EMBRACING CHANGE NURTURING FOUNDATION

Wacoal Holdings Corp.
Annual Report
2008

Since its establishment in 1949, Wacoal has remained at the forefront of the Japanese market for women's innerwear by enabling women the world over to express their beauty. Consequently, we enjoy commanding shares of innerwear markets, with sales growing steadily in North America, Europe and Asia. Furthermore, 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 approximately 40,000 Japanese women. Going forward, we will anticipate changing demand by realizing further added value and functionality as well as providing beauty and comfort to realize products that even more customers love.

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.

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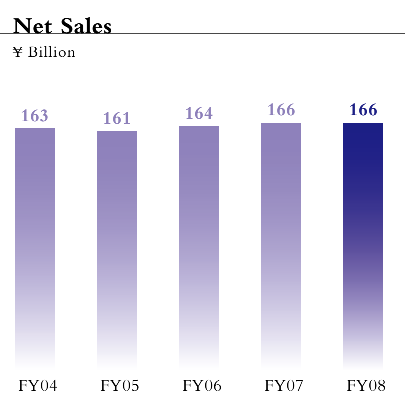
FINANCIAL HIGHLIGHTS

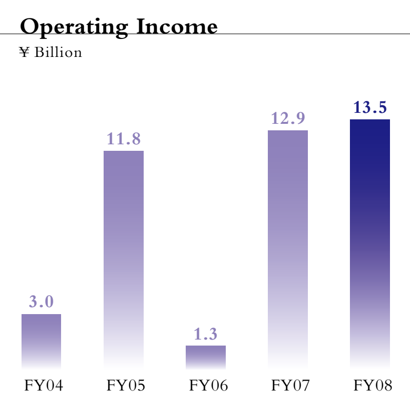
Wacoal Holdings Corp. and Subsidiaries

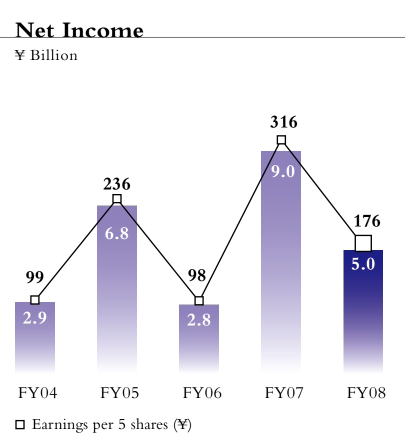
As of March 31, 2008

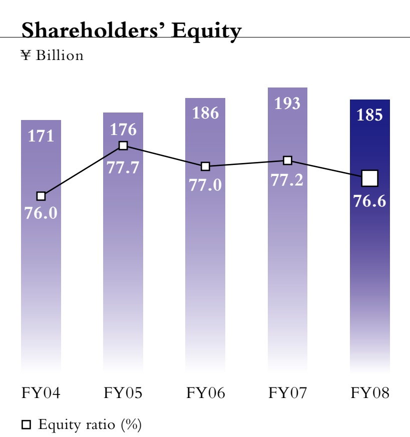
	Millions of Yen (except per 5 share amounts)			Thousands of U.S. Dollars*	% Change
	2008	2007	2006	**2008**	2008 vs 2007
Net sales	**¥165,761**	¥166,410	¥164,122	**$1,660,100**	– 0.4%
Operating income	**13,540**	12,896	1,333	**135,604**	+5.0
Income before income taxes, equity in net income of affiliated companies and minority interests	**14,353**	13,920	3,466	**143,746**	+3.1
Net income	**4,966**	9,029	2,821	**49,735**	– 45.0
ROE (%)	**2.6**	4.8	1.6		
Per 5 shares of common stock (in yen/dollars):					
Net income	**¥ 176**	¥ 316	¥ 98	**$1.76**	– 44.4
Cash dividends	**125**	110	100	**1.25**	+13.6
Shareholders' equity	**6,457**	6,874	6,480	**64.67**	– 6.1
Shareholders' equity	**¥185,113**	¥193,278	¥186,475	**$1,853,911**	– 4.2
Total assets	**241,619**	250,266	242,296	**2,419,820**	– 3.5

* The U.S. dollar amounts represent translations of Japanese yen solely for convenience at the rate of ¥99.85=$1.









TO OUR SHAREHOLDERS AND OTHER INVESTORS

Representative Director　Yoshikata Tsukamoto

Fiscal 2008 was the first year of our Medium-Term Management Plan, which calls for *Three Years of Shifting to Growth and Heightening Earning Power.* Stepping up the pace of corporate management, the Wacoal Group rolled out products reflecting current trends, strengthened its presence in existing markets, and cultivated new markets.

EMBRACING CHANGE

EVALUATION OF BUSINESS RESULTS AND INITIATIVES IN THE FISCAL YEAR

In the fiscal year under review, ended March 31, 2008, net sales edged down 0.4% year on year, to ¥165.8 billion; operating income rose 5.0% year on year, to ¥13.5 billion; and net income decreased 45.0%, to ¥5.0 billion. Among the first-year targets set out in the Medium-Term Management Plan, although we did not reach the ¥170 billion target for net sales, we did achieve the target of ¥13.5 billion for operating income. Net income was down significantly from the previous fiscal year. However, that decrease was due to recognition as equity in losses of affiliates of a ¥4.7 billion write-down of our 49% interest in Peach John Co., Ltd., acquired in the previous fiscal year as part of a capital alliance.

Net sales were below target for two main reasons. First, we did not meet sales volume targets for new Style Science functional undergarments, which our domestic subsidiary Wacoal Corp. marketed mainly through autumn and winter sales campaigns. In the third year since *Hip Walker* debuted, we believe sales fell short because store promotional efforts that were smaller than in the first two years did not effectively appeal to new customers or spur replacement demand among existing customers. Second, U.S. operations, which had been growing steadily, entered a temporary correction phase. As part of our efforts to roll out products in a variety of stores, we sought to increase sales at mid- to high-end department stores in the fiscal year. However, while some stores contributed steadily to sales growth, others saw a mismatch between the customer groups of stores and product price ranges. Pulling out products from such stores increased returned products and worsened profitability.

On the other hand, Wacoal's new *LALAN* brassieres, the focus of a marketing campaign from spring 2007, and *Sugoi*, a lineup of new-fabric innerwear marketed in the autumn-winter season, sold briskly. Our *LALAN* brassieres feature unique designs for each cup type and size, thereby accurately catering to a wide variety of bust sizes. Further, *Sugoi* offerings proved popular because they are much thinner, lighter, and warmer than traditional innerwear. In addition, we launched *Cross Walker* as a Style Science innerwear lineup for men in spring 2008. Amid growing consumer interest in such health issues as metabolic syndrome prevention, the response to those lineups has been enthusiastic, and we are currently increasing production. Although women's lineups missed fiscal-year targets, I am convinced that we can develop Style Science, including products for men, into a major lineup and earnings mainstay.

I think we can take some positives from our business results in the fiscal year. We did not achieve the target for net sales, but reductions in manufacturing costs and SG&A expenses enabled us to reach the operating income target.

BUSINESS CONDITIONS AND MANAGEMENT ISSUES

In the past several years, Japan's apparel industry has generally faced tough business conditions. And conditions in the innerwear industry do not warrant optimism.

Japan's innerwear market has matured in recent years due in part to the aging of Japanese society. As a result, that market is unlikely to grow significantly. Moreover, amid those conditions, competition is becoming fiercer as more apparel manufacturers, retailers, and other companies enter the innerwear manufacturing industry. Nevertheless, I think we should welcome such competition because it energizes the market, which increases consumer interest in innerwear. The emerging innerwear market is centered on low-price fashionable products and differs from our traditional mainstay market, which focuses on high-value-added products with advanced functionality. In order to establish a presence in that emerging market, we will have to use unprecedented products, sales methods, sales channels, and pricing strategies. In my view, adopting such new approaches to realize further growth is a key corporate management issue. Making Peach John a subsidiary partially addresses that issue by providing Wacoal with a strategic foothold in a new market segment.

At the same time, to grow dramatically Wacoal must expand its growth driver – overseas operations. Wacoal began developing overseas operations from the 1970s, mainly in Asia. Today, we have built a worldwide operating system with production and marketing bases in the United States, China, and other countries. Going forward, we will expand operations in regions where we have a presence while rolling out *Wacoal*-brand lineups in new countries and regions.

GROWTH STRATEGIES

In light of the abovementioned business conditions and management issues, Wacoal is simultaneously advancing initiatives under its Medium-Term Management Plan and the CAP21 (Corporate Activation Project 21). With the fiscal year as its first year, the Plan sets out operational strategies over three years under the slogan *Three Years of Shifting to Growth and Heightening Earning Power*. Meanwhile, the CAP21 seeks higher enterprise value by making a fresh start and accelerating growth through initiatives that include mergers and acquisitions. Based on the benefits resulting from the implementation of the Plan and the CAP21, I would like to discuss the Wacoal Group's growth strategies more specifically from two standpoints.

First, I would like to look at our mergers and acquisitions strategy. Following on from a capital tie-up in June 2006, we made Peach John a wholly owned subsidiary in January 2008. Peach John's features and strengths differ from those of Wacoal. Our new subsidiary has grown rapidly by targeting customers in their teens and twenties through mail-order catalog sales and a chain of directly managed stores. Including Peach John in the Wacoal Group not only increases Wacoal's enterprise value and market presence but enables Wacoal to invest management resources in Peach John to accelerate the subsidiary's growth and strengthen its earnings platform. Already, we have prepared plans that capitalize on each company's expertise and customer base, which we will steadily carry out. Making Peach John a wholly owned subsidiary is one of the major successes under the CAP21. Accordingly, we will continue to actively consider mergers and acquisitions. Thus far, we have selected mergers and acquisitions in business areas where we can bring to bear our technology and expertise. However, we will consider expanding our operations beyond such business areas by also looking at areas where we can effectively leverage our financial strength and brand power.

Next, I would like to turn to overseas strategy*. In mainstay operations in the United States, we will increase sales channels by adding marketing through specialty stores to sales at department stores, which are centered on the *Wacoal* brand. Further, at the end of 2008 we will end our manufacturing and sales contract for DKI and DKNY, designer brands that we manufacture and sell in the United States. To replace them, we will launch new brands. As a result of the contract cancellation, net sales in the current fiscal year will decrease. However, we expect that the roll-out of new brands will bring net sales back to their current level in the following fiscal year, improve the profitability of U.S. operations, and put them on a steady growth track.

Meanwhile, China continues to be the most promising market. China's high-end innerwear market is beginning to become less homogeneous as it segments to reflect the characteristics of a variety of consumer groups. Responding to that market trend, we will roll out a high-value-added brand and a brand that targets younger customers. Also, we will give priority to strengthening our brand image by implementing advertising campaigns and increasing the number of stores carrying our lineups.

In other Asian regions, we will begin sales in Vietnam in January 2009, ten years after establishing our first production base in the country. Vietnam has the potential to contribute to the Group's sales because it will remove regulatory restrictions in the retail industry on foreign capital from 2009, which is likely to rapidly invigorate the country's distribution market and expand the country's innerwear market. Keeping that in mind, we will start sales operations at five department stores and a directly managed store in Hanoi. We will then develop operations in Hanoi and other major cities.

* For further details, please see pages 11 and 12.

MEDIUM-TERM MANAGEMENT PLAN OVERVIEW

Period	April 2007 – March 2010	
Theme	*Getting Closer to Customers, Three Years of Shifting to Growth and Heightening Earning Power*	
Priority measures	1. Reform and strengthen existing businesses to reflect changing markets	
	2. Increase points of contact with customers for new growth	
	3. Enforce rigorous quality control that justifies customers' trust	
Numerical targets*	Net sales	194,000
for FY 2010 (¥ million)	Operating income	16,400

* The Company revised numerical targets upon making Peach John Co., Ltd., a wholly owned subsidiary in January 2008.

CAP21* OVERVIEW

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	Net sales	200,000
for FY 2011 (¥ million)	Operating income	18,000
	Operating income margin	9%

* Corporate Activation Project 21

BASIC POLICY FOR RETURNS TO SHAREHOLDERS

Guided by the Medium-Term Management Plan and CAP21, corporate management concentrates on strengthening our earnings platform and continuously heightening enterprise value. Our basic earnings appropriation policy is to pay stable dividends in light of consolidated business results. In addition, since 2001 we have continuously purchased treasury stock as part of returns to shareholders. Over the past seven fiscal years, we have improved capital efficiency by purchasing 17.4 million shares of treasury stock, equivalent to approximately 12% of issued shares.

Increasing dividends for the third consecutive year, we paid cash dividends per ADR of ¥125, compared with ¥110 in the previous fiscal year. For the current fiscal year, ending March 2009, we plan to maintain dividends at the same level as in the fiscal year and pay cash dividends per ADR of ¥125.

Meanwhile, we will continue investing retained earnings to increase earning power and enterprise value. Specific investments will include developing new markets through SPA operations; cultivating points of contact with new customers; strengthening overseas businesses; and starting new businesses. Further, we will consider capital and operational alliances or mergers and acquisitions that accelerate growth.

