Wacoal

RESOLVED *to* CHANGE

Annual Report 2007

PROFILE

Seeking to benefit society at large by enabling women the world over to express their beauty, we have led the Japanese market for women's innerwear since our establishment in 1949. Still holding a dominant share of our home market, we are steadily growing sales in North America, Europe, and Asia. Further, we have developed innerwear and other garments that realize outstanding comfort and figure enhancement thanks to basic research on the shape and movement of the human body as well as research on the physiology of sensation. That research draws on a wealth of analytical data that we have accumulated by measuring the bodies of more than 35,000 Japanese women. We will anticipate changing demand by continuing to develop and market value-added products that offer differentiated beauty and comfort.

OUR MISSION

We will contribute to society by helping women to express their beauty.

OUR VISION

We, the employees and management of Wacoal, will maintain a refined corporate culture based on mutual trust and will continually strive to make the Company a global leader in the industry.

OUR VALUES

1. Create products loved by customers.
2. Develop new products that meet the needs of the times.
3. Conduct business in a fair manner with a forward focus.
4. Build a better Wacoal through better human resources.
5. Fear not failure and boast not of success.

contents

Taking On Change

So that customers will always look to the Wacoal Group for new products and services, the Group will offer new value that meets the needs of changing times and markets while maintaining the commitment to quality, advanced functionality, and high added value that has been its greatest asset.

In this section, we give an overview of four initiatives that exemplify the Wacoal Group's transformation: the development of Style Science functional innerwear; a new marketing approach centered on the *LALAN* brand; the development of joint operations with Peach John through a capital and operational tie-up; and overseas business development initiatives, such as the introduction of *SORCI AGE* as a regional brand for ASEAN countries.

着るエクササイズ。
Style Science®

LALAN®

PEACH JOHN
THE CATALOGUE

OVERSEAS STRATEGY

着るエクササイズ。

Style Science®

Style Science refers to a completely new technology that firms up the body as customers walk while wearing products. We develop these products based on scientific data gathered over many years of research conducted by our Human Science Research Center. Among these offerings, the revolutionary functionality of flagship products *Hip Walker* and *Onaka Walker* has proven hugely popular; simply walking while wearing the products tones the wearer's buttocks or stomach. We have sold 4.8 million pieces of those two products since launching them in July 2005.

We will foster Style Science as a new mainstay product category by also developing products for men.

LALAN®

密かにささえるブラ

Positioned within the *Wacoal* brand, *LALAN* is a new brand that is the focus of a new marketing campaign. Until now, for new products that we launch each season, we have used names that stress functionality and conducted discrete marketing campaigns. As a result, we have not built a unified brand image.

Naming products under *LALAN* as a unifying brand will encourage customers to associate new functionality with *LALAN*-brand products. Timed to coincide with the *LALAN* brand's launch, we will develop a marketing campaign themed on "love" and "satisfaction" that appeals to women's emotional side. Through those initiatives, we will heighten the value of the *Wacoal* brand by linking *LALAN* with novelty, fashion, and innovation. At the same time, lineups under the *LALAN* brand will be practical and functional. We will use this new brand and marketing campaign as a chance to strengthen the association of the *Wacoal* brand with innerwear in the minds of customers in all generations and "restore" the popularity of *Wacoal*-brand brassieres.

PEACH JOHN
THE CATALOGUE

In June 2006, to increase our share of the domestic innerwear market, we entered into a capital and operational tie-up with Peach John, which is primarily a mail-order innerwear retailer. Highly popular among teenage women and young career women, Peach John sells innerwear with a youthful, fashionable look that is "energetic, happy, and sexy" through quarterly catalogs and 21 directly managed stores (as of July 31, 2007) in Japan.

Peach John has a different "culture" from the Wacoal Group. Our capital and operational tie-up with Peach John will enable us to expand our innerwear operations' market area by including customer age groups and product styles that we have not yet been able to develop fully. We believe that this tie-up will accelerate our growth by giving us points of contact with more customers.

Overseas Strategy

Plans call for further allocation of management resources to the United States and Asia, focusing on the business model we cultivated in Japan's mid-to-high-end market. Particularly among consumers in the United States, awareness of innerwear sizes has risen due to the airing of television programs and other media coverage encouraging them to wear brassieres of the correct size. Because we have traditionally conducted consultation sales based on trial fittings, that heightened interest is becoming a tail wind for us. Further, amid an increasing polarization between high-end and low-price products in the overall U.S. innerwear market, mid-to-high-end department stores are increasingly favoring prestige brand products, leading to higher transaction volumes with the Wacoal Group. This trend is becoming a significant driver of sales growth. Due to those factors, sales in the United States have remained strong, reaching ¥17.0 billion. Targeting sales of ¥19.3 billion in three years, we aim to expand U.S. operations to a scale second only to those in Japan.

Meanwhile, our efforts in Asia will concentrate on China and ASEAN countries. Sales in China have reached ¥2.4 billion, and our local production subsidiary achieved profitability for the first time since becoming a wholly owned subsidiary in 2001. Targeting sales of ¥4.7 billion in three years, we will work to increase sales while carefully upholding the *Wacoal* brand's reputation for quality and high added value. In the ASEAN region, we will build on the high-end image that the *Wacoal* brand has cultivated by beginning sales of the *sorci age* brand in Malaysia, Indonesia, the Philippines, and Singapore. That new brand will target women from 18 to 24 years of age, who account for a large part of the ASEAN region's population. We plan to use the new brand to further expand business, and we are considering marketing the brand in other ASEAN countries. In five years, our goal is to achieve annual sales of ¥1.0 billion.

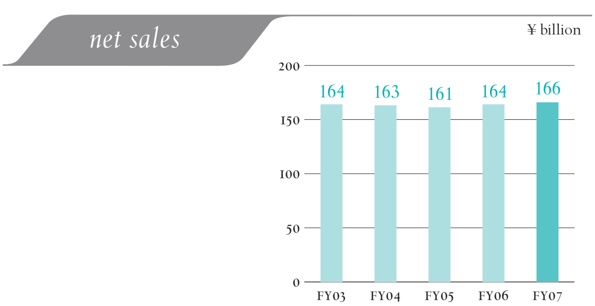
The *sorci age* innerwear brand is being sold in the ASEAN region.

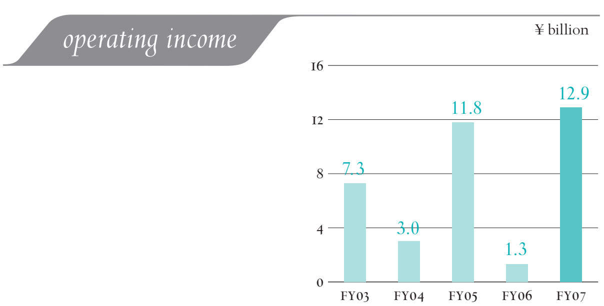
FINANCIAL HIGHLIGHTS

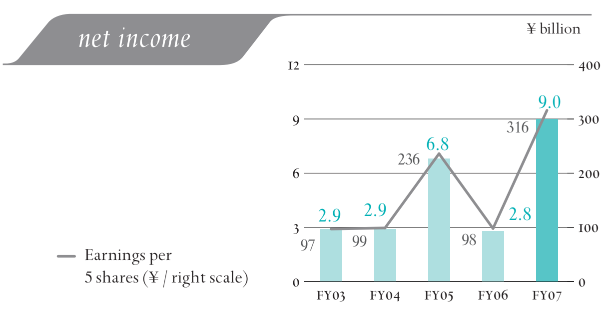
WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31, 2007, 2006 and 2005

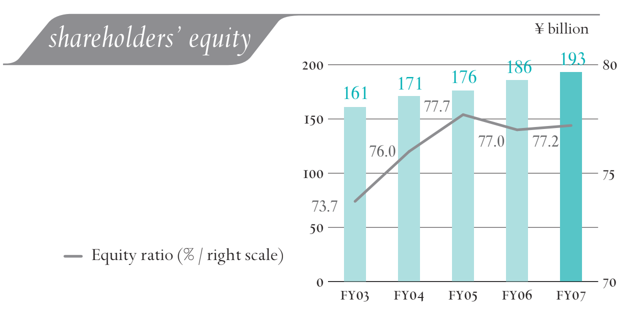
	Millions of Yen (except per 5 share amounts)			Thousands of U.S. Dollars*	% Change
	2007	2006	2005	2007	2007 vs 2006
Net sales	¥166,410	¥164,122	¥160,968	$1,415,532	+1.4%
Operating income	12,896	1,333	11,766	109,697	+867.4
Income before income taxes, equity in net income of affiliated companies and minority interests	13,920	3,466	12,079	118,408	+301.6
Net income	9,029	2,821	6,790	76,803	+220.1
ROE (%)	4.8	1.6	3.9		
Per 5 shares of common stock (in yen/dollars):					
Net income	¥ 316	¥ 98	¥ 236	$ 2.69	+222.4
Cash dividends	110	100	100	0.94	+10.0
Shareholders' equity	6,874	6,480	6,105	58,472	+6.1
Shareholders' equity	¥193,278	¥186,475	¥175,746	$1,644,080	+3.6
Total assets	250,266	242,296	226,196	2,128,836	+3.3

* The U.S. dollar amounts represent translations of Japanese yen solely for convenience at the rate of ¥117.56=$1.









TO OUR SHAREHOLDERS

Resolved to Change

THE WACOAL GROUP HAS INITIATED A NEW MEDIUM-TERM MANAGEMENT PLAN THAT POSITIONS THE PERIOD FROM APRIL 2007 AS "THREE YEARS OF SHIFTING TO GROWTH AND HEIGHTENING EARNING POWER." WE ARE FULLY COMMITTED TO CHANGE THAT WILL ENABLE US TO ACHIEVE OUR BUSINESS PLANS.

Yoshikata Tsukamoto
Representative Director

Evaluation of Fiscal 2007 Business Results and the Previous Medium-Term Management Plan

Fiscal 2007, ended March 31, 2007, was the final year of the medium-term management plan that we launched in April 2004. (see Table 1)

Net sales fell significantly short of our management target. We sincerely regret that, when preparing the medium-term management plan, our projections of market trends were inaccurate and that our response to these disparities was inadequate. Based on the mainstay *Wacoal* and *Wing* brands, domestic wholesaling operations did not maintain stable revenues through the Group's mainstay department stores and general merchandising stores sales channels, as planned, and revenues and sales volumes declined. Further, in domestic direct marketing business operations, which mainly comprise directly managed stores, developing SPA operations and strengthening Internet sales and mail-order catalog sales did not produce the significant increase in sales hoped for.

Meanwhile, despite being slightly below target, operating income was our highest in eight years. We achieved favorable operating income thanks to progress in reforming our profit structure. For example, we have reduced manufacturing costs by transferring production overseas in recent years. Also, we have pursued initiatives under CAP21 (Corporate Activation Project 21) since 2005 that include the integration and elimination of domestic sewing subsidiaries, the liquidation of a poorly performing outerwear subsidiary, and the reduction of personnel costs through the introduction of our first-ever voluntary retirement scheme.

Having learned the lessons of our inaccurate projections of market trends, we are keenly aware of the need to establish product development and sales systems that can steadily grow sales in any business conditions. Further, aiming to increase flexibility and responsiveness of production, we will rigorously eliminate waste to improve operational efficiency and reduce costs, allowing us to add value to products and market new low-cost products.

business plans & growth strategies

Market conditions: Challenging conditions are likely to continue in the Group's mainstay market Japan. Demographically, we expect a steepening decline in the number of women in the Group's primary customer group: women between the ages of 20 and 69. In the domestic retail industry, although markets for Internet sales and specialty store shopping malls are expanding, markets for mainstay department stores and general merchandising stores are contracting. Against that backdrop, Japan's innerwear market has trended toward yearly decreases in revenues, volumes, and prices since peaking in 1998.

Moreover, in sales channels other than department stores, innerwear prices continue to fall. And, increasing numbers of outerwear companies are breaking into the innerwear market. At the same time, new markets are forming centered on products that emphasize fashion, lifestyles, and price rather than function and quality. Amid such market and product diversification, individual customers now choose where to buy which product according to their varying needs and priorities.

New medium-term management plan and CAP21: In light of those market conditions, the Group must develop business close to customers and increase points of contact with more customers to establish a firm footing in markets. In addition, the Group must pursue the following three goals.

- Establish a business model and an earnings platform that adapt to changes in market conditions
- Expand overseas operations and new businesses in response to the shrinking domestic innerwear market
- Seek fast-paced growth by exploiting the capabilities of other companies rather than relying solely on in-house resources

Mindful of those goals, we launched a new medium-term management plan in April 2007 (see Table 2), themed on Getting Closer to Customers and positioning the coming period as Three Years of Shifting to Growth and Heightening Earning Power. The plan sets out net sales of ¥180.0 billion and operating income of ¥15.3 billion as targets for fiscal 2010. Further, since 2005 the Group has pursued the strategies of CAP21 (Medium-to-Long-Term Growth Strategies) (see Table 3) created to enhance enterprise value by enabling the Group to make a fresh start and step up the pace of growth. CAP21 targets net sales of ¥200.0 billion and operating income of ¥18.0 billion for fiscal 2011, the year after the end of the new medium-term management plan. Aiming to reach those targets, we have already begun strategic moves, including the active consideration of mergers and acquisitions.

In measures aimed at shifting to growth, the Group will enlarge the domestic market presence of its mainstay innerwear business through the decisive development of market areas it has yet to fully exploit. In overseas operations, the Group will further strengthen and expand operations in the United States, which have been a major contributor to earnings. Also, we will develop operations in earnest in China's rapidly developing market.

Table 1 PREVIOUS THREE-YEAR MEDIUM-TERM MANAGEMENT PLAN — TARGETS AND RESULTS

Millions of Yen	TARGET	RESULT	ACHIEVEMENT RATE
Net sales	¥190,000	¥166,410	87.6%
Operating income	13,500	12,896	95.5%

Table 2 NEW THREE-YEAR MEDIUM-TERM MANAGEMENT PLAN

Period	April 2007–March 2010
Themes	Getting Closer to Customers
	Three Years of Shifting to Growth and Heightening Earning Power
Priority measures	Reform and strengthen existing businesses to reflect changing markets
	Increase points of contact with customers for new growth
	Enforce rigorous quality control that justifies customers' trust

Numerical targets for FY 2010

Millions of Yen	FY 2010	INCREASE COMPARED WITH FY 2007
Net sales	¥180,000	+8.2%
Operating income	15,300	+18.6%

Table 3 OVERVIEW OF CAP21

Launch	April 2005
Aims	Reorganize and strengthen existing businesses and develop business in areas that promise growth through mergers and acquisitions, operational tie-ups, capital tie-ups, and independent initiatives

Numerical targets for FY 2011

Millions of Yen	FY 2011	INCREASE COMPARED WITH FY 2007
Net sales	¥200,000	+20.2%
Operating income	18,000	+39.6%
Operating income margin	9.0%	+1.3 percentage points

In new businesses, we will venture into areas peripheral to the innerwear business. Our Wellness Business has been the focus of such efforts so far. But, we will also concentrate on realizing our Body Designing Business* strategy. In addition, we will actively consider mergers and acquisitions, operational tie-ups, and capital tie-ups to draw on the capabilities of other companies and achieve faster growth. In June 2006, we entered into a capital and operational tie-up with Peach John Co., Ltd., a major mail-order retailer of innerwear that is highly popular among women in their teens and 20s. We will develop joint ventures with Peach John that enable us to leverage our respective strengths.

