such operating loss, because it is recognized as non-operating income (which has been reclassified as operating loss under the consolidated business results and segment information of Wacoal Business (Domestic) 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 41.36 billion yen (a decrease of 17.0% from such sales for the previous fiscal year) due to temporary closing of physical stores and stay-at-home efforts resulting from the spread of the pandemic, as well as the impact of the appreciation of the Japanese yen (0.72 billion yen). Sales of our Peach John brand products sold in China, which were previously recorded under this “Wacoal Business (Overseas)” segment, are now recorded under our “Peach John Business” segment starting with the current fiscal year, and the business result for the previous fiscal year has been revised retroactively (the effect

following such change (and one of the factors decreasing sales) is approximately 0.51 billion yen for the current fiscal year (approximately 0.74 billion yen for the previous fiscal year)).

We recorded an operating loss of 2.60 billion yen (operating income of 1.49 billion yen for the previous fiscal year). This operating loss was due to our continued strategic marketing investments to achieve rapid growth of Intimates Online Inc. (“Intimates Online”), which we acquired during the previous fiscal year, as well as the recognition of impairment charges on goodwill with respect to Wacoal Europe, in addition to the impact of decreased revenue, despite our efforts to reduce costs and by using government assistance provided by governments across the world.

Wacoal International Corp. (U.S.):

Sales from Wacoal International Corp. (U.S.) on a local currency basis decreased by 5.7% (a decrease of 8.0% on a Japanese yen basis) as compared to such sales for the previous fiscal year. Although there was a positive impact of the inclusion of sales from Intimates Online on our sales for the first half of the current fiscal year, revenue decreased by 15.4% as compared to such revenue for the corresponding period of the previous fiscal year due to the weak sales from Wacoal America Inc., which distributes “Wacoal” and “b.tempt’d” brand products at physical stores (department stores), resulting from the impact of the pandemic. On the other hand, revenue for the second half of the current fiscal year increased by 5.4% as compared to such revenue for the corresponding period of the previous fiscal year as a result of strong sales from Intimates Online, which maintained a high purchase rate and average spending per customer, as well as high growth in sales achieved from our e-commerce website and third-party e-commerce websites, which offset declines in sales from physical stores. During the current consolidated fourth quarter, Intimates Online commenced transactions with Target Corporation, a major retailer in the United States, and is distributing LIVELY brand products through e-commerce channels and physical stores.

We recorded an operating loss of 8.6 million dollars on a local currency basis (0.91 billion yen on a Japanese yen basis) (operating income of 3.7 million dollars (0.40 billion yen on a Japanese yen basis) for 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 use of government assistance.

Wacoal Europe Ltd.:

Sales from Wacoal Europe on a local currency basis decreased by 24.0% (a decrease of 23.8% on a Japanese yen basis) as compared to such sales for the previous fiscal year. Sales for the first half of the current fiscal year decreased by 33.6% as compared to such sales for the corresponding period of the previous fiscal year due to the significant impact of the lockdown measures implemented in the United Kingdom and major countries in Europe. While signs of recovery were visible during the Christmas sale season, sales for the second half of the current fiscal year decreased by 12.6% as compared to such sales for the corresponding period of the previous fiscal year due to additional lockdown measures implemented during the current consolidated fourth quarter, which impacted our business operations. Sales from our e-commerce business, which we launched in the previous fiscal year, exceeded our plan, and now accounts for 5.4% of sales from Wacoal Europe for the current fiscal year.

Although operating income on a local currency basis significantly decreased by 34.2% (a decrease of 33.9% 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 (excluding the impairment charges of 2.67 billion yen on goodwill with respect to Wacoal Europe).

Wacoal China Co., Ltd.:

Sales from Wacoal China Co., Ltd. on a local currency basis decreased by 13.7% (a decrease of 15.3% on a Japanese yen basis) as compared to such sales for the previous fiscal year.

Sales for the first half of the current fiscal year (from January to June) decreased by 25.8% as compared to such sales for the corresponding period of the previous fiscal year due to temporary closings of physical stores following the impact of the pandemic, despite strong sales from third-party e-commerce websites from aggressive distribution of our AMPHI brand products. For the second half of the current fiscal year (from July to December), while we struggled to attract orders through a large-scale promotion campaign conducted by e-commerce vendors in November, sales from physical stores (department stores) recovered due to strong sales from our “WACOAL” and “Salute” brand products, and as a result, sales increased by 2.6%.