OUTLOOK AND FISCAL 2009 BUSINESS RESULTS PROJECTIONS

Challenging market trends and fierce competition are likely to continue characterizing business conditions. Faced with those conditions, I feel strongly that we must be alert to market changes and steadily revolutionize our mind-set and corporate structures so that we can respond promptly to such changes. Happily, signs of such reform are emerging. Last year, Hideo Kawanaka (please see page 6 for details) joined our corporate management team. Drawing on extensive experience and a long track record in the retail industry, he is spearheading reform initiatives. In the past year, we have begun revising all operational processes from development and manufacturing through to sales to reflect the priorities of customers rather than those of manufacturers. And, our management team and other employees continue to unite and advance reforms whenever and wherever needed.

Regarding SPA operations, an area on which we have been focusing efforts in recent years, the existing shops and new shops of independently operated subsidiary Une nana cool Corp. are performing well. Also, we are improving the profitability of *amphi*, *Subito*, and *Sur la plage* – brands which the directly managed store operations of Wacoal Corp. develop – by closing unprofitable shops, creating shared lineups from approximately half of the lineups previously planned and manufactured separately under each brand, and reducing production costs and inventory loss.

In efforts to roll out new products, men's innerwear operations are approaching a period of full-fledged growth. With the introduction of health checkups and consultations for metabolic syndrome, such Style Science offerings as the men's innerwear *Cross Walker*, which can help reduce body fat, are rapidly attracting attention. By building on the success of *Cross Walker*, we can transform the image of men's innerwear to significantly grow the market for these products, thereby creating a major business chance. Mindful of such potential as well as of issues, we will continue to develop new businesses and reform corporate management.

In the current fiscal year, ending March 31, 2009, year on year we expect a 10.4% increase in net sales, to ¥183.0 billion, a 7.7% decrease in operating income, to ¥12.5 billion, and a 41.0% rise in net income, to ¥7.0 billion. The decrease in operating income is principally attributable to an anticipated loss of ¥0.7 billion accompanying the liquidation of a sewing subsidiary; a ¥0.9 billion increase in retirement benefit payments – associated with an increase in recognition of actuarial loss in the current fiscal year likely to arise from deterioration in management of the Company's pension assets due to such external factors as falling share prices – and a ¥0.3 billion loss due to currency volatility, counteracting an expected ¥0.9 billion contribution to earnings from Peach John, which became a subsidiary in January 2008. At the present juncture, we are assuming a foreign currency exchange rate of US$1 = ¥102. Because U.S. operations represent a considerable portion of the Company's consolidated financial statements, foreign currency fluctuation could significantly affect consolidated business results.

In closing, I ask our shareholders and other investors for their continued understanding and support.

August 2008

Yoshikata Tsukamoto
Representative Director

TOWARD MANAGEMENT REFORMS

Senior Managing Director Hideo Kawanaka

- Senior Managing Director, Wacoal Holdings Corp.
- Director and Vice President, Wacoal Corp.; Operations Reform Manager and General Operations Manager
- Joined the Group management team in June 2007, following periods at Isetan Co., Ltd., West Japan Railway Isetan Ltd., OMRON Corporation, and Matsuzakaya Co., Ltd. Currently involved in reviewing all aspects of the operational process.

RESTRUCTURING ORGANIZATIONS AND REENGINEERING OPERATIONS TO BUILD A GROWTH PLATFORM

Launched in April 2007, our Medium-Term Management Plan's overriding goals include *Shifting to Growth and Heightening Earning Power*. In addition to those goals, we added the themes of *Operational Restructuring and Advancement Systems* in April 2008.

We added those themes to increase the overall strength of the Wacoal Group and the organizational competitiveness of its operating subsidiaries. Specific restructuring measures comprise the creation of new departments that laterally coordinate and control our vertically structured organization to ensure the optimal deployment of management resources and accurate responses to market conditions. Also, we are developing a system for advancing operational efficiency. Already, Wacoal has strengthened the Group's strategy development capabilities by establishing a Corporate Strategy Division, while Wacoal Corp. has strengthened its ability to control strategies that transcend specific sales channels and brands by establishing a General Strategy Section.

"The Wacoal Group will redouble restructuring initiatives to regain growth impetus and further strengthen earning power."

Also, we have clarified the authority and roles of each operating division to ensure steady progress toward achievement of the numerical targets set out in the Medium-Term Management Plan. And, we have established regular meetings that check progress toward targets and the outcomes of specific measures and discuss countermeasures if we are falling short of targets.

In efforts to reengineer operations, we will move SPA operations into the black early by giving first priority to profitability through the closure of unprofitable stores. Further, in order to cut excess cost, we intend to rigorously scrutinize the necessity of outsourced operations.

INCORPORATING PEACH JOHN AS A NEW SUBSIDIARY

In June 2006, we acquired 49% of Peach John's shares to form a capital tie-up with the company and acquired the remaining 51% of shares to make it a wholly owned subsidiary in January 2008. As a result, Peach John has become our second largest subsidiary in terms of sales after Wacoal Corp. We decided to make Peach John a wholly owned subsidiary to increase solidarity with the company, heighten the Group's overall presence in the innerwear market, and step up the pace of enterprise value enhancement. Peach John enjoys overwhelming endorsement and popularity among younger customers, a segment of the domestic market in which Wacoal was weak. By joining forces, the companies can build a stronger standing among an even wider group of consumers.

The Wacoal Group will make a concerted effort to provide multifaceted support that will expand Peach John's operations and make them one of the Group's growth drivers. In the fiscal year, Peach John's business results temporarily dipped because of delays in building a system to prevent the subsidiary from running out of brisk-selling products as customer-ordering methods shift markedly from postcards and facsimiles to the Internet and mobile telephones. To ensure that Peach John's product delivery is problem-free and reliable, we are providing production infrastructure and building support frameworks for information systems. From the current fiscal year, we will ensure the earnings of the subsidiary grow by strengthening its mail-order operations while developing directly managed stores and overseas operations.

SEEKING NEW GROWTH OPPORTUNITIES

For Wacoal to achieve sustainable growth, it has to extend its operating platform from the mature domestic market to include the burgeoning potential of overseas markets. To that end, in addition to countries and regions where Wacoal already has a presence, such as the United States, China, and Southeast Asia, the Company will exploit the production infrastructure and marketing expertise of existing operations to expand the Wacoal brand in new countries and regions. Through those efforts, we aim to raise overseas sales from approximately ¥72 billion in the fiscal year to ¥100 billion.*

In China, where economic growth is conspicuous, we plan to step up operational expansion. Our goal is become a leading brand in the mid- to high-end market, comprising department stores in Beijing, Shanghai, Guangzhou, and other cities, and rapidly grow our market share from its current level of approximately 6% to at least 10%.

Hideo Kawanaka
Senior Managing Director

* Total local sales of overseas subsidiaries and affiliates.

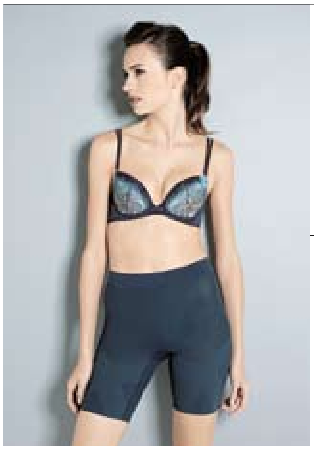
Restoring growth and improving profitability

EMBRACING CHANGE NURTURING FOUNDATION

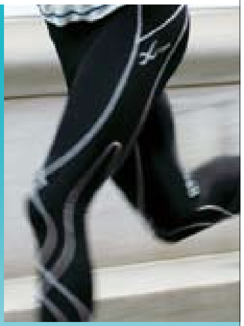
1.

Developing Highly Differentiated Products through the Human Science Research Center

Wacoal's Human Science Research Center has been measuring the human body for more than four decades. Based on that accumulated data, we are developing original and functional products that create new markets.

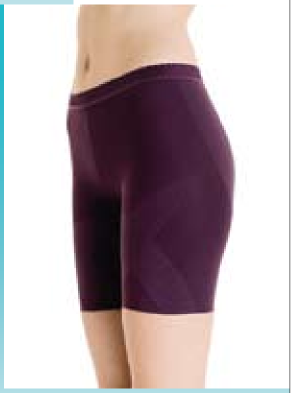


Based on the cumulative results of more than four decades of independent research, the Human Science Research Center aims to overwhelmingly differentiate us from our competitors by continuing to develop products that offer superior functionality.



CW-X Performance-up Model

The Human Science Research Center



Onaka Walker

Style Science lineups such as *Onaka Walker* and *Hip Walker, CW-X, Shakitto Bra*…

Many of Wacoal's flagship products result from the long-term research of the Human Science Research Center.

For more than forty years, since its establishment in 1964, the Human Science Research Center has specialized in research on the physiques of women, boasting a long and varied track record of achievements. Every year, the center measures the physiques of between 500 and 1,000 women, ranging from those in their late teens through to those in their 60s. To date, we have gathered data on more than 40,000 individuals. Further, by measuring the same individuals over long periods of time, we are advancing research that sheds light on the changes in women's physiques that accompany aging. Other initiatives include body movement research, which has enabled us to realize sportswear with advanced functionality that promotes fluid movement and lessens muscle fatigue by incorporating a taping principle to stabilize joints during exercise. That research also underpins our offerings that alleviate the infirmities of senior citizens resulting from changes in physique and physiology as they age. And, Wacoal's lineups featuring functions that comfortably support posture and movement are also the fruit of research on body movement. The center not only focuses on functionality but enables the creation of comfortable products through research on the wearing comfort and texture of apparel. In those initiatives, the center investigates the sensory and physiological reactions to three basic stimuli: temperature, such as warmth or coolness; pressure, such as tightness or looseness; and touch, such as pleasant or unpleasant textures.

In 2002, Wacoal established the Chinese Human Science Research Center as a research base in China. Despite a common Asian ancestry, Japanese and Chinese people differ significantly in their physiques and lifestyles. We cannot market products with the same measurements and specifications as those marketed in Japan because they do not suit Chinese women. Therefore, in the same way that we do for Japanese women, we began collecting detailed measurement data on the physiques of Chinese women, which we are now reflecting in original lineups.

Through such initiatives, Wacoal draws on a huge volume of data and unparalleled expertise in research on proportional changes, the senses and physiology to further product development. The outstanding functionality that results markedly differentiates Wacoal's products from those of competitors – a major factor in heightening brand value. Based on an overriding strategy of applying technological capabilities and new knowledge gained from human science research to product development, we will create products that make everyone more beautiful, comfortable, and healthy and that customers will always love.

Restoring growth and improving profitability

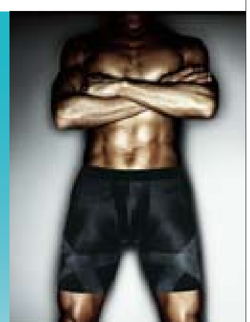
EMBRACING CHANGE NURTURING FOUNDATION

2.

Providing Our Products to More Customers

In response to Japan's maturing market, Wacoal is increasing points of contact with customers, launching new sales campaigns, and developing and creating sales channels.

In order to counteract the maturing of such wholesale channels as department stores and general merchandising stores, we are creating fresh growth opportunities by developing and strengthening new sales channels – including SPA operations, Internet sales and mail-order catalog sales – and developing new business areas to increase points of contact with customers.



Cross Walker marked our fully-fledged entry into the underwear market for men

Exwalker is sold through such channels as corporate health insurance associations

Wacoal web store
http://store.wacoal.jp/top/CWcTop.jsp

In recent years, Japan has seen growing concern about diseases and health problems stemming from obesity. Viewing that trend as a chance to expand our business, we developed Style Science lineups that exercise the wearers' bodies as they walk, thereby reducing body fat and firming up the physique. Moreover, we have launched Style Science products for men. Against the backdrop of the introduction of mandatory health checkups and health guidance to prevent metabolic syndrome, we have begun marketing those functional products through such new sales channels as corporate health insurance associations and gyms as well as through department stores, general merchandising stores and innerwear specialty stores.

In addition, Wacoal paved the way for expansion of innerwear operations' business area and market share by moving forward from a capital and operational tie-up with Peach John Co., Ltd., concluded in June 2006, to make it a wholly owned subsidiary in January 2008. Through mail-order sales and retail operations targeting young customers, our new subsidiary covers age groups and product preferences that we had not fully covered. Also, to strengthen Peach John's mail-order catalog sales operations, we will rebuild the subsidiary's production base and information systems to realize a production-planning system based on demand forecasts that will reduce sales opportunity loss due to product shortages and deliver products to customers reliably.

Although the Company is developing new sales channels and increasing points of contact with customers, sales of Wacoal's mainstay brassiere lineups have been declining in recent years. Reasons for that decrease include the maturing of Japan's innerwear market, product diversification and consumers' increasingly selective use of sales channels and brands. Furthermore, as loyal customers who love and place a great deal of trust in *Wacoal* products age, the number of young women or young career women among our customers is decreasing.

One of Wacoal's strategies in response to that trend is the development of a new *Wacoal*-brand marketing campaign centered on the *LALAN* brand. Our aim is to excite the interest of women with little interest in *Wacoal* in order to have women of all generations equate innerwear with Wacoal. To that end, we are developing a more stylish image for the Wacoal brand. As part of that initiative, we have changed from launching fresh marketing campaigns every season that highlight the functionality of new products to an approach that emphasizes the fashionable and stylish aspects of products. Those efforts will strengthen the brand's association with novelty, fashion and innovation, which married with products' practicality and functionality, will heighten brand value and drive recovery in brassiere sales.