In measures for heightening our earning power, we will seek higher levels of operational efficiency throughout our mainstay innerwear business. We have benefited from reducing personnel costs and manufacturing costs. However, we have lagged in the kind of internal cost efficiency improvements that are achievable by seeking productivity commensurate with cost and rethinking inefficient operational management. Mindful of that, we aim to improve inventory turnover rates by consolidating varieties and colors for each product and optimizing overall production volumes. In addition, we will achieve profitability in SPA operations and other direct marketing business operations. And, we will completely integrate the manufacture of *Wacoal*- and *Wing*-brand products—separate for many years—while stepping up the pace at which we are moving production overseas.

The Group will steadily implement those measures to ensure growth for the future and higher earnings. We are unwaveringly committed to carrying out multifaceted reforms that will transform our management team's and employees' mind-sets, organizational systems, manufacturing procedures, and business strategies.

* Body Designing Business: This is a key business strategy of using core competence in innerwear to expand peripheral businesses and provide value in three areas: beauty, comfort, and health. "Body" refers to the body's physical and emotional attributes.

enterprise value enhancement

The Group will continue doing its utmost to increase earnings steadily and raise enterprise value by implementing its new medium-term management plan and CAP21. Our basic policy is to pay shareholders stable cash dividends that reflect business results. However, we plan to increase returns to shareholders by growing earnings. Also, we are improving capital efficiency. For example, over the six-year period since 2001, we purchased 13.4 million shares of treasury stock, equivalent to approximately 9% of issued shares. We will continue purchases of treasury stock, which we view as a part of overall returns to shareholders comparable with cash dividends. Reflecting that philosophy, we paid cash dividends per ADR of ¥110 for fiscal 2007, compared with ¥100 for fiscal 2006. Moreover, given projected improvements in business results and as part of our efforts to heighten returns to shareholders, for fiscal 2008 we expect to pay cash dividends per ADR of ¥125, up ¥15 from the fiscal year under review.

Meanwhile, we will continue investing retained earnings to enhance earning power and enterprise value. Specifically, we will invest to expand SPA operations; develop points of contact with customers; strengthen overseas business; start new businesses; and enter into mergers and acquisitions, operational tie-ups, and capital tie-ups. Further, the Group has a strong financial base with respect to liquidity and shareholders' equity, which heightens management stability and flexibility, provides strategic options in business development, and enhances enterprise value.

In addition, we need to ensure adequate cash to maintain and strengthen competitiveness that is built on research and development; develop sales channels, including SPA shops, Internet sales, and mail-order catalog sales; and advance growth strategies, including further expansion of overseas business.

outlook

As the innerwear market continues to shrink, the women's innerwear industry in Japan will likely see intensifying competition. In response, the Wacoal Group will focus efforts on developing products that earn the endorsement of customers of all ages, from the young through to senior citizens. At the same time, we will continue developing new points of contact with customers.

In businesses catering to department stores and general merchandising stores, we aim to increase earnings by stepping up the marketing of Style Science lineups, which offer revolutionary functionality. These lineups include *Hip Walker*, which has sold briskly since its launch, and *Onaka Walker*. In domestic direct marketing business operations, plans call for achieving profitability in SPA operations and developing joint operations with Peach John. Overseas, we will step up operational development in the United States and China. Meanwhile, in Southeast Asia we will cultivate a new customer group by marketing a brand that targets young career women.

For the fiscal year ending March 2008, we project increases of 2.2% in net sales, to ¥170.0 billion; 4.7% in operating income, to ¥13.5 billion; and 8.5% in net income, to ¥9.8 billion. Working in concert, our management team and employees will continue unstinting efforts to enhance corporate value and reach management targets. As we take on those challenges, I would like to ask our shareholders and other investors for their continued understanding and support.

August 2007

Yoshikata Tsukamoto
Representative Director

STRATEGIES FOR MAINSTAY BRANDS

Having driven the development of the Wacoal Group, wholesaling operations continue to play a major role as an earnings platform. But, rather than looking to past success we will revamp operations thoroughly to build a highly profitable organization that prevails against competition.

"We will draw on unique development capabilities to introduce greater numbers of market-vitalizing products and fundamentally change operational methods."

Yuzo Ito
Director, Wacoal Holdings Corp.;
Director, Senior Corporate Officer, Wacoal Corp., in charge of Technical and Production Operations

Mainly developing the *Wacoal*- and *Wing*-brand lineups for department stores and general merchandising stores, wholesaling operations form the earnings platform that underpins the Group's stability. However, traditional sales channels are struggling due to dramatic structural changes in Japan's retail industry. To grow in such conditions, we have to find new strategies. Mindful of that imperative, we are determined to reinvent ourselves as a highly profitable organization. We will draw on unique development capabilities to introduce greater numbers of market-vitalizing products and fundamentally change operational methods that are based on past successes.

In product development, we will further develop the Style Science business, which is growing into a new product category thanks to such hit products as *Onaka Walker*. Also, we introduced the *LALAN* brand to increase points of contact with customers.

Operationally, we are taking steps to integrate the manufacture of *Wacoal*- and *Wing*-brand offerings. In the past year, we have identified and defined the differences between the two brands. By 2010, we plan to complete integration, which will improve production efficiency due to materials sharing and the manufacture of both brand's products at the same plants. Further, we will lower costs through increased overseas production. And, we will take rigorous measures to improve inventory turnover rates by consolidating varieties and colors for each product and adjusting initial delivery volumes to reflect sales.

As an initiative to secure new sources of earnings, we began ODM (Original Design Manufacturing)* in the current fiscal year. The aim is to establish a business model that will generate steady profits by harnessing sewing technologies, expertise, and patents that the Wacoal Group has accumulated over many years. In April 2007, ODM operations began supplying products to Peach John.

* OEM (Original Equipment Manufacturing) is the manufacture of products under a business partner's brand name. ODM involves designing and manufacturing products on behalf of a business partner. In OEM, business partners are responsible for product specifications and design; however, in ODM, the Wacoal Group is responsible for stages from product design to manufacture.

STRATEGIES FOR DIRECT MARKETING

Direct marketing business operations are tasked with fueling the Wacoal Group as it advances into a new growth phase. In the coming three years, we will balance growth and profit – investing strategically to continue business expansion and stepping up initiatives focused on earnings generation.

"We will change the shop development paradigm from a single-brand approach to brand mixes suited to respective locations… attracting a larger group of customers."

Tatsuya Kondo
Director, Wacoal Holdings Corp.;
Director, Senior Corporate Officer, Wacoal Corp.,
General Manager of Direct Marketing Business Operations, responsible for Wellness Department and Promoting Business in China

Comprising the sales channels of wholesaling operations, the market that has supported the Wacoal Group's growth is maturing. In response, we are creating fresh growth opportunities by developing new sales channels and launching new businesses.

In mainstay SPA operations, we have established a network of 100 SPA shops. Now, we must improve profitability. Accordingly, we will shift focus to growing shop revenues and realizing profit. We aim to put SPA operations in the black from the coming fiscal year. Specifically, we will change the shop development paradigm from a single-brand approach to brand mixes suited to respective locations. By creating shops that attract a larger group of customers, we aim to increase revenues and operational efficiency.

In Internet sales and mail-order catalog sales operations, we have focused on improving profit structures. As a result, although sales were lower than in the previous fiscal year, those operations moved into the black in the fiscal year under review. Given the growth that the market for Internet sales operations promises, we intend to expand and improve product lineups and systems for these operations.

Further, we will bolster our three-pronged Wacoal retailing and marketing system, which integrates SPA shops, Internet sales, and mail-order catalog sales. This system unifies the management of information on customers' purchasing histories and attributes gathered by each sales channel, thereby enabling more finely tuned marketing. The system also heightens convenience for customers by allowing them to buy our products from any sales channel. In the coming one to two years, our aim is to build a solid business model that will yield significant benefits in three years.

CORPORATE GOVERNANCE OF WACOAL HOLDINGS CORP.

Wacoal Holdings Corp. ("Wacoal"), a worldwide manufacturer of high-end women's intimate apparel, is a forward-thinking company with a strategy to enhance shareholder value over the medium to long term. As the holding company of 10 subsidiaries, Wacoal is continually innovating not only its product lines but also its governance mechanisms to stay at the forefront of its industry. Wacoal believes that commitment to both its products and corporate governance is essential for Wacoal to optimize shareholder value and foster continual growth of the Company.

Corporate Governance Structure

Corporate Governance Innovations

Wacoal has always been a leader in the corporate governance field and has instituted several measures beyond those required by law to ensure that its corporate governance system works to the greatest advantage of its shareholders. We describe below a few of these innovations.

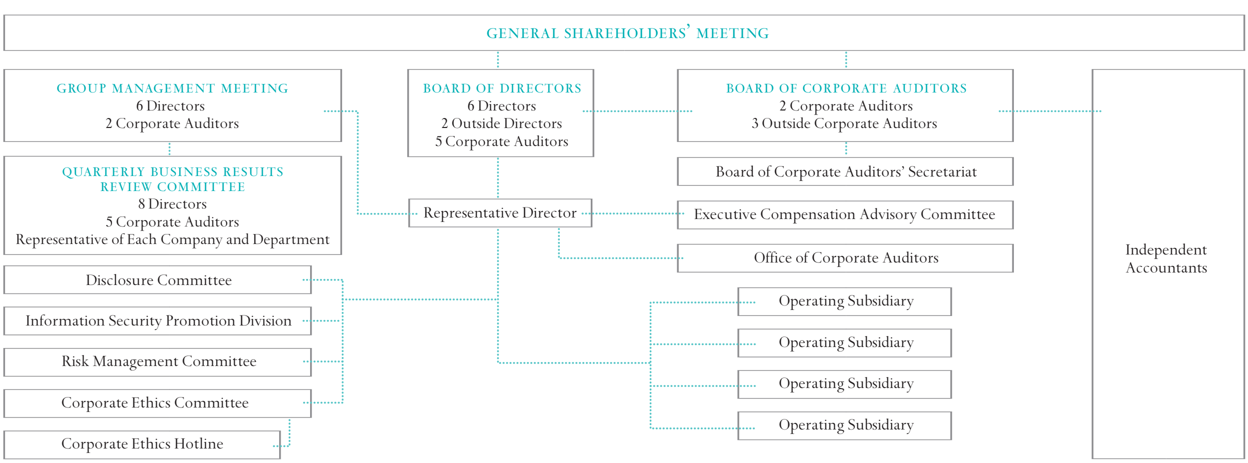
• Disclosure Committee In 2003, Wacoal established the Disclosure Committee to strengthen its corporate governance infrastructure. The Disclosure Committee ensures the accuracy of the financial and other information made available to the public and filed with our regulators, including the U.S. Securities and Exchange Commission and the Japanese Financial Services Agency. This committee also reviews and confirms the appropriateness of our internal controls.

• Corporate Ethics Committee In 2004, Wacoal created the Corporate Ethics Committee, which is headed by a member of Wacoal's board. This committee produced a code of conduct for executives, corporate officers, and other employees, and it works to instill a strong culture of ethics and legal compliance at all levels of the Company. Wacoal's corporate ethics framework conveys strongly to employees the Company's unyielding commitment to good corporate ethics.

• Hotline System Wacoal has established a hotline system that allows employees to ask questions about corporate ethics and to report any violations or potential violations of its ethics code. The hotline promotes good ethics within the Company and provides a way for the Company to learn promptly about ethics violations.

• Accidents and Disasters Countermeasures Committee In 2006, Wacoal established the Accidents and Disasters Countermeasures Committee as a subcommittee of the Risk Management Committee to manage overall risks to Wacoal. The Risk Management Committee establishes measures to manage and control risks to the Company and monitors Wacoal's implementation of those measures. The Risk Management Committee keeps the Board of Directors fully informed about the operation of the risk management system.

• Independent Committee In the event of a potential takeover of the Company through the acquisition of substantial shares, Wacoal has granted independent outsiders extraordinary authority to exchange information and conduct discussions about the Company without management. An "Independent Committee" – composed of one outside director, one outside auditor, and one academic – has the authority to call a meeting without the presence of the Company's executives and may retain external professionals to advise them on takeover and related issues. With these powers and resources, the Independent Committee can evaluate takeover



bids and pursue related strategies without management interference. This committee serves as a powerful tool to safeguard shareholder interests at a crucial juncture.

Statutory Auditor System

The aforementioned innovations complement Wacoal's corporate governance infrastructure under the statutory auditor system. Operating under that system, Wacoal's directors oversee operations and provide broad oversight of the Company and its subsidiaries. Wacoal's statutory auditors, in turn, supervise the activities of the board and provide a check on the directors' oversight of the Company. In the following section, we discuss some of the specific features of Wacoal's statutory auditor system and certain enhancements designed to produce better governance.

1. Board of Directors

Following the ordinary general meeting of shareholders in June 2007, Wacoal's board was expanded from seven members to eight members. In 2002, we reduced the number of directors to allow directors to respond more flexibly and make decisions more efficiently in an ever-changing business environment. This process was intended to permit directors to focus on the supervisory and strategic responsibilities and to unburden them from operational and management duties.

Although Japanese law does not require any independent, outside directors on the board under the statutory auditor system, Wacoal believes that including the voices and perspectives of independent directors improves the governance of the Company. As a result, Wacoal has two independent, outside directors who contribute to the work of the board.

The directors work diligently for the benefit of the Company. To assist the members of the Board of Directors, Wacoal has drafted guidelines for board meetings that are provided in the Company's articles of incorporation as well as directors' meeting rules.

Wacoal also believes that there should be a retirement age for the members of the board so that fresh perspectives can periodically be brought to the board. To enhance the transparency of Wacoal's corporate governance, the Company has established the retirement age in its corporate rules. Also, beginning with the current fiscal year, Wacoal will include in the proxy materials the attendance records of directors at board meetings.

While the board members have a depth of experience and knowledge, Wacoal believes that continuous education and training of directors are essential to good corporate governance of the Company. To this end, new directors of Wacoal attend an educational seminar for directors conducted by outside professionals.

2. Statutory Auditors

The statutory auditors continually monitor the supervisory activities of the board and the overall work of the Company. The statutory auditors attend board meetings and separately meet with individual directors once a month and Wacoal's President twice a year.