Although operating income on a local currency basis significantly decreased by 31.2% (a decrease of 32.3% on a Japanese yen basis) due to the impact of decreased revenue, we recorded profit as a result of our efforts to reduce costs.

c. Peach John Business

Sales attributable to our “Peach John Business” segment were 12.20 billion yen (an increase of 8.7% as compared to such sales for the previous fiscal year) as a result of our new product planning that met our consumer needs and development of trending content, as well as our successful marketing activities that were efficient in increasing the number of new customers and annual purchase frequency. Sales of our Peach John brand products sold in China, which were previously recorded under the “Wacoal Business (Overseas)” segment, are now recorded under this “Peach John Business” segment starting with the current fiscal year, and the business result for the previous fiscal year has been

revised retroactively (the effect following such change (and one of the factors increasing sales) is approximately 0.51 billion yen for the current fiscal year (approximately 0.74 billion yen for the previous fiscal year)).

E-commerce sales through our website in Japan increased by 43.5% from such sales for the corresponding period of the previous fiscal year as a result of an increase in the number of new customers over the year, as well as the steady sales of our regular products. Sales from our retail stores, however, decreased by 11.9% due to the impact of the temporary closings of physical stores during the current consolidated first quarter, although the reduction of cost and improvement in the purchase rate of customers visiting our retail stores contributed to the strong sales after the current consolidated second quarter.

We recorded an operating income of 1.59 billion yen (operating loss of 0.35 billion yen for the previous fiscal year), a significant increase from the previous fiscal year. 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.

d. Other

Overall sales attributable to our “Other” business segment were 12.52 billion yen (a decrease of 36.2% as compared to such sales for the previous fiscal year), while we recorded an operating loss of 0.73 billion yen (operating loss of 0.59 billion yen for the previous fiscal year).

Lecien Corporation:

Sales from Lecien Corporation decreased by 19.9% as compared to such sales for the previous fiscal year due to the weak sales of our private products sold by general merchandise stores, which were impacted by our clients’ expense control efforts over purchases. We recorded an operating income of 0.22 billion yen (operating loss of 0.48 billion yen for the previous fiscal year) due to our efforts to withdraw from underperforming businesses in the consolidated 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 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 pandemic. We recorded an operating loss of 0.36 billion yen (operating income of 0.22 billion yen for the previous fiscal year) due to a significant impact of decreased revenue, despite our efforts to reduce costs.

(ii) Business Forecast for Next Fiscal Year

(Millions of Yen)

| Consolidated Net Sales and Income | Current Fiscal Year (ended March 31, 2021) | | Next Fiscal Year (ending March 31, 2022) | | Increased/(Decreased) from previous year | |
|---|---|------------|---|------------------------|---|--------|
| | Amount | % to Sales | Amount | Distribution Ratio (%) | Amount | % |
| Net Sales | 152,204 | - | 184,000 | - | +31,796 | +20.9 |
| Operating Income/(Loss) | (1,115) | - | 6,000 | 3.3 | +7,115 | - |
| Income Before Income Taxes and Equity in Net Income of Affiliated Companies | 10,792 | 7.1 | 7,900 | 4.3 | (2,892) | (26.8) |
| Net Income Attributable to Wacoal Holdings Corp. | 7,025 | 4.6 | 5,500 | 3.0 | (1,525) | (21.7) |
| Net Income Attributable to Wacoal Holdings Corp. per Share | Yen 112.57 | - | Yen 88.11 | - | - | - |

(Millions of Yen)

| Sales by Segment | Current Fiscal Year (ended March 31, 2021) | | Next Fiscal Year (ending March 31, 2022) | | Increased/(Decreased) from previous year | |
|----------------------------|---|------------------------|---|------------------------|---|-------|
| | Amount | Distribution Ratio (%) | Amount | Distribution Ratio (%) | Amount | % |
| Total Net Sales | 152,204 | 100.0 | 184,000 | 100.0 | +31,796 | +20.9 |
| Wacoal Business (Domestic) | 86,133 | 56.6 | 99,300 | 54.0 | +13,167 | +15.3 |
| Wacoal Business (Overseas) | 41,355 | 27.2 | 57,250 | 31.1 | +15,895 | +38.4 |
| Peach John Business | 12,200 | 8.0 | 12,500 | 6.8 | +300 | +2.5 |
| Other | 12,516 | 8.2 | 14,950 | 8.1 | +2,434 | +19.4 |

(Millions of Yen)

| Operating Income/(Loss) by Segment | Current Fiscal Year (ended March 31, 2021) | | Next Fiscal Year (ending March 31, 2022) | | Increased/(Decreased) from previous fiscal year | |
|------------------------------------|---|------------|---|------------|--|--------|
| | Amount | % to Sales | Amount | % to Sales | Amount | % |
| Operating Income/(Loss) | (1,115) | - | 6,000 | 3.3 | +7,115 | - |
| Wacoal Business (Domestic) | 627 | 0.7 | 4,000 | 4.0 | +3,373 | +538.0 |
| Wacoal Business (Overseas) | (2,603) | - | 1,140 | 2.0 | +3,743 | - |
| Peach John Business | 1,591 | 13.0 | 1,100 | 8.8 | (491) | (30.9) |
| Other | (730) | - | (240) | - | +490 | - |

Our forecast for the fiscal year ending March 31, 2022 is presented in the above table. 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 above. The exchange rate used for the U.S. dollar is 108.0 yen to the dollar; the exchange rate used for the Sterling pound is 150.0 yen to the pound; and the exchange rate used for the Chinese yuan is 16.5 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 with our group’s products and services as well as our commitments to social issues by cultivating new market opportunities for the undergarment industry.