Restoring growth and improving profitability

EMBRACING CHANGE NURTURING FOUNDATION

3.

Increasing Presence and Profitability in Overseas Markets

The Wacoal Group will build its presence worldwide by stepping up operations in countries and regions in which it already has a presence while launching forays into new regions that offer business opportunities.

Entry into Southeast Asian markets in the 1970s heralded the beginning of the Wacoal Group's operations overseas. Subsequently, we penetrated markets in the United States, China and Europe and built *Wacoal* as a leading brand in mid-to-high-end markets of numerous regions around the world. Japan's innerwear market is unlikely to generate large increases in earnings due to the aging of society in recent years. Therefore, we must expand our operational platforms in overseas markets for growth.

As well as stepping up initiatives in regions where it has a presence, Wacoal will consider the feasibility of leveraging existing production platforms to enter new countries and regions that promise growth.

Mainstay U.S. operations are making an increasingly important contribution to the Company's business results, accounting for more than 10% of consolidated net sales. In those operations, we will cancel our manufacturing and sales contract for DKI and DKNY designer brands. As result of that cancellation, sales will decrease in the current fiscal year. However, we will quickly bring sales back to previous levels through our original *Wacoal Luxe* brand, which we have already marketed, and the launch of a new brand: *b.tempt'd by Wacoal*. Moreover, Wacoal will increase sales channels by targeting specialty retail stores in addition to department stores. Also, we will advance new strategies such as entering the Canadian market. In order to heighten profitability, Wacoal will reduce the transportation times and costs for the procurement of materials from Group companies while improving productivity by increasing the operating efficiency of sewing plants.

In China's promising market, Wacoal will deploy further management resources to expand operations. Because the Chinese market is beginning to segment into distinct consumer groups, the Company will cater to a wider range of customer groups by rolling out *amphi* as a brand for younger customers and *Salute* as a high-value-added brand. And, aiming to heighten the image and name recognition of the *Wacoal* brand, we will implement an advertising campaign featuring the singer Ayumi Hamasaki, who is extremely popular in Japan and Asia. By bringing new brands to market, developing advertising campaigns and advancing initiatives to increase the number of stores that carry our products, we will achieve even higher growth that reflects the pace of market growth and changes in business conditions.

Vietnam, the location of some of our production bases, will remove regulatory restrictions in the retail industry on foreign capital from 2009, which is likely to trigger inflows of foreign capital that will expand the country's innerwear market. To ensure the Company does not miss this opportunity to expand operations, Wacoal will begin sales in Vietnam from January 2009. Further, Peach John plans to expand its operations in Japan and develop directly managed stores overseas. As a first step, the subsidiary aims to open a store in Hong Kong in the current fiscal year.

Sales counter in Bloomingdales, New York

Sales counter in the Shanghai
Ongoing Department Store, China

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.

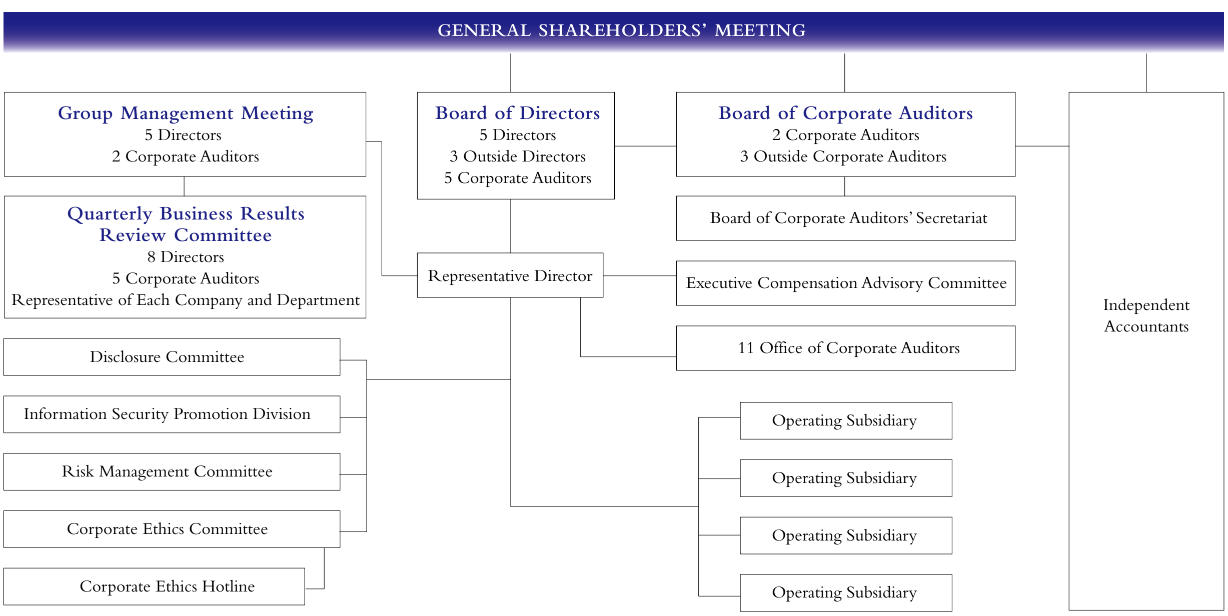
Wacoal believes that enhanced independence of the statutory auditors would allow the auditors to be more effective "watchdogs" for the Company. We, therefore, have gone beyond what is required under Japanese law for statutory auditors. Although Japanese law only requires that 50% of the statutory auditors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

Corporate Governance Structure (As of June, 27 2008)



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 a certified public accountant in charge of auditing the Company. When Wacoal changes certified public accountants, 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

Wacoal Holdings Corp. and Subsidiaries

As of March 31, 2008

REPRESENTATIVE DIRECTOR

Yoshikata Tsukamoto

Representative Director, President and Chief Executive Officer, Wacoal Corp.

DIRECTOR AND VICE PRESIDENT

Shoichi Suezawa

SENIOR MANAGING DIRECTOR

Hideo Kawanaka

Director, Vice President and Corporate Officer, Wacoal Corp.,

In charge of Business Restructuring and General Manager of Sales Control Department

DIRECTORS

Tadashi Yamamoto

Director and Senior Corporate Officer, Wacoal Corp.,

General Manager of International Operation

Tsuneo Shimizu

Director and Senior Corporate Officer, Wacoal Corp.,

Assistant Manager of Sales Control Department

Kazuo Inamori (Outside Director)

Chairman Emeritus, Kyocera Corporation,

Honorary Adviser, KDDI Corporation

Mamoru Ozaki (Outside Director)

Advisor, Yazaki Sogyo Corporation,

Outside Director, Fujikyuko Co., Ltd.,

Outside Director, Kikkoman Corporation

Atsushi Horiba (Outside Director)

Representative Director and Chairman and President, HORIBA, Ltd.

CORPORATE AUDITORS

Kimiaki Shiraishi (Standing Corporate Auditor)

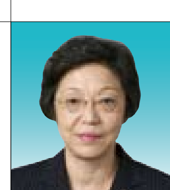
Yoshio Kawashima (Standing Corporate Auditor)

Yutaka Hasegawa (Corporate Auditor)

Corporate Auditor, The Hyakugo Bank, Ltd.

Tomoharu Kuda (Corporate Auditor)

Certified Public Accountant



Yoko Takemura (Corporate Auditor)

Partner at Miyake Imai Ikeda law firm,

Lawyer

SOCIAL CONTRIBUTIONS AND ENVIRONMENTAL CORPORATE MANAGEMENT

Benefiting society at large by enabling women the world over to express their beauty is both the goal of the Wacoal Group and the philosophy at the heart of its success. Drawing on a variety of expertise garnered from our businesses, we will realize unique social contributions.

REMAMMA

In 1974, we began the *Remamma* project to provide our originally developed innerwear and swimwear for women who have undergone operations for breast cancer. More than 170,000 women in Japan and overseas have used these products to date.

http://www.wacoal.jp/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." 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 equivalent to a part of the Wacoal essence check gift certificates provided as a shareholder benefit. Wacoal matches the amount of those contributions with its own contributions to the fund. Moreover, we hold Pink Ribbon Fitting Campaign events in which we donate to the "breast cancer eradication smile fund" the equivalent of the total number of brassieres customers try on multiplied by ¥10. Also, we incorporate education for consumers about breast cancer prevention in other events.

http://www.wacoalholdings.jp/pinkribbon/index.html

TSUBOMI SCHOOL

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. Held with the cooperation of the National Federation of Kodomo-kai, our approximately 800 *Tsubomi School* programs have instructed more than 9,000 participants since 2001.

Tsubomi means bud in Japanese. The name *Tsubomi School* is based on an analogy between women's lives and flowers, with adolescent girls whose busts are beginning to develop called "buds."

http://www.wacoal.jp/company/tsubomi/index.html

SPORTS SPONSORSHIP

As a company empathetic to women, Wacoal formed the Spark Angels women's track team and supports the activities of the athletes that belong to the team. The Spark Angels celebrated their 20th anniversary in 2007. By sponsoring women that run like the wind, lithely and freely, and personify our image as a company with operations focused on beauty, health, and comfort, we want to show society at large the joy of sports and the radiant beauty of active women through sports.

http://www.wacoal.jp/cgi-bin/sports/index.cgi

ENVIRONMENTAL CORPORATE MANAGEMENT

The Wacoal Group advances environmental activities. For 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 since fiscal 2006 has undertaken an ongoing voluntary tree-planting program on Unzen Fugen-dake, where volcanic eruptions have left the earth bare. In fiscal 2002, all the operational bases of Wacoal Corp. obtained ISO 14001 accreditation, which is an international standard for environmental corporate management. In fiscal 2007, all 16 domestic operational bases acquired ISO 14001 accreditation. Overseas, our plants in Guangdong, China, and Vietnam have acquired ISO 14001 accreditation, and aiming to realize industry-leading environmental corporate management, we will establish environmental management systems throughout the Wacoal Group, including overseas operational bases.

http://www.wacoalholdings.jp/profile/pdf/2007_07_kankyo.pdf

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 our common stock and American Depositary Shares, or ADSs.

1. Weakness in the Japanese market would hurt our performance.

2. Continued difficulties faced or changes in business policies made by department stores, general merchandise stores and other general retailers in Japan would hurt our business.

3. Our sales may decline if we are unable to effectively anticipate and respond to consumer tastes and preferences and deliver high-quality products.

4. The apparel market is highly competitive, and our share of sales or profitability may decline if we are unable to maintain our competitiveness.

5. Our specialty retail store network expansion may not lead to improved sales and profits.

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 may be adversely 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 may face infringement of our intellectual property rights or claims that we infringe the intellectual property rights of others.

14. If we fail to protect our customers' privacy and data and maintain the confidentiality of our trade secrets we may face proceedings against us and lose customer confidence.

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 market risks.

17. Natural disasters and epidemics could affect our manufacturing abilities or sales results.

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 ADSs.

19. Yen-dollar fluctuations could cause the market price of the ADSs to decline and reduce dividend amounts payable to ADS holders as expressed in U.S. dollars.

20. As a holder of ADSs, you will have fewer rights than a shareholder has, and you 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, 2008, 2007 and 2006

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), 38 consolidated subsidiaries and 8 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.

OVERVIEW

We are the leading designer, manufacturer and marketer of women's intimate apparel in Japan, with the largest share of the Japanese market for foundation garments and lingerie. We also sell our foundation garments and lingerie products in several overseas markets. Sales of foundation garments (primarily brassieres and girdles) and lingerie (primarily slips, bra-slips and women's briefs) accounted for approximately 74.4% of our consolidated net sales for fiscal year 2008. 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, textile products; and other products.

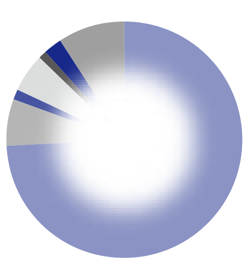
The following table sets forth information with respect to our total sales by category of products for the fiscal years ended March 31, 2008, 2007 and 2006:

In fiscal year 2008, approximately 88% of the sales of Wacoal Corp. (the total sales of which account for approximately 71% of our consolidated sales) were apparel sales made on a wholesale basis to department stores, general merchandise stores and other general retailers, and approximately 10% 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 2% of Wacoal Corp.'s sales in fiscal year 2008.

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.

Share of Net Sales

2008



Foundation garments and lingerie	74.4%
Nightwear	6.4%
Children's underwear	1.2%
Outwear and sportswear, etc.	5.4%
Hosiery	1.1%
Other textile products	2.4%
Other businesses	9.1%

Cost of Sales

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

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 gains or 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 had been gradually recovering in recent years, but growth appears to have stalled in the second half of fiscal year 2008 following soaring fuel prices and volatility in the stock and currency exchange markets due to the U.S. sub-prime mortgage crisis.
- The number of and sales through department stores, one of our key distribution channels, are decreasing. Although sales at mass-merchandising stores remain constant, they are being forced to review their expansion strategies due to law reforms tightening controls on the development of large-scale stores in the suburbs. At the same time, sales at direct sales outlets and on the Internet are steadily rising.
- Due to the above changes in the retail industry coupled with factors such as a decline in the female population, the market for women's innerwear garments in Japan is shrinking, and the price of innerwear continues to decline in terms of both overall prices and average price per item. The numbers of innerwear items purchased and owned per person are also decreasing.
- In addition, outerwear manufacturers and others continue to enter the market. These manufacturers offer their products by focusing on new elements, such as fashionability, lifestyle and price, rather than function and quality, and have come to be accepted by consumers.