Wacoal believes that enhanced independence of the statutory auditors would allow the auditors to be more effective "watchdogs" for the Company. We, therefore, have gone beyond what is required under Japanese law for statutory auditors. Although Japanese law only requires that 50% of the statutory auditors be independent, 60% of Wacoal's statutory auditors are independent of the Company.

3. Appointment and Compensation Committee

Wacoal has created the Executive Compensation Advisory Committee. This committee, with the assistance of the Management and Administration Department of the Company, develops proposals for personnel appointments and for compensation. The committee, which comprises independent outside directors, a personnel officer, staff supervisors, and members of the Management and Administration Department, submits its proposals to the President and Representative Director. The President then reviews the proposals and submits the appointments for a board resolution. A shareholder resolution would then be made at the general meeting of shareholders.

Wacoal believes that this structure for determining nominees and compensation is appropriate for the Company. For this reason, the Company does not maintain separate board committees for these purposes.

Compensation and Stock Ownership

Wacoal has strived for a compensation system that aligns the interests of directors/management with those of its shareholders. We, therefore, encourage our executives and directors to own shares of Wacoal so that they will be similarly situated as our shareholders. Directors own approximately 1% of the outstanding shares of Wacoal.

We, however, do not provide equity compensation or grant stock options to officers or directors. Although equity compensation and stock option plans may incentivize directors and employees to maximize shareholder value, the potential conflicts of interest that arise with these compensation arrangements discourage Wacoal from adopting them for the Company.

Independent Audit

Under the Japanese laws governing certified public accountants, an accounting firm cannot audit a company for more than seven years. Consistent with these laws, the board has adopted a resolution regarding the re-selection of the Company's accounting firm. When Wacoal changes accounting firms, as required by law, it will seek shareholder approval of the new auditors.

Defensive Measures against Takeovers through the Acquisition of a Substantial Shareholding of the Company

After the Company's June 2006 ordinary general meeting of shareholders passed a resolution authorizing the adoption of a basic policy on measures against the acquisition of a substantial shareholding of the Company, the Board of Directors decided upon specific countermeasures reflecting that basic policy.

In principle, the Company does not oppose the acquisition of large shareholdings that contribute to the enhancement of the enterprise value and shareholders' common interests.

The Company's defensive measures against takeovers, or peacetime takeover defensive measures, include providing advance warning that there are procedures prospective purchasers of the Company's shares must follow and that a gratis allocation if acquisition rights for the subscription of new shares with discriminatory treatment for the exercise of such rights may be implemented. In addition, the Company has established the Independent Committee to ensure that initiations of defensive measures against takeovers are based on substantive, objective decisions and not based on arbitrary decisions by the Board of Directors. For further details, please refer to the Company's web site. *www.wacoalholdings.jp/ir/news.html*

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 28, 2007

Representative Director

Yoshikata Tsukamoto

Senior Managing Directors

Shoichi Suezawa
Hideo Kawanaka

Directors

Yuzo Ito
Tatsuya Kondo
Tadashi Yamamoto

Outside Directors

Kazuo Inamori
Mamoru Ozaki

Corporate Auditors

Hajime Kotake (Standing Corporate Auditor)
Kimiaki Shiraishi (Standing Corporate Auditor)
Yutaka Hasegawa (Corporate Auditor)
Tomoharu Kuda (Corporate Auditor)
Yoko Takemura (Corporate Auditor)

SOCIAL CONTRIBUTION ACTIVITIES AND ENVIRONMENTAL MANAGEMENT

To realize its goal of benefiting society at large by enabling women the world over to express their beauty, the Wacoal Group draws on varied experience accumulated in its core operations to make unique contributions to society.

Remamma

In 1974, we began the *Remamma* project to provide our originally developed innerwear and swimwear for women that had undergone operations for breast cancer. More than 170,000 customers in Japan and overseas have used these products to date.
www.wacoal.co.jp/products/remamma/

Pink Ribbon

Since September 2002, we have supported Pink Ribbon activities, which raise awareness of the importance of early diagnosis and treatment of breast cancer. As part of those efforts, we donate to the "breast cancer eradication smile fund." Further, our shareholders participate in efforts to eradicate breast cancer. In 2005, we introduced a system whereby shareholders are able to make contributions to the fund that are equivalent to a part of the *Wacoal essence check* gift certificates provided as a shareholder benefit. Also, from February to March 2007 we held a Pink Ribbon Fitting Campaign in which we donated to the "breast cancer eradication smile fund" ¥3.2 million, equivalent to the total number of brassieres customers tried on multiplied by ¥10. *www.wacoalholdings.jp/pinkribbon/index.html*

Exhibition "Colors" © The Kyoto Costume Institute. Photo by Naoya Hatakeyama

The Kyoto Costume Institute

Regarding cultural contributions, Wacoal established the Kyoto Costume Institute in 1978, which specializes in the collection, research, preservation, and display of historical, Western garments. With a collection of 11,000 garments representing fashions from the 17th century to the present day as well as 13,000 documents of cultural interest, the institute has jointly held numerous major exhibitions with museums and art galleries in Japan and around the world. In November 2005, the institute received an award in the costume culture category of the Mecenat Awards 2005, which recognizes contributions to the promotion of the arts by companies or foundations. That award testifies to the high regard in which the institute's activities are held. *www.kci.or.jp*

Tsubomi School Program

As a contribution to local educational initiatives, we have held Tsubomi School programs since 2001 for adolescent girls and their parents. We began those programs to help girls become healthy, beautiful women. The programs seek to alleviate the uncertainty and insecurity that is common among adolescent girls by promoting understanding of the body's development and addressing anxieties. Together, parents and children learn how to choose innerwear to suit specific needs or stages of maturity, thereby providing a chance for parents and children to discuss these issues at home. *www.wacoal.co.jp/company/tsubomi/index.html*

Environmental Management

The Wacoal Group advances environmental activities. To take one example, at Niigata Wacoal Sewing Corp. fabric cuttings and scraps that are a byproduct of manufacturing processes are put to good use in the making of jump-ropes for local kindergartens and towels for nursing-care facilities and hospitals. Another example is Kyushu Wacoal Manufacturing Corp., which has undertaken an ongoing voluntary tree-planting program on *Unzen Fugen-dake*, where volcanic eruptions have left the earth bare, since fiscal 2006.

In fiscal 2002, all the operational bases of Wacoal Corp. obtained ISO 14001 accreditation, which is an international standard for environmental management. In fiscal 2007, all 16 domestic operational bases completed acquisition of ISO 14001 accreditation. Aiming to realize industry-leading environmental management, we will establish environmental management systems throughout the Wacoal Group, including overseas operational bases.
http://www.wacoalholdings.jp/profile/csr.html

RISK FACTORS

Our business, performance and financial condition are subject to risks and uncertainties, including those described in the risk factors below. These risks and uncertainties could result in a material adverse effect on the results of operations and financial condition of Wacoal Holdings and a material decline in the trading price of its common stock and American Depositary Shares, or ADRs.

1. Weakness in the Japanese market would hurt our business.
2. Continued difficulties faced by department stores and other general retailers in Japan would hurt our business.
3. Our success depends on our ability to effectively anticipate and respond to consumer tastes and preferences and deliver high-quality products.
4. Our business is highly competitive.
5. Our specialty retail store network may not be successful.
6. We may experience difficulties in successfully increasing our catalog and Internet sales.
7. We are subject to inventory risks that could negatively impact our operating results.
8. Improvement in our profitability will largely depend on our ability to reduce costs.
9. It may be difficult for us to attract and retain highly qualified personnel.
10. Our business is affected by seasonality.
11. We may face increasing risks relating to conducting business internationally.
12. We may not be successful with acquisitions and other strategic transactions with third parties.
13. We face risks in our business relating to intellectual property rights.
14. We must comply with laws and regulations regarding privacy and the protection of customer information.
15. If we fail to maintain adequate internal controls over financial reporting, we may not be able to produce reliable financial reports in a timely manner or prevent financial fraud.
16. Our holdings of equity securities expose us to risks.
17. We are subject to risks from natural disasters and epidemics.
18. We may become classified as a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. holders of our stock or ADRs.
19. Yen-dollar fluctuations could cause the market price of the ADRs to decline and reduce dividend amounts payable to ADR holders as expressed in U.S. dollars.
20. A holder of ADRs will have fewer rights than a shareholder and must act through the depositary to exercise those rights.
21. There are restrictions on the withdrawal of shares from our depositary receipt facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31, 2007, 2006 and 2005

Financial information contained in this section is based on the consolidated financial statements included in this annual report, which have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The Wacoal Group consists of 1 holding company (the Company), 35 consolidated subsidiaries and 9 equity-method affiliates. The Wacoal Group is engaged in the manufacturing, wholesaling, and – for certain products – retailing of women's foundation garments and lingerie, nightwear, children's underwear, outerwear and sportswear, hosiery and other textile products. Other operations include restaurant businesses, cultural and service-related operations, and the construction of interiors for commercial premises.

business overview

We are a leading designer, manufacturer and marketer in Japan of women's intimate apparel, with the largest share of the Japanese market for foundation garments and lingerie. Sales of foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips and women's briefs) accounted for 74.1% of our consolidated net sales for fiscal 2007. We also design, manufacture and sell nightwear, children's underwear, outerwear, sportswear, hosiery and other apparel and textile products, and engage in several business lines that are ancillary to our core apparel business.

Revenues

We principally generate revenues from sales of innerwear (consisting of foundation garments and lingerie, nightwear and children's underwear); outerwear and sportswear; hosiery and textile products; and other products.

The following table sets forth information with respect to our total sales by product category for the fiscal years ended March 31, 2007, 2006 and 2005.

In fiscal 2007, approximately 89% of the sales of Wacoal Corp. (the total sales of which account for approximately 72% of Wacoal Group's sales on a consolidated basis) were apparel sales made on a wholesale basis to department stores, general merchandising stores and other general retailers, and approximately 8% were apparel sales made through our own specialty retail stores, catalog sales and the Internet. Sales from our other businesses (which include store and home design services, restaurant businesses, cultural products and other services) comprised the remaining 3% of Wacoal Corp.'s sales in fiscal 2007. For textile products, the percentages of sales for raw materials, shoes and general merchandise have been decreasing mainly owing to a decline in catalog sales of shoes and general merchandise in recent years.

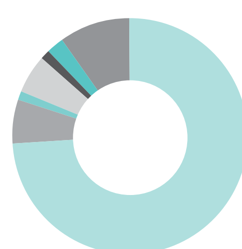
Over the past five fiscal years, fluctuations in our sales have typically reflected changes in unit volume, as average unit prices have generally remained stable during this period.

Cost of Sales

Our cost of sales arises principally from material and manufacturing costs related to the production of our apparel products.

Share of Net Sales
2007

Foundation garments and lingerie	74.1%
Nightwear	6.0%
Children's underwear	1.2%
Outwear and sportswear, etc.	5.3%
Hosiery	1.3%
Other textile products	2.4%
Other businesses	9.7%



Sales by Product Category

	Millions of Yen						% Change
	2007		2006		2005		2007 vs 2006
Foundation garments and lingerie	¥123,295	(74.1)	¥119,875	(73.0)	¥114,895	(71.4)	+2.9%
Nightwear	10,081	(6.0)	10,440	(6.4)	10,746	(6.7)	−3.4
Children's underwear	2,069	(1.2)	2,216	(1.3)	2,317	(1.4)	−6.6
Outerwear and sportswear, etc.	8,751	(5.3)	9,128	(5.6)	9,628	(6.0)	−4.1
Hosiery	2,102	(1.3)	2,462	(1.5)	2,398	(1.5)	−14.6
Other textile and related products	4,051	(2.4)	4,598	(2.8)	5,250	(3.2)	−11.9
Other businesses	16,061	(9.7)	15,403	(9.4)	15,734	(9.8)	+4.3
Total	¥166,410	(100.0)	¥164,122	(100.0)	¥160,968	(100.0)	+1.4

Selling, General and Administrative Expenses

Our selling, general and administrative expenses principally consist of employee compensation and benefit expenses and promotional expenses, such as advertising costs and expenses associated with remodeling our sales counters at department stores. Other selling, general and administrative expenses include shipment costs, payment fees (including outsourcing payments) and rental payments for our specialty retail stores. Our selling, general and administrative expenses do not include any impairment charges on long-lived assets or any losses on the sale or disposal of property, plant and equipment. However, these expenses are included in operating costs and expenses and thus impact our operating income.

key industry trends

We believe that the following have been key trends in our industry during the last three fiscal years:

- Consumer spending in Japan was generally weak for a prolonged period prior to fiscal 2007. Although there were some signs of recovery in fiscal 2007, the generally stagnant level of consumer spending in recent years has negatively impacted performance at general retailers, our key distribution channel.
- The sale of lower-priced women's innerwear garments in Japan – to a large degree manufactured in China and other lower-cost countries – has increased. This has generally resulted in a greater degree of price competition in our industry.
- There has been increased demand for higher-end innerwear products. This development (combined with increased demand for lower-end products) has resulted in greater market segmentation.
- Manufacturers are increasingly focused on reducing their costs, including by sourcing fabric and producing garments in China and other lower-cost countries.
- Alternative marketing concepts for women's innerwear garments, such as catalog marketing and e-commerce, are becoming more prevalent as apparel companies seek to diversify their sales channels and reach new customer groups.

During the last three fiscal years, we have taken steps to address these key industry trends in seeking to build on the core strengths of our market position and brand awareness with Japanese consumers. We believe that our strategic emphasis on higher-end products has helped us to reach consumers seeking high quality innerwear garments and to mitigate the adverse impact on sales and margins from lower-priced garments. We have taken steps to reduce our cost structure, such as producing more products in lower-cost countries such as China and Vietnam, consolidating and modernizing our product distribution centers and expanding our early retirement program. We are also seeking to expand sales in overseas markets – in particular China, the U.S. and Europe – and increase sales through our own specialty retail stores, our catalog operations and the Internet. Pursuant to our CAP21 strategic plan, we intend to extend our innerwear product offerings into the mid-price range and include more fashionable offerings in our product mix to help us reach a broader customer base. We believe that our strategic alliance with Peach John will help us to advance this goal. We will continue to implement these steps and evaluate other strategies to address challenges and opportunities in the industry going forward.

operating results

Sales

Consolidated net sales increased 1.4% in fiscal 2007, from ¥164,122 million to ¥166,410 million.

Innerwear

Sales of our mainstay innerwear products (consisting of foundation garments and lingerie, nightwear and children's underwear), which comprised 81.3% of total consolidated sales, increased 2.2% in fiscal 2007, to ¥135,445 million.