The pandemic, however, continues to be a threat. While vaccination has started in certain countries and regions, we believe that full-scale recovery will take a long time as economic activities may continue to be restricted by infection prevention measures, in certain aspects, including on social outings.

Under such circumstances, we will move forward with our initiatives to create a management structure that leads to high profitability, while conducting business activities that prioritize the safety and well-being of our customers, employees and partner companies. We will aim to build a deeper, broader and longer relationship with each customer by continuing to develop and provide products and services that consumers expect in their new lifestyles, which have significantly changed as a result of the pandemic, and by promoting our unique CX strategies, including on the merger between online and offline activities and utilization of a customer database, in efforts to improve customer experience.

In addition, as environmental problems continue to worsen, consumers’ awareness of sustainability is evolving. We plan to move forward with our ESG (Environmental, Social and Governance) management, which aims to grow by enhancing social and economic values, and to

further address important issues such as governance, human rights and environmental issue. At the same time, we will promote establishment of an operating base that achieves sustainable growth through work-style reform (including teleworking), cultivation of human resources supporting business growth and creation of a corporate culture that offers job satisfaction.

Information on Risk related to Coronavirus Infection:

It is currently difficult to forecast the end of the pandemic given that the pandemic is spreading further in Japan. Our forecast for the business results for the fiscal year ending March 31, 2022 is based on our assumption that the impact on our business results that we have identified up to date will continue for the first half of the fiscal year ending March 31, 2022 and is subject to change depending on how the pandemic develops. We will disclose our revised forecast promptly if we determine that the current forecast needs to be revised.

In addition, with regard to the declaration of a state of emergency in Japan issued on April 23, based on the information currently available, including government announcements, it is assumed that the state of emergency will continue until the end of May, and its impact has been factored into the forecast.

(2) Financial Condition as of Fiscal Year 2021

Status of Assets, Liabilities and Shareholders' Equity

Our total assets as of March 31, 2021 were 322,761 million yen, an increase of 45,073 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 current liabilities were 104,145 million yen, an increase of 35,905 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.

Shareholders' equity was 215,612 million yen, an increase of 10,241 million yen from the end of the previous fiscal year, due to recognition of net income and changes in pension liability adjustments.

As a result of the above, our total shareholders' equity ratio as of March 31, 2021 was 66.8%, a decrease of 7.2% from the end of the previous fiscal year.

Cash Flows Status

Cash flow provided by operating activities:

Cash flow provided by operating activities was 4,260 million yen, a decrease of 9,065 million yen as compared to the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of 6,804 million yen plus adjustments for depreciation expenses and deferred taxes.

Cash flow used in investing activities:

Cash flow used in investing activities was 2,562 million yen, as compared to cash flow provided by investing activities in the amount of 2,569 million yen for the previous fiscal year, due to payments made to acquire tangible and intangible assets.

Cash flow provided by financing activities:

Cash flow provided by financing activities was 33,605 million yen, as compared to cash flow used in financing activities in the amount of 17,471 million yen for the previous fiscal year, due to procurements of short-term loan and long-term debt, despite cash dividend payments, payments to acquire interests in subsidiaries from noncontrolling interests and contingent consideration payment.

As a result, the balance of cash and cash equivalents at the end of fiscal year 2021, calculated by adding the exchange difference on cash and cash equivalents to the above total, was 63,557 million yen, an increase of 35,652 million yen as compared to the end of the previous fiscal year.

Trends in certain cash-flow indicators

| | Fiscal Year Ended March 31, 2019 | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|--|--|--|--|
| Shareholders' equity ratio (%) | 76.8 | 74.0 | 66.8 |
| Shareholders' equity ratio based on market value (%) | 63.7 | 52.7 | 47.5 |
| Debt redemption years (years) | 0.6 | 0.3 | 9.9 |
| Interest coverage ratio (times) | 1,238.2 | 666.3 | 59.2 |

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 2021 and Fiscal Year 2022

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 will 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.

Based on the above, we are scheduled to distribute 20.00 yen 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 40.00 yen, including the interim dividend per share of 20.00 yen.

