

[Translation]

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2023
[IFRS]

May 12, 2023

Listed Company: Wacoal Holdings Corp.

Stock Exchanges: Tokyo

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

Representative: (Position) Representative Director, President and CEO

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Scheduled date of Ordinary Shareholders' Meeting: June 28, 2023

Scheduled Commencement Date of Dividend Payment: June 5, 2023

Scheduled date of Annual Securities Report Filing: June 28, 2023

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, 2023 (April 1, 2022 – March 31, 2023)

(1) Consolidated Business Results

(% indicates changes from previous fiscal year)

	Revenue		Business Profit		Operating (Loss) Profit		(Loss) Profit Before Income Taxes and Equity in Net Profit of Affiliated Companies		(Loss) Profit		Net (Loss) Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year ended March 31, 2023	188,592	9.6	4,102	730.4	(3,490)	-	(699)	-	(1,734)	-	(1,776)	-
Fiscal Year ended March 31, 2022	172,072	-	494	-	3,291	-	4,083	-	1,585	-	1,732	-

	Total Comprehensive Income		Basic (Loss) Earnings per Share	Diluted (Loss) Earnings per Share	Return on Equity Attributable to Owners of Parent	Ratio of (Loss) Profit Before Income Taxes and Equity in Net Profit of Affiliated Companies to Total Assets	Ratio of Operating Income to Revenue
	Millions of Yen	%	Yen	Yen	%	%	%
Fiscal Year ended March 31, 2023	4,133	(60.3)	(29.66)	(29.66)	(0.8)	(0.2)	(1.9)
Fiscal Year ended March 31, 2022	10,418	-	27.83	27.71	0.8	1.3	1.9

(Reference) Share of profit (loss) of investments

Fiscal Year ended March 31, 2023: 2,223 million yen

accounted for using equity method:

Fiscal Year ended March 31, 2022: 579 million yen

(Note) Business profit is calculated by subtracting cost of sales, and selling, general and administrative expenses from revenue.

(2) Consolidated Financial Condition

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
Fiscal Year ended March 31, 2023	285,296	213,119	209,834	73.5	3,617.03
Fiscal Year ended March 31, 2022	299,177	220,868	217,990	72.9	3,546.96

(3) Consolidated Cash Flows Status

	Cash Flows provided by Operating Activities	Cash Flows provided by used in Investing Activities	Cash Flows 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, 2023	7,334	3,902	(22,541)	26,781
Fiscal Year Ended March 31, 2022	16,622	(3,042)	(41,007)	37,485

2. Status of Dividends

	Annual Dividends per Share					Total Amount of Dividends (annual)	Payout Ratio (consolidated)	Ratio of Dividends to Equity Attributable to Owners of Parent (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, 2022	-	20.00	-	30.00	50.00	3,093	179.7	1.4
Fiscal Year Ended March 31, 2023	-	40.00	-	40.00	80.00	4,720	-	2.2
Fiscal Year Ending March 31, 2024 (Estimates)	-	50.00	-	50.00	100.00		120.9	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(% indicates changes from the previous fiscal year with respect to “Annual” and from the six-month period ended September 30, 2022 with respect to “Six-month Period Ending September 30, 2023”)

	Revenue		Business Profit		Operating Profit		Profit Before Income Taxes and Equity in Net Profit of Affiliated Companies		Net Profit Attributable to Owners of Parent		Basic Earnings per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	
Six-month Period Ending September 30, 2023	103,000	5.6	4,500	3.6	4,400	10.0	5,500	(6.5)	3,900	(7.2)	Yen 67.23
Annual	205,000	8.7	6,000	46.3	6,000	-	7,000	-	4,800	-	82.74

*Notes

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2023 (i.e., changes in specified subsidiaries (*tokutei kogaisha*) which involve change in scope of consolidation): None

New: None

Excluded: None

(Note) For details, please see “3. Consolidated Financial Statements and Accompanying Notes – (6) Basic Significant Matters in Preparation of Consolidated Financial Statements” on page 18.

- (2) Changes in accounting principles and /or accounting estimates:

(i) Changes in accounting principles required by IFRS: None

(ii) Changes in accounting principles other than (i) above: None

(iii) Changes in accounting estimates: None

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

	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022
(i) Number of issued shares (including treasury stock) as of period-end:	64,500,000 shares	65,589,042 shares
(ii) Number of shares held as treasury stock as of period-end:	6,487,185 shares	4,130,773 shares
(iii) Average number of shares during the period:	59,871,381 shares	62,234,734 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	6,772	9.3	2,503	8.9	2,473	47.0	4,458	62.1
Fiscal Year Ended March 31, 2022	6,196	(62.3)	2,299	(82.0)	1,682	(86.0)	2,749	(76.2)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year Ended March 31, 2023	74.46	74.15
Fiscal Year Ended March 31, 2022	44.18	43.99

(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, 2023	154,705	130,602	84.1	2,242.19
Fiscal Year Ended March 31, 2022	165,180	138,332	83.4	2,241.50

(Reference) Equity Capital: As of the end of the fiscal year ended March 31, 2023: 130,075 million yen

As of the end of the fiscal year ended March 31, 2022: 137,758 million yen

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

*Cautionary Statement regarding Forecast of Business Results

(Implementation of the International Financial Reporting Standards (“IFRS”))

Our group has implemented IFRS starting from the current consolidated fiscal year. The financial figures for the corresponding period of the previous fiscal year and the previous fiscal year are also presented in accordance with IFRS. For differences between IFRS and U.S. GAAP in the financial figures, please see “3. Consolidated Financial Statements and Accompanying Notes – (7) Notes to the Consolidated Financial Statements (First-time adoption)” on page 19 of the attached materials.

(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. Business Results - (1) Business Results for Fiscal Year 2023 - (iii) Business Forecast for Next Fiscal Year” on page 9 of the attached materials.

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Qualitative Information and Financial Statements

1. Business Results

(1) Business Results for Fiscal Year 2023

(i) Results for the Fiscal Year Ended March 31, 2023

	(Millions of Yen)			
	Previous Fiscal Year (ended March 2022)	Current Fiscal Year (ended March 2023)	Increased/(Decreased) from previous fiscal year	
	Amount	Amount	Amount	%
Revenue	172,072	188,592	+16,520	+9.6
Cost of sales	76,248	82,189	+5,941	+7.8
Gross profit	95,824	106,403	+10,579	+11.0
Selling, general and administrative expenses	95,330	102,301	+6,971	+7.3
Business profit	494	4,102	+3,608	+730.4
Other income	3,749	5,254	+1,505	+40.1
Other expenses	952	12,846	+11,894	-
Operating (loss) profit	3,291	(3,490)	(6,781)	-
Finance income	1,930	1,517	(413)	(21.4)
Finance expense	232	795	+563	+242.7
Share of profit (loss) of investments accounted for using equity method	(906)	2,069	+2,975	-
(Loss) profit before income taxes and equity in net income of affiliated companies	4,083	(699)	(4,782)	-
Net (loss) profit attributable to owners of parent	1,732	(1,776)	(3,508)	-

(Our group voluntarily implements the International Financial Reporting Standards (“IFRS”) starting from the beginning of the current fiscal year, and the results for the previous fiscal year have been reclassified to conform to IFRS.)

Business environment surrounding our group during the current fiscal year (from April 1, 2022 to March 31, 2023) were severely affected by weak sales of our core innerwear products in major countries. In Japan, although there were signs of recovery in consumer spending as restrictions on economic activities eased, sales from our group’s domestic business has remained below our initial expectations due to the sluggish increase in the number of customers visiting our retail stores in addition to the negative impact on consumer spending arising from rising inflation. Our business environment in the United States remained weak due to the slowdown in consumer spending as well as the impact of suppliers’ restraint on purchasing. Our business in China also remained challenging due to the impact of the prolonged implementation of strict coronavirus pandemic (“COVID-19”) restrictions. On the other hand, our business in Europe maintained its growth trend due to the strong performance of our core brands, while our business in other Asian countries also recovered as relaxation of COVID-19 restrictions took place.