Wacoal Brand

With respect to the Wacoal brand business department of Wacoal Corp., the overall sales of our core brassiere products declined because sales of our spring campaign product, *Love Bra*, did not meet expectations due to its failure to adequately attract a wide range of customers, and because of a slump in sales of our core summer products, strapless-type and seamless-type brassieres. On the other hand, *Onaka Walker*, which was launched in July 2006 and has new functionality that enhances mobility by stimulating the muscles while it is worn and shaping up the hips, as well as the *Hip Walker*, our undergarment launched in July 2005 which has revolutionary functionality, continued to show strong performance. However, notwithstanding the favorable performance of these high-value-added brands (including our luxury brands, as noted below), the above-mentioned decline in sales of our core products as well as the return and accumulation of products with poor sales, which was originally undertaken for the purpose of stimulating trade inventory, contributed to a decline in the overall sales of our *Wacoal* brand business department.

Wing Brand

Although the sales of our core brassiere products in our *Wing* brand business department were also generally weak, they showed some signs of recovery, including our summer campaign product, *Sarahada Bra*, which achieved sales beyond our initial plan, and our autumn campaign product, *Kyutto-Up Bra*, as well as this year's sales of our *Kikonashi-Up Bra*, both of which exceeded sales in the prior fiscal year. *Style Up Pants Onaka*, having functionality similar to the *Onaka Walker*, was added to the *Style Up Pants* product line, and sales of this product line, as well as undergarment products overall, significantly exceeded sales from the prior fiscal year. Our *Wing* brand business department is working aggressively to sell men's innerwear and achieved favorable sales, with an expansion in the number of shops where they are sold and success in acquiring new customers through advertising and promotional activities. As a result, we achieved the initial overall sales plan of our *Wing* brand business department.

Luxury Brands

While sales of our high-value-added brand *La Vie Aisée,* which is targeted toward the middle-age to senior markets, were down slightly (¥5,062 million, a 6% decrease), sales of our luxury brand *Tréfle* (¥2,050 million, a 4% increase) and our other middle-age to senior targeted brand *Gra-P* (¥2,525 million, a 13% increase) were favorable.

Specialty Retail Business

Our specialty retail store business, which includes such stores as *une nana cool*, which is operated as an independent subsidiary, *amphi*, *Subito* and *Sur la plage*, which are direct retail stores of Wacoal Corp., as well as the outlet *Wacoal Factory Store*, has not yet generated overall profitability, although there were varied results among brands.

Overseas Sales

Our overseas sales, which consist largely of sales of innerwear products, were strong overall. Our sales in Asia outside of Japan (including China, Hong Kong and Singapore) grew 16.0% to ¥6,713 million from ¥5,785 million and represented 4.0% of total consolidated sales in fiscal 2007 versus 3.5% of total consolidated sales in fiscal 2006. Sales in China grew 39.7% over the previous year, which contributed to our overall strong performance in Asia. The implementation of a control system for production and sales in China has helped clear inventory and led to an expansion in sales and improvement in revenue, and this has resulted in profitability for the first time. Taking AFTA (ASEAN Free Trade Area) into consideration, we maintained regional collaborations in connection with the design and production of a common line of products, and in March 2007 we launched our new brand *sorci age* in Singapore, Indonesia, Malaysia and the Philippines, targeting young career women. In the U.S., which represented 10.2% of our total consolidated sales in fiscal 2007 (8.5% in fiscal 2006), sales increased 22.4% in fiscal 2007 as compared to fiscal 2006. Our products have gained the attention of consumers through television and other mass media sources, which have reported on the importance of wearing the appropriate brassiere size. Our products and services focusing on consulting sales through trial fittings have particularly gained the support of consumers. Furthermore, while the market appears to be bifurcating into luxury products and low-end goods, an increase in sales through low-scale department stores has also been a contributing factor to the expansion of sales.

Outerwear and Sportswear

In our outerwear and sportswear business, sales in fiscal 2007 decreased 4.1% to ¥8,751 million as compared to fiscal 2006. Sales of our main sports conditioning wear product *CW-X* were stagnant because we focused less on opening and expanding new stores.

Hosiery

Hosiery sales (which include products sold under our *Carlson* label) decreased 14.6% to ¥2,102 million as compared to fiscal 2006. Sales of *Style Cover*, which is sold in the stocking section of department stores, as well as our internally developed foot-friendly shoes, showed favorable performance. Although we improved sales by selling these products through new sales channels, such as television shopping, drug stores and variety shops, sales of our panty stocking, a collaborative product with Seven Eleven Japan Co., Ltd., declined following the entry of more competitors into the market.

Textile Products

Sales of textile products and related items were ¥4,051 million, an 11.9% decrease compared to fiscal 2006.The main reasons for this decline were a decrease in catalog sales of shoes and general merchandise and a decrease in sales of raw materials by our subsidiary Wacoal International Hong Kong Co., Ltd.

Other

Sales from our other businesses (mannequins, shop design and implementation, restaurants, culture and services) increased 4.3%, to ¥16,061 million, primarily due to an increase in orders in our rental business of mannequins and/or fixtures and an increase in orders in the store design and construction business conducted by our subsidiary Nanasai Co., Ltd.

Cost of Sales

Our cost of sales increased 0.4% in fiscal 2007, to ¥84,658 million from ¥84,322 million in fiscal 2006. Cost of sales as a percentage of net sales decreased by 0.5 percentage points, from 51.4% in fiscal 2006 to 50.9% in fiscal 2007. This increase in our gross margin was primarily due to the lower cost of sales per unit as a result of a continuing increase in the amount of goods we manufacture overseas, as well as a large increase in our U.S. sales, which has resulted in improved margins there.

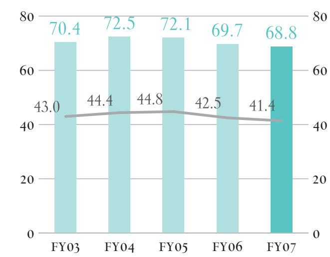
Selling, General and Administrative (SG&A) Expenses

SG&A expenses were ¥68,831 million in fiscal 2007, a decrease of 1.3% from ¥69,720 million in fiscal 2006. This decrease was primarily due to a decrease in labor costs after implementing our special voluntary retirement program in fiscal 2006.

SG&A Expenses*
¥ billion

* Excluding impairment charges on long-lived assets, government subsidy and special retirement related expenses

— Ratio of SG&A expenses to sales (% / right scale)



Other Income (Expenses), Net

We had a net ¥1,024 million of other income in fiscal 2007, as compared to a net ¥2,133 million of other income in fiscal 2006. However, the drop was primarily the result of a gain of ¥1,149 million recorded in fiscal 2006 as a result of the exchange of shares of UFJ Holdings held by Wacoal Corp. and Nanasai Co., Ltd., for shares of Mitsubishi UFJ Financial Group, the surviving entity in the merger of Mitsubishi Tokyo Financial Group and UFJ Financial Group.

Net Income

Net income in fiscal 2007 was ¥9,029 million, or ¥316 per American Depositary Receipt ("ADR," equivalent to five shares of common stock), versus ¥2,821 million, or ¥98 per ADR, in fiscal 2006. The increase in our net income in fiscal 2007 was primarily due to the elimination of expenses related to our special voluntary retirement program and dissolution of Fukushima Wacoal Sewing Corp. as well as reduction in labor costs due to said special voluntary retirement program implemented in fiscal 2006.

liquidity and capital resources

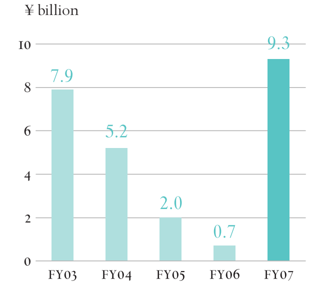
Our main source of liquidity is cash from operations. Our cash from operations has allowed us to fund our working capital requirements and our capital expenditures and make dividend payments without material borrowings or other external financing. Some of our subsidiaries maintain credit facilities with bank lenders for working capital purposes, and the aggregate outstanding amount under such facilities as of March 31, 2007 was ¥5,822 million.

We are not aware of any restrictions on the transfers of funds from a subsidiary to a parent company in the form of a cash dividend. We believe that our working capital is adequate for our present requirements and business operations.

Cash Flows

Net cash provided by operating activities during fiscal 2007 was ¥9,339 million, an increase of ¥8,620 million from ¥719 million in fiscal 2006, due to the increase in net income, the increase in deferred taxes owing to the extinguishment of Wacoal's deferred tax deficit and a decrease in receivables.

Net Cash Provided by Operating Activities
¥ billion



Net cash used in investing activities was ¥1,185 million in fiscal 2007, as compared to ¥2,069 million in fiscal 2006. This overall decrease was primarily due to the net effect of our investment in our capital and business alliance with Peach John in June 2006, which resulted in a sharp increase in our payments to acquire investments in affiliated companies, and a corresponding decline in cash used in payments to acquire marketable securities.

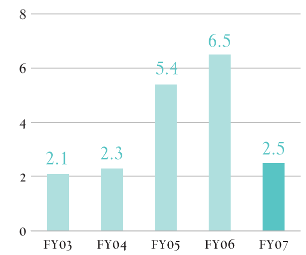
Net cash used in financing activities was ¥8,404 million in fiscal 2007, versus net cash used in financing activities of ¥3,428 million in fiscal 2006. Net cash used in financing activities increased due to a substantial increase in purchases of treasury stock.

Capital Expenditures

Capital expenditures in fiscal 2007, 2006 and 2005 were ¥2,536 million, ¥6,456 million and ¥5,418 million, respectively. Our capital expenditures in 2007 were primarily in connection with reconstruction of a product center for one of our subsidiaries and improvements to our domestic factory and office locations, as well as for expansion of factories of Wacoal America, Inc.

Capital Expenditures

¥ billion



research and development, patents and licenses

We have been conducting long-term research into the Japanese woman's body since the establishment of our Central Research Center in 1964 (currently, the Human Science Research Center). In order to accurately understand the Japanese woman's physique, we have developed specialized equipment, such as silhouette analysis equipment and three-dimensional measuring equipment, and we are currently developing equipment that we believe will provide advanced measurement of sensory comfort. Our research and development activities are based on the proportional, physiological and mental aspects of garment design. As part of our recent research results, in 1995 we announced the *Golden Canon*, a set of indicators that characterize the ideal body for Japanese women, and we are also utilizing new sales methods. In 2000, we conducted analysis on the physiological changes associated with ageing throughout a 25-year period from teenage years to 40s. We named the principles of these changes *SPIRAL Ageing*. From 1995 to 1998, we participated in a project led by the Ministry of Economy, Trade and Industry (formerly, the Ministry of International Trade and Industry), enriching the basic study of sensory comfort, and conducted research based on reactions to three basic stimuli: pressure, heat and touch. Based on this research, we are focused on developing new products that are not only comfortable for the wearer but have a positive physiological effect. In addition, every year we take the measurements of 500-1,000 people and enlist the assistance of approximately 1,000 registered trial-fitting monitors, we scientifically collect and analyze the needs and attitudes toward the human body, and we are committed to understanding the needs of our customers.

Based on these studies, we continually develop products with new functions designed to satisfy the needs of our customers, such as *CW-X* (sportswear designed to alleviate muscle fatigue), *Venus Return* (comfort stockings designed to give the right amount of stimulation to the muscles while walking), *Shakitto Bra* (designed to make the figure look more attractive with the movement of the bone structure of the upper trunk) and our *Night Up Bra* (designed to provide comfortable support to the bust while sleeping). We have recently been conducting a comprehensive study of walking motion and muscle movement and have developed products that represent a complete departure from conventional girdles and underpants, such as *Hip Training Bottoms* and *Stomach Training Bottoms*. These products stimulate the muscles while walking and work the hip and stomach area, encouraging increased muscle activity. These are currently being sold as our *Wacoal* brands *Hip Walker* and *Onaka Walker* and our *Wing* brands *Style Up Pants (Onaka)* and *Style Up Pants (Hip)*.

From this consolidated fiscal year, we began research and development into men's innerwear and we are implementing the measurement of the male body and improving the organization of our monitoring system. Furthermore, we have signed license agreements with new lines of business for patents held by us, as well as cooperating with the parties who use those licenses for the development of new products. Overseas, we are promoting research into the Chinese woman's body, focused in the Chinese Human Science Research Centre.

The cost of research and development in fiscal 2007 was ¥714 million.

ELEVEN-YEAR FINANCIAL SUMMARY

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31

	2007	2006	2005
For the year:			
Net sales	¥166,410	¥164,122	¥160,968
Cost of sales	84,658	84,322	84,041
% of net sales	50.9%	51.4%	52.2%
Selling, general and administrative	68,831	69,720	72,128
Loss (gain) on sale or disposal of property, plant and equipment	25	612	133
Impairment charges on long-lived assets		614	
Government subsidy			(7,100)
Special retirement related expenses		7,521	
Total selling, general and administrative expenses	68,856	78,467	65,161
% of net sales	41.4%	47.8%	40.5%
Operating income	12,896	1,333	11,766
Other income and expenses, net	861	1,976	206
Net interest income (expense)	163	157	107
Income before income taxes, equity in net income of affiliated companies and minority interests	13,920	3,466	12,079
Income taxes	6,502	1,459	5,800
Net income	9,029	2,821	6,790
Return on assets	3.7%	1.2%	3.0%
Return on equity	4.8%	1.6%	3.9%
Net cash provided by operating activities	9,339	719	2,045
Net cash provided by (used in) investing activities	(1,185)	(2,069)	(5,528)
Net cash provided by (used in) financing activities	(8,404)	(3,428)	296
Depreciation and amortization	3,735	3,433	3,312
Capital expenditures	2,536	6,456	5,418
Per 5 shares of common stock (in yen):			
Net income	¥ 316	¥ 98	¥ 236
Cash dividends	110	100	100
Shareholders' equity	6,874	6,480	6,105
At year-end:			
Total current assets	¥ 92,915	¥110,773	¥120,300
Total current liabilities	34,868	35,525	34,970
Cash and cash equivalents	19,816	19,893	24,195
Net property, plant and equipment	52,782	53,501	51,826
Total assets	250,266	242,296	226,196
Short-term bank loans and long-term debt, including current portion	5,984	6,458	6,911
Total shareholders' equity	193,278	186,475	175,746