For the next fiscal year ending March 31, 2022, we plan to declare, based on the above policy and business forecast, an annual cash dividend per share of 50.00 yen, the total of an interim dividend per share of 20.00 yen and a year-end dividend per share of 30.00 yen, an increase of 10.00 yen from the annual cash dividend per share for the current fiscal year.

2. Basic Policies regarding Selection of Accounting Standards

Our group has been preparing our consolidated financial statements based on the accounting standards established 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, 2020 | As of March 31, 2021 | Amount Increased/(Decreased) |
|--|----------------------|----------------------|------------------------------|
| (Assets) | Millions of Yen | Millions of Yen | Millions of Yen |
| I. Current assets | | | |
| Cash and cash equivalents | 27,905 | 63,557 | 35,652 |
| Time deposits | 797 | 1,443 | 646 |
| Marketable securities | 656 | 253 | (403) |
| Notes and accounts receivable | 20,062 | 17,571 | (2,491) |
| Allowance for doubtful receivables | (489) | (346) | 143 |
| Inventories | 43,427 | 43,250 | (177) |
| Return assets | 868 | 600 | (268) |
| Other current assets | 4,964 | 7,794 | 2,830 |
| Total current assets | 98,190 | 134,122 | 35,932 |
| II. Property, Plant and Equipment | | | |
| Land | 21,460 | 20,569 | (891) |
| Buildings and building improvements | 74,039 | 72,978 | (1,061) |
| Machinery and equipment | 18,782 | 19,356 | 574 |
| Construction in progress | <u>1,090</u> | <u>1,264</u> | <u>174</u> |
| | 115,371 | 114,167 | (1,204) |
| Accumulated depreciation | (63,288) | (64,409) | (1,121) |
| Net property, plant and equipment | 52,083 | 49,758 | (2,325) |
| III. Other assets | | | |
| Operating leases right-of-use assets | 13,540 | 12,729 | (811) |
| Investments in affiliated companies | 21,595 | 21,207 | (388) |
| Investments | 43,904 | 51,603 | 7,699 |
| Goodwill | 22,371 | 21,169 | (1,202) |
| Other intangible assets | 14,547 | 15,220 | 673 |
| Prepaid pension expense | 4,974 | 9,533 | 4,559 |
| Deferred income taxes | 1,118 | 1,649 | 531 |
| Other | 5,366 | 5,771 | 405 |
| Total other assets | 127,415 | 138,881 | 11,466 |
| Total Assets | 277,688 | 322,761 | 45,073 |

| Accounts | As of March 31, 2020 | As of March 31, 2021 | Amount Increased/(Decreased) |
|--|----------------------|----------------------|------------------------------|
| (Liabilities) | Millions of Yen | Millions of Yen | Millions of Yen |
| I. Current Liabilities | | | |
| Short-term bank loans | 3,364 | 40,672 | 37,308 |
| Notes and accounts payable | | | |
| Trade notes payable | 1,112 | 712 | (400) |
| Trade accounts payable | 9,588 | 8,734 | (854) |
| Other payables | <u>7,107</u> | <u>6,610</u> | <u>(497)</u> |
| | 17,807 | 16,056 | (1,751) |
| Accrued payroll and bonuses | 6,734 | 6,822 | 88 |
| Income taxes payable | 4,878 | 1,025 | (3,853) |
| Refund liabilities | 2,645 | 2,266 | (379) |
| Short-term operating lease liabilities | 4,600 | 4,411 | (189) |
| Current portion of long-term debt | 50 | 35 | (15) |
| Other current liabilities | 4,029 | 4,784 | 755 |
| Total current liabilities | 44,107 | 76,071 | 31,964 |
| II. Long-term liabilities | | | |
| Long-term debt | 35 | 1,498 | 1,463 |
| Liabilities for termination and retirement benefit | 2,069 | 1,942 | (127) |
| Deferred income taxes | 7,911 | 12,292 | 4,381 |
| Long-term operating lease liabilities | 9,101 | 8,520 | (581) |
| Contingent consideration (long-term) | 2,786 | 1,639 | (1,147) |
| Other long-term liabilities | 2,231 | 2,183 | (48) |
| Total long-term liabilities | 24,133 | 28,074 | 3,941 |
| Total liabilities | 68,240 | 104,145 | 35,905 |
| (Equity) | | | |
| I. Common stock | 13,260 | 13,260 | - |
| II. Additional paid-in capital | 29,836 | 29,120 | (716) |
| III. Retained earnings | 185,233 | 181,346 | (3,887) |
| IV. Accumulated other comprehensive income (loss) | | | |
| Foreign currency translation adjustments | (1,033) | 1,770 | 2,803 |
| Pension liability adjustments | (4,594) | (1,008) | 3,586 |
| V. Treasury stock, at cost | (17,331) | (8,876) | 8,455 |
| Total Wacoal Holdings Corp. shareholders' equity | 205,371 | 215,612 | 10,241 |
| VI. Noncontrolling interests | 4,077 | 3,004 | (1,073) |
| Total equity | 209,448 | 218,616 | 9,168 |
| Total liabilities and equity | 277,688 | 322,761 | 45,073 |