Under such circumstances, our group announced in June 2022 the “VISION 2030”, our medium- to long-term strategy framework, and our mid-term business plan for the next three years starting with the current fiscal year, and we are working to achieve sustainable growth and to enhance our corporate value. In our domestic business, we continued to promote our unique CX strategy including the utilization of our customers database and merger between online and offline activities to improve value of our customer experience, and strengthen our efforts to improve profitability, aiming to “transform ourselves into a resilient corporate structure”. In our overseas business, we promoted initiative for further growth by expanding our e-commerce business, in addition to expanding solid sales in the existing areas where we conduct our business. With regard to financial strategies side, we worked to improve our return on equity by implementing initiatives to improve profitability and capital efficiency.

As a result of the above, for the current fiscal year, consolidated revenue was 188.59 billion yen (an increase of 9.6% as compared to such revenue for the previous fiscal year). Consolidated business profit was 4.10 billion yen (an increase of 730.4% as compared to such profit for the previous fiscal year) due to the positive impact of the partial revision to the Flexible Retirement Program at Wacoal Corp. (*), in addition to the increased revenue. We recorded a consolidated operating loss of 3.49 billion yen (as compared to a consolidated operating profit of 3.29 billion yen for the previous fiscal year) as a result of the impairment charges of 10.03 billion yen recorded on goodwill and intangible assets related to Wacoal International Corp. (U.S.) and the expenses of 0.75 billion yen incurred for the implementation of the Flexible Retirement Program at Wacoal Corp. (*), despite a gain from sale of fixed assets (3.02 billion yen) related to the sale of our former business office building in Osaka. Consolidated loss before income taxes and equity in net profit of affiliated companies was 0.70 billion yen (as compared to a consolidated profit of 4.08 billion yen for the previous fiscal year) and consolidated net loss attributable to owners of parent was 1.78 billion yen (as compared to a consolidated net profit of 1.73 billion yen for the previous fiscal year) as a result of the operating loss despite the recording of profit from our investments accounted for using equity method.

The key exchange rates used for the current fiscal year (the previous fiscal year) were: 135.47 yen (112.38 yen) to the U.S. dollar; 163.15 yen (153.56 yen) to the Sterling pound; and 19.75 yen (17.51 yen) to the Chinese yuan.

(*) Please see our press release “Announcement Regarding Result of Implementation of the Flexible Retirement Program and Revision to the Flexible Retirement Program” announced on February 10, 2023

(https://www.wacoalholdings.jp/en/ir/topics/files/wacoalholdingsnews20230210_2en.pdf).

(ii) Business Overview of Our Operating Segments

(Millions of Yen)

	Previous Fiscal Year (ended March 31, 2022)		Current Fiscal Year (ended March 31, 2023)		Increased/(Decreased) from previous fiscal year	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Total Revenue	172,072	100.0	188,592	100.0	+16,520	+9.6
Wacoal Business (Domestic)	88,128	51.2	96,746	51.3	+8,618	+9.8
Wacoal Business (Overseas)	59,214	34.4	66,732	35.4	+7,518	+12.7
Peach John Business	12,200	7.1	11,918	6.3	(282)	(2.3)
Other	12,530	7.3	13,196	7.0	+666	+5.3

(Millions of Yen)

	Previous Fiscal Year (ended March 31, 2022)		Current Fiscal Year (ended March 31, 2023)		Increased/(Decreased) from previous fiscal year	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Operating (Loss)/Profit	3,291	1.9	(3,490)	-	(6,781)	-
Wacoal Business (Domestic)	604	0.7	2,862	3.0	+2,258	+373.8
Wacoal Business (Overseas)	2,055	3.5	(7,397)	-	(9,452)	-
Peach John Business	1,650	13.5	915	7.7	(735)	(44.5)
Other	(1,018)	-	130	1.0	+1,148	-

a. Wacoal Business (Domestic)

In our “Wacoal Business (Domestic)” segment, while aiming to “transform ourselves into a resilient corporate structure” set forth as a core strategy under our mid-term business plan, we promoted our unique strategy to improve value of our customer experience and undertook business structure reform to improve profitability.

During the current fiscal year, sales were significantly below our initial expectations. Despite the continued relaxation of restrictions on economic activities, the number of customers visiting our retail stores remained sluggish due to lack of high-profile products as well as the negative impact on consumer spending arising from rising inflation and suppliers’ restraint on purchasing. With regard to our CX strategy, which is our focus for achieving renewed growth, the strengthening of our retention marketing through the integration of customer data was successful, and sales from our existing member customers were in line with our plans, but sales from non-member customers including new customers remained weak, as we could not come up with effective promotional measures which would lead to store visits and customer acquisition.

As a result of the above, revenue attributable to our “Wacoal Business (Domestic)” segment was 96.75 billion yen (an increase of 9.8% as compared to such revenue for the previous fiscal year). Operating profit was 2.86 billion yen (an increase of 373.8% as compared to such operating profit for the previous fiscal year) due to the increased revenue as well as thorough cost control and a gain from sale of fixed assets (including our former business office in Osaka), despite the impact of soaring cost of sales associated with the sharp depreciation of the Japanese yen and increased returns due to suppressed in-store sales.

Starting in the current fiscal year, we have changed the presentation of net sales from Wacoal Corp. related to transactions with department stores to be based on storefront prices, but we have not made retroactive revisions. This change in presentation has no impact on operating profit because this change resulted in increases in both revenue and selling, general and administrative expenses of the same amount (5.42 billion yen) respectively.

b. Wacoal Business (Overseas)

In order to “accelerate global growth” which is one of our core strategies under the mid-term business plan with respect to our “Wacoal Business (Overseas)” segment, we made efforts to acquire new customers by strengthening digital marketing and to convert existing customers to loyal customers by utilizing data and strengthening CRM.

With respect to Wacoal Europe Ltd., sales from swimwear products remained strong, and our products under “Elomi” brand achieved a high level of growth against the backdrop of the growing body-positive trend. In response, sales from department stores, specialty stores and e-commerce remained strong, maintaining the growth trend. Sales from Wacoal International Corp. (U.S.) remained sluggish, affected by the slowdown in consumer spending primarily due to the rapid inflation. Sales from Wacoal America, Inc., on a local currency basis, decreased due to sluggish sales from our physical store channel caused by weak in-store sales, our clients’ restraint on procurement and production delays

of our core products. In light of the recent deterioration in the marketing environment, Intimates Online, Inc., which distributes the “LIVELY” brand, reformed its management structure in August and made efforts to improve profitability. However, as a result of significant reduction in advertising expenses, the number of customers visiting its stores fell, and as a result, sales significantly decreased. Sales from Wacoal China Co., Ltd. (“Wacoal China”) significantly decreased due to the weak e-commerce sales as well as the temporary closings of commercial facilities and a decrease in the number of customers visiting stores, resulting from the impact of strict restrictions on activities under the zero-COVID policy.

As a result of the above-described factors and the recent rapid depreciation of the Japanese yen against major currencies, sales revenues attributable to our “Wacoal Business (Overseas)” segment on a Japanese yen basis were 66.73 billion yen (an increase of 12.7% as compared to such sales revenues for the previous fiscal year). We recorded an operating loss of 7.40 billion yen (as compared to an operating profit of 2.06 billion yen for the previous fiscal year) due to the operating loss incurred at Wacoal China resulting from weak sales and an impairment charge recorded at Wacoal International Corp. (U.S.).

c. Peach John Business

In our Peach John Business, we aimed to achieve a high profit level by promoting product development that captures consumer needs and by developing effective marketing strategies.

During the current fiscal year, sales from our directly-managed stores exceeded the sales for the previous fiscal year due to the absence of negative impact of COVID-19 seen during the previous fiscal year, as well as the strong instore sales of our core products under “NICE BODY” series. On the other hand, our e-commerce sales fell below the previous fiscal year’s level due to ineffective efforts to increase the number of customers visiting our online stores through content marketing measures using new brand muse and products. In addition, our subsidiary in Peach John Business in China terminated its operations in December 2022.