	Millions of Yen (except per 5 share amounts)							
	2004	2003	2002	2001	2000	1999	1998	1997
	¥163,155	¥163,709	¥162,829	¥162,023	¥165,937	¥169,996	¥169,967	¥168,330
	84,638	85,306	86,567	87,493	89,290	91,951	91,474	90,640
	51.9%	52.1%	53.2%	54.0%	53.8%	54.1%	53.8%	53.8%
	72,472	70,440	68,336	64,831	66,004	67,319	65,328	64,725
	455	143	740	75	(474)	(706)	(3,262)	566
	2,574	556						
	75,501	71,139	69,076	64,906	65,530	66,613	62,066	65,291
	46.3%	43.5%	42.4%	40.1%	39.5%	39.2%	36.5%	38.8%
	3,016	7,264	7,186	9,624	11,117	11,432	16,427	12,399
	1,404	(2,800)	310	10,443	338	595	(110)	549
	112	140	117	62	(54)	195	256	324
	4,532	4,604	7,613	20,129	11,401	12,222	16,573	13,272
	2,520	2,487	3,785	9,058	4,961	4,749	8,170	7,018
	2,902	2,898	4,983	10,889	7,254	8,489	8,929	7,336
	1.3%	1.3%	2.2%	4.6%	3.1%	3.6%	3.9%	3.2%
	1.8%	1.8%	2.9%	6.3%	4.2%	5.0%	5.5%	4.6%
	5,201	7,858	8,653	11,480	8,451	8,813	12,971	5,474
	1,328	(9,839)	(9,412)	(13,686)	(9,624)	(10,624)	2,045	962
	(6,138)	(6,006)	(5,472)	(6,478)	(2,611)	(105)	(296)	(7,882)
	3,081	2,971	3,533	3,265	3,157	2,447	2,269	2,368
	2,338	2,104	2,484	1,182	7,757	8,604	5,941	2,480
	¥ 99	¥ 97	¥ 166	¥ 356	¥ 235	¥ 275	¥ 290	¥ 236
	75	68	68	83	68	68	68	68
	5,931	5,487	5,640	5,709	5,632	5,485	5,314	5,219
	¥123,045	¥124,486	¥127,390	¥129,508	¥127,734	¥129,206	¥130,319	¥117,579
	33,899	33,576	37,095	41,449	38,490	39,541	42,319	37,884
	27,443	27,246	35,381	41,196	49,889	53,933	55,622	40,313
	49,932	54,171	57,291	58,644	59,990	56,339	52,878	50,482
	224,803	218,105	223,985	232,262	237,721	233,817	231,226	226,103
	4,450	6,301	8,079	8,865	9,658	10,649	8,602	6,757
	170,758	160,839	168,205	172,558	173,612	169,065	163,800	160,869

CONSOLIDATED BALANCE SHEETS

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
ASSETS	2007	2006	2007
Current assets:			
Cash and cash equivalents:			
Cash	¥ 10,613	¥ 11,635	$ 90,277
Time deposits and certificates of deposit	9,203	8,258	78,283
Total	19,816	19,893	168,560
Marketable securities (Note 3)	14,392	32,699	122,423
Notes and accounts receivable:			
Trade notes	550	458	4,678
Trade accounts	22,882	23,192	194,641
Allowance for returns and doubtful receivables (Note 4)	(2,979)	(2,778)	(25,340)
Inventories (Note 5)	30,199	27,135	256,882
Deferred income taxes (Note 12)	4,980	7,442	42,361
Other current assets	3,075	2,692	26,157
Total current assets	92,915	110,733	790,362
Property, plant and equipment:			
Land	20,874	20,978	177,560
Buildings and building improvements	59,168	59,328	503,300
Machinery and equipment	14,179	13,789	120,611
Construction in progress	472	22	4,015
Total	94,693	94,117	805,486
Accumulated depreciation	(41,911)	(40,616)	(356,507)
Net property, plant and equipment	52,782	53,501	448,979
Other assets:			
Investments in affiliates (Note 6)	34,012	16,033	289,316
Investments (Note 3)	54,117	52,716	460,335
Prepaid pension expense (Note 9)	7,089		60,301
Deferred income taxes (Note 12)	1,048	992	8,915
Lease deposits and other	8,303	8,321	70,628
Total other assets	104,569	78,062	889,495
Total	¥250,266	¥242,296	$2,128,836

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 2) 2007
Current liabilities:			
Short-term bank loans (Note 7)	¥ 5,822	¥ 6,392	$ 49,524
Notes and accounts payable:			
Trade notes	1,503	1,610	12,785
Trade accounts	10,536	10,608	89,622
Other payables	6,900	6,289	58,693
Accrued payroll and bonuses	6,416	6,790	54,576
Income taxes payable	1,378	1,806	11,722
Current portion of long-term debt (Notes 7 and 15)	51	34	434
Other current liabilities	2,262	1,996	19,241
Total current liabilities	34,868	35,525	296,597
Long-term liabilities:			
Long-term debt (Notes 7 and 15)	111	32	944
Liability for termination and retirement benefits (Note 9)	2,072	4,622	17,625
Deferred income taxes (Note 12)	16,959	12,842	144,258
Other long-term liabilities	517	397	4,398
Total long-term liabilities	19,659	17,893	167,225
Minority interests	2,461	2,403	20,934
Commitments and contingencies (Note 8)			
Shareholders' equity (Note 10):			
Common stock, no par value –			
authorized, 500,000,000 shares in 2007 and 2006;			
issued 144,016,685 shares in 2007 and 2006	13,260	13,260	112,794
Additional paid-in capital	25,242	25,242	214,716
Retained earnings	140,666	134,515	1,196,546
Accumulated other comprehensive income (loss) (Note 11):			
Foreign currency translation adjustments	716	(736)	6,091
Unrealized gain on securities	14,428	14,311	122,729
Pension liability adjustments	4,130		35,131
Total accumulated other comprehensive income	19,274	13,575	163,951
Less treasury stock at cost –			
3,440,116 and 100,752 shares in 2007 and 2006	(5,164)	(117)	(43,927)
Total shareholders' equity	193,278	186,475	1,644,080
Total	¥250,266	¥242,296	$2,128,836

CONSOLIDATED STATEMENTS OF INCOME

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	2007
Net sales	¥166,410	¥164,122	¥160,968	$1,415,532
Operating costs and expenses (income):				
Cost of sales	84,658	84,322	84,041	720,126
Selling, general and administrative	68,831	69,720	72,128	585,497
Impairment charges on long-lived assets		614		
Loss on sale or disposal of property, plant and equipment	25	612	133	212
Government subsidy (Note 9)			(7,100)	
Special retirement related expenses (Note 9)		7,521		
Total operating costs and expenses	153,514	162,789	149,202	1,305,835
Operating income	12,896	1,333	11,766	109,697
Other income (expenses):				
Interest income	236	213	186	2,008
Interest expense	(73)	(56)	(79)	(621)
Dividend income	603	493	271	5,129
Gain on sale or exchange of marketable securities and investments (Note 3)	406	1,656	563	3,454
Impairment charges on investments (Note 3)	(365)	(65)	(618)	(3,105)
Other – net	217	(111)	(10)	1,846
Total other income, net	1,024	2,133	313	8,711
Income before income taxes, equity in net income of affiliated companies and minority interests (Note 12)	13,920	3,466	12,079	118,408
Income taxes (Note 12):				
Current	2,874	3,268	3,041	24,447
Deferred	3,628	(1,809)	2,759	30,861
Total income taxes	6,502	1,459	5,800	55,308
Income before equity in net income of affiliated companies and minority interests	7,418	2,007	6,279	63,100
Equity in net income of affiliated companies	1,771	1,122	871	15,064
Minority interests	(160)	(308)	(360)	(1,361)
Net income	¥ 9,029	¥ 2,821	¥ 6,790	$ 76,803

	Yen			U.S. Dollars (Note 2)
Earnings per share (Note 14)	¥63	¥20	¥47	$0.54
Earnings per American depositary receipt (5 shares of common stock) (Note 14)	¥316	¥98	¥236	$2.69

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	2007
Net income	¥ 9,029	¥ 2,821	¥6,790	$76,803
Other comprehensive income (loss), net of tax (Note 11):				
Foreign currency translation adjustments	1,452	3,084	(308)	12,351
Unrealized gains (losses) on securities	117	7,746	(266)	996
Minimum pension liability			954	
Total other comprehensive income	1,569	10,830	380	13,347
Comprehensive income	¥10,598	¥13,651	¥7,170	$90,150

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen					
	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock
Balance, April 1, 2004	143,964	¥13,260	¥25,242	¥129,941	¥ 2,365	¥ (50)
Net income				6,790		
Other comprehensive income					380	
Cash dividends paid, ¥75 per 5 shares of common stock				(2,159)		
Repurchase of treasury stock – other	(20)					(23)
Balance, March 31, 2005	143,944	13,260	25,242	134,572	2,745	(73)
Net income				2,821		
Other comprehensive income					10,830	
Cash dividends paid, ¥100 per 5 shares of common stock				(2,878)		
Repurchase of treasury stock – other	(28)					(44)
Balance, March 31, 2006	143,916	13,260	25,242	134,515	13,575	(117)
Net income				9,029		
Other comprehensive income					1,569	
Cash dividends paid, ¥100 per 5 shares of common stock				(2,878)		
Repurchase of treasury stock – other	(3,339)					(5,047)
Adjustment to initially apply SFAS No.158, net of tax (Note 9)					4,130	
Balance, March 31, 2007	140,577	¥13,260	¥25,242	¥140,666	¥19,274	¥(5,164)

	Thousands of U.S. Dollars (Note 2)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock
Balance, March 31, 2006	$112,794	$214,716	$1,144,224	$115,473	$ (995)
Net income			76,803		
Other comprehensive income				13,347	
Cash dividends paid, $0.85 per 5 shares of common stock			(24,481)		
Repurchase of treasury stock – other					(42,932)
Adjustment to initially apply SFAS No.158, net of tax (Note 9)				35,131	
Balance, March 31, 2007	$112,794	$214,716	$1,196,546	$163,951	$(43,927)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

WACOAL HOLDINGS CORP. AND SUBSIDIARIES
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2007	2006	2005	2007
Operating activities:				
Net income	¥ 9,029	¥ 2,821	¥ 6,790	$76,803
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	3,735	3,433	3,312	31,771
Provision for returns and doubtful receivables	173	503	169	1,472
Deferred income taxes	3,628	(1,809)	2,759	30,861
Loss on sale or disposal of property, plant and equipment	25	612	133	212
Impairment charges on long-lived assets		614		
Government subsidy			(7,100)	
Gain on sale or exchange of marketable securities and investments	(406)	(1,659)	(563)	(3,454)
Impairment charges on investments	365	65	618	3,105
Equity in net income of affiliates, less dividends	(1,164)	(674)	(448)	(9,901)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	401	(1,799)	(1,519)	3,411
(Increase) decrease in inventories	(2,897)	274	(878)	(24,643)
Increase in other current assets	(371)	(958)	(1,046)	(3,156)
Increase (decrease) in notes and accounts payable	219	(252)	1,198	1,863
(Decrease) increase in liability for termination and retirement benefits	(2,472)	(2,068)	1,193	(21,028)
(Decrease) increase in accrued expenses, income taxes and other current liabilities	(696)	1,667	(2,655)	(5,920)
Other	(230)	(51)	82	(1,956)
Net cash provided by operating activities	9,339	719	2,045	79,440
Investing activities:				
Proceeds from sales and redemption of marketable securities	28,509	32,161	51,990	242,506
Payments to acquire marketable securities	(9,929)	(21,525)	(51,111)	(84,459)
Proceeds from sales of property, plant and equipment	524	513	340	4,457
Capital expenditures	(2,536)	(6,456)	(5,418)	(21,572)
Proceeds from sales of investments	8	1,231	926	68
Payments to acquire investments in affiliated companies	(15,326)		(16)	(130,368)
Payments to acquire investments	(1,887)	(7,905)	(2,985)	(16,051)
Cash balances of acquired subsidiary in excess of cash paid	80			681
(Increase) decrease in other assets	(628)	(88)	746	(5,342)
Net cash used in investing activities	(1,185)	(2,069)	(5,528)	(10,080)
Financing activities:				
(Decrease) increase in short-term bank loans	(575)	(409)	2,813	(4,891)
Proceeds from issuance of long-term debt	130	19	45	1,106
Repayments of long-term debt	(34)	(116)	(380)	(289)
Repurchase of treasury stock	(5,047)	(44)	(23)	(42,932)
Dividends paid on common stock	(2,878)	(2,878)	(2,159)	(24,481)
Net cash provided by (used in) financing activities	(8,404)	(3,428)	296	(71,487)
Effect of exchange rate changes on cash and cash equivalents	173	476	(61)	1,472
Net decrease in cash and cash equivalents	(77)	(4,302)	(3,248)	(655)
Cash and cash equivalents, beginning of year	19,893	24,195	27,443	169,215
Cash and cash equivalents, end of year	¥19,816	¥19,893	¥24,195	$168,560
Additional cash flow information:				
Cash paid for:				
Interest	¥ 70	¥ 56	¥ 85	$ 565
Income taxes	4,667	1,832	5,395	39,699
Noncash investing activities:				
Fair value of marketable securities received in exchange for certain other marketable securities with a recorded amount of ¥172 million in 2006		1,321		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WACOAL HOLDINGS CORP. AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements – On October 1, 2005, Wacoal Holdings Corp. (the "Company") that was formerly known as "Wacoal Corp." spun off all of the Company's business into a new wholly owned subsidiary and changed over to a holding company structure. The Company's subsidiaries are predominantly engaged in one industry, the manufacture and sale of apparel, including foundation garments, lingerie, nightwear and outerwear in Japan, the United States of America, Europe and certain Asian countries.

The accompanying consolidated financial statements, stated in Japanese yen, have been prepared on the basis of accounting principles generally accepted in the United States of America except for the omission of segment information as required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information."

Consolidation – The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (collectively, the "Companies"). All intercompany transactions and balances are eliminated.

Certain foreign subsidiaries of the Company have a fiscal year ending December 31. The accounts of those subsidiaries are included in the Company's consolidated financial statements based on the subsidiaries' fiscal year.

Investments in affiliates where the Company's ownership is 20% to 50% are accounted for using the equity method.

Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee of between 20% to 50%, although other factors are considered in determining whether the equity method of accounting is appropriate.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include all time deposits and certificates of deposit (all of which are interest-bearing) with original maturities of three months or less, which can be withdrawn at face value at any time without diminution of principal.

Foreign Currency Translation – Assets and liabilities of international subsidiaries have been translated to Japanese yen at period-end exchange rates and income and expenses have been translated using weighted-average exchange rates for the period. Translation adjustments are included in other comprehensive income (loss), a separate component of shareholders' equity. Exchange gains and losses resulting from foreign currency transactions and the conversion of monetary assets and liabilities denominated in foreign currencies are included in the consolidated statements of income.

Marketable Securities and Investments – The Companies classify their debt and marketable equity securities as available-for-sale and carry them at fair value with a corresponding recognition of unrealized holding gains or losses (net of tax) in other comprehensive income (loss), a separate component of shareholders' equity, until realized. Equity securities that do not have readily determinable fair values are recorded at cost. Gains and losses on sales of investments are computed based on cost determined using the average cost method.

If decline in the fair value of marketable securities is determined to be other than temporary, an impairment charge is recorded in the consolidated statements of income. The Companies principally consider that an other-than-temporary impairment has occurred when the decline in fair value below the carrying value continues for over nine consecutive months. The Companies may also consider other factors, including their ability and intent to hold the applicable investment securities until maturity, and the severity of the decline in fair value.

Inventories – Inventories are stated at the lower of cost or market, cost being substantially determined on the first-in, first-out method for raw materials and the average cost method for work in process and finished products.