(2) Consolidated Statements of Income

(% indicates percentage of net sales)

| Accounts | Fiscal Year Ended March 31, 2020 | | Fiscal Year Ended March 31, 2021 | | Amount Increased/(Decreased) |
|---|-------------------------------------|-------|-------------------------------------|-------|---------------------------------|
| | Millions of Yen | % | Millions of Yen | % | |
| I. Net Sales | 186,760 | 100.0 | 152,204 | 100.0 | (34,556) |
| II. Operating costs and expenses | | | | | |
| Cost of sales | 84,959 | 45.5 | 67,798 | 44.5 | (17,161) |
| Selling, general and administrative expenses | 94,696 | 50.7 | 82,836 | 54.4 | (11,860) |
| Impairment charges on goodwill and other intangible assets | 473 | 0.2 | 2,685 | 1.8 | 2,212 |
| Total operating costs and expenses | 180,128 | 96.4 | 153,319 | 100.7 | (26,809) |
| Operating (loss) income | 6,632 | 3.6 | (1,115) | (0.7) | (7,747) |
| III. Other income (expenses) | | | | | |
| Interest income | 177 | | 61 | | (116) |
| Interest expense | (19) | | (78) | | (59) |
| Dividend income | 1,506 | | 1,126 | | (380) |
| Valuation gain (loss) on marketable securities and investments – net | (3,760) | | 10,390 | | 14,150 |
| Other – net | (177) | | 408 | | 585 |
| Total other income (expenses) | (2,273) | (1.3) | 11,907 | 7.8 | 14,180 |
| Income before income taxes and equity in net income of affiliated companies | 4,359 | 2.3 | 10,792 | 7.1 | 6,433 |
| Income taxes | | | | | |
| Current | 7,126 | 3.8 | 1,803 | 1.2 | (5,323) |
| Deferred | (5,673) | (3.1) | 2,278 | 1.5 | 7,951 |
| Total income taxes | 1,453 | 0.7 | 4,081 | 2.7 | 2,628 |
| Income before equity in net income of affiliated companies | 2,906 | 1.6 | 6,711 | 4.4 | 3,805 |
| Equity in net income of affiliated companies | 62 | 0.0 | 93 | 0.1 | 31 |
| Net income | 2,968 | 1.6 | 6,804 | 4.5 | 3,836 |
| Net loss attributable to non-controlling interests | 504 | 0.3 | 221 | 0.1 | (283) |
| Net income attributable to Wacoal Holdings Corp. | 3,472 | 1.9 | 7,025 | 4.6 | 3,553 |

(3) Consolidated Statements of Comprehensive Income

| Accounts | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 | Amount Increased/(Decreased) |
|--|-------------------------------------|-------------------------------------|---------------------------------|
| | Millions of Yen | Millions of Yen | Millions of Yen |
| I. Net income | 2,968 | 6,804 | 3,836 |
| II. Other comprehensive income (loss) – net of tax | | | |
| Foreign currency translation adjustments | (2,532) | 2,648 | 5,180 |
| Pension liability adjustments | 1,085 | 3,591 | 2,506 |
| Total of other comprehensive income (loss) | (1,447) | 6,239 | 7,686 |
| Comprehensive income | 1,521 | 13,043 | 11,522 |
| Comprehensive loss attributable to noncontrolling interests | 452 | 371 | (81) |
| Comprehensive income attributable to Wacoal Holdings Corp. | 1,973 | 13,414 | 11,441 |

(4) Consolidated Statements of Equity

Fiscal Year Ended March 31, 2020

| Item | Equity | | | | | | | | |
|---|---|--------------------|----------------------------------|----------------------|--|--------------------|----------------------------------|-----------------------------|--------------------|
| | Shares of Outstanding Common Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated other comprehensive income | Treasury stock | Total Shareholders' Equity | Noncontrolling Interests | Total Equity |
| | Thousand shares | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| As of March 31, 2019 | 65,178 | 13,260 | 29,807 | 193,139 | (4,128) | (15,584) | 216,494 | 4,650 | 221,144 |
| Cumulative effects of adoption of ASU2018-11 | | | | (515) | | | (515) | | (515) |
| Cash dividends paid to Wacoal Holdings Corp. shareholders | | | | (4,907) | | | (4,907) | | (4,907) |
| Cash dividends paid to noncontrolling interests | | | | | | | - | (237) | (237) |
| Repurchase of treasury stock | (2,798) | | | | | (7,745) | (7,745) | | (7,745) |
| Cancellation of treasury stock | | | | (5,935) | | 5,935 | - | | - |
| Other | 23 | | 29 | (21) | | 63 | 71 | 116 | 187 |
| Net income | | | | 3,472 | | | 3,472 | (504) | 2,968 |
| Other comprehensive income (loss) | | | | | (1,499) | | (1,499) | 52 | (1,447) |
| As of March 31, 2020 | 62,403 | 13,260 | 29,836 | 185,233 | (5,627) | (17,331) | 205,371 | 4,077 | 209,448 |