As a result of the above, revenue attributable to our “Peach John Business” segment were 11.92 billion yen (a decrease of 2.3% as compared to such revenue for the previous fiscal year). Despite our efforts to curb advertising expenses, operating profit decreased to 0.92 billion yen (a decrease of 44.5% as compared to such operating profit for the previous fiscal year) due to the impact of decreased revenue, the depreciation of the Japanese yen leading to increase in raw materials costs and the loss incurred in connection with the termination of business activities of our subsidiary in China.

d. Other

In our “Other” business segment, we proceeded to build a system that can continue to steadily generate profits by actively addressing unprofitable businesses and reassessing fixed costs, in order to achieve the core strategy aiming “to transform ourselves into a resilient corporate structure” under our mid-term business plan.

During the current fiscal year, sales from Lecien Corporation decreased as a result of the weak sales of its private brand products sold by major apparel supply chain companies, despite a recovery in sales from its own brand products. Revenue from Nanasai Co., Ltd. and Ai Co., Ltd. increased on the back of a recovery in demand following the relaxation of COVID-19 restrictions.

As a result of the above, revenue and operating profit attributable to our “Other” business segment were 13.20 billion yen (an increase of 5.3% as compared to such revenue for the previous fiscal year) and 0.13 billion yen (as compared to an operating loss of 1.02 billion yen for the previous fiscal year), respectively. While sales from each company in the segment remain below the pre-pandemic level, we were able to record profit due to an improvement in profit structure resulting from a progress in reassessment of operations of each company as well as the compensation received from the vacating of a factory site by a subsidiary of Lecien Corporation.

(Reference) Revenue and Operating (Loss)/ Profit of Major Subsidiaries

(Millions of Yen)

Revenue	Previous Fiscal Year (from April 1, 2021 to March 31, 2022)		Current Fiscal Year (from April 1, 2022 to March 31, 2023)		Increased/(Decreased) from previous fiscal year	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Wacoal Corp.	81,184	47.2	90,948	48.2	+9,764	+12.0
Wacoal International Corp. (U.S.)	25,282	14.7	28,014	14.9	+2,732	+10.8
Wacoal Europe Ltd.	16,305	9.5	19,184	10.2	+2,879	+17.7
Wacoal China Co., Ltd.	11,734	6.8	10,365	5.5	(1,369)	(11.7)
Peach John Co., Ltd.	12,200	7.1	11,918	6.3	(282)	(2.3)
Lecien Corporation	3,475	2.0	3,189	1.7	(286)	(8.2)
Nanasai Co., Ltd.	6,042	3.5	6,196	3.3	+154	+2.5

*Revenue from external customers only

(Millions of Yen)

Operating (Loss)/Profit	Previous Fiscal Year (from April 1, 2021 to March 31, 2022)		Current Fiscal Year (from April 1, 2022 to March 31, 2023)		Increased/(Decreased) from previous fiscal year	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Wacoal Corp.	1,733	2.1	2,753	3.0	+1,020	+58.9
Wacoal International Corp. (U.S.)	490	1.9	(9,448)	-	(9,938)	-
Wacoal Europe Ltd.	1,945	11.9	1,680	8.8	(265)	(13.6)
Wacoal China Co., Ltd.	(166)	-	(698)	-	(532)	-
Peach John Co., Ltd.	1,650	13.5	915	7.7	(735)	(44.5)
Lecien Corporation	(593)	-	111	3.5	+704	-
Nanasai Co., Ltd.	(145)	-	9	0.1	+154	-

(iii) Business Forecast for Next Fiscal Year

(Millions of Yen)

Category	Fiscal Year ending March 2024 (Estimates)	Percentage Change (%)	First Half of Fiscal Year ending March 2024 (Estimates)	Percentage Change (%)	Second Half of Fiscal Year ending March 2024 (Estimates)	Percentage Change (%)
Revenue	205,000	+8.7	103,000	+5.6	102,000	+12.0
Wacoal Business (Domestic)	103,700	+7.2	51,200	+4.8	52,500	+9.6
Wacoal Business (Overseas)	73,450	+10.1	37,800	+7.7	35,650	+12.7
Peach John Business	12,600	+5.7	6,250	+3.8	6,350	+7.7
Other	15,250	+15.6	7,750	+2.9	7,500	+32.4

(Millions of Yen)

Category	Fiscal Year ending March 2024 (Estimates)	Percentage Change (%)	First Half of Fiscal Year ending March 2024 (Estimates)	Percentage Change (%)	Second Half of Fiscal Year ending March 2024 (Estimates)	Percentage Change (%)
Operating Income	6,000	-	4,400	+10.0	1,600	-
Wacoal Business (Domestic)	1,250	(56.3)	830	(47.1)	420	(67.5)
Wacoal Business (Overseas)	3,450	-	2,680	+72.7	770	-
Peach John Business	700	(23.5)	470	(43.4)	230	+170.6
Other	600	+361.5	420	+757.1	180	+222.2

(Millions of Yen)

Income before income taxes and equity in net income of affiliated companies	7,000	-	5,500	(6.5)	1,500	-
Net income	4,800	-	3,900	(8.9)	900	-
Net income attributable to owners of parent	4,800	-	3,900	(7.2)	900	-

Category	Fiscal Year ending March 2024 (Estimates)	Fiscal Year ended March 2023 Amount
Basic Earnings (Loss) per Share	88.00 yen	(29.66) yen
Dividend per share:		
Interim	50.00 yen (scheduled)	40.00 yen
Year-end	50.00 yen (scheduled)	40.00 yen (scheduled)

(Note) The “Basic Earnings per Share” information takes into account the impact of repurchase of treasury stock.

During the fiscal year ending March 2024, we expect that the environment surrounding our business will continue to be unstable due to a mix of expectations of a recovery in consumer spending in hopes to put an end to COVID-19 and concerns of a slowdown in consumption following price hikes, geopolitical risks and financial anxiety. Under these circumstances, we will continue to endeavor to address increasingly complex and diverse social issues as “an opportunity for future growth”, promote “sustainability management” to achieve both “resolution of social issues” and “sustainable growth” through our business and enhance corporate value through the following initiatives:

Transformation to management focused on capital efficiency

Our market capitalization, a market valuation that takes into account future growth, has remained below our net assets, and we recognize that it is critical to address this issue to restore the stagnant price-to-book ratio (P/B ratio) to a level of 1x or more by quickly improving profitability and achieving a return on capital that exceed cost of capital. Accordingly, we will achieve medium- to long-term corporate value enhancement through sustainable growth, by ensuring that each operating entity and/or business division will shift to management that is more focused on profitability and capital efficiency than in the past, and formulating and executing highly effective strategies. Our new management takes the lead in analyzing and evaluating our capital profitability and market valuation as well as policies, goals and/or management indicators for improving P/B ratio, specific initiatives and timeframe for the execution of these initiatives. We plan to disclose these in mid-November 2023.

Enhancement of governance

In order to shift to a management that focuses on capital efficiency and to achieve a return on capital that exceeds cost of capital, we will need to further strengthen the supervisory function of our Board of Directors over execution of business and to enhance effectiveness of management. In order to steadily implement our agenda of improving profitability and capital efficiency, we have examined the skill set of our Board of Directors and decided to appoint an additional Outside Director with experience and knowledge in the areas of investment and financial capital markets.

Improvement of business profitability

Although the restrictions on activities in various countries and/or regions following the spread of COVID-19 have been eased, the recovery in profit has been slow due to inadequate response to changing consumer needs and consumer behaviors from the experience of COVID-19. We will achieve renewed growth by providing new customer experience value and creating new business, while at the same time continuing to reform our cost structure and improve business efficiency.

Based on the above-described initiatives, we expect revenue of 205.0 billion yen, operating income of 6.0 billion yen, profit before income taxes and equity in net profit of affiliated companies of 7.0 billion yen, and net profit attributable to owners of parent of 4.8 billion yen for the consolidated business results for the fiscal year ending March 31, 2024. We formulated our plan for the fiscal year ending March 31, 2024 using the key exchange rates of 130.00 yen to the U.S. dollar; 160.00 yen to the Sterling pound; and 19.00 yen to the Chinese yuan.