Property, Plant and Equipment – Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation of property, plant and equipment is computed by the declining-balance method, except for buildings acquired on or after April 1, 1998, which are depreciated using the straight-line method, based upon the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and building improvements:	5 - 50 years (Mainly 38 years)
Machinery and equipment:	5 - 20 years (Mainly 5 years)

Impairment of Long-lived Assets – The carrying values of long-lived assets, held and used by the Companies, are evaluated for impairment whenever there is an event or change in circumstances that indicates that such assets have been impaired or that the carrying amounts of such assets might not be recoverable.

The Companies recorded ¥614 million in impairment charges on long-lived assets for the year ended March 31, 2006, which resulted from the impairment of primarily a building which was part of the Companies' branch office in Nagoya. In 2006, the Company determined to close its Nagoya office and to demolish the building. The office was closed on March 31, 2006 and the Companies recognized an impairment of the asset to be abandoned. No impairment charges were recorded in the years ended March 31, 2007 and 2005.

Derivatives – Derivative instruments, including certain derivative instruments embedded in other contracts are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of FASB Statement No. 133," and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." Changes in the fair value of a derivative are recorded in other comprehensive income (loss) or in earnings, depending on its intended use. Changes in fair value of foreign currency forward exchange contracts designated as fair value hedges of recognized assets and liabilities and firm commitments are recognized in income. Changes in fair value of forward exchange contracts designated and qualifying as cash flow hedges of recognized assets and liabilities and firm commitments are reported in accumulated other comprehensive income. These amounts are reclassified into income in the same period as the hedged items affect income.

Asset Retirement Obligations – The Companies have obligations arising from contractual commitments to remove leasehold improvements from leased facilities and return the property to a specified condition when the lease terminates. Lease contracts have automatic renewal articles and, therefore, the Companies use their best estimate to determine the lease termination dates for the purpose of calculating asset retirement obligations.

Termination and Retirement Plans – Termination and retirement benefits are accounted for in accordance with SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Provisions for termination and retirement benefits include those for directors and corporate auditors of the Companies.

As allowed under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," the Companies do not recognize a gain or loss on settlement of the pension obligation when the cost of all settlements in a year is less than or equal to the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year.

Leases – Certain noncancelable leases are classified as capital leases and the leased assets included as part of property, plant and equipment. Such leasing arrangements involve the computer aided design system and the computer hardware. Other leases are classified as operating leases and are not capitalized. The payments on such leases are recorded as expense. The rental expense under operating leases is recognized on a straight-line basis.

Treasury Stock – The Companies account for treasury stock under the cost method and include treasury stock as a component of Shareholders' Equity.

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2007, 2006 and 2005 were ¥12,084 million ($102,790 thousand), ¥11,888 million and ¥13,241 million, respectively, and included in selling, general, and administrative expenses.

Revenue Recognition – The Companies recognize revenue on sales to retailers when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred resulting in transfer of title and risk of loss, (3) the sales price is fixed or determinable and (4) collectibility is reasonably assured. Retail sales are recognized at the point of sale. The Companies establish allowances for estimated returns based on historical experience. As for consignment sales, the Companies recognize revenue when the products are sold to the ultimate customer.

Shipping and Handling Costs – Shipping and handling costs for the years ended March 31, 2007, 2006 and 2005 were ¥4,186 million ($35,607 thousand), ¥4,239 million and ¥4,156 million, respectively, and are included in selling, general, and administrative expenses.

Income Taxes – The provision for income taxes is determined under the assets and liability method pursuant to SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined for temporary differences between the financial statements and tax bases of assets and liabilities at presently enacted tax rates. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future.

Provisions are made for taxes on undistributed earnings and cumulative translation adjustments of foreign subsidiaries whose earnings are not deemed to be permanently invested.

Recent Accounting Pronouncements:

The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 – In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 provides entities the option to report selected financial assets and liabilities at fair value, with changes in fair value recorded in earnings. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Companies are currently in the process of assessing the impact the adoption of SFAS No. 159 will have on their financial position, cash flows or results of operations.

Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106 and 132 (R) – In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132 (R)." SFAS No. 158 requires an employer to recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status, measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The Companies adopted the recognition and disclosure provisions of SFAS No. 158 at March 31, 2007. The effect of adopting SFAS No. 158 on the Companies' consolidated financial condition at March 31, 2007 has been included in the accompanying consolidated financial statements. See Note 9 for further information.

Fair Value Measurements – In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Companies are currently in the process of assessing the impact the adoption of SFAS No. 157 will have on their consolidated financial position, cash flows or results of operations.

Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements – In September 2006, the Securities and Exchange Commission ("SEC") staff published Staff Accounting Bulletin No. 108 (SAB 108), "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." In addressing the current diversity of practice, SAB 108 provides interpretive guidance on how misstatements should be quantified and requires use of a "dual approach" method when evaluating the materiality of financial statement errors. Such approach requires consideration of the impact of misstatements on both the income statement ("rollover" method) and balance sheet ("iron curtain" method). If such consideration, along with the evaluation of all relevant quantitative and qualitative factors, results in quantifying a misstatement as material, adjustment of the financial statement is required. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the consolidated financial statements of the Companies.

Accounting for Uncertainty in Income Taxes – In June 2006, the FASB issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Companies do not expect the adoption of FIN 48 to have a material effect on the consolidated financial statements.

2. TRANSLATION INTO U.S. DOLLAR STATEMENTS

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥117.56 to $1, the buying rate for yen in New York City at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. MARKETABLE SECURITIES AND INVESTMENTS

The fair value of debt and marketable equity securities is based on quoted market prices at March 31, 2007 and 2006. The fair values of the debt and marketable equity securities were as follows:

	Millions of Yen			
2007	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	¥ 6,304	¥ 4	¥125	¥ 6,183
Bank debt securities	700		2	698
Mutual fund	4,187	166	43	4,310
National debt securities	3,210	3	12	3,201
Total	¥14,401	¥ 173	¥182	¥14,392
Noncurrent:				
Equity securities	¥26,842	¥26,378	¥101	¥53,119

	Millions of Yen			
2006	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	¥13,539	¥ 132	¥ 80	¥13,591
Bank debt securities	7,702	1	13	7,690
Mutual fund	5,431	167	68	5,530
National debt securities	5,914	1	27	5,888
Total	¥32,586	¥ 301	¥188	¥32,699
Noncurrent:				
Equity securities	¥25,492	¥26,479	¥129	¥51,842

	Thousands of U.S. Dollars			
2007	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	$ 53,624	$ 34	$1,064	$ 52,594
Bank debt securities	5,954		17	5,937
Mutual fund	35,616	1,412	365	36,663
National debt securities	27,305	26	102	27,229
Total	$122,499	$ 1,472	$1,548	$122,423
Noncurrent:				
Equity securities	$228,326	$224,379	$ 859	$451,846

Gross unrealized holding losses and fair values of debt and marketable equity securities, all of which have been in a continuous unrealized loss position for less than 12 months at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
2007	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Current:				
Corporate debt securities	¥ 4,979	¥125	$42,353	$1,064
Bank debt securities	498	2	4,236	17
Mutual fund	2,554	43	21,725	365
National debt securities	2,099	12	17,855	102
Total	¥10,130	¥182	$86,169	$1,548
Noncurrent:				
Equity securities	¥ 1,711	¥101	$14,554	$ 859

	Millions of Yen	
2006	Fair Value	Gross Unrealized Loss
Current:		
Corporate debt securities	¥ 5,027	¥ 80
Bank debt securities	5,488	13
Mutual fund	3,746	68
National debt securities	3,686	27
Total	¥17,947	¥188
Noncurrent:		
Equity securities	¥ 2,264	¥129

There were no securities which had been in a continuous unrealized loss position over 12 months at March 31, 2007 and 2006.

Future maturities of debt securities classified as available-for-sale at March 31, 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	¥ 3,199	¥ 3,189	$ 27,212	$ 27,127
Due after one year through five years	9,449	9,367	80,376	79,678
Due after five years through ten years	323	405	2,748	3,445
After ten years	1,000	932	8,505	7,928
Total	¥13,971	¥13,893	$118,841	$118,178

Proceeds from sales of available-for-sale securities were ¥2,573 million ($21,887 thousand), ¥2,903 million and ¥2,697 million for the years ended March 31, 2007, 2006 and 2005, respectively. The gross realized gains on the sales of available-for-sale securities for the years ended March 31, 2007, 2006 and 2005 were ¥408 million ($3,471 thousand), ¥510 million and ¥572 million, respectively. The gross realized losses on the sales of available-for-sale securities for the years ended March 31, 2007 and 2005 were ¥2 million ($17 thousand) and ¥9 million, respectively.

During the year ended March 31, 2006, the Companies exchanged certain equity securities for other securities. The Companies recorded the newly received securities at fair value and recognized a gain of ¥1,149 million in the year ended March 31, 2006. No such exchanges were made in the years ended March 31, 2007 and 2005.

The Companies recognized impairment charges on investments of ¥365 million ($3,105 thousand), ¥65 million and ¥618 million in the years ended March 31, 2007, 2006 and 2005, respectively.

Investments in non-marketable equity securities for which there is no readily determinable fair value were accounted for using the cost method and aggregated ¥945 million ($8,038 thousand) and ¥874 million at March 31, 2007 and 2006, respectively. The Companies wrote down these investments whenever the recorded investments exceeded the Companies' share of net assets of the investees. These investments were not evaluated for further impairment as the Companies did not identify any events or changes in circumstances that may have a significant adverse effect on the carrying value of the investments. It is not practicable to estimate the fair value of the investments.

The Company's subsidiary in the United States of America adopted a non-qualified deferred compensation plan and trust agreement. Investments consist of several mutual funds, which are recorded at the fair market value of ¥53 million ($4,126 thousand) as of March 31, 2007.

4. VALUATION AND QUALIFYING ACCOUNTS

Information related to the Companies' allowance for doubtful receivables was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Balance at beginning of year	¥ 92	¥72	¥149	$ 783
Charged to costs and expenses	10	29		85
Balances written-off/reversed	(20)	(9)	(77)	(170)
Balance at end of year	¥ 82	¥92	¥ 72	$698

Information related to the Companies' allowance for returns was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Balance at beginning of year	¥ 2,686	¥ 2,142	¥ 1,991	$ 22,848
Charged to costs and expenses	2,897	2,686	2,142	24,642
Balances utilized	(2,686)	(2,142)	(1,991)	(22,848)
Balance at end of year	¥ 2,897	¥ 2,686	¥ 2,142	$ 24,642

5. INVENTORIES

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥24,691	¥22,507	$210,029
Work in process	4,110	3,295	34,961
Raw materials	1,398	1,333	11,892
Total	¥30,199	¥27,135	$256,882

6. INVESTMENTS IN AFFILIATES

Investments are accounted for using the equity method of accounting if the investment provides the Companies the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee of between 20% to 50%, although other factors are considered in determining whether the equity method of accounting is appropriate. The Companies record investments in equity method investees meeting these characteristics as "Investments in affiliates." Under the equity method, the Companies record their proportionate share of affiliates' income or loss based on the most recently available financial statements. The Companies' investments in affiliated companies and percentage of ownership at March 31, 2007 include, among others, the following companies:

Thai Wacoal Public Company Limited (33.61%);
quoted market price per share: ¥130 ($1,106)/share
aggregate value: ¥5,225 million ($44,445 thousand)
Shinyoung Wacoal Inc. (25.00%);
quoted market price per share: ¥12,309 ($104,704)/share
aggregate value: ¥2,769 million ($23,554 thousand)
Indonesia Wacoal Co., Ltd. (42.02%)
Taiwan Wacoal Co., Ltd. (50.00%)
House of Rose Co., Ltd. (20.20%);
quoted market price per share: ¥1,663 ($14,146)/share
aggregate value: ¥1,580 million ($13,440 thousand)
Peach John Co., Ltd. (49.00%)

The following table represents the summarized information from the balance sheets and statements of operations for the affiliated companies which are accounted for under the equity method as of and for the years ended March 31, 2007 and 2006.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current assets	¥48,058	¥36,205	$408,796
Noncurrent assets	32,291	27,497	274,677
Current liabilities	12,527	9,658	106,558
Noncurrent liabilities	5,569	4,741	47,372
Minority interests	1	1	9
Net sales	75,414	60,631	641,494
Gross profit	38,260	31,607	325,451
Income before income taxes	7,011	4,664	59,638
Net income	5,052	3,262	42,974

The difference between the amount at which an investment is carried and the amount of underlying equity in net assets represents intangible assets such as customer list, trademarks and goodwill.

Dividends received from the affiliated companies were ¥607 million ($5,163 thousand), ¥448 million and ¥423 million during the years ended March 31, 2007, 2006 and 2005, respectively.

7. SHORT-TERM BANK LOANS AND LEASE OBLIGATIONS

Short-term bank loans at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured bank loans	¥5,822	¥6,392	$49,524

The weighted average annual interest rates on short-term bank loans as of March 31, 2007 and 2006 were 0.9% and 0.5%, respectively.

Lease obligations at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Lease obligations	¥162	¥66	$1,378
Less current portion	51	34	434
Lease obligations, less current portion	¥111	¥32	$ 944

The future minimum payments required at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 51	$ 434
2009	111	944
Total	¥162	$1,378

In 2007 and 2006, no assets were pledged as collateral.

8. LEASES

The Companies lease most of their store premises, some of their distribution centers and certain equipment. These operating leases expire on various dates through 2013. Most leases have automatic renewal provisions and allow the Companies to extend the lease term beyond the initial base period, subject to the terms agreed to at lease inception. Future minimum rental commitments on non-cancelable operating leases are presented below:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 972	$ 8,268
2009	886	7,537
2010	719	6,116
2011	583	4,959
2012	549	4,670
Thereafter	1,997	16,987
Total	¥5,706	$48,537

Rental expenses were ¥3,795 million ($32,281 thousand), ¥3,844 million and ¥3,703 million for the years ended March 31, 2007, 2006 and 2005, respectively.

9. TERMINATION AND RETIREMENT PLANS

Employee Retirement Plans – The Companies sponsor termination and retirement benefit plans that cover substantially all employees. Benefits are based on the employee's years of service, position in the Companies and performance. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Companies have a contributory retirement plan, several partially funded plans administered by independent trustees and several unfunded termination plans administered by the Companies. Benefits are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions.

The retirement plans provide either lump-sum termination benefits or periodic payments under certain conditions. Benefits are usually paid as a lump-sum at the earlier of the employee's termination or the mandatory retirement age.

The Companies adopted the recognition and disclosure provision of SFAS No. 158 on March 31, 2007. SFAS No. 158 required the Companies to recognize the funded status of their pension plans in the March 31, 2007 consolidated balance sheet, with a corresponding charge to accumulated other comprehensive income.