Fiscal Year Ended March 31, 2021

| Item | Equity | | | | | | | | |
|---|---|--------------------|----------------------------------|----------------------|--|--------------------|----------------------------------|-----------------------------|--------------------|
| | Shares of Outstanding Common Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated other comprehensive income | Treasury stock | Total Shareholders' Equity | Noncontrolling Interests | Total Equity |
| | Thousand shares | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| As of March 31, 2020 | 62,403 | 13,260 | 29,836 | 185,233 | (5,627) | (17,331) | 205,371 | 4,077 | 209,448 |
| Cash dividends paid to Wacoal Holdings Corp. shareholders | | | | (2,496) | | | (2,496) | | (2,496) |
| Cash dividends paid to noncontrolling interests | | | | | | | - | (81) | (81) |
| Repurchase of treasury stock | (0) | | | | | (1) | (1) | | (1) |
| Cancellation of treasury stock | | | | (8,404) | | 8,404 | - | | - |
| Equity transactions with noncontrolling interests | | | (740) | | | | (740) | (621) | (1,361) |
| Other | 18 | | 24 | (12) | | 52 | 64 | | 64 |
| Net income | | | | 7,025 | | | 7,025 | (221) | 6,804 |
| Other comprehensive income (loss) | | | | | 6,389 | | 6,389 | (150) | 6,239 |
| As of March 31, 2021 | 62,421 | 13,260 | 29,120 | 181,346 | 762 | (8,876) | 215,612 | 3,004 | 218,616 |

(5) Consolidated Statements of Cash Flows

| Accounts | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 | Amount Increased/(Decreased) |
|--|-------------------------------------|-------------------------------------|---------------------------------|
| | Millions of Yen | Millions of Yen | Millions of Yen |
| I. Operating activities | | | |
| 1. Net income | 2,968 | 6,804 | 3,836 |
| 2. Adjustments to reconcile net income to net cash provided by operating activities | | | |
| (1) Depreciation and amortization | 6,029 | 6,128 | 99 |
| (2) Provision for doubtful receivables | 299 | (199) | (498) |
| (3) Deferred income taxes | (5,673) | 2,278 | 7,951 |
| (4) (Gain) loss on sales or disposal of property, plant and equipment – net | 103 | (365) | (468) |
| (5) Impairment charges on property, plant and equipment | 769 | 1,136 | 367 |
| (6) Impairment charges on goodwill and other intangible assets | 473 | 2,685 | 2,212 |
| (7) Valuation (gain) loss on marketable securities and investments – net | 3,760 | (10,390) | (14,150) |
| (8) Equity in net loss of affiliated companies, less dividends received | 480 | 469 | (11) |
| (9) Changes in assets and liabilities | | | |
| Decrease in notes and receivable | 4,685 | 2,767 | (1,918) |
| Decrease (increase) in inventories | (1,350) | 972 | 2,322 |
| Decrease in return assets | 312 | 268 | (44) |
| Increase in other current assets | (29) | (2,632) | (2,603) |
| Decrease in notes and accounts payable | (373) | (859) | (486) |
| Decrease in refund liabilities | (837) | (379) | 458 |
| Increase in liabilities for termination and retirement benefits | 776 | 226 | (550) |
| (Decrease) increase in other liabilities | 665 | (4,485) | (5,150) |
| (10) Other | 268 | (164) | (432) |
| Net cash provided by operating activities | 13,325 | 4,260 | (9,065) |
| II. Investing activities | | | |
| 1. Increase in time deposits | (438) | (941) | (503) |
| 2. Decrease in time deposits | 3,576 | 291 | (3,285) |
| 3. Proceeds from sale and redemption of equity securities | 15,252 | 2,340 | (12,912) |
| 4. Payments to acquire equity securities | (339) | (7) | 332 |
| 5. Proceeds from redemption of debt securities | 544 | 742 | 198 |
| 6. Proceeds from sale of property, plant and equipment | 104 | 889 | 785 |
| 7. Capital expenditures | (3,442) | (2,764) | 678 |
| 8. Payments to acquire intangible assets | (3,539) | (2,840) | 699 |
| 9. Payments for loans | - | (315) | (315) |
| 10. Acquisition of a subsidiary (net of cash acquired) | (9,181) | - | 9,181 |
| 11. Other | 32 | 43 | 11 |
| Net cash (used in) provided by investing activities | 2,569 | (2,562) | (5,131) |
| III. Financing activities | | | |
| 1. Net increase (decrease) in short-term bank loans with original maturities of three months or less | (4,645) | 17,208 | 21,853 |
| 2. Procurement of short-term loan (over 3 months) | - | 20,424 | 20,424 |
| 3. Repayment of short-term loan (over 3 months) | - | (424) | (424) |
| 4. Procurement of long-term debt | - | 1,447 | 1,447 |
| 5. Repayment of long-term debt | (53) | (50) | 3 |
| 6. Repurchase of treasury stock | (7,745) | (1) | 7,744 |
| 7. Dividends paid on common stock | (4,907) | (2,496) | 2,411 |
| 8. Dividends paid to noncontrolling interests | (237) | (81) | 156 |
| 9. Proceeds from stock issuance to noncontrolling interests | 116 | - | (116) |
| 10. Payments to acquire interests in subsidiaries from noncontrolling interests | - | (1,361) | (1,361) |
| 11. Contingent consideration payment | - | (1,061) | (1,061) |
| Net cash provided by (used in) financing activities | (17,471) | 33,605 | 51,076 |
| IV. Effect of exchange rate changes on cash and cash equivalents | (651) | 349 | 1,000 |
| V. Net increase (decrease) in cash and cash equivalents | (2,228) | 35,652 | 37,880 |
| VI. Cash and cash equivalents, beginning of year | 30,133 | 27,905 | (2,228) |
| VII. Cash and cash equivalents, end of year | 27,905 | 63,557 | 35,652 |