(2) Financial Condition as of Fiscal Year 2023

Status of Assets, Liabilities and Shareholders' Equity

Our total assets as of March 31, 2023 were 285,296 million yen, a decrease of 13,881 million yen from the end of the previous consolidated fiscal year, mainly due to impairment charges recorded on goodwill and intangible assets, in addition to repurchase of treasury stock and a decrease in cash and cash equivalents for repayment of borrowings.

Our current liabilities were 72,177 million yen, a decrease of 6,132 million yen from the end of the previous consolidated fiscal year, mainly due to decreases in borrowings and lease liabilities.

Equity attributable to owners of parent was 209,834 million yen, a decrease of 8,156 million yen from the end of the previous consolidated fiscal year, due to a decrease in retained earnings and an increase in treasury stock.

As a result of the above, our ratio of equity attributable to owners of parent as of March 31, 2023 was 73.5%, an increase of 0.6% from the end of the previous consolidated fiscal year.

Cash Flows Status

The balance of cash and cash equivalents as of March 31, 2023 was 26,781 million yen, a decrease of 10,704 million yen from the end of the previous consolidated fiscal year.

Cash flow provided by operating activities:

Cash flow provided by operating activities was 7,334 million yen, a decrease of 9,288 million yen as compared to the previous consolidated fiscal year, after adjustments for changes in assets and liabilities to our net loss of 1,734 million yen plus adjustments for impairment charges.

Cash flow provided by investing activities:

Cash flow provided by investing activities was 3,902 million yen, as compared to cash flow used in investing activities in the amount of 3,042 million yen for the previous consolidated fiscal year, due to sales of investment securities and property, plant and equipment.

Cash flow used in financing activities:

Cash flow used in financing activities was 22,541 million yen, a decrease of 18,466 million yen as compared to the previous consolidated fiscal year, due to repurchase of treasury stock, repayment of borrowings, as well as payments made for dividends.

(3) Basic Policy Regarding Distribution of Profits and Dividends for Fiscal Year 2023 and Fiscal Year 2024

Our basic policy on profit distributions to shareholders is to make stable distributions based on consideration of our consolidated business results, while seeking to increase net income per share by enhancing our corporate value through active investments aimed at improving profitability.

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 plan to distribute 40.00 yen per share as a year-end dividend for the current fiscal year, the same amount as the estimated dividend announced during the latest quarter. The total annual cash dividend per share will be 80.00 yen, including the interim dividend per share of 40.00 yen.

For the fiscal year ending March 31, 2024, we plan to declare, based on the above policy and profit growth, an annual cash dividend per share of 100.00 yen (an increase of 20.00 yen as compared to the annual cash dividend for the current fiscal year), composed of an interim dividend per share of 50.00 yen (an increase of 10.00 yen as compared to the interim dividend for the previous fiscal year) and a year-end dividend per share of 50.00 yen (an increase of 10.00 yen as compared to the year-end dividend for the previous fiscal year).

2. Basic Policies regarding Selection of Accounting Standards

Our group adopts the International Financial Reporting Standards starting from the fiscal year ended March 31, 2023 in order to improve international comparability and convenience of financial information in the capital markets.

3. Consolidated Financial Statements and Accompanying Notes

(1) Consolidated Statement of Financial Position

(Millions of Yen)

Accounts	Date of Transition (April 1, 2021)	Previous Consolidated Fiscal Year as of March 31, 2022	Current Consolidated Fiscal Year as of March 31, 2023
Assets			
Current assets:			
Cash and cash equivalents	63,987	37,485	26,781
Trade and other receivables	18,657	20,706	20,215
Other financial assets	2,238	1,795	1,804
Inventories	43,402	45,926	53,720
Other current assets	7,067	2,923	3,100
Total current assets	135,351	108,835	105,620
Non-current assets:			
Property, plant and equipment	44,973	48,602	46,702
Right-of-use assets	12,967	13,986	12,260
Goodwill	21,169	22,945	16,256
Intangible assets	15,343	15,666	13,043
Investment property	3,126	2,725	2,957
Investments accounted for using equity method	17,898	18,239	20,499
Other financial assets	56,334	52,249	50,195
Retirement benefit assets	9,434	13,280	13,978
Deferred income taxes	1,641	1,680	2,953
Other non-current assets	979	970	833
Total non-current assets	183,864	190,342	179,676
Total assets	319,215	299,177	285,296

(Millions of Yen)

Accounts	Date of Transition (April 1, 2021)	Previous Consolidated Fiscal Year as of March 31, 2022	Current Consolidated Fiscal Year as of March 31, 2023
Liabilities and Equity			
Liabilities			
Current liabilities:			
Borrowings	40,707	10,227	5,000
Lease liabilities	3,657	5,197	4,661
Trade and other payables	15,058	16,738	17,535
Other financial liabilities	2,365	1,661	1,172
Income taxes payable	879	1,363	1,683
Other current liabilities	14,132	14,080	13,791
Total current liabilities	76,798	49,266	43,842
Non-current liabilities			
Borrowings	1,498	1,626	3,084
Lease liabilities	8,676	8,254	7,670
Other financial liabilities	1,639	820	—
Retirement benefit liability	2,089	3,466	2,470
Deferred income taxes	12,065	13,607	13,886
Other non-current liabilities	1,516	1,270	1,225
Total non-current liabilities	27,483	29,043	28,335
Total liabilities	104,281	78,309	72,177
Equity			
Common stock	13,260	13,260	13,260
Additional paid-in capital	29,120	29,077	29,029
Retained earnings	156,143	158,940	151,418
Other components of equity	22,381	27,571	32,021
Treasury stock, at cost	(8,876)	(10,858)	(15,894)
Total equity attributable to owners of parent	212,028	217,990	209,834
Noncontrolling interests	2,906	2,878	3,285
Total equity	214,934	220,868	213,119
Total liabilities and equity	319,215	299,177	285,296

(2) Consolidated Statements of Profit or Loss and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Profit or Loss)

(Millions of Yen)

Accounts	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)		Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)	
		%		%
Revenue	172,072	100.0	188,592	100.0
Cost of sales	(76,248)	(44.3)	(82,189)	(43.6)
Selling, general and administrative expenses	(95,330)	(55.4)	(102,301)	(54.3)
Other income	3,749	2.2	5,254	2.8
Other expenses	(952)	(0.6)	(12,846)	(6.8)
Operating (loss) profit	3,291	1.9	(3,490)	(1.9)
Finance income	1,930	1.1	1,517	0.8
Finance costs	(232)	(0.1)	(795)	(0.4)
Share of profit of investments accounted for using equity method	579	0.3	2,223	1.2
Impairment charges of investments accounted for using equity method	(1,485)	(0.8)	(154)	(0.1)
(Loss) profit before tax	4,083	2.4	(699)	(0.4)
Income tax expense	(2,498)	(1.5)	(1,035)	(0.5)
(Loss) profit	1,585	0.9	(1,734)	(0.9)
(Loss) profit attributable to:				
Owners of parent	1,732	1.0	(1,776)	(0.9)
Noncontrolling interests	(147)	(0.1)	42	0.0
(Loss) profit	1,585	0.9	(1,734)	(0.9)
(Loss) earnings per share:				
Basic (loss) earnings per share (yen)	27.83		(29.66)	
Diluted (loss) earnings per share (yen)	27.71		(29.66)	

(Consolidated Statement of Comprehensive Income)

(Millions of Yen)

Accounts	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
(Loss) profit	1,585	(1,734)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(538)	1,826
Remeasurement of defined benefit plans	2,769	(251)
Share of other comprehensive income of investments accounted for using equity method	297	430
Total	2,528	2,005
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	5,811	3,553
Share of other comprehensive income of investments accounted for using equity method	494	309
Total	6,305	3,862
Total other comprehensive income	8,833	5,867
Comprehensive income	10,418	4,133
Comprehensive income attributable to:		
Owners of parent	10,476	4,034
Noncontrolling interests	(58)	99
Comprehensive income	10,418	4,133