Sales by Product Category

	2008		2007		2006		% Change 2008 vs 2007
	Millions of Yen						
Foundation garments and lingerie	**¥123,460**	**(74.4)**	¥123,295	(74.1)	¥119,875	(73.0)	+0.1%
Nightwear	**10,611**	**(6.4)**	10,081	(6.0)	10,440	(6.4)	+5.3
Children's underwear	**1,953**	**(1.2)**	2,069	(1.2)	2,216	(1.3)	-5.6
Outerwear and sportswear, etc.	**8,920**	**(5.4)**	8,751	(5.3)	9,128	(5.6)	+1.9
Hosiery	**1,803**	**(1.1)**	2,102	(1.3)	2,462	(1.5)	-14.2
Other textile and related products	**3,963**	**(2.4)**	4,051	(2.4)	4,598	(2.8)	–2.2
Other businesses	**15,051**	**(9.1)**	16,061	(9.7)	15,403	(9.4)	-6.3
Total	**¥165,761**	**(100.0)**	¥166,410	(100.0)	¥164,122	(100.0)	-0.4

- These manufacturers and other competitors are strengthening their cost reduction by, for example, sourcing fabric and producing garments in China and other lower-cost countries. Sales in Japan of lower priced women's innerwear garments manufactured in these counties has increased, leading to an intensification of price competition in our industry.
- Alternative marketing concepts for women's innerwear garments, such as catalog marketing, direct marketing and e-commerce, are becoming more prevalent as apparel companies seek to diversify their sales channels and reach new customer groups.

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, as well as in the ASEAN region, where we launched our *Sorci age* brand – and increase sales through our own specialty retail stores, our catalog operations and the Internet. Pursuant to our CAP 21 strategic plan, we intend to extend our innerwear product offerings into the mid-price range and include more fashionable offerings in our products mix to help us reach a broader customer base. We believe that our acquisition of Peach John will help us to advance these goals. 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 decreased approximately 0.4% in fiscal year 2008, from ¥166,410 million in fiscal year 2007 to ¥165,761 million as an aggregate ¥1,397 million decline in sales of hosiery, textiles and from our other businesses were only partially offset by an aggregate ¥748 million increase in sales of innerwear, outerwear and sportswear. Similarly, a ¥2,058 million decline in sales in Japan was only partially offset by an aggregate ¥1,409 million increase in sales in Asia, Europe and the U.S.

Innerwear

Sales of our mainstay innerwear products (consisting of foundation wear, nightwear and children's underwear), which comprised 82.0% of total consolidated sales, increased 0.4% in fiscal year 2008, to ¥136,024 million.

Wacoal Brand

In the spring, the Wacoal brand business department of Wacoal Corporation, which is our core operating company, launched *LALAN*, our new campaign brassiere, which showed favorable sales performance. *LALAN* meets the needs of women of all bust sizes due to a unique design that is individually tailored to each size, and we believe that the new-style advertising campaign, which differs from traditional promotions that focus primarily on functionality, has reached new consumers beyond our existing customer base. Additionally, our switch in strategy from seasonal campaigns that promote new products to increasing the number and variety of *LALAN* series products each season has extended the sales period for our campaign products and resulted in an improvement in sales and stock clearance rates. Fall/winter season sales of Sugoi, our newly developed line of lingerie that utilizes new materials, largely exceeded our expectations. This was due to wide acceptance of the product's characteristics of being thinner, lighter and warmer than past products, as well as extensive media coverage of the product name, which gives the impression of a product that exceeds existing products in terms of image and functionality. On the other hand, sales of products from our Style Science brand category, which was introduced two years ago with new features for the lower body, was well below the sales levels of previous years. Our research shows that this was due to the fact that two years have passed since the release of the original *Hip Walker*, and in-store promotions have decreased. In addition, there has been a failure to capture new customers, and our attempts to encourage existing customers to buy replacement products have been ineffective. Due to poor sales performance of our Style Science series products, overall sales of our Wacoal brand business department were below the results of the previous fiscal year.

Sales of the *Gra-P* brand, targeted at middle-age to senior consumers, grew 2.7% to ¥2,592 million compared to fiscal year 2007 thanks to market expansion and the development of new products. However, sales of our high value-added brand La *Vie Aisée*, which is also targeted at middle-age to senior consumers, were ¥4,494 million, a decrease of 11.2% compared to fiscal year 2007 due to decreased sales of innerwear for the lower half of the body, centered on Style Science series products. Our luxury brand *Tréfle*, which is primarily sold in department stores, suffered from tough competition, and sales decreased by 9.4% to ¥1,858 million compared to fiscal year 2007.

Wing Brand

In our Wing brand business department, as with our Wacoal brand, our core brassieres, particularly our standard products, performed well, as have girdles, body-suits and lingerie. On the other hand, sales of our *Style Up Pants* from our Style Science series have declined. Nevertheless, a *Style Science* product for men, the *Cross-Walker*, was developed and officially went on sale in department stores under the *DAMS* brand in February 2008 and in chain stores under the BROS brand name in April 2008. There has been a very favorable consumer response to both products, and we expect this line to expand in the future. As a result, the overall business results in our Wing brand business department achieved a sales level in line with that of the previous fiscal year. With the scheduled introduction of special health checks and guidance aimed at preventing metabolic syndrome in April 2008 as a backdrop, we began selling *Exwalker Style Science* products at various locations, including gyms and corporate health insurance associations in January of this year. Although sales of our core lines of the Style Science series products aimed at women in fiscal year 2008 were disappointing, we believe that there are still good opportunities to capture new customers and encourage existing customers to continue purchasing these products by expanding our marketing channels and range of target customers and renewing our promotional strategies.

Specialty Retail Business.

Our specialty retail store business consists of *Une Nana Cool*, an independently operated subsidiary, our Wacoal Corporation direct retail store business for our *Amphi, SUBITO* and *Sur La Plage* brands, and our Wacoal Factory Stores chain of factory outlet stores. *Une Nana Cool's* new and existing stores, as well as *LuncH*, a new type of store concentrating on lingerie, are all performing well and have shown fiscal year profits for the first time. In addition, efforts to limit the opening of new stores and focus on increasing and improving the earnings of existing stores have led to improved results for our direct retail store business as well.

Outerwear and Sportswear

In our outerwear and sportswear business, sales for fiscal year 2008 increased 1.9% to ¥8,920 million as compared to fiscal year 2007. Sales of our main sports conditioning wear product CW-X were lower than in fiscal year 2007 as a result of delivery adjustments for inventory maintenance purposes and product returns from stores.

Hosiery Sales

Hosiery sales decreased 14.2% to ¥1,803 million compared to fiscal year 2007. Although our entry into new businesses contributed positively to hosiery sales, our overall hosiery sales were lower than fiscal year 2007 because of the negative effects of weather on the performance of wet weather footwear and a reduction in department store sales of leggings.

Textile Products

Although sales of shoes and general merchandise were relatively favorable, a ¥167 million year-on-year decrease in the sales of materials to our overseas affiliates, which was due to an increase in materials sought overseas by our affiliates, resulted in an overall decrease in sales of textile products to ¥3,963 million, a decline of ¥88 million, or 2.2%, compared to fiscal year 2007.

Other

Sales from our other businesses (mannequins and fixtures rental, store design and construction, residential interiors, restaurants, culture, services) decreased 6.3% to ¥15,051 million. The mannequin and fixtures rental businesses exceeded sales of the previous year due to an increase in orders. However, sales in our shop and store construction business fell below sales of the previous year because it focused on making profits amid increasingly stiff competition from competitors, including competitive bidding. Our residential design business, which was transferred from Wacoal Corp. to Nanasai Co., Ltd., in fiscal year 2007, was significantly affected by a decrease in the number of new housing starts as a result of revisions to Japan's building standards law, and this resulted in decreased revenues.

Overseas Sales

In Asia, Wacoal's business in China continues to grow. In addition to the expansion of Wacoal brand products, we have begun to expand our youth orientated brand, *Amphi*, and in the fiscal year ending March 2009, we plan to increase sales through a three-brand structure, including the high value-added brand *Salute*. Our sales in Asia outside of Japan (including China, Hong Kong and Singapore) grew 13.9% to ¥7,646 million from ¥6,713 million and represented 4.6% of total consolidated sales in fiscal year 2008 versus 4.0% of total consolidated sales in fiscal year 2007. Sales in China grew 42.3% over the previous year, which contributed to our overall strong performance in Asia.

Sales in the U.S. represented 10.5% of our total consolidated sales in fiscal year 2008, compared to 10.2% in 2007. Sales have been increasing in the U.S. over the last few years due to an increasing demand for luxury items and an increase in transactions with mid-level department stores that have not historically sold Wacoal products but that are repositioning themselves as up-scale department stores. However, decreased consumer confidence caused by the U.S. economic slowdown has led to sluggish store sales, and other factors, such as inventory adjustments, have also had an adverse effect, leading to sales levels that were up only slightly in fiscal year 2008 over the previous fiscal year. Earnings were down significantly due to a decrease in profitability, caused primarily by in-store price reductions and increased material shipment costs, and an increase in personnel costs brought on by an increase in the number of sales staff in connection with new store openings.

Our subsidiary Wacoal America, Inc. is currently engaged in sales of foundation garments and lingerie using the Wacoal brand and also the Donna Karan Intimates (DKI) brand and the DKNY brand. However, the licensing agreement for the Donna Karan Intimates (DKI) brand and the DKNY brand is set to expire on December 31, 2008 and will not be renewed. We are planning the launch of a new brand in the U.S. after the expiration of this licensing agreement, however we anticipate that sales in the U.S. will decline in the fiscal year ending March 31, 2009 as a result. We expect that income will also be affected by the decline in sales, however we expect the impact on income to be moderate since the operating margin for our licensing business is lower than our Wacoal Brand business. In addition, we anticipate an overall improvement in profitability in the U.S. in the fiscal year ending March 31, 2010, due to our plans to revive sales with the expansion of the new brand, in combination with decreased costs.

Cost of Sales

Our cost of sales decreased approximately 1.8% from ¥84,658 million in fiscal year 2007 to ¥83,127 million in fiscal year 2008. Cost of sales as a percentage of net sales decreased by 0.8%, from 50.9% in fiscal year 2007 to 50.1% in fiscal year 2008. This was primarily due to product consolidation and a decrease of forward inventory by our subsidiary Wacoal Corp., which resulted in fewer returned goods and fewer losses due to inventory write-downs. Wacoal Corp. also increased overseas production and raw material procurement, resulting in a 1% decrease in the cost ratio of Wacoal Corp.

Selling, general and administrative expenses

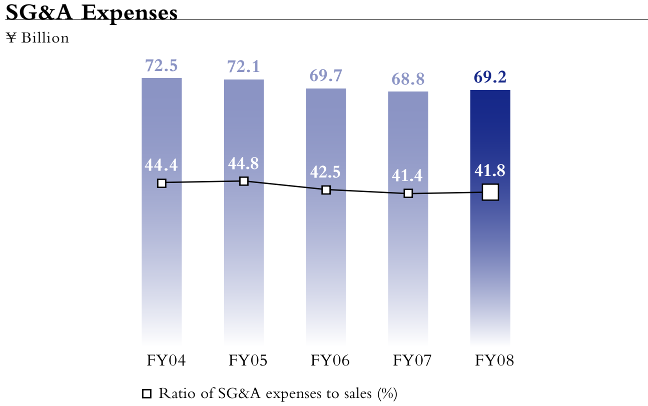
Selling, general and administrative expenses were ¥69,245 million in fiscal year 2008, an increase of 0.6% from ¥68,831 million in fiscal year 2007. The selling, general and administrative expenses ratio increased by 0.4% to 41.8% in fiscal year 2008 compared to 41.4% in fiscal year 2007. This increase was primarily due to an increase in personnel expenses resulting from an increase in the number of non-manufacturing employees in Wacoal Corp., Wacoal America, Inc., and Wacoal China Co., Ltd.

At the operating profit level, although selling, general and administrative expenses increased slightly, the cost reductions were successful and we were able to increase our profits.

Total Other Income, Net

We had a net ¥813 million of other income in fiscal year 2008, as compared to a net ¥1,024 million of other income in fiscal year 2007. This decrease was primarily due to a ¥558 million increase in losses from impairment charges on investments, while profit on the sale or exchange of investment securities increased by ¥309 million compared to fiscal year 2007.

SG&A Expenses



Net Income

Net income was ¥4,966 million in fiscal year 2008, a decrease of ¥4,063 million compared to fiscal year 2007. This decrease was primarily due to a ¥4,694 million yen write-down of our 49% interest in Peach John Co., Ltd., which we acquired in fiscal year 2007 as part of a capital alliance with Peach John. We acquired the remaining 51% equity interest in Peach John in January 2008 through a share exchange and prepared a new five-year business plan for the business. In connection with preparing the new five-year business plan, we reevaluated the fair value of our initial equity interest in Peach John, and we recognized an impairment because we concluded that there was an other-than-temporary decline in the value of our initial equity interest since a discounted cash flows analysis based on the new five-year business plan did not support the carrying value of the initial interest in Peach John on our balance sheet. The write-down was accounted for as an investment loss under equity in net (loss) income of affiliated companies.