Additional Cash Flow Information

| Accounts | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 | Amount Increased/(Decreased) |
|--|-------------------------------------|-------------------------------------|---------------------------------|
| Cash paid for | | | |
| Interest | 20 | 72 | 52 |
| Income taxes | 4,758 | 8,643 | 3,885 |
| Noncash investing activities | | | |
| Acquisition of a subsidiary (contingent consideration) | 4,172 | - | (4,172) |
| Acquisition of fixed assets by assuming payment obligation | 751 | 704 | (47) |

(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

Not applicable.

(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 straight-line 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.

(8) Notes to the Consolidated Financial Statements

(i) Per Share Information

| | Fiscal Year Ended March 31, 2020 | Fiscal Year Ended March 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Net income attributable to Wacoal Holdings Corp. | 3,472 million yen | 7,025 million yen |
| Number of average shares issued during the year | 63,989,561 shares | 62,406,826 shares |
| Net income attributable to Wacoal Holdings Corp. per share | 54.26 yen | 112.57 yen |
| Diluted net income attributable to Wacoal Holdings Corp. per share | 54.05 yen | 112.09 yen |

(ii) Segment Information

a. Operating Segment Information

Fiscal Year Ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(Millions of Yen)

| | Wacoal business (Domestic) | Wacoal business (Overseas) | Peach John business | Other | Total | Elimination | Consolidated |
|---|----------------------------------|----------------------------------|------------------------|--------|---------|-------------|--------------|
| Net sales | | | | | | | |
| (1) External customers | 106,112 | 49,808 | 11,224 | 19,616 | 186,760 | - | 186,760 |
| (2) Intersegment | 1,107 | 10,570 | 214 | 5,110 | 17,001 | (17,001) | - |
| Total | 107,219 | 60,378 | 11,438 | 24,726 | 203,761 | (17,001) | 186,760 |
| Operating costs and expenses | 101,136 | 58,603 | 11,598 | 25,319 | 196,656 | (17,001) | 179,655 |
| Impairment charges on goodwill and other intangible assets | - | 282 | 191 | - | 473 | - | 473 |
| Total operating costs and expenses | 101,136 | 58,885 | 11,789 | 25,319 | 197,129 | (17,001) | 180,128 |
| Operating income (loss) | 6,083 | 1,493 | (351) | (593) | 6,632 | - | 6,632 |