(3) Consolidated Statements of Equity

Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of Yen)

Item	Equity attributable to owners of parent						Noncontrolling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance at April 1, 2021	13,260	29,120	156,143	22,381	(8,876)	212,028	2,906	214,934
Profit (loss)			1,732			1,732	(147)	1,585
Other comprehensive income				8,744		8,744	89	8,833
Total comprehensive income	—	—	1,732	8,744	—	10,476	(58)	10,418
Repurchase of treasury stock					(2,089)	(2,089)		(2,089)
Disposal of treasury stock		(0)			1	1		1
Share-based payment transactions		(43)			106	63		63
Dividends			(2,498)			(2,498)	(82)	(2,580)
Equity transactions with noncontrolling interests						—	112	112
Transfer from other components of equity to retained earnings			3,554	(3,554)		—		—
Other			9			9		9
Total transactions with owners	—	(43)	1,065	(3,554)	(1,982)	(4,514)	30	(4,484)
Balance at March 31, 2022	13,260	29,077	158,940	27,571	(10,858)	217,990	2,878	220,868

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)

(Millions of Yen)

Item	Equity attributable to owners of parent						Noncontrolling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance at April 1, 2022	13,260	29,077	158,940	27,571	(10,858)	217,990	2,878	220,868
Profit (loss)			(1,776)			(1,776)	42	(1,734)
Other comprehensive income				5,810		5,810	57	5,867
Total comprehensive income	—	—	(1,776)	5,810	—	4,034	99	4,133
Repurchase of treasury stock					(8,035)	(8,035)		(8,035)
Cancellation of treasury stock			(2,863)		2,863	—		—
Share-based payment transactions		(48)			136	88		88
Dividends			(4,243)			(4,243)	(95)	(4,338)
Equity transactions with noncontrolling interests						—	403	403
Transfer from other components of equity to retained earnings			1,360	(1,360)		—		—
Total transactions with owners	—	(48)	(5,746)	(1,360)	(5,036)	(12,190)	308	(11,882)
Balance at March 31, 2023	13,260	29,029	151,418	32,021	(15,894)	209,834	3,285	213,119

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

Accounts	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Operating activities		
(Loss) profit	1,585	(1,734)
Depreciation and amortization	10,689	12,364
Impairment charges	211	10,136
Finance income	(1,930)	(1,517)
Finance costs	232	795
Share of profit of investments accounted for using equity method	(579)	(2,223)
Impairment charges of investments accounted for using equity method	1,485	154
Income tax expense	2,498	1,035
Gain on sale and disposal of property, plant and equipment-net	(1,960)	(2,650)
Decrease (increase) in trade and other receivables	(1,035)	1,053
Increase in inventories	(644)	(6,692)
Decrease (increase) in other assets	(194)	185
Increase in trade and other payables	1,499	480
(Decrease) increase in retirement benefit asset or liability	721	(1,714)
Decrease in other liabilities	(1,673)	(1,255)
Other	1,466	(1,018)
Subtotal	12,371	7,399
Interest received	62	115
Dividends received	1,489	1,932
Interest paid	(226)	(270)
Income taxes (paid) received	2,926	(1,842)
Net cash provided by operating activities	16,622	7,334
Investing activities		
Proceeds from withdrawal of time deposits	531	289
Payments into time deposits	(361)	(178)
Purchase of property, plant and equipment	(6,621)	(2,879)
Proceeds from sale of property, plant and equipment	2,799	4,468
Purchase of intangible assets	(3,172)	(2,169)
Collection of loans receivable	321	3
Purchase of other financial assets	(4)	(135)
Proceeds from sale or amortization of other financial assets	3,410	4,372
Other	55	131
Net cash provided by (used in) investing activities	(3,042)	3,902
Financing activities		
Net decrease in short-term bank loans with original maturities of three months or less	(30,460)	(5,230)
Proceeds from long-term borrowings	—	1,355
Repayments of long-term borrowings	(35)	—
Repayments of lease obligations	(4,658)	(5,981)
Capital contribution from noncontrolling interests	112	403
Payments for purchase of treasury stock	(2,089)	(8,035)
Proceeds from disposal of treasury stock	1	0
Dividends paid to owners of parent	(2,498)	(4,243)
Dividends paid to noncontrolling interests	(82)	(95)
Contingent consideration payment	(1,298)	(715)
Net cash used in financing activities	(41,007)	(22,541)
Effect of exchange rate changes on cash and cash equivalents	925	601
Net decrease in cash and cash equivalents	(26,502)	(10,704)
Cash and cash equivalents at beginning of period	63,987	37,485
Cash and cash equivalents at end of period	37,485	26,781

(5) Notes on Going Concern

Not applicable.

(6) Basic Significant Matters in Preparation of Consolidated Financial Statements

(i) Standard of Preparation of Consolidated Financial Statements

Our group has implemented IFRS starting from the current consolidated fiscal year. The date of transition to IFRS is April 1, 2021.

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

Major consolidated subsidiaries:

Wacoal Corporation, Peach John Co., Ltd., Lecien Corporation, Wacoal Manufacturing Japan 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.

(iii) Changes Regarding Subsidiaries and Affiliated Companies

New: -

Excluded: Niigata Wacoal Sewing Corp., Hokuriku Sewing Wacoal Corp., and Dalian Lecien Fashion Co., Ltd.

(7) Notes to the Consolidated Financial Statements

(Segment Information)

(i) Reportable Segment Information

Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Reportable Segment				Other (Note) 1	Adjustments	Consolidated
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Total			
Revenue							
External customers	88,128	59,214	12,200	159,542	12,530	—	172,072
Intersegment	844	8,425	363	9,632	3,694	(13,326)	—
Total	88,972	67,639	12,563	169,174	16,224	(13,326)	172,072
Segment profit (loss) (Note) 2	604	2,055	1,650	4,309	(1,018)	—	3,291

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Reportable Segment				Other (Note) 1	Adjustments	Consolidated
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Total			
Revenue							
External customers	96,746	66,732	11,918	175,396	13,196	—	188,592
Intersegment	1,048	13,725	248	15,021	4,434	(19,455)	—
Total	97,794	80,457	12,166	190,417	17,630	(19,455)	188,592
Segment profit (loss) (Note) 2	2,862	(7,397)	915	(3,620)	130	—	(3,490)

(Note) 1. The “Other” category includes Lecien business, Nanasai business, and other business segments which are not included in the operating segment.

2. The sum of the segment profit (loss) agrees to the operating profit (loss) on the consolidated statement of profit or loss. For a reconciliation from operating profit (loss) to profit before income taxes and equity in net profit of affiliated companies, please see the consolidated statement of profit or loss.

3. The Company accounts for intersegment sales and transfers at cost plus an interest.

(ii) Segment Information by Region

Revenue – external customers

(Millions of Yen)

	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Japan	111,623	120,712
Asia and Oceania	20,295	22,316
Americas and Europe	40,154	45,564
Total	172,072	188,592

- (Note) 1. Countries or areas are classified according to locations of consolidated companies.
2. Of “Americas and Europe” category, revenue in the United States for the previous consolidated fiscal year and current consolidated fiscal year were 30,113 million yen and 33,046 million yen, respectively.

(Per Share Information)

(i) Basis for calculation of basic earnings per share

	Previous Consolidated Fiscal Year ended March 31, 2022	Current Consolidated Fiscal Year ended March 31, 2023
(Loss) profit attributable to owners of parent (Millions of Yen)	1,732	(1,776)
(Loss) profit attributable to participating equity instruments (Millions of Yen)	1	(1)
(Loss) profit used when calculating basic earnings per share (Millions of Yen)	1,731	(1,775)
Weighted average number of tradable shares (Thousand shares)	62,235	59,871
Weighted average number of participating equity instruments (Thousand shares)	19	43
Weighted average number of shares (Thousand shares)	62,216	59,828
Basic (loss) earnings per share (Yen)	27.83	(29.66)

(ii) Basis for calculation of diluted earnings per share

	Previous Consolidated Fiscal Year ended March 31, 2022	Current Consolidated Fiscal Year ended March 31, 2023
Profit used when calculating basic earnings per share (Millions of Yen)	1,731	(1,775)
Profit reconciliation (Millions of Yen)	—	—
Profit used when calculating diluted earnings per share (Millions of Yen)	1,731	(1,775)
Weighted average number of common shares (Thousand shares)	62,216	59,828
Increase in number of common stock		
Stock acquisition rights (Thousand shares)	264	—
Diluted weighted average number of common shares (Thousand shares)	62,480	59,828
Diluted (loss) earnings per share (Yen)	27.71	(29.66)

- (Note) Potential shares do not have dilutive effect as the exercise of stock acquisition rights reduce the loss per share for the current consolidated fiscal year.