LIQUIDITY AND CAPITAL RESOURCES

Our main source of liquidity is cash from operations, which allows us to secure working capital, make capital investments and pay dividends without relying on substantial borrowings or other financing from outside of the group. Some of our overseas subsidiaries, however, have credit facilities at financial institutions to secure working capital. The aggregate amount of these credit facilities is ¥16,143, and the outstanding balance drawn from these facilities was ¥5,572 million as of March 31, 2008, including borrowings by Wacoal Service of ¥3,800 million and borrowings by Nanasai of ¥1,600 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 for our business operations both in the long- and short-term.

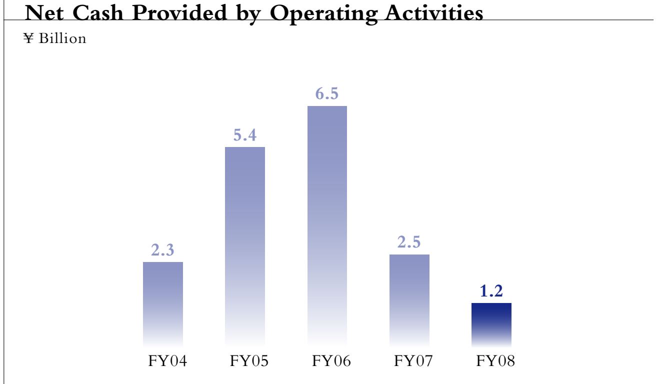
Cash Flows

Net cash from operating activities was ¥14,225 million in fiscal year 2008, an increase of ¥4,886 million compared to fiscal year 2007, primarily due to an adjustment to cash flow for equity in net loss of affiliated companies due to a valuation loss of shares of Peach John of ¥4,694 million, and a decrease in inventory assets as part of an effort to aggregate our inventory and to control forward inventory.

Net cash provided by investing activities was ¥3,590 million in fiscal year 2008 versus net cash used in investing activities of ¥1,185 million in fiscal year 2007. This was primarily due to an increase in cash and cash equivalents of Peach John Co., Ltd., which became a wholly owned subsidiary through a share exchange in fiscal year 2008.

Net cash used in financing activities was ¥9,400 million, primarily due to an approximately ¥6,000 million repurchase of our shares in order to improve the efficiency of our capital and implement a more flexible capital strategy.

Net Cash Provided by Operating Activities

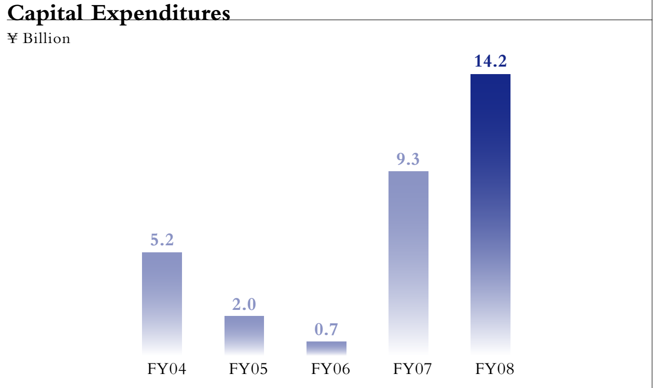


Capital Expenditures

Capital expenditures for fiscal year 2008 were ¥1,211 million. These expenditures were primarily for the repair of office facilities of our domestic subsidiaries and the expansion of our specialty retail store network.

We expect to spend approximately ¥300 million for further expansion of our specialty retail store network. We also expect to spend approximately ¥1,500 million on system-related investments, including investments aimed at integrating our Wacoal brand and Wing brand manufacturing operations. In addition, we expect to spend approximately ¥1,300 million on the introduction of new business solutions at Peach John to revitalize sales, distribution and accounting systems. We also expect to continue to make expenditures for maintenance, to meet applicable legal requirements and to facilitate the manufacture of new products with new designs and specifications. Furthermore, we intend to evaluate and pursue opportunities for acquisitions, investments and other strategic transactions that we believe will help us achieve our business objectives, including extending our product offerings in Japan and in overseas markets and strengthening our capabilities in the Internet, catalog and other marketing channels. We expect to fund these capital expenditures and other expenditures through our cash from operations, existing cash reserves and other available sources of liquidity.

Capital Expenditures



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 an analysis on the physiological changes associated with ageing throughout a 25 year period from the teenage years to the 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 towards 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 fiscal year 2007, 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. In fiscal year 2008, we carried out various trials in relation to *Style Science* products for men and were able to verify their effectiveness. As a result, we developed our *Cross Walker* product and began sales in department stores and chain stores. In addition, we developed our *Exwalker* product as part of the Style Science series and began a new business with sales aimed at health insurance societies and fitness gyms. 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 year 2008 was approximately ¥766 million, compared to ¥714 million and ¥638 million in 2007 and 2006, respectively, none of which we consider material.

As mentioned above we do not materially depend on patents or licenses or on new manufacturing processes for our business or profitability.

ELEVEN-YEAR FINANCIAL SUMMARY

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31

	2008	2007	2006
For the year:			
Net sales	**¥165,761**	¥166,410	¥164,122
Cost of sales	**83,127**	84,658	84,322
% of net sales	**50.1%**	50.9%	51.4%
Selling, general and administrative	**69,245**	68,831	69,720
(Gain) loss on sale or disposal of property, plant and equipment	**(184)**	25	612
Impairment charges on long-lived assets	**33**		614
Government subsidy			
Special retirement related expenses			7,521
Total selling, general and administrative expenses	**69,094**	68,856	78,467
% of net sales	**41.7%**	41.4%	47.8%
Operating income	**13,540**	12,896	1,333
Other income and expenses, net	**588**	861	1,976
Net interest income (expense)	**225**	163	157
Income before income taxes, equity in net income of affiliated companies and minority interests	**14,353**	13,920	3,466
Income taxes	**5,853**	6,502	1,459
Net income	**4,966**	9,029	2,821
Return on assets	**2.1%**	3.7%	1.2%
Return on equity	**2.6%**	4.8%	1.6%
Net cash provided by operating activities	**14,225**	9,339	719
Net cash provided by (used in) investing activities	**3,590**	(1,185)	(2,069)
Net cash provided by (used in) financing activities	**(9,400)**	(8,404)	(3,428)
Depreciation and amortization	**3,908**	3,735	3,433
Capital expenditures	**1,211**	2,536	6,456
Per 5 shares of common stock (in yen):			
Net income	**¥ 176**	¥ 316	¥ 98
Cash dividends	**125**	110	100
Shareholders' equity	**6,457**	6,874	6,480
At year-end:			
Total current assets	**¥ 98,845**	¥ 92,915	¥110,773
Total current liabilities	**36,010**	34,868	35,525
Cash and cash equivalents	**28,043**	19,816	19,893
Net property, plant and equipment	**51,548**	52,782	53,501
Total assets	**241,619**	250,266	242,296
Short-term bank loans and long-term debt, including current portion	**5,701**	5,984	6,458
Total shareholders' equity	**185,113**	193,278	186,475

Millions of Yen (except per 5 share amounts)

2005	2004	2003	2002	2001	2000	1999	1998
¥160,968	¥163,155	¥163,709	¥162,829	¥162,023	¥165,937	¥169,996	¥169,967
84,041	84,638	85,306	86,567	87,493	89,290	91,951	91,474
52.2%	51.9%	52.1%	53.2%	54.0%	53.8%	54.1%	53.8%
72,128	72,472	70,440	68,336	64,831	66,004	67,319	65,328
133	455	143	740	75	(474)	(706)	(3,262)
	2,574	556					
(7,100)							
65,161	75,501	71,139	69,076	64,906	65,530	66,613	62,066
40.5%	46.3%	43.5%	42.4%	40.1%	39.5%	39.2%	36.5%
11,766	3,016	7,264	7,186	9,624	11,117	11,432	16,427
206	1,404	(2,800)	310	10,443	338	595	(110)
107	112	140	117	62	(54)	195	256
12,079	4,532	4,604	7,613	20,129	11,401	12,222	16,573
5,800	2,520	2,487	3,785	9,058	4,961	4,749	8,170
6,790	2,902	2,898	4,983	10,889	7,254	8,489	8,929
3.0%	1.3%	1.3%	2.2%	4.6%	3.1%	3.6%	3.9%
3.9%	1.8%	1.8%	2.9%	6.3%	4.2%	5.0%	5.5%
2,045	5,201	7,858	8,653	11,480	8,451	8,813	12,971
(5,528)	1,328	(9,839)	(9,412)	(13,686)	(9,624)	(10,624)	2,045
296	(6,138)	(6,006)	(5,472)	(6,478)	(2,611)	(105)	(296)
3,312	3,081	2,971	3,533	3,265	3,157	2,447	2,269
5,418	2,338	2,104	2,484	1,182	7,757	8,604	5,941
¥ 236	¥ 99	¥ 97	¥ 166	¥ 356	¥ 235	¥ 275	¥ 290
100	75	68	68	83	68	68	68
6,105	5,931	5,487	5,640	5,709	5,632	5,485	5,314
¥120,300	¥123,045	¥124,486	¥127,390	¥129,508	¥127,734	¥129,206	¥130,319
34,970	33,899	33,576	37,095	41,449	38,490	39,541	42,319
24,195	27,443	27,246	35,381	41,196	49,889	53,933	55,622
51,826	49,932	54,171	57,291	58,644	59,990	56,339	52,878
226,196	224,803	218,105	223,985	232,262	237,721	233,817	231,226
6,911	4,450	6,301	8,079	8,865	9,658	10,649	8,602
175,746	170,758	160,839	168,205	172,558	173,612	169,065	163,800

CONSOLIDATED BALANCE SHEETS

Wacoal Holdings Corp. and Subsidiaries

March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 15,857**	¥ 10,613	**$ 158,808**
Time deposits and certificates of deposit	**12,186**	9,203	**122,043**
Total	**28,043**	19,816	**280,851**
Marketable securities (Note 3)	**12,614**	14,392	**126,330**
Notes and accounts receivable:			
Trade notes	**353**	550	**3,535**
Trade accounts	**22,337**	22,882	**223,706**
Allowance for returns and doubtful receivables (Note 4)	**(3,145)**	(2,979)	**(31,497)**
Inventories (Note 5)	**30,020**	30,199	**(300,651)**
Deferred income taxes (Note 14)	**5,411**	4,980	**54,191**
Other current assets	**3,212**	3,075	**32,168**
Total current assets	**98,845**	92,915	**989,935**
Property, plant and equipment:			
Land	**20,711**	20,874	**207,421**
Buildings and building improvements	**58,575**	59,168	**586,630**
Machinery and equipment	**14,448**	14,179	**144,697**
Construction in progress	**99**	472	**991**
Total	**93,833**	94,693	**939,739**
Accumulated depreciation	**(42,285)**	(41,911)	**(423,485)**
Net property, plant and equipment	**51,548**	52,782	**516,254**
Other assets:			
Investments in affiliates (Note 6)	**18,942**	34,012	**189,705**
Investments (Note 3)	**38,056**	54,117	**381,132**
Goodwill (Notes 9 and 10)	**11,203**		**112,198**
Other intangible assets (Notes 9 and 10)	**13,216**	3,470	**132,358**
Prepaid pension expense (Note 11)	**3,444**	7,089	**34,492**
Deferred income taxes (Note 14)	**1,462**	1,048	**14,642**
Other	**4,903**	4,833	**49,104**
Total other assets	**91,226**	104,569	**913,631**
Total	**¥241,619**	¥250,266	**$2,419,820**

See notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 2) 2008
Current liabilities:			
Short-term bank loans (Note 7)	**¥ 5,572**	¥ 5,822	**$ 55,804**
Notes and accounts payable:			
Trade notes	**1,935**	1,503	**19,379**
Trade accounts	**9,394**	10,536	**94,081**
Other payables	**6,327**	6,900	**63,365**
Accrued payroll and bonuses	**6,645**	6,416	**66,550**
Income taxes payable	**3,872**	1,378	**38,778**
Current portion of long-term debt (Notes 7 and 17)	**48**	51	**481**
Other current liabilities	**2,217**	2,262	**22,203**
Total current liabilities	**36,010**	34,868	**360,641**
Long-term liabilities:			
Long-term debt (Notes 7 and 17)	**81**	111	**811**
Liability for termination and retirement benefits (Note 11)	**2,181**	2,072	**21,843**
Deferred income taxes (Note 14)	**14,527**	16,959	**145,488**
Other long-term liabilities (Note 14)	**1,356**	517	**13,581**
Total long-term liabilities	**18,145**	19,659	**181,723**
Minority interests	**2,351**	2,461	**23,545**
Commitments and contingencies (Note 8)			
Shareholders' equity (Note 12):			
Common stock, no par value –			
authorized, 500,000,000 shares in 2008 and 2007;			
issued 143,378,085 shares and 144,016,685 shares in 2008 and 2007	**13,260**	13,260	**132,799**
Additional paid-in capital	**29,262**	25,242	**293,060**
Retained earnings	**136,589**	140,666	**1,367,942**
Accumulated other comprehensive income (Note 13):			
Foreign currency translation adjustments	**248**	716	**2,484**
Unrealized gain on securities	**5,295**	14,428	**53,029**
Pension liability adjustments	**514**	4,130	**5,148**
Total accumulated other comprehensive income	**6,057**	19,274	**60,611**
Less treasury stock at cost –			
35,998 shares and 3,440,116 shares in 2008 and 2007	**(55)**	(5,164)	**(551)**
Total shareholders' equity	**185,113**	193,278	**1,853,911**
Total	**¥241,619**	¥250,266	**$2,419,820**