Fiscal Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(Millions of Yen)

| | Wacoal business (Domestic) | Wacoal business (Overseas) | Peach John business | Other | Total | Elimination | Consolidated |
|---|----------------------------------|----------------------------------|------------------------|--------|---------|-------------|--------------|
| Net sales | | | | | | | |
| (1) External customers | 86,133 | 41,355 | 12,200 | 12,516 | 152,204 | - | 152,204 |
| (2) Intersegment | 754 | 8,769 | 219 | 3,827 | 13,569 | (13,569) | - |
| Total | 86,887 | 50,124 | 12,419 | 16,343 | 165,773 | (13,569) | 152,204 |
| Operating costs and expenses | 86,260 | 50,054 | 10,816 | 17,073 | 164,203 | (13,569) | 150,634 |
| Impairment charges on goodwill and other intangible assets | - | 2,673 | 12 | - | 2,685 | - | 2,685 |
| Total operating costs and expenses | 86,260 | 52,727 | 10,828 | 17,073 | 166,888 | (13,569) | 153,319 |
| Operating income (loss) | 627 | (2,603) | 1,591 | (730) | (1,115) | - | (1,115) |

(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, 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, sportswear, other textile-related products, mannequins, shop design and implementation, etc.

2. Matters regarding changes to operating segment:

Since the current consolidated cumulative first quarter, information on Ai Co., Ltd., which was previously 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. Also, after assessing the quantitative criteria, we have changed our “Peach John Business”, which was previously included in our “Other” segment, to be presented as a separate reporting segment starting from the current consolidated cumulative second quarter, because it satisfied the relevant quantitative criteria. The segment information for the previous fiscal year has been prepared based on the reporting segment after such change.

3. Information on assets by operating segment:

Assets attributable to our “Wacoal Business (Domestic)” segment increased by 48,027 million yen from the end of the previous fiscal year as a result of funds borrowed during the current consolidated fiscal year. Accordingly, assets attributable to our “Wacoal Business (Domestic)” segment as of the end of the current consolidated fiscal year were 285,421 million yen.

b. Information by Region

Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of Yen)

| | Japan | Asia/Oceania | Europe/N.A. | Total | Elimination or corporate | Consolidated |
|-----------------------------|---------|--------------|-------------|---------|--------------------------|--------------|
| I. Net sales | | | | | | |
| External customers | 135,273 | 20,596 | 30,891 | 186,760 | - | 186,760 |
| II. Operating income (loss) | 5,398 | (77) | 1,311 | 6,632 | - | 6,632 |
| III. Long-lived assets | 44,014 | 4,034 | 4,035 | 52,083 | - | 52,083 |

Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of Yen)

| | Japan | Asia/Oceania | Europe/N.A. | Total | Elimination or corporate | Consolidated |
|-----------------------------|---------|--------------|-------------|---------|--------------------------|--------------|
| I. Net sales | | | | | | |
| External customers | 109,464 | 16,301 | 26,439 | 152,204 | - | 152,204 |
| II. Operating income (loss) | 1,803 | 108 | (3,026) | (1,115) | - | (1,115) |
| III. Long-lived assets | 41,918 | 3,536 | 4,304 | 49,758 | - | 49,758 |

(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.

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

c. Overseas Sales

Fiscal Year Ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(Millions of Yen)

| | Asia/Oceania | Europe/N.A. | Total |
|--|--------------|-------------|---------|
| I. Overseas net sales | 20,596 | 30,891 | 51,487 |
| II. Consolidated net sales | - | - | 186,760 |
| III. Ratio of overseas net sales to total consolidated net sales | 11.0% | 16.6% | 27.6% |

Fiscal Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(Millions of Yen)

| | Asia/Oceania | Europe/N.A. | Total |
|--|--------------|-------------|---------|
| I. Overseas net sales | 16,301 | 26,439 | 42,740 |
| II. Consolidated net sales | - | - | 152,204 |
| III. Ratio of overseas net sales to total consolidated net sales | 10.7% | 17.4% | 28.1% |

(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

(iii) Status of Sales

| Type of product | Fiscal Year Ended March 31, 2020 | | Fiscal Year Ended March 31, 2021 | |
|--|----------------------------------|--------------------|----------------------------------|--------------------|
| | Amount | Distribution ratio | Amount | Distribution ratio |
| | Millions of Yen | % | Millions of Yen | % |
| Innerwear | | | | |
| Foundation and lingerie | 144,933 | 77.6 | 122,776 | 80.7 |
| Nightwear | 7,459 | 4.0 | 6,522 | 4.3 |
| Children's underwear | 1,014 | 0.6 | 749 | 0.5 |
| Subtotal | 153,406 | 82.2 | 130,047 | 85.5 |
| Outerwear/Sportswear | 12,746 | 6.8 | 8,836 | 5.8 |
| Hosiery | 1,563 | 0.8 | 918 | 0.6 |
| Other textile goods and related products | 7,545 | 4.0 | 5,354 | 3.5 |
| Others | 11,500 | 6.2 | 7,049 | 4.6 |
| Total | 186,760 | 100.0 | 152,204 | 100.0 |

(iv) Significant Subsequent Events

Not applicable.

- End -