(Significant Subsequent Events)

Not applicable.

(First-time Adoption)

Starting from the current consolidated first quarter, our group began preparing our condensed quarterly consolidated financial statements in accordance with IFRS. Previously, our group prepared the financial consolidated statements for the fiscal year ended March 31, 2022 in accordance with U.S. GAAP. The date of transition to IFRS is April 1, 2021.

(1) IFRS 1 – Exemptions

In principle, IFRS requires companies that adopt IFRS for the first time (a “first-time adopter”) to apply IFRS standards retrospectively. IFRS 1 *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”), however, outlines certain mandatory and discretionary exemptions from retrospective application of IFRS standards. The effect of the application of these exceptions and exemptions is adjusted in retained earnings and/or other components of equity at the date of transition to IFRS. The exemptions adopted by our group upon transition from U.S. GAAP to IFRS are as follows:

- Business combinations

A first-time adopter may choose not to apply IFRS 3 *Business Combinations* (“IFRS 3”) retrospectively to business combinations for which the acquisition date occurs prior to the date of transition to IFRS. Our group has applied such exemption and chosen not to apply retrospectively to business combinations that occurred prior to the date of transition. As a result, the amount of goodwill arising from business combinations prior to the date of transition is based on the carrying amount as of the transition date in accordance with U.S. GAAP.

Goodwill is tested for impairment as of the transition date, regardless of whether there is any indication of impairment.

- Deemed cost

IFRS 1 permits the use of fair value as of the date of transition to IFRS for property, plant and equipment, investment property and intangible assets as deemed cost as of that date. Our group uses fair value as of the date of transition for certain intangible assets as deemed cost under IFRS.

- Exchange differences on translation of foreign operations

IFRS 1 permits a first-time adopter to choose to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS. Our group has chosen to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS.

- Leases

Under IFRS 1, a first-time adopter may determine whether an arrangement contains a lease as of the date of transition to IFRS based on the facts and circumstances at the date of transition. It also permits to measure the lease liability at the present value of the remaining lease payments discounted at the lessee’s additional borrowing rate as of the date of transition, and the right-of use asset at the same amount as the lease liability. Leases ending within 12 months from the date of transition and leases with small underlying assets may be recognized as expenses.

Our group has applied such exemption, and recognized and measured leases.

- Designation of previously recognized financial instruments

IFRS 1 permits classification in IFRS 9 *Financial Instruments* (“IFRS 9”) to be based on facts and circumstances as of the date of transition, rather than on facts and circumstances existing at the time of recognition. In addition, it is permitted to designate equity financial assets as financial assets at fair value through other comprehensive income based on facts and circumstances existing as of the date of transition.

Our group has chosen the classification in IFRS 9 based on facts and circumstances existing as of the date of transition, and has designated certain equity financial assets as financial assets at fair value through other comprehensive income based on facts and circumstances existing as of the date of transition.

- Fair value measurement of financial instruments at initial recognition

Our group has elected to apply prospectively the provisions of IFRS 9 on fair value measurement and recognition of gains or losses on initial recognition of financial assets and liabilities.

(2) IFRS 1 – Mandatory Exceptions

IFRS 1 prohibits retrospective application regarding “estimates”, “derecognition of financial assets and financial liabilities”, “hedge accounting”, “noncontrolling interests” and “classification and measurement of financial instruments”. Our group has applied prospectively these items from the date of transition.

(3) Reconciliations

The reconciliations required to be disclosed under IFRS upon first-time adoption are as follows.

The reconciliations include items which may not impact the retained earnings and comprehensive income under “reclassification”, and items which may impact the retained earnings and comprehensive income under “recognition and measurement differences”.

Reconciliation of Equity as at the date of transition to IFRS (April 1, 2021)

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
(Assets)						Assets
Current Assets						Current Assets
Cash and cash equivalents	63,557	—	430	63,987		Cash and cash equivalents
Time deposits	1,443	(1,443)	—	—		
Marketable securities	253	(253)	—	—		
Notes and accounts receivable	17,571	490	596	18,657		Trade and other receivables
Allowance for doubtful receivables	(346)	346	—	—		
	—	2,213	25	2,238	A	Other financial assets
Inventories	43,250	2	150	43,402		Inventories
Return assets	600	(600)	—	—		
Other current assets	7,794	(603)	(124)	7,067		Other current assets
Total current assets	134,122	152	1,077	135,351		Total current assets
Property, Plant and Equipment						Non-current Assets
Land	20,569	—	—	—		
Buildings and building improvements	72,978	—	—	—		
Machinery and equipment	19,356	—	—	—		
Construction in progress	1,264	—	—	—		
	114,167	—	—	—		
Accumulated depreciation	(64,409)	—	—	—		
Net property, plant and equipment	49,758	(4,390)	(395)	44,973	b	Property, plant and equipment
Other assets						
Operating leases right-of-use assets	12,729	870	(632)	12,967	D, E, j	Right-of-use assets
Investments	51,603	(51,603)	—	—		
Goodwill	21,169	—	—	21,169		Goodwill
Other intangible assets	15,220	394	(271)	15,343	C, c	Intangible assets
	—	3,126	—	3,126	B	Investment property
Investments in affiliated companies	21,207	—	(3,309)	17,898	d	Investments accounted for using equity method
	—	56,374	(40)	56,334		Other financial assets
Prepaid pension expense	9,533	—	(99)	9,434		Retirement benefit assets
Deferred income taxes	1,649	—	(8)	1,641	k	Deferred income taxes
Other	5,771	(4,900)	108	979		Other non-current assets
Total other assets	138,881	—	—	—		
	—	—	—	183,864		Total non-current assets
Total Assets	322,761	23	(3,569)	319,215		Total Assets

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
(Liabilities)						Liabilities and Equity
Current Liabilities						Liabilities
Short-term bank loans	40,672	35	—	40,707		Current Liabilities
Notes and accounts payable	—	4,411	(754)	3,657	D, j	Borrowings
Trade notes payable	712	(712)	—	—	h	Lease liabilities
Trade accounts payable	8,734	(8,734)	—	—		Trade and other payables
Other payables	6,610	(6,610)	—	—		
Accrued payroll and bonuses	—	2,372	(7)	2,365	G	Other financial liabilities
Income taxes payable	6,822	(6,822)	—	—		
Refund liabilities	1,025	(134)	(12)	879		Income taxes payable
Short-term operating lease liabilities	2,266	(2,266)	—	—		
Other current liabilities	4,411	(4,411)	—	—		
Total current liabilities	4,819	9,202	111	14,132	F, i	Other current liabilities
	76,071	661	66	76,798		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	1,498	—	—	1,498		Borrowings
Liabilities for termination and retirement benefit	—	8,520	156	8,676	D, j	Lease liabilities
Deferred income taxes	—	1,639	—	1,639	G	Other financial liabilities
Long-term operating lease liabilities	1,942	143	4	2,089		Retirement benefit liability
Contingent consideration (long-term)	12,292	—	(227)	12,065	k	Deferred income taxes
Other long-term liabilities	8,520	(8,520)	—	—		
Total long-term liabilities	1,639	(1,639)	—	—		
	2,183	(781)	114	1,516	i	Other non-current liabilities
	28,074	(638)	47	27,483		Total non-current liabilities
Total liabilities	104,145	23	113	104,281		Total liabilities
(Equity)						Equity
Common stock	13,260	—	—	13,260		Common stock
Additional paid-in capital	29,120	—	—	29,120		Additional paid-in capital
Retained earnings	181,346	—	(25,203)	156,143	l	Retained earnings
Accumulated other comprehensive income (loss)	—	762	21,619	22,381	f, g	Other components of equity
Foreign currency translation adjustments	1,770	(1,770)	—	—		
Pension liability adjustments	(1,008)	1,008	—	—		
Treasury stock, at cost	(8,876)	—	—	(8,876)		Treasury stock, at cost
Total Wacoal Holdings Corp. shareholders' equity	215,612	—	(3,584)	212,028		Total equity attributable to owners of parent
Noncontrolling interests	3,004	—	(98)	2,906		Noncontrolling interests
Total equity	218,616	—	(3,682)	214,934		Total equity
Total liabilities and equity	322,761	23	(3,569)	319,215		Total liabilities and equity