CONSOLIDATED STATEMENTS OF INCOME

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Net sales	**¥165,761**	¥166,410	¥164,122	**$1,660,100**
Operating costs and expenses (income):				
Cost of sales	**83,127**	84,658	84,322	**832,519**
Selling, general and administrative	**69,245**	68,831	69,720	**693,490**
Impairment charges on long-lived assets	**33**		614	**330**
(Gain) loss on sale or disposal of property, plant and equipment	**(184)**	25	612	**(1,843)**
Special retirement related expenses (Note 11)			7,521	
Total operating costs and expenses	**152,221**	153,514	162,789	**1,524,496**
Operating income	**13,540**	12,896	1,333	**135,604**
Other income (expenses):				
Interest income	**303**	236	213	**3,034**
Interest expense	**(78)**	(73)	(56)	**(781)**
Dividend income	**641**	603	493	**6,420**
Gain on sale or exchange of marketable securities and investments (Note 3)	**715**	406	1,656	**7,161**
Impairment charges on investments (Note 3)	**(923)**	(365)	(65)	**(9,244)**
Other – net	**155**	217	(108)	**1,552**
Total other income, net	**813**	1,024	2,133	**8,142**
Income before income taxes, equity in net (loss) income of affiliated companies, and minority interests (Note 14)	**14,353**	13,920	3,466	**143,746**
Income taxes (Note 14):				
Current	**5,577**	2,874	3,268	**55,854**
Deferred	**276**	3,628	(1,809)	**2,764**
Total income taxes	**5,853**	6,502	1,459	**58,618**
Income before equity in net (loss) income of affiliated companies and minority interests	**8,500**	7,418	2,007	**85,128**
Equity in net (loss) income of affiliated companies (Note 6)	**(3,392)**	1,771	1,122	**(33,971)**
Minority interests	**(142)**	(160)	(308)	**(1,422)**
Net income	**¥ 4,966**	¥ 9,029	¥ 2,821	**$ 49,734**

	Yen			U.S. Dollars (Note 2)
Earnings per share (Note 16)	**¥ 35**	¥ 63	¥20	**$0.35**
Earnings per American depositary receipt (5 shares of common stock) (Note 16)	**¥176**	¥316	¥98	**$1.76**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Net income	**¥ 4,966**	¥ 9,029	¥ 2,821	**$ 49,735**
Other comprehensive income (loss), net of tax (Note 13):				
Foreign currency translation adjustments	**(468)**	1,452	3,084	**(4,687)**
Unrealized gains (losses) on securities	**(9133)**	117	7,746	**(91,467)**
Pension liability adjustments	**(3,616)**			**(36,214)**
Total other comprehensive income (loss)	**(13,217)**	1,569	10,830	**(132,368)**
Comprehensive income (loss)	**¥ (8,251)**	¥10,598	¥13,651	**$ (82,633)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2008, 2007 and 2006

	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, 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	(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	(3,339)					(5,047)
Adjustment to initially apply SFAS No.158, net of tax (Note 11)					4,130	
Balance, March 31, 2007	140,577	13,260	25,242	140,666	19,274	(5,164)
Net income				**4,966**		
Other comprehensive loss					**(13,217)**	
Cash dividends paid, ¥110 per 5 shares of common stock				**(3,093)**		
Repurchase of treasury stock	**(3,936)**					**(6,015)**
Cancellation of treasury stock				**(5,950)**		**(5,950)**
Issuance of new shares to acquire a subsidiary (Note 9)	**3,261**		**4,474**			
Distribution of treasury stock to acquire a subsidiary (Note 9)	**3,440**		**(454)**			**5,174**
Balance, March 31, 2008	**143,342**	**¥13,260**	**¥29,262**	**¥136,589**	**¥ 6,057**	**¥(55)**

	Thousands of U.S. Dollars (Note 2)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock
Balance, March 31, 2007	$132,799	$252,799	$1,408,773	$ 193,030	$(51,718)
Net income			**49,735**		
Other comprehensive income				**(132,369)**	
Cash dividends paid, $1.10 per 5 shares of common stock			**(30,977)**		
Repurchase of treasury stock					**(60,240)**
Cancellation of treasury stock			**(59,589)**		**59,589**
Issuance of new shares to acquire a subsidiary (Note 9)		**44,807**			
Distribution of treasury stock to acquire a subsidiary (Note 9)		**(4,546)**			**51,818**
Balance, March 31, 2008	**$132,799**	**$293,060**	**$1,367,942**	**$ 60,661**	**$ (551)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2008	2007	2006	**2008**
Operating activities:				
Net income	**¥ 4,966**	¥ 9,029	¥ 2,821	**$ 49,735**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**3,908**	3,735	3,433	**39,139**
Provision for returns and doubtful receivables	**190**	173	503	**1,903**
Deferred income taxes	**276**	3,628	(1,809)	**2,764**
(Gain) loss on sale or disposal of property, plant and equipment	**(184)**	25	612	**(1,843)**
Impairment charges on long-lived assets	**33**		614	**330**
Gain on sale or exchange of marketable securities and investments	**(715)**	(406)	(1,659)	**(7,161)**
Impairment charges on investments	**923**	365	65	**9,244**
Equity in net loss (income) of affiliated companies, less dividends	**4,198**	(1,164)	(674)	**(42,043)**
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	**1,822**	401	(1,799)	**18,248**
Decrease (increase) in inventories	**1,218**	(2,897)	274	**12,198**
Decrease (increase) in other current assets	**49**	(371)	(958)	**491**
(Decrease) increase in notes and accounts payable	**(2,614)**	219	(252)	**(26,179)**
Decrease in liability for termination and retirement benefits	**(2,613)**	(2,472)	(2,068)	**(26,169)**
Increase (decrease) in accrued expenses, income taxes and other current liabilities	**2,681**	(696)	1,667	**26,850**
Other	**87**	(230)	(51)	**871**
Net cash provided by operating activities	**14,225**	9,339	719	**142,464**
Investing activities:				
Proceeds from sales and redemption of marketable securities	**10,506**	28,509	32,161	**105,218**
Payments to acquire marketable securities	**(9,892)**	(9,929)	(21,525)	**(99,069)**
Proceeds from sales of property, plant and equipment	**1,057**	524	513	**10,586**
Capital expenditures	**(1,211)**	(2,536)	(6,456)	**(12,128)**
Payments to acquire intangible assets	**(1,678)**	(984)	(668)	**(16,805)**
Proceeds from sales of investments	**1,414**	8	1,231	**14,161**
Payments to acquire investments in affiliated companies		(15,326)		
Payments to acquire investments	**(618)**	(1,887)	(7,905)	**(6,189)**
Cash balances of subsidiary acquired in excess of cash paid		80		
Cash balances of subsidiary acquired through share exchanges (Note 9)	**4,115**			**41,212**
Other	**(103)**	356	580	**(1,032)**
Net cash provided by (used in) investing activities	**3,590**	(1,185)	(2,069)	**35,944**
Financing activities:				
Decrease in short-term bank loans, net	**(259)**	(575)	(409)	**(2,594)**
Proceeds from issuance of long-term debt	**18**	130	19	**180**
Repayments of long-term debt	**(51)**	(34)	(116)	**(511)**
Repurchase of treasury stock	**(6,015)**	(5,047)	(44)	**(60,240)**
Dividends paid on common stock	**(3,093)**	(2,878)	(2,878)	**(30,976)**
Net cash used in financing activities	**(9,400)**	(8,404)	(3,428)	**(94,141)**
Effect of exchange rate changes on cash and cash equivalents	**(188)**	173	476	**(1,883)**
Net increase (decrease) in cash and cash equivalents	**8,227**	(77)	(4,302)	**82,394**
Cash and cash equivalents, beginning of year	**19,816**	19,893	24,195	**198,457**
Cash and cash equivalents, end of year	**¥28,043**	¥19,816	¥19,893	**$280,851**
Additional cash flow information:				
Cash paid for:				
Interest	**¥ 78**	¥ 70	¥ 56	**$ 781**
Income taxes	**2,542**	4,667	1,832	**25,458**
Noncash investing activities:				
Fair value of marketable securities received in exchange for certain other marketable securities with a recorded amount of ¥48 million ($481 thousand) and ¥172 million in 2008 and 2006	**¥ 143**		¥ 1,321	**$ 1,432**
Acquisition of subsidiary through share exchanges (Note 9)	**9,194**			**92,078**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wacoal Holdings Corp. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements – Wacoal Holdings Corp. (the "Company") and 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.

On October 1, 2005, the Company, which was formerly known as "Wacoal Corp." moved to a holding company structure and changed its name to Wacoal Holdings Corp. The business of the Company was transferred to a new wholly owned subsidiary.

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. As further described in footnote 9 to the financial statements, on January 10, 2008, the Company acquired the remaining 51% interest in a domestic subsidiary with a fiscal year ending February 29, 2008. Prior to January 10, 2008, the Company accounted for its original investment of 49% in this subsidiary using the equity method. As of March 31, 2008, the subsidiary is included in the Company's consolidated balance sheet based on the subsidiary's fiscal year end. However, because the subsidiary's results of operations and change in financial position between January 10, 2008 and March 31, 2008 were not significant, the Company continued to account for its investment using the equity method and the income from the subsidiary's operations for the fiscal year ended February 29, 2008 was included in equity in net (loss) income of affiliated companies in the consolidated statements of income.

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, 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 a 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 have generally included that an other-than-temporary impairment is indicated 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 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:	2 - 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 ¥33 million ($330 thousand) and ¥614 million in impairment charges on long-lived assets for the years ended March 31, 2008 and 2006, respectively, which resulted from the impairment of primarily land and buildings of a company residence in 2008, and a building which was part of the Companies' branch office in Nagoya in 2006. In 2008, the Company decided to sell the company residence to an unrelated party. The Company entered into a sales contract on March 31, 2008 and the sales transaction completed in April 2008. Therefore, the Companies recognized an impairment of the asset to be disposed of by sale at the amount of the difference between the sales price and the Company's book value. In 2006, the Company decided 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.

Goodwill and Other Intangible Assets – Goodwill represents the excess of the purchase price over the related underlying tangible and intangible net asset values of business acquired. Annually, or more frequently if conditions indicate an earlier review is necessary, the carrying value of the goodwill of reporting unit is compared to an estimate of its fair value.

Other intangible assets with estimable useful lives consist primarily of customer list and software and are amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Customer list: 7 years
Software: 5 years

Other intangible assets with indefinite useful lives are evaluated for potential impairment in a manner consistent with goodwill.

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 the Financial Accounting Standards Board ("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 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.

Acquisition – The Company accounts for acquisitions using the purchase method in accordance with SFAS No. 141, "Business Combinations." The Company allocates the purchase price to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition, including intangible assets that can be identified and named. The purchase price in excess of the fair value of the net assets and liability is recorded as goodwill.

Revenue Recognition – The Companies recognize revenue on sales to retailers, mail order catalog sales and internet sales 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. 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. The Companies recognize revenue on direct retailing sales at the Companies' directly managed retail stores at the point of sale to the customer.

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2008, 2007 and 2006 were ¥11,768 million ($117,857 thousand), ¥12,084 million and ¥11,888 million, respectively, and have been included in selling, general, and administrative expenses.

Shipping and Handling Costs – Shipping and handling costs for the years ended March 31, 2008, 2007 and 2006 were ¥4,062 million ($40,681 thousand), ¥4,186 million and ¥4,239 million, respectively, and have been included in selling, general, and administrative expenses.

Research and Development Costs – Research and development costs are expensed as incurred. Research and development costs for the years ended March 31, 2008, 2007 and 2006 were ¥766 million ($7,671 thousand), ¥714 million and ¥638 million, respectively, and have been 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 statement 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.

Reclassifications – Certain reclassifications have been made to the prior years' financial statements to conform with the current year's presentation.

To conform to the 2008 presentation, the Companies have reclassified "Other intangible assets," which had previously been presented as "Other" in other assets, in the consolidated balance sheets. In addition, the Companies have reclassified "Payments to acquire software," which had previously been presented as "Other" in investing activities, in the consolidated statements of cash flows.

Recent Accounting Pronouncements:

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. See Note 14 for further discussion of the effect of adopting FIN 48 on the consolidated financial statements of the Companies.

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.

The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 – In February 2007, the 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.

Business Combinations – In December 2007, the FASB issued SFAS No. 141(R) "Business Combinations" ("SFAS No. 141(R)"), which replaces SFAS No. 141, "Business Combinations." This statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The Companies will apply SFAS No. 141(R) prospectively to all business combinations subsequent to April 1, 2009.

Noncontrolling Interest in Consolidated Financial Statements – In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). This statement establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Companies are currently evaluating the potential impact, if any, of the adoption of SFAS No. 160 on its financial position, results of operations or cash flows.