Upon adoption, the Companies recorded a pre-tax adjustment of ¥6,965 million ($59,246 thousand) to the ending balance of accumulated other comprehensive income. Amounts recognized in accumulated other comprehensive income at March 31, 2007 consist of:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized net actuarial gain	¥ 702	$ 5,971
Unrecognized prior service benefit	6,263	53,275
Total	¥6,965	$59,246

As a result of adopting SFAS No. 158, the consolidated balance sheets changed as follows:

	Millions of Yen		
	Balances Prior to Adoption of SFAS No. 158	Adjustments	Balances after Adoption of SFAS No. 158
Prepaid pension cost	¥ 124	¥ 6,965	¥ 7,089
Accrued expenses		(113)	(113)
Reserve for retirement benefit	(2,100)	113	(1,987)
Deferred income taxes	1,257	(2,835)	(1,578)
Accumulated other comprehensive income		(4,130)	(4,130)

	Thousands of U.S. Dollars		
	Balances Prior to Adoption of SFAS No. 158	Adjustments	Balances after Adoption of SFAS No. 158
Prepaid pension cost	$ 1,055	$ 59,246	$ 60,301
Accrued expenses		(961)	(961)
Reserve for retirement benefit	(17,863)	961	(16,902)
Deferred income taxes	10,692	(24,115)	(13,423)
Accumulated other comprehensive income		(35,131)	(35,131)

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Actuarial gain	¥123	$1,046
Prior service benefit	691	5,878

The Companies use a March 31 measurement date for the majority of their plans. The weighted-average assumptions used as of March 31 in computing the benefit obligation liabilities shown above were as follows:

	2007	2006
Discount rate	2.5%	2.5%
Rate of increase in future compensation	0.5%	0.5%

The weighted-average assumptions used as of March 31 in computing the net periodic benefit cost shown above were as follows:

	2007	2006	2005
Discount rate	2.5%	2.5%	2.5%
Expected long-term rate of return on plan assets	2.5%	2.5%	2.5%
Rate of increase in future compensation	0.5%	0.5%	0.4%

Our wholly owned subsidiary, Wacoal Corp.'s approach to establishing the discount rate is based upon long term Japanese government bond rates and corporate bond indices. The discount rate assumption is based upon the five-year average of the effective yields on the 20-year Japanese government bond, adjusted for an incremental yield of approximately 25 basis points that is achieved by selecting corporate bonds whose credit characteristics satisfy the quality requirements but whose yields are slightly higher than the yields on Japanese government bonds. For other plans, similar indices and methods are used.

The expected long-term rate of return on plan assets is derived proportionally from return assumptions determined for each of the major asset classes. The return expectations for each of the asset classes are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data. The estimated long-term rate of return is based on an asset allocation of equity securities of 33.0%, debt securities of 50.0% and other investments of 17.0%.

The Companies' investment strategy is to maintain actual asset weightings within a preset range of target allocations. The Companies' investments are broadly diversified, typically consisting primarily of equity and debt securities. The Companies believe these ranges represent an appropriate risk profile for the planned benefit payments of the plans based on the timing of the estimated benefit payment.

The asset allocation at March 31, 2007 and 2006 was as follows:

	2007	2006
Equity securities	54.8%	57.3%
Debt securities	34.9%	35.1%
Life insurance company general accounts	5.7%	6.7%
Cash and cash equivalents	4.6%	0.9%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2007 and 2006 are different from the target allocation percentages primarily because the Company contributes additional equity securities to the plan which are not governed by the Pension Committee. Based on an agreement between the Company and the employees, the Company contributes a certain amount of equity securities to the plan. As such, the actual allocation percentage of equity securities to the total plan assets is higher than the target allocation, and similarly, the actual allocation for the debt securities and other types of assets is lower than the target allocation.

The Company had a contributory retirement plan which was interrelated with the Japanese government social welfare program that consisted of a substitutional portion and a corporate portion. In January 2003, the Company applied for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion in accordance with the Defined Benefit Pension Plan Law enacted in April 2002 and received approval from the government in January 2003. In January 2004, the Company received approval for exemption of the benefit obligation for past service related to the substitutional portion. In September 2004, the substitutional portion of the benefit obligation and related plan assets were transferred to the government.

In accordance with the Emerging Issue Task Force ("EITF") Issue 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" ("EITF 03-2"), the Company accounted for the entire separation process upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. The transfer resulted in the Company recording a subsidy from the government of ¥7,100 million representing the difference between the substitutional portion of the accumulated benefit obligation and the related plan assets. In addition, the Company recorded a gain from derecognition of previously accrued salary progression of ¥1,716 million, and a settlement loss from recognition of actuarial losses of ¥2,644 million in the year ended March 31, 2005.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Change in benefit obligation:			
Benefit obligation at beginning of year	¥32,687	¥36,481	$278,045
Service cost	936	1,228	7,962
Interest cost	748	722	6,363
Participants' contributions	75	92	638
Actuarial gain (loss)	(245)	2,926	(2,084)
Prior service liabilities incurred due to plan amendment		(5,833)	
Benefits paid from plan assets	(883)	(281)	(7,511)
Settlement paid from plan assets	(105)	(2,361)	(893)
Settlement paid by the Companies	(154)	(287)	(1,310)
Benefit obligation at end of year	33,059	32,687	281,210
Change in plan assets:			
Fair value of plan assets at beginning of year	35,860	28,376	305,036
Actual return on plan assets	581	7,352	4,941
Employer contributions	2,520	2,682	21,436
Participants' contributions	75	92	638
Benefit payments	(883)	(281)	(7,511)
Settlement payments	(105)	(2,361)	(892)
Fair value of plan assets at end of year	38,048	35,860	323,648
Funded status at end of year	¥ 4,989	¥ 3,173	$ 42,438

Amounts recognized in the consolidated balance sheets at March 31, 2007 consist of:

	Millions of Yen	Thousands of U.S. Dollars
Prepaid pension cost	¥7,089	$60,301
Accrued expenses	(113)	(961)
Reserves for retirement benefit	(1,987)	(16,902)
	¥4,989	$42,438

The funded status at March 31, 2006, reconciled to the net amount recognized in the consolidated balance sheet, is as follows:

	Millions of Yen
Funded status	¥ 3,173
Unrecognized net actuarial gain	(769)
Unrecognized prior service benefit	(6,954)
Net amount recognized – Accrued benefit cost	¥(4,550)

Net periodic benefit costs for the Companies' plans consisted of the following for the years ended March 31:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Service cost	¥ 936	¥1,228	¥1,811	$ 7,962
Interest cost on projected benefit obligation	748	722	1,063	6,363
Expected return on plan assets	(726)	(608)	(629)	(6,176)
Net amortization	(826)	12	1,110	(7,026)
Derecognition of previously accrued salary progression			(1,716)	
Settlement (gain) loss		(256)	2,644	
	¥ 132	¥1,098	¥4,283	$ 1,123

The unrecognized net actuarial loss and prior service benefit are being amortized over 12 years (the average remaining service life of active participants) using the declining-balance method and the straight-line method, respectively.

In July 2005, the Company amended its retirement plan to change the interest rate used to determine periodic pension payments. Before the amendment, the interest rate was fixed at 4.3%. Under the amended plan, the interest rate is floating and determined based on the interest rate of the Japanese government bond within the range of 2.0% to 5.0%. The resulting prior service benefit is being amortized using the straight-line method over 12 years.

The accumulated benefit obligation for all domestic defined benefit plans was ¥31,022 million ($263,882 thousand) and ¥30,691 million at March 31, 2007 and 2006, respectively.

The general funding policy of the funded plans is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. The Companies expect to contribute ¥2,333 million ($19,845 thousand) to their plans in the year ending March 31, 2008.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥1,292	$10,990
2009	1,340	11,398
2010	1,347	11,458
2011	1,415	12,036
2012	1,504	12,793
2013–2017	9,400	79,959

The Companies also provide additional benefits to employees that elect to participate in the Companies' early retirement program. Retirement benefits of ¥14 million ($119 thousand), ¥364 million and ¥718 million were paid in addition to normal benefits and charged to "selling, general and administrative" for the years ended March 31, 2007, 2006 and 2005, respectively.

In November 2005, the Company announced a special voluntary retirement plan to eliminate approximately 300 positions to improve the labor structure at March 31, 2006. Employees who would be more than 50 years-old at March 31, 2006 could apply to this program. As of March 31, 2006, the Company had eliminated 362 positions and paid the special benefit of ¥6,931 million. In March 2006, Fukushima Wacoal Sewing Corp., a subsidiary of the Companies, terminated its operation and paid a special termination benefit of ¥590 million to its employees. Those payments were also charged to special retirement related expenses. In addition to those charges, a gain on settlement of ¥256 million was credited to "selling, general and administrative."

Termination Plan for Directors and Corporate Auditors – The Company and certain subsidiaries had termination plans for directors and corporate auditors. Payment of termination benefits to directors and corporate auditors is made in a lump sum upon termination and requires the approval of the shareholders before payment. In June 2005, the Company rescinded its termination plan for directors and corporate auditors upon the approval of its shareholders. The amount of benefit for each individual was fixed as of June 29, 2005 and will remain frozen until the retirement of each respective director and corporate auditor. The outstanding liabilities at March 31, 2007 and 2006 were ¥373 million ($3,173 thousand) and ¥397 million, respectively, and were recorded in other long-term liabilities. Subsidiaries still maintain plans for their directors and corporate auditors. In accordance with EITF 88-1, the subsidiaries record a liability for termination benefits for directors and corporate auditors at the amount that would be needed if all directors and corporate auditors were to resign at each balance sheet date. The liabilities for termination benefits for directors and corporate auditors at March 31, 2007 and 2006 were ¥85 million ($723 thousand) and ¥72 million, respectively.

10. SHAREHOLDERS' EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which amended and partially replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors and (4) having a one-year term of service for directors prescribed in its articles of incorporation, rather than two years, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has so provided in its articles of incorporation. The Company meets all the above criteria. The board of directors of companies with board committees (an appointment committee, compensation committee and audit committee) may also do so, because companies with board committees already, by definition, meet the above criteria under the Corporate Law, even though they have an audit committee instead of a board of corporate auditors.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount of retained earnings available for dividends under the Corporate Law was ¥103,627 million ($881,482 thousand) as of March 31, 2007, based on the amount recorded in the parent company's general books of account.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock.

11. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of accumulated other comprehensive income (loss) were reported net of income taxes as follows:

	Millions of Yen								
	2007			2006			2005		
	Pre-Tax Amount	Tax Expense	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments	¥1,598	¥(146)	¥1,452	¥ 3,345	¥ (261)	¥ 3,084	¥ (325)	¥ 17	¥(308)
Unrealized gain (loss) on securities:									
Unrealized holding gain (loss)	56	(15)	41	13,761	(5,531)	8,230	(334)	113	(221)
Reclassification adjustments (loss)	129	(53)	76	(816)	332	(484)	(76)	31	(45)
Net unrealized gain (loss)	185	(68)	117	12,945	(5,199)	7,746	(410)	144	(266)
Minimum pension liability							1,620	(666)	954
Other comprehensive income (loss)	¥1,783	¥(214)	¥1,569	¥16,290	¥(5,460)	¥10,830	¥ 885	¥(505)	¥ 380

	Thousands of U.S. Dollars		
	2007		
	Pre-Tax Amount	Tax Expense	Net Amount
Foreign currency translation adjustments	$13,593	$(1,242)	$12,351
Unrealized gain (loss) on securities:			
Unrealized holding gain (loss)	476	(128)	349
Reclassification adjustments	1,098	(450)	647
Net unrealized gain (loss)	1,574	(578)	996
Other comprehensive income (loss)	$15,167	$(1,820)	$13,347

12. INCOME TAXES

Income before income taxes, equity in net income of affiliated companies, and minority interests are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Japan	¥14,487	¥ 4,695	¥12,789	$123,231
Foreign	(567)	(1,229)	(710)	(4,823)
Total	¥13,920	¥ 3,466	¥12,079	$118,408

Income taxes expense consists of:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Current:				
Japan	¥1,446	¥ 2,669	¥2,437	$12,300
Foreign	1,428	599	604	12,147
	¥2,874	¥ 3,268	¥3,041	$24,447
Deferred:				
Japan	¥3,854	¥(1,845)	¥2,890	$32,783
Foreign	(226)	36	(131)	(1,922)
	¥3,628	¥(1,809)	¥2,759	$30,861
Total income taxes	¥6,502	¥ 1,459	¥5,800	$55,308

The Companies are subject to a number of different taxes based on income. The effective income tax rates differed from the normal statutory rates for the following reasons for the years ended March 31, 2007, 2006 and 2005:

	2007	2006	2005
Normal Japanese statutory rates	40.7%	40.7%	40.7%
Increase in taxes resulting from:			
Permanently non-deductible expenses	6.5	9.9	3.7
Change in valuation allowance	(2.0)	0.0	3.8
Undistributed earnings of foreign subsidiaries	0.8	2.9	0.5
Differences in subsidiaries' tax rate	(0.8)	(4.7)	(1.9)
Tax exemption	(1.3)	(3.2)	(0.9)
Tax loss on investment in subsidiaries		(4.9)	(0.2)
Other – net	2.8	1.4	2.3
Effective tax rates	46.7%	42.1%	48.0%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2007 and 2006 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		2007	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	¥ 1,117		¥ 1,037		$ 9,501	
Allowance for doubtful receivables		¥ 383	115			$ 3,258
Inventory valuation	1,273		1,211		10,829	
Intercompany profits	218		153		1,854	
Accrued bonuses	1,392		1,474		11,841	
Valuation loss on investments	760		615		6,465	
Gain on sales of property, plant and equipment		1,724		¥ 1,753		14,665
Undistributed earnings of foreign subsidiaries		2,742		2,363		23,324
Net unrealized gain on securities		10,691		10,726		90,941
Net realized gain on exchange of equity securities		2,415		2,415		20,542
Capitalized supplies	330		343		2,807	
Enterprise taxes	126		195		1,072	
Accrued vacation	812		788		6,907	
Pension expense	753	2,331	2,271		6,405	19,828
Fixed assets	1,445		1,600		12,292	
Tax loss carryforwards	1,795		3,965		15,269	
Other temporary differences	838	39	769	36	7,128	332
Total	10,859	20,325	14,536	17,293	92,370	172,890
Valuation allowance	(1,465)		(1,651)		(12,462)	
Total	¥ 9,394	¥20,325	¥12,885	¥17,293	$ 79,908	$172,890

A valuation allowance was recorded against the deferred tax assets, primarily related to loss carryforwards, of certain domestic and foreign subsidiaries. The valuation allowance decreased by ¥186 million ($1,582 thousand) for the year ended March 31, 2007 and increased by ¥6 million for the year ended March 31, 2006.