Reconciliation of Equity as at the end of the previous consolidated fiscal year (March 31, 2022)

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
(Assets)						Assets
Current Assets						Current Assets
Cash and cash equivalents	37,982	—	(497)	37,485		Cash and cash equivalents
Time deposits	1,387	(1,387)	—	—		
Notes and accounts receivable	19,414	876	416	20,706		Trade and other receivables
Allowance for doubtful receivables	(282)	282	—	—		
Inventories	45,268	—	658	45,926	A	Other financial assets Inventories
Return assets	655	(655)	—	—		
Other current assets	4,004	(800)	(281)	2,923		Other current assets
Total current assets	108,428	118	289	108,835		Total current assets
Property, Plant and Equipment						Non-current Assets
Land	20,358	—	—	—		
Buildings and building improvements	77,641	—	—	—		
Machinery and equipment	20,829	—	—	—		
Construction in progress	1,289	—	—	—		
	120,117	—	—	—		
Accumulated depreciation	(67,156)	—	—	—		
Net property, plant and equipment	52,961	(3,984)	(375)	48,602	b	Property, plant and equipment
Other assets						
Operating leases right-of-use assets	12,356	886	744	13,986	D, E, j	Right-of-use assets
Investments	47,926	(47,926)	—	—		
Goodwill	22,945	—	—	22,945		Goodwill
Other intangible assets	15,408	373	(115)	15,666	C, c	Intangible assets
	—	2,725	—	2,725	B	Investment property
Investments in affiliated companies	22,835	—	(4,596)	18,239	d	Investments accounted for using equity method
	—	52,250	(1)	52,249		Other financial assets
Prepaid pension expense	13,411	—	(131)	13,280		Retirement benefit assets
Deferred income taxes	1,554	—	126	1,680	k	Deferred income taxes
Other	5,421	(4,442)	(9)	970		Other non-current assets
Total other assets	141,856	—	—	—		
	—	—	—	190,342		Total non-current assets
Total Assets	303,245	—	(4,068)	299,177		Total Assets

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
(Liabilities)						Liabilities and Equity
Current Liabilities	10,227	—	—	10,227		Liabilities
Short-term bank loans	—	4,549	648	5,197	D, j	Current Liabilities
Notes and accounts payable	—	16,164	574	16,738	h	Borrowings
Trade notes payable	558	△558	—	—		Lease liabilities
Trade accounts payable	10,067	△10,067	—	—		Trade and other payables
Other payables	7,006	△7,006	—	—		
Accrued payroll and bonuses	—	1,661	—	1,661	G	Other financial liabilities
Income taxes payable	6,319	△6,319	—	—		
Refund liabilities	1,408	△70	25	1,363		Income taxes payable
Short-term operating lease liabilities	1,991	△1,991	—	—		
Other current liabilities	4,549	△4,549	—	—		
Total current liabilities	5,178	8,883	19	14,080	F, i	Other current liabilities
	47,303	697	1,266	49,266		Total current liabilities
Long-term liabilities	1,626	—	—	1,626		Non-current liabilities
Long-term debt	—	8,150	104	8,254	D, j	Borrowings
Liabilities for termination and retirement benefit	—	820	—	820	G	Lease liabilities
Deferred income taxes	3,345	103	18	3,466		Other financial liabilities
Long-term operating lease liabilities	14,095	—	(488)	13,607	k	Retirement benefit liability
Contingent consideration (long-term)	8,150	(8,150)	—	—		Deferred income taxes
Other long-term liabilities	820	(820)	—	—		
Total long-term liabilities	1,854	(800)	216	1,270	i	Other non-current liabilities
	29,890	(697)	(150)	29,043		Total non-current liabilities
Total liabilities	77,193	—	1,116	78,309		Total liabilities
(Equity)						Equity
Common stock	13,260	—	—	13,260		Common stock
Additional paid-in capital	29,077	—	—	29,077		Additional paid-in capital
Retained earnings	183,456	—	(24,516)	158,940	l	Retained earnings
Accumulated other comprehensive income (loss)	—	8,070	19,501	27,571	f, g	Other components of equity
Foreign currency translation adjustments	7,714	(7,714)	—	—		
Pension liability adjustments	356	(356)	—	—		
Treasury stock, at cost	(10,858)	—	—	(10,858)		Treasury stock, at cost
Total Wacoal Holdings Corp. shareholders' equity	223,005	—	(5,015)	217,990		Total equity attributable to owners of parent
Noncontrolling interests	3,047	—	(169)	2,878		Noncontrolling interests
Total equity	226,052	—	(5,184)	220,868		Total equity
Total liabilities and equity	303,245	—	(4,068)	299,177		Total liabilities and equity

Reconciliation of Statement of Profit or Loss and Statement of Comprehensive Income for the previous consolidated fiscal year
(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net sales	172,860	13	(801)	172,072		Revenue
Operating expenses						
Cost of sales	(76,607)	(31)	390	(76,248)	f, i	Cost of sales
Selling, general and administrative expenses	(93,010)	(756)	(1,564)	(95,330)	f, i	Selling, general and administrative expenses
Gain on sales or disposal of property, plant and equipment – net	1,981	(1,981)	—	—		
Impairment charges on tangible assets	(211)	211	—	—		
	—	3,760	(11)	3,749	H	Other income
	—	(920)	(32)	(952)	H	Other expenses
Operating income	5,013	296	(2,018)	3,291		Operating profit
Other income (expenses)						
Interest income	53	(53)	—	—		
Interest expense	(62)	62	—	—		
Dividend income	1,312	(1,312)	—	—		
Valuation loss on marketable securities and investments – net	(641)	(169)	810	—		
Other – net	1,571	(789)	(782)	—		
	—	1,887	43	1,930	H	Finance income
	—	(55)	(177)	(232)	H	Finance costs
	—	792	(123)	579		Share of profit of investments accounted for using equity method
	—	—	(1,485)	(1,485)	d	Impairment charges of investments accounted for using equity method
Income before income taxes and equity in net income of affiliated companies	7,246	659	(3,822)	4,083		Profit before tax
Income taxes	(3,497)	133	866	(2,498)	k	Income tax expense
Income before equity in net income of affiliated companies	3,749	—	—	—		
Equity in net income of affiliated companies	792	(792)	—	—		
Net income	4,541	—	(2,956)	1,585		Profit
						Profit attributable to:
Net income attributable to Wacoal Holdings Corp.	4,608	—	(2,876)	1,732		Owners of parent
Net income attributable to noncontrolling interests	(67)	—	(80)	(147)		Noncontrolling interests

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net income	4,541	—	(2,956)	1,585		Profit
Other comprehensive income (net of tax)						Other comprehensive income
						Items that will not be reclassified to profit or loss
	—	—	(538)	(538)	a	Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	1,364	—	1,405	2,769	f	Remeasurement of defined benefit plans
	—	—	297	297		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	6,024	(325)	112	5,811		Exchange differences on translation of foreign operations
	—	325	169	494		Share of other comprehensive income of investments accounted for using equity method
Total of other comprehensive income	7,388	—	1,445	8,833		Total other comprehensive income
Comprehensive income	11,929	—	(1,511)	10,418		Comprehensive income
Comprehensive income attributable to Wacoal Holdings Corp.	11,916	—	(1,440)	10,476		Comprehensive income attributable to:
Comprehensive income attributable to noncontrolling interests	13	—	(71)	(58)		Owners of parent
						Noncontrolling interests