Disclosure about Derivative Instruments and Hedging Activities – In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities." The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Companies are currently evaluating the potential impact, if any, of the adoption of SFAS No. 161 on our 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 ¥99.85 to $1, the noon buying rate for yen in New York City at March 31, 2008. 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, 2008 and 2007. The fair values of the debt and marketable equity securities were as follows:

	Millions of Yen			
2008	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	¥ 4,302	¥ 4	¥ 127	¥ 4,179
Bank debt securities	100		1	99
Mutual fund	5,475	118	144	5,449
National debt securities	2,309	12		2,321
Total	¥12,186	¥ 134	¥ 272	¥12,048
Noncurrent:				
Equity securities	¥25,762	¥13,333	¥2,114	¥36,981

	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

	Thousands of U.S. Dollars			
2008	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	$ 43,084	$ 40	$ 1,272	$ 41,852
Bank debt securities	1,002		10	992
Mutual fund	54,832	1,182	1,442	54,572
National debt securities	23,125	120		23,245
Total	$122,043	$ 1,342	$ 2,724	$120,661
Noncurrent:				
Equity securities	$258,007	$133,530	$21,171	$370,366

There were no securities which had been in a continuous unrealized loss position for more than 12 months at March 31, 2008 and 2007. 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, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
2008	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Current:				
Corporate debt securities	¥3,675	¥ 127	$36,805	$ 1,272
Bank debt securities	99	1	992	10
Mutual fund	2,943	144	29,474	1,442
National debt securities	810		8,112	
Total	¥7,527	¥ 272	$75,383	$ 2,724
Noncurrent:				
Equity securities	¥5,351	¥2,114	$53,590	$21,171

	Millions of Yen	
2007	Fair Value	Gross Unrealized Loss
Current:		
Corporate debt securities	¥ 4,979	¥125
Bank debt securities	498	2
Mutual fund	2,554	43
National debt securities	2,099	12
Total	¥10,130	¥182
Noncurrent:		
Equity securities	¥ 1,711	¥101

The unrealized losses on investments were caused primarily by a general decline in stock prices in Japan as of the end of the fiscal year. The Companies have generally concluded that an other than temporary impairment is indicated when there is a decline in fair value below the carrying value for over nine consecutive months as described in Note 1. No investments were identified that meet the Companies' criterion for recognition of an impairment loss on investments in unrealized loss position presented above. Therefore, the Companies do not believe the unrealized losses represent an other-than-temporary impairment as of March 31, 2008 and 2007.

Future maturities of debt securities and mutual fund classified as available-for-sale at March 31, 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	¥ 2,593	¥ 2,595	$ 25,969	$ 25,989
Due after one year through five years	6,543	6,544	65,528	65,538
Due after five years through ten years	1,323	1,305	13,250	13,070
After ten years	1,727	1,604	17,296	16,064
Total	¥12,186	¥12,048	$122,043	$120,661

Proceeds from sales of available-for-sale securities were ¥2,136 million ($21,392 thousand), ¥2,573 million and ¥2,903 million for the years ended March 31, 2008, 2007 and 2006, respectively. The gross realized gains on the sales of available-for-sale securities for the years ended March 31, 2008, 2007 and 2006 were ¥557 million ($5,578 thousand), ¥408 million and ¥510 million, respectively. The gross realized losses on the sales of available-for-sale securities for the year ended March 31, 2007 were ¥2 million. No realized losses were recorded in 2008 and 2006.

During the years ended March 31, 2008 and 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 ¥95 million ($951 thousand) and ¥1,149 million in the year ended March 31, 2008 and 2006. No such exchanges were made in the year ended March 31, 2007.

The Companies recognized impairment charges on investments of ¥923 million ($9,244 thousand), ¥365 million and ¥65 million in the years ended March 31, 2008, 2007 and 2006, 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 ¥1,019 million ($10,205 thousand) and ¥945 million at March 31, 2008 and 2007, respectively. The Companies write down these investments whenever the recorded value exceeds 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 might 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 ¥56 million ($561 thousand) and ¥53 million as of March 31, 2008 and 2007, respectively.

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
	2008	2007	2006	2008
Balance at beginning of year	¥ 82	¥ 92	¥72	$ 821
Charged to costs and expenses	10	10	29	100
Balances written-off/reversed	(15)	(20)	(9)	(150)
Balance at end of year	¥ 77	¥ 82	¥92	$ 771

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

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Balance at beginning of year	¥ 2,897	¥ 2,686	¥ 2,142	$ 29,014
Charged to costs and expenses	3,068	2,897	2,686	30,726
Balances utilized	(2,897)	(2,686)	(2,142)	(29,014)
Balance at end of year	¥ 3,068	¥ 2,897	¥ 2,686	$ 30,726

5. INVENTORIES

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products	¥25,653	¥24,691	$256,915
Work in process	3,097	4,110	31,017
Raw materials	1,270	1,398	12,719
Total	¥30,020	¥30,199	$300,651

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 an affiliate's income or loss based on the most recently available financial statements.

The difference between the amount at which an investment is carried and the amount of underlying equity in net assets consists of goodwill and other intangible assets. Intangible assets with estimable useful lives are amortized over such useful lives.

The Companies' investments in affiliated companies and percentage of ownership at March 31, 2008 and 2007 include, among others, the following companies:

2008					
		Yen	Millions of Yen	U.S. Dollar	Thousands of U.S. Dollars
Name of Investee	Percentage of Ownership (%)	Quoted Market Price	Aggregate Value of Quoted Market Price	Quoted Market Price	Aggregate Value of Quoted Market Price
Thai Wacoal Public Company Limited	34	¥ 111	¥4,488	$ 1,112	$44,947
Shinyoung Wacoal Inc.	25	15,064	3,389	150,866	33,941
Indonesia Wacoal Co., Ltd.	42				
Taiwan Wacoal Co., Ltd.	50				
House of Rose Co., Ltd.	20	1,370	1,302	13,721	13,040

2007			
		Yen	Millions of Yen
Name of Investee	Percentage of Ownership (%)	Quoted Market Price	Aggregate Value of Quoted Market Price
Thai Wacoal Public Company Limited	34	¥ 130	¥5,225
Shinyoung Wacoal Inc.	25	12,309	2,769
Indonesia Wacoal Co., Ltd.	42		
Taiwan Wacoal Co., Ltd.	50		
House of Rose Co., Ltd.	20	1,663	1,580
Peach John Co., Ltd.	49		

The following tables represent 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, 2008 and 2007. As described in Note 9, Peach John Co., Ltd. ("PJ"), which was formerly accounted for under the equity method, became consolidated subsidiaries during the year.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Current assets	**¥40,330**	¥48,058	**$403,906**
Noncurrent assets	**37,690**	32,291	**377,466**
Total	**¥78,020**	¥80,349	**$781,372**
Current liabilities	**¥13,223**	¥12,527	**$132,429**
Noncurrent liabilities	**5,885**	5,569	**58,938**
Minority interests	**1**	1	**10**
Net assets	**58,911**	62,252	**589,995**
Total	**¥78,020**	¥80,349	**$781,372**

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Net sales	**¥81,466**	¥75,414	**$815,884**
Gross profit	**44,063**	38,260	**441,292**
Income before income taxes	**7,480**	7,011	**74,912**
Net income	**5,087**	5,052	**50,946**

Dividends received from the affiliated companies were ¥806 million ($8,072 thousand), ¥607 million and ¥448 million during the years ended March 31, 2008, 2007 and 2006, respectively.

Acquisition of PJ – On June 2, 2006, the Company acquired 49% of the issued common shares of PJ, at the amount of ¥15,327 million and paid in cash. The Company accounted for this investment using the equity method for the year ended March 31, 2007, and recorded ¥358 million of equity net income for the year ended March 31, 2007. The amount recorded as investment in affiliated companies as of March 31, 2007 included goodwill of ¥6,297 million and intangible assets of ¥6,521 million, if consolidated.

During the year ended March 31, 2008, the Company identified a decline in fair value of PJ's shares and recognized an impairment loss of ¥4,694 million ($47,011 thousand), which was included in equity in net loss of affiliated companies.

On January 10, 2008, the Company acquired remaining 51% common shares of PJ, and made it a wholly owned subsidiary. The Company consolidated the balance sheet of PJ as of February 29, 2008 which was the most recent fiscal year end of PJ subsequent to the acquisition date. Income from PJ's operation for the period from March 1, 2007 to February 29, 2008 was accounted for under equity method and included in equity in net loss of affiliated companies in the consolidated statements of income. As such, balance sheet information of PJ is include in the table above as of March 31, 2007, but nor as of March 31, 2008. Also the income statement information of PJ for the years ended March 31, 2007 and 2008 is included in the table above.

7. SHORT-TERM BANK LOANS AND LEASE OBLIGATIONS

Short-term bank loans at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Unsecured bank loans	**¥5,572**	¥5,822	**$55,804**

The weighted average annual interest rates on short-term bank loans as of March 31, 2008 and 2007 were 1.3% and 0.9%, respectively.

Lease obligations at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Lease obligations	**¥129**	¥162	**$1,292**
Less current portion	**(48)**	(51)	**(481)**
Lease obligations, less current portion	**¥ 81**	¥111	**$ 811**

The future minimum payments required at March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 48	$ 481
2010	81	811
Total	¥129	$1,292

In 2008 and 2007, no assets were pledged as collateral.

8. LEASES

The Companies lease most of their store premises, some of their distribution centers and certain equipment. 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 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
2009	¥1,102	$11,037
2010	876	8,773
2011	655	6,560
2012	543	5,438
2013	538	5,388
Thereafter	1,389	13,911
Total	¥5,103	$51,107

Rental expenses were ¥3,979 million ($39,850 thousand), ¥3,795 million and ¥3,844 million for the years ended March 31, 2008, 2007 and 2006, respectively.

9. ACQUISITION

On January 10, 2008, the Company acquired the remaining 51% of the outstanding common shares of PJ, primarily a mail-order innerwear retailer, through share exchange. Until then, the Company had held a 49% of the issued common shares since the initial acquisition on June 2, 2006. This acquisition enables the Company to expand its innerwear operations' market area by including customer age groups and product styles that it has not been able to develop fully.

This transaction was accounted for as a purchase. PJ is included in the Company's consolidated balance sheet as of March 31, 2008 based on PJ's fiscal year end, which is February 29, 2008. However, because PJ's results of operations and change in financial position between January 10, 2008 and March 31, 2008 were not significant, the Company continued to account for its investment using the equity method and the income from PJ's operations for the fiscal year ended February 29, 2008 was included in equity in net (loss) income of affiliated companies in the consolidated statements of income.

The purchase cost of the additional shares was ¥9,266 million ($92,799 thousand), which consisted of the fair value of the shares distributed to the shareholder of PJ and the direct costs of the business combination. As consideration for the acquisition, the Company distributed 3,261,400 new shares and 3,440,000 shares of treasury stock to the shareholder of PJ. Those shares were valued at ¥1,372 per share which is the five-day average stock price before the acquisition announcement on November 9, 2007.

The purchase price of additional PJ shares has been allocated based upon the estimated fair value of the identifiable assets acquired and liabilities assumed. The Company's new basis of investments in PJ was ¥21,814 million ($218,468 thousand), including the initial investment of ¥10,670 million for the 49% shares and the corresponding amount of deferred tax liability of ¥1,878 million for the outside basis temporary differences, which the Company recognized on investment in PJ upon the acquisition.

As a result of the allocation of new basis of investment in PJ, the Company recognized goodwill of ¥11,203 million ($112,198 thousand) and intangible assets of ¥8,677 million ($86,900 thousand), in aggregate, which were classified as goodwill and other intangible assets in the consolidated balance sheets. Intangible assets consist of trademark of ¥5,316 million ($53,240 thousand) and customer list of ¥3,361 million ($33,660 thousand). The trademark is not subject to amortization and the customer list is subject to amortization over estimated useful life of 7 years. Goodwill is not deductible for tax purpose.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	2008	
	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥ 6,808**	**$ 68,182**
Property, plant, and equipment	**698**	**6,991**
Intangible assets	**8,677**	**86,901**
Goodwill	**11,203**	**112,198**
Other assets	**692**	**6,930**
Total assets acquired	**28,078**	**281,202**
Current liabilities	**2,432**	**24,356**
Long-term debt	**3,832**	**38,378**
Total liabilities assumed	**6,264**	**62,734**
Net assets acquired	**¥21,814**	**$218,468**

Unaudited Pro Forma Results

Unaudited pro forma financial information is presented below as if the acquisition of PJ occurred at the beginning of the 2007 and fiscal year.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Pro forma sales	**¥180,407**	¥181,820	**$1,806,780**
Pro forma operating income	**14,627**	14,219	**146,490**
Pro forma net income	**5,492**	9,802	**55,003**

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Pro forma earnings per share	**¥39**	¥66	**$389**

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets acquired during the year ended March 31, 2008 totaled ¥10,568 million ($105,839 thousands) which are primarily consist of trademark of ¥5,316 million ($53,240 thousand), customer list of ¥3,361 million ($33,660 thousand) and software of ¥1,807 million ($18,097 thousand). Trademark and customer list are recorded from acquired business. Trademark is not subject to amortization and customer list is subject to amortize over estimated useful life of 7 years.