At March 31, 2007, certain subsidiaries had loss carryforwards which are available to offset future taxable income of such subsidiaries expiring as follows:

Year Carryforward Expires	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 204	$ 1,735
2010	790	6,720
2011	738	6,278
2012	542	4,610
2013	408	3,471
2014	905	7,698
Indefinitely until utilized	1,005	8,549
Total	¥4,592	$39,061

The portion of the undistributed earnings of foreign subsidiaries which are deemed to be permanently invested amounted to ¥3,556 million ($30,248 thousand) and ¥5,758 million at March 31, 2007 and 2006, respectively. It is not practicable to determine the unrecognized deferred tax liability on these earnings.

13. RELATED PARTY TRANSACTIONS

The Companies purchase merchandise from numerous suppliers throughout the world, including certain affiliates of the Companies. The Companies purchased merchandise from affiliates in the amount of ¥1,588 million ($13,508 thousand), ¥1,811 million and ¥1,805 million in the fiscal years ended March 31, 2007, 2006 and 2005. The accounts payable to affiliates were ¥9 million ($77 thousand) and ¥26 million at March 31, 2007 and 2006, respectively.

The Companies also sell supplies, materials and products to certain affiliates. Aggregate sales to affiliates were ¥1,042 million ($8,864 thousand), ¥1,494 million and ¥1,679 million in fiscal years ended March 31, 2007, 2006 and 2005. The accounts receivable from affiliates were ¥103 million ($876 thousand) and ¥176 million at March 31, 2007 and 2006, respectively.

14. EARNINGS PER SHARE AND AMERICAN DEPOSITARY RECEIPT

The Company accounts for its earnings per share in accordance with SFAS No. 128, "Earnings per Share." Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Fully diluted income per share is not computed as there are no common stock equivalents.

The computation of earnings per American Depositary Receipt ("ADR"), each ADR representing 5 shares of common stock, is based on the weighted-average number of common shares outstanding. The weighted-average number of common shares outstanding used in the computations was 142,910,187 shares for 2007, 143,933,607 shares for 2006 and 143,956,284 shares for 2005.

15. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments — The carrying amount of cash and cash equivalents and short-term bank loans approximates fair value because of the short maturities of these instruments. The fair values of current and noncurrent marketable securities, as presented in Note 3, are primarily estimated based on quoted market prices for these securities.

The fair value of long-term debt including current portion at March 31, 2007 and 2006 was ¥162 million ($1,378 thousand) and ¥66 million, respectively. These fair values are based on comparisons of instruments with similar terms and maturities.

The fair values of investments in non-marketable equity securities are impracticable to estimate as the investments represent stocks of companies which are not publicly traded.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

Forward Currency Exchange Contracts — The Company occasionally uses forward currency exchange contracts to manage its exposure to foreign currency fluctuation on the transactions dominated in foreign currencies. At March 31, 2005, the notional amount of its open forward currency contract was for the purchase of $3,000 thousand. The Company recorded the changes in the fair value of the derivative contract of ¥10 million in other income since it was not designated as a hedge in the year ended March 31, 2005. No derivative contract was outstanding as of March 31, 2007 and 2006.

Concentration of Credit Risk — The Companies' business consists primarily of sales of women's intimate apparel to a large number of diverse customers in the Japanese retail industry, which include well established department stores, general merchandise stores and other general retailers and to specialty stores. No single customer constitutes 10% or more of the total sales, although the general retail customers that are consolidated companies in the Aeon Group collectively accounted for approximately 10.1%, 10.1% and 10.3% of the total sales in the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

16. SUBSEQUENT EVENT

On May 29, 2007, the Board of Directors resolved to pay a cash dividend of ¥110 ($0.94) per 5 shares of common stock to holders of record as of March 31, 2007 (aggregate amount of ¥3,093 million ($26,310 thousand)).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Wacoal Holdings Corp. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Wacoal Holdings Corp.'s management assessed the effectiveness of internal control over financial reporting as of March 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (the COSO criteria).

Based on its assessment, management concluded that, as of March 31, 2007, Wacoal Holdings Corp.'s internal control over financial reporting was effective based on the COSO criteria.

Wacoal Holdings Corp.'s independent registered public accounting firm, Deloitte Touche Tohmatsu has issued an audit report on our assessment of internal control over financial reporting as of March 31, 2007.

Yoshikata Tsukamoto
Representative Director

Shoichi Suezawa
Chief Financial Officer

June 28, 2007

Deloitte.

Deloitte Touche Tohmatsu
Nakanoshima Central Tower
2-2-7, Nakanoshima, Kita-ku
Osaka-shi, Osaka 530-0005
Japan

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Wacoal Holdings Corp.
Kyoto, Japan:

We have audited the accompanying consolidated balance sheets of Wacoal Holdings Corp. and Subsidiaries (the "Companies") as of March 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2007, all expressed in Japanese yen. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Certain information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" has not been presented in the accompanying financial statements. In our opinion, presentation of segment information concerning the Companies' operations is required for a complete presentation of the Companies' consolidated financial statements.

In our opinion, except for the omission of segment information, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and Subsidiaries as of March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of the Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. The translation of the financial statement amounts into U.S. dollars has been made solely for convenience of readers outside of Japan.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Companies' internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 28, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Companies' internal control over financial reporting and an unqualified opinion on the effectiveness of the Companies' internal control over financial reporting.

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Deloitte.

Deloitte Touche Tohmatsu
Nakanoshima Central Tower
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Japan

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Wacoal Holdings Corp.
Kyoto, Japan:

We have audited management's assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting dated June 28, 2007, that Wacoal Holdings Corp. and Subsidiaries (the "Companies") maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Companies' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Companies maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Companies maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Companies as of and for the year ended March 31, 2007 and our report dated June 28, 2007 expressed an unqualified opinion on those financial statements, except for the omission of segment information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information."

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

CORPORATE DATA

As of March 31, 2007

WACOAL HOLDINGS CORP.

Head Office
29, Nakajima-cho, Kisshoin,
Minami-ku, Kyoto 601-8530, Japan
Tel: (075) 682-5111
Fax: (075) 661-5603
URL: www.wacoalholdings.jp

Date of Foundation
June 15, 1946

Date of Establishment
November 1, 1949

Shareholders' Equity
¥193,278 million

Number of Employees (Consolidated)
13,397

Domestic Principal Subsidiaries

Wacoal Holdings Equity Owned	(%)
Wacoal Corp.	100
Studio Five Corp.	100
Wacoal Dublevé Corp.	100
Une nana cool Corp.	100
Kyushu Wacoal Manufacturing Corp.	100
Tokai Wacoal Sewing Corp.	100
Niigata Wacoal Sewing Corp.	100
Fukuoka Wacoal Sewing Corp.	100
Miyazaki Wacoal Sewing Corp.	100
Hokuriku Wacoal Sewing Corp.	90
Torica Inc.	53
Nanasai Co., Ltd.	77
Wacoal Distribution Corp.	100

Domestic Principal Joint Ventures

Wacoal Holdings Equity Owned	(%)
Peach John Co., Ltd.	49
House of Rose Co., Ltd.	20

Overseas Principal Subsidiaries

Wacoal Holdings Equity Owned	(%)
Wacoal International Corp. (U.S.A.)	100
Wacoal America, Inc.	100
Wacoal France S.A.	100
Wacoal (UK) Limited	100
Wacoal Singapore Pte. Ltd.	100
Wacoal Hong Kong Co., Ltd.	80
Wacoal International Hong Kong Co., Ltd.	100
Wacoal China Co., Ltd.	100
Guangdong Wacoal Inc.	100
Dalian Wacoal Co., Ltd.	100
Vietnam Wacoal Corp.	100
Wacoal Dominicana Corp.	100
Philippine Wacoal Corp.	67
Wacoal Sports Science Corp.	100
Wacoal (Shanghai) Human Science R&D Co., Ltd.	100

International Joint Ventures

Wacoal Holdings Equity Owned	(%)
Shinyoung Wacoal Inc. (South Korea)	25
Thai Wacoal Public Co., Ltd.	34
Taiwan Wacoal Co., Ltd.	50
Indonesia Wacoal Co., Ltd.	42
Wacoal Malaysia Sdn. Bhd.	50
Shanghai Yadie Fashion Co., Ltd.	20

International Network

Wacoal America, Inc.
136 Madison Avenue,
New York, NY 10016, U.S.A.
Tel: 1-212-532-6100

Wacoal France S.A.
7/11 Rue des Gazometres,
93218 Saint-Denis La Plaine Cedex,
France
Tel: 33-1-5593-0310

Wacoal (UK) Limited
4th Floor, Hardy House,
16-18 Beak Street,
London W1R 3HA,
United Kingdom
Tel: 44-207-439-6190

Wacoal Singapore Pte. Ltd.
215 Henderson Road,
#01-08 Henderson Industrial Park,
Singapore 159554
Tel: 65-6270-2887

Wacoal Hong Kong Co., Ltd.
16th Floor East, Warwick House,
Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong
Tel: 852-2811-3202

Wacoal International Hong Kong Co., Ltd.
16th Floor East, Warwick House,
Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong
Tel: 852-2561-9191

Wacoal China Co., Ltd.
Jia 16 Tongji North Road,
Beijing Economic & Technological
Development Area,
Beijing 100176, P. R. of China
Tel: 86-10-6787-2185

Guangdong Wacoal Inc.
Huahai Industrial District,
Xinhua Town, Huadu Qu,
Guangzhou City,
Guangdong, P. R. of China
Tel: 86-20-8686-1170~3

Dalian Wacoal Co., Ltd.
#42 Economic & Technical
Development Zone, Dalian,
Liaoning, P. R. of China
Tel: 86-411-8733-7722

Vietnam Wacoal Corp.
110 Amata Road,
Amata Modern Industrial Park,
Long Binh Ward, Bien Hoa City,
Dong Nai Province,
Socialist Republic of Vietnam
Tel: 84-61-892060~2

Wacoal Dominicana Corp.
Zona Franca Industrial,
Las Americas KM22,
Autopista Lasamericas,
Santo Domingo, Dominican Republic
Tel: 1-809-549-1090

Philippine Wacoal Corp.
3rd Floor, 6788 Ayala Avenue,
Makati Metro Manila, Philippines
Tel: 63-2-893-7432

Shinyoung Wacoal Inc.
345-54, Ka San Dong, Cum Chone Gu,
Seoul, Republic of Korea
Tel: 82-2-818-5120

Thai Wacoal Public Co., Ltd.
930/1 Soi Pradoo 1,
Sathupradith Bangkholaem,
Bangkok, Thailand
Tel: 66-2-289-3100~9

Taiwan Wacoal Co., Ltd.
15, Jingkwo Road, Taoyuan,
Taiwan, R.O.C.
Tel: 886-3-326-9369~80

Indonesia Wacoal Co., Ltd.
Jl. Tarikolot No. 59,
Citeureup-Bogor, Indonesia
Tel: 62-21-875-3611

Wacoal Malaysia Sdn. Bhd.
5th Floor, Plaza Hamodal,
Lot 15, Jalan 13/2 (Section 13),
46200 Petaling Jaya, Selangor, Malaysia
Tel: 60-3-7960-8308

Wacoal Sports Science Corp.
136 Madison Avenue,
New York, NY 10016, U.S.A.
Tel: 1-212-743-9849

Wacoal (Shanghai) Human Science R&D Co., Ltd.
7th Floor, Jiangnan Zaochuan Bldg.,
600 Luban Road, Luwan District,
Shanghai, P. R. of China
Tel: 86-21-6390-7448

INVESTOR INFORMATION

As of March 31, 2007

Stock Listings
Tokyo, Osaka, NASDAQ

Fiscal Year-End
March 31

Securities Code
3591

Common Stock
Issued: 144,016,685 shares
Outstanding: 140,576,569 shares

Trading Unit
1,000 shares

Shareholder Register Agent for Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

American Depositary Receipts
Cusip No.: 930004205
Ratio (ADR:ORD): 1:5
Exchange: NASDAQ
Symbol: WACLY

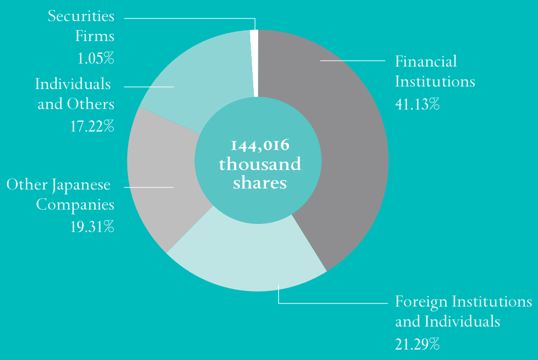
Depositary
The Bank of New York
101 Barclay Street,
New York, NY 10286, U.S.A.
Tel: 1-212-815-8161
U.S. toll free: 888-269-2377
(888-BNY-ADRS)
URL: http://www.adrbny.com

Number of Shareholders
10,902

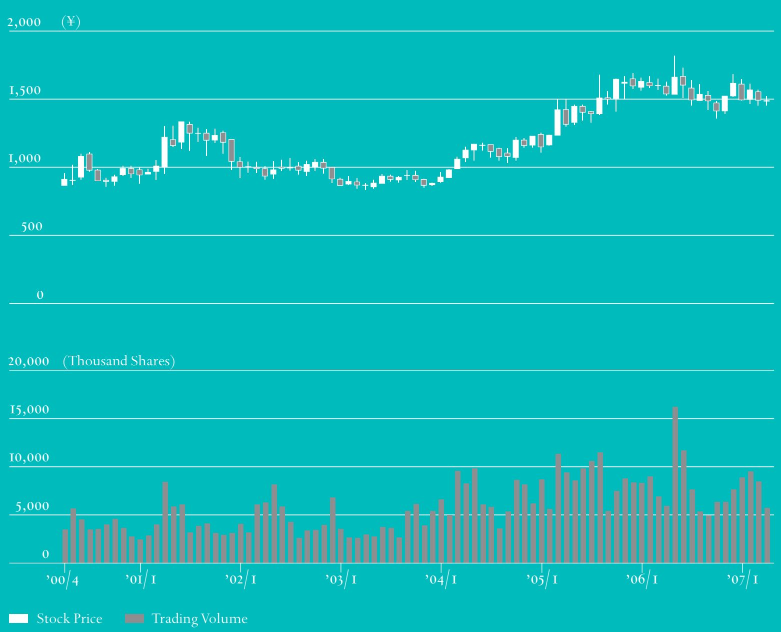
Major Shareholders	%
Hero and Company*	13.67
Meiji Yasuda Life Insurance Company	4.98
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.97
Nippon Life Insurance Company	3.88
The Bank of Kyoto, Ltd.	3.03
Japan Trustee Services Bank, Ltd. (Trust Account)	2.71
The Shiga Bank, Ltd.	2.40
The Dai-ichi Mutual Life Insurance Company	2.28
Mitsubishi UFJ Trust and Banking Corp	2.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.92

* Shares deposited to issue American Depositary Shares traded on the NASDAQ market.

Ownership and Distribution of Shares



Stock Price / Trading Volume



Forward-Looking Statements
Statements contained in this annual report that are not historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to differ materially from those anticipated in these statements.

WACOAL HOLDINGS CORP.
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