Notes to the Reconciliations

(i) Reclassification

- A. Certain financial instruments included in “time deposits” and “marketable securities”, and “other current assets” that were separately presented under U.S. GAAP have been reclassified and presented as “other financial assets” under IFRS.
- B. “Investment property”, which was included in “Property, plant and equipment” under U.S. GAAP, is presented separately under IFRS.
- C. “Painting”, which was included in “Property, plant and equipment” under U.S. GAAP, has been reclassified and presented in “intangible assets” under IFRS as an asset with an indefinite useful life.
- D. Items presented as “operating lease right-of-use assets”, “short-term operating lease liabilities” and “long-term operating lease liabilities” under U.S. GAAP are presented as “right-of-use assets” and “lease liabilities” under current liabilities and non-current liabilities, respectively, under IFRS.
- E. “Leasehold rights”, which were included in “Other intangible assets” under U.S. GAAP, have been reclassified and presented as “Right-of-use assets” under IFRS.
- F. “Accrued payroll and bonuses” and “Refund liability”, which were separately presented under U.S. GAAP, have been reclassified and presented as “Other current liabilities” under IFRS.
- G. “Contingent consideration (short-term)” included in “Notes and accounts payable – Other payables” under Current Liabilities and “Contingent consideration (long-term)”, which was separated presented under “Long-term liabilities” under U.S. GAAP have been reclassified and presented as Current Liabilities and as “other financial liabilities” under Non-current Liabilities”, respectively, under IFRS.
- H. Items presented in “Operating costs and expenses”, “Other income (expenses)” under U.S. GAAP are recorded as “Finance income” and “Finance costs” for financial related gains and losses, while other items are presented as “Other income” and “other expenses” under IFRS.

(ii) Recognition and measurement differences

The following adjustments are prorated to the related noncontrolling interests.

a. Fair value measurement of equity instruments

Valuation gains (losses), gains (losses) on sales, and impairment charges with respect to equity instruments are recognized in net income or loss under U.S. GAAP, whereas changes in fair value are recognized in other comprehensive income under IFRS except for certain issues.

b. Adjustment of recorded amount of property, plant and equipment

Under U.S. GAAP, an impairment charge is recognized only when there is an indication that the total undiscounted future cash flows expected from the use or eventual disposition of an asset (group) are less than its carrying amount. On the other hand, under IFRS, if there is an indication of impairment, an impairment charge is recognized when the recoverable amount of an asset (group) is less than its carrying amount. The fair value of equipment, plant and equipment of certain consolidated subsidiaries with indications of impairment included our Wacoal Business (Overseas) was measured as at the date of transition and recognized an impairment charge of 419 million yen, which was adjusted to retained earnings as of the date of transition.

c. Adjustment of recorded amount of intangible assets

For certain intangible assets, the fair value of the transition date is used as deemed cost. The fair value of such intangible assets at the transition date was 175 million yen, a decrease of 136 million yen compared to such fair value under U.S. GAAP. In addition, a write-down of 2 million yen was recorded as a result of measuring the fair value of intangible assets of certain consolidated subsidiaries as of the date of transition. Both of them were adjusted to retained earnings as of the date of transition.

d. Adjustment of recorded amount of investments accounted for using equity method

Under U.S. GAAP, a loss is recognized when a series of losses or elements of the investee’s investment that indicate an other-than-temporary decrease in the value of the investment have occurred. On the other hand, under IFRS, an impairment charge is recognized if there is objective evidence of impairment after the application of the equity method. Under U.S. GAAP, we did not experience a series of losses or other factors indicating an other-than-temporary decrease in the value of its investments. However, under IFRS, we identified objective evidence of impairment for certain investments included in our Wacoal Business (Overseas) and reduced the carrying amount of its investments accounted for using equity method to their recoverable amount. Such recoverable amount is measured at Level 1 fair value. As a result, an impairment charge of 4,069 million yen was recognized and adjusted to retained earnings at the date of transition, and an impairment charge of 1,485 million yen on investments accounted for using equity method was recorded in the previous consolidated fiscal year.

e. Uniformity of reporting periods

Certain consolidated subsidiaries and equity method affiliates that have a different fiscal year-end from that of the Company have been unified in their reporting periods to match the Company’s fiscal year-end as of the date of transition.

f. Adjustment related to retirement benefit accounting

Under U.S. GAAP, actuarial gains and losses and prior service cost are recognized in other comprehensive income when incurred and amortized in subsequent periods. On the other hand, under IFRS, actuarial gains and losses (remeasurement of defined benefit plans) are recognized in other comprehensive income when incurred and immediately transferred to retained earnings. In addition, past service costs are recognized immediately as part of retirement benefit expenses.

g. Transfer of exchange differences on translation of foreign operations

Upon first-time adoption, we elected the exemptions provided in IFRS 1 and transferred all cumulative translation differences at the date of transition to retained earnings.

h. Adjustment related to recognition of levies

Items corresponding to property tax levies that the Company and certain consolidated subsidiaries are obligated to pay were recognized over the fiscal year in which they were paid under U.S. GAAP, but are recognized in IFRS on the date the event giving rise to the obligation occurs. The amount required as of the transition date is recognized as liability in “Trade and other payables” and adjusted to retained earnings as of the date of transition.

i. Adjustment for recognition of other long-term employee benefit obligations

For long-term employee benefit plans adopted by certain consolidated subsidiaries, which were not recognized under U.S. GAAP, the present value of the projected payments as of the date of transition is included in “Other current liabilities” and “Other non-current liabilities” as a liability and adjusted to retained earnings on the date of transition. The net change in such liabilities is recognized as “Selling, general and administrative expenses” and “cost of sales” under IFRS.

j. Recognition of right-of-use assets and lease liability, adjustment of recorded amount of right-of-use assets

Leases accounted for as “operating leases” under U.S. GAAP were remeasured in accordance with IFRS 16 as of the date of transition and adjusted to retained earnings on the date of transition. The fair value of the right-of-use assets of certain consolidated subsidiaries as of the date of transition was measured at fair value, resulting in a write-down of 118 million yen, which was adjusted to retained earnings as of the date of transition.

k. Tax effect adjustments

Changes in deferred tax assets (deferred tax liabilities) occurred due to temporary differences arising (or eliminated) as a result of IFRS adjustments, etc. In addition, with respect to the tax effects of unrealized intragroup transactions, deferred tax assets are recognized under IFRS at the tax rate of the seller, whereas under U.S. GAAP, the tax expense was recognized at the source of sale.

l. Adjustment to retained earnings

	(Millions of Yen)	
	Date of Transition (April 1, 2021)	Previous consolidated fiscal year (March 31, 2022)
a. Fair value measurement of equity instruments	(22,381)	(21,347)
b. Adjustment of recorded amount of property, plant and equipment	(419)	(395)
c. Adjustment of recorded amount of intangible assets	(138)	(138)
d. Adjustment of recorded amount of investments accounted for using equity method	(3,886)	(5,546)
e. Uniformity of reporting periods	285	(386)
f. Adjustment related to retirement benefit accounting	(941)	704
g. Transfer of exchange differences on translation of foreign operations	2,930	2,930
h. Adjustment related to recognition of levies	(665)	(669)
i. Adjustment for recognition of other long-term employee benefit obligations	(294)	(283)
j. Recognition of right-of-use assets and lease liabilities, adjustment of recorded amount of right-of-use assets	79	(31)
Other	(90)	(155)
Subtotal	(25,520)	(25,316)
k. Tax effect adjustments	219	597
Adjustment related to noncontrolling interests	98	203
Total	(25,203)	(24,516)

Reconciliation of Consolidated Statement of Cash Flows for the previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

There are no material differences between the consolidated statement of cash flows disclosed in accordance with U.S. GAAP and the consolidated statement of cash flows disclosed in accordance with IFRS.

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