The components of acquired intangible assets excluding goodwill at March 31, 2008 and 2007 were as follows:

	2008			
	Millions of Yen		Thousands of U.S. Dollars	
Year Ending March 31	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer list	**¥ 3,361**		**$ 33,660**	
Software	**5,633**	**¥2,356**	**56,415**	**$23,595**
Other	**1,414**	**251**	**14,161**	**2,514**
Total	**¥10,408**	**¥2,607**	**$104,236**	**$26,109**
Unamortized intangible assets:				
Trademark	**¥ 5,316**		**$ 53,240**	
Other	**99**		**991**	
Total	**¥ 5,415**		**$ 54,231**	

	2007	
	Millions of Yen	
Year Ending March 31	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Software	¥4,047	¥1,893
Other	1,451	229
Total	¥5,498	¥2,122
Unamortized intangible assets:		
Other	¥ 94	

Aggregate amortization expenses related to intangible assets and future estimated amortization expense was as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
Aggregate amortization expense		
2008	¥ 909	$ 9,104
Estimated amortization expense		
2009	1,379	13,811
2010	1,260	12,619
2011	1,200	12,018
2012	1,084	10,856
2013	841	8,423
Total	¥5,764	$57,727

The changes in the carrying amount of goodwill for the year ended March 31, 2008, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at April 1, 2007	¥	$
Reclassification from an investment accounted for using the equity method	3,908	39,138
Goodwill acquired during year	7,295	73,060
Balance at March 31, 2008	¥11,203	$112,198

11. 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 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 defined retirement benefit plan, several partially funded plans administered by independent trustees and several unfunded termination plans administered by the Companies. Benefits under the contributory defined retirement benefit plan are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions. Benefits under the other termination and retirement benefit plan are paid either as a lump-sum payments or a periodic payments under certain conditions. The benefits are usually paid as a lump-sum payment, if the employee resigns before the mandatory retirement age.

On March 31, 2007, the Companies adopted the recognition and disclosure provision of SFAS No. 158, "Employers Accounting for Deferred Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." 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 adjustment to accumulated other comprehensive income. The adjustment to accumulated other comprehensive income at adoption consisted of the unrecognized actuarial gain and the unrecognized prior service benefit, all of which were previously netted against the plans' funded status in the consolidated balance sheet pursuant to the provisions of SFAS No. 87. Upon adoption, the Companies recorded a net-of-tax amount of ¥4,130 million to the ending balance of accumulated other comprehensive income. The adoption of SFAS No. 158 had no effect on the consolidated statements of income for the year ended March 31, 2007, or for any prior period presented.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥33,059**	¥32,687	**$331,087**
Service cost	**858**	936	**8,593**
Interest cost	**761**	748	**7,622**
Participants' contributions	**73**	75	**731**
Actuarial loss	**(1,041)**	(245)	**(10,426)**
Benefits paid from plan assets	**(394)**	(883)	**(3,946)**
Settlement paid from plan assets	**(569)**	(105)	**(5,699)**
Settlement paid by the Companies	**(187)**	(154)	**(1,873)**
Increase due to change in scope of consolidation	**259**		**2,594**
Benefit obligation at end of year	**32,819**	33,059	**328,683**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥38,048**	¥35,860	**$381,052**
Actual return on plan assets	**(5,581)**	581	**(55,894)**
Employer contributions	**2,490**	2,520	**24,938**
Participants' contributions	**73**	75	**731**
Benefit payments	**(394)**	(883)	**(3,946)**
Settlement payments	**(569)**	(105)	**(5,699)**
Fair value of plan assets at end of year	**34,067**	38,048	**341,182**
Funded status at end of year	**¥ 1,248**	¥ 4,989	**$ 12,499**

Amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 consist of:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Prepaid pension cost	**¥ 3,444**	¥ 7,089	**$ 34,492**
Accrued expenses	**(104)**	(113)	**(1,042)**
Reserves for retirement benefit	**(2,092)**	(1,987)	**(20,951)**
	¥ 1,248	¥ 4,989	**$ 12,499**

Amounts recognized in accumulated other comprehensive income at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Actuarial (loss) gain	**¥(4,705)**	¥ 702	**$(47,121)**
Prior service benefit	**5,572**	6,263	**55,803**
Total	**¥ 867**	¥6,965	**$ 8,683**

The accumulated benefit obligation for all domestic defined benefit plans at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Accumulated benefit obligation	**¥31,842**	¥31,022	**$318,898**

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
	2008	2007	2006	**2008**
Service cost	**¥ 858**	¥ 936	¥1,228	**$ 8,593**
Interest cost on projected benefit obligation	**761**	748	722	**7,622**
Expected return on plan assets	**(788)**	(726)	(608)	**(7,892)**
Net amortization	**(770)**	(826)	12	**(7,712)**
Settlement gain			(256)	
	¥ 61	¥ 132	¥1,098	**$ 611**

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.

Other changes in plan assets and benefit obligations recognized in other comprehensive income for the year ended March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current year actuarial loss	¥(5,328)	$(53,360)
Amortization of actuarial gain	(79)	(791)
Amortization of prior service benefit	(691)	(6,920)
	¥(6,098)	$(61,071)

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
	2008	**2008**
Actuarial gain	**¥ 823**	**$ 8,242**
Prior service benefit	**(691)**	**(6,920)**

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

	2008	2007
Discount rate	**2.5%**	2.5%
Rate of increase in future compensation	**0.0%**	0.5%

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

	2008	2007	2006
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%	0.5%

The Company's 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 36.0%, debt securities of 52.0%, and other investments of 12.0%.

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, 2008 and 2007 was as follows:

	2008	2007
Equity securities	**45.4%**	54.8%
Debt securities	**44.4%**	34.9%
Life insurance company general accounts	**8.4%**	5.7%
Cash and cash equivalents	**1.8%**	4.6%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2008 and 2007 are different from the target allocation percentages primarily because the Company maintained additional equity securities as the separate plan asset which was contributed to the plan based on an agreement between the Company and employees and are not governed by the Pension Committee. 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 are lower than the target allocation.

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 ¥2,331 million ($23,345 thousand) to their plans in the year ending March 31, 2009.

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
2009	¥1,109	$11,107
2010	1,158	11,597
2011	1,249	12,509
2012	1,365	13,671
2013	1,537	15,393
2014–2018	9,203	92,168

Employee Early Retirement Program – The Companies provide additional benefits to employees that elect to participate in the Companies' early retirement program. Retirement benefits of ¥51 million ($511 thousand), ¥14 million and ¥364 million were paid in addition to normal benefits and charged to selling, general and administrative for the years ended March 31, 2008, 2007 and 2006, respectively.

Special Termination Benefit – 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 termination benefit of ¥6,931 million.

In March 2006, Fukushima Wacoal Sewing Corp., a subsidiary of the Companies, terminated its operations and paid an aggregate ¥590 million in special termination benefits 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, 2008 and 2007 were ¥368 million ($3,686 thousand) and ¥373 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 recorded 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, 2008 and 2007 were ¥90 million ($901 thousand) and ¥85 million, respectively, and were included in liability for termination and retirement benefits.

12. SHAREHOLDERS' EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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 the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so 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) can also do so because such companies with board committees already, by nature, meet the above criteria under the Corporate Law, even though such companies have an audit committee instead of the 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 ¥101,694 million ($1,018,468 thousand) as of March 31, 2008, 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 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 specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen								
	2008			2007			2006		
	Pre-Tax Amount	Tax Credit	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount	Pre-Tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments	**¥ (506)**	**¥ 38**	**¥ (468)**	¥1,598	¥(146)	¥1,452	¥ 3,345	¥ (261)	¥ 3,084
Unrealized (loss) gain on securities:									
Unrealized holding (loss) gain	**(14,658)**	**5,972**	**(8,686)**	56	(15)	41	13,761	(5,531)	8,230
Reclassification adjustments	**(754)**	**307**	**(447)**	129	(53)	76	(816)	332	(484)
Net unrealized (loss) gain	**(15,412)**	**6,279**	**(9,133)**	185	(68)	117	12,945	(5,199)	7,746
Pension liability adjustment	**(6,098)**	**2,482**	**(3,616)**						
Other comprehensive (loss) income	**¥(22,016)**	**¥8,799**	**¥(13,217)**	¥1,783	¥(214)	¥1,569	¥16,290	¥(5,460)	¥10,830

	Thousands of U.S. Dollars		
	2007		
	Pre-Tax Amount	Tax Expense	Net Amount
Foreign currency translation adjustments	$ (5,068)	$ 381	$ (4,687)
Unrealized loss on securities:			
Unrealized holding loss	(146,800)	59,810	(86,990)
Reclassification adjustments	(7,552)	3,075	(4,477)
Net unrealized loss	(154,352)	62,885	(91,467)
Pension liability adjustment	(61,071)	24,856	(36,215)
Other comprehensive loss	$(220,491)	$88,122	$(132,369)

14. INCOME TAXES

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

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Japan	¥15,959	¥14,487	¥ 4,695	$159,830
Foreign	(1,606)	(567)	(1,229)	(16,084)
Total	¥14,353	¥13,920	¥ 3,466	$143,746

Income taxes expense consists of:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Current:				
Japan	¥4,652	¥1,446	¥ 2,669	$46,590
Foreign	925	1,428	599	9,264
	¥5,577	¥2,874	¥ 3,268	$55,854
Deferred:				
Japan	¥ 280	¥3,854	¥(1,845)	$ 2,804
Foreign	(4)	(226)	36	(40)
	¥ 276	¥3,628	¥(1,809)	$ 2,764
Total income taxes	¥5,853	¥6,502	¥ 1,459	$58,618

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, 2008, 2007 and 2006:

	2008	2007	2006
Normal Japanese statutory rates	40.7%	40.7%	40.7%
Increase in taxes resulting from:			
Permanently non-deductible expenses	2.9	6.5	9.9
Change in valuation allowance	(1.5)	(2.0)	0.0
Undistributed earnings of foreign subsidiaries	2.6	0.8	2.9
Differences in subsidiaries' tax rate	(2.5)	(0.8)	(4.7)
Tax exemption	(0.2)	(1.3)	(3.2)
Tax loss on investment in subsidiaries			(4.9)
Other — net	(1.2)	2.8	1.4
Effective tax rates	40.8%	46.7%	42.1%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2008 and 2007 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2008		2007		2008	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	¥ 1,082		¥ 1,117		$10,836	
Allowance for doubtful receivables		¥ 252		¥ 383		$ 2,524
Inventory valuation	1,201		1,273		12,028	
Intercompany profits	248		218		2,484	
Accrued bonuses	1,420		1,392		14,221	
Valuation loss on investments	1,141		760		11,427	
Gain on sales of property, plant and equipment		1,753		1,724		17,556
Undistributed earnings of foreign subsidiaries		2,695		2,742		26,990
Net unrealized gain on securities		4,511		10,691		45,178
Net realized gain on exchange of equity securities		2,453		2,415		24,567
Capitalized supplies	291		330		2,914	
Enterprise taxes	363		126		3,636	
Accrued vacation	902		812		9,034	
Pension expense	966	815	753	2,331	9,675	8,162
Fixed assets	1,343		1,445		13,450	
Tax loss carryforwards	2,054		1,795		20,571	
Intangible assets		3,532				35,373
Investment in a subsidiary		1,878				18,808
Other temporary differences	679	37	838	39	6,800	371
Total	11,690	17,926	10,859	20,325	117,076	179,529
Valuation allowance	(1,418)		(1,465)		(14,202)	
Total	¥10,272	¥17,926	¥ 9,394	¥20,325	$102,874	$179,529

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 ¥47 million ($471 thousand) for the year ended March 31, 2008 and decreased by ¥186 million for the year ended March 31, 2007.

At March 31, 2008, 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	¥ 84	$ 841
2010	821	8,222
2011	934	9,354
2012	654	6,550
2013	408	4,086
2014	722	7,231
2015	638	6,390
Indefinitely until utilized	1,136	11,377
Total	¥5,397	$54,051

The portion of the undistributed earnings of foreign subsidiaries which are deemed to be permanently invested amounted to ¥5,239 million ($52,469 thousand) and ¥3,556 million at March 31, 2008 and 2007, respectively. It is not practicable to determine the unrecognized deferred tax liability on these earnings.

The Companies adopted FIN 48 effective April 1, 2007. As a result of implementation of FIN 48, the Companies recognized a tax benefit of ¥181 million ($1,813 thousand) as of April 1, 2007, and did not require a cumulative-effect adjustment to retained earnings.

A reconciliation of beginning and ending amount of unrecognized tax benefits was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 181	$ 1,813
Additions based on tax positions related to the current year	332	3,325
Additions for tax positions of prior years	29	290
Reductions for tax positions of prior years	(122)	(1,222)
Balance at end of year	¥ 420	$ 4,206

Total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥420 million ($4,206 thousand).

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. Total amounts of interest and penalties recognized in the consolidated statements of income for the year ended March 31, 2008 were not material.

The Companies file income tax returns in Japan and various foreign tax jurisdictions. With few exceptions, the Companies are no longer subject to regular income tax examinations by the tax authority for years before 2007. The tax authorities are currently conducting transfer pricing examinations of certain subsidiaries in Japan and the United States.

15. 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 ¥1,031 million ($10,325 thousand), ¥1,588 million, and ¥1,811 million in the fiscal years ended March 31, 2008, 2007 and 2006. The accounts payable to affiliates were ¥48 million ($481 thousand) and ¥9 million at March 31, 2008 and 2007, respectively.

The Companies also sell supplies, materials and products to certain affiliates. Aggregate sales to affiliates were ¥803 million ($8,042 thousand), ¥1,042 million, and ¥1,494 million in fiscal years ended March 31, 2008, 2007 and 2006. The accounts receivable from affiliates were ¥60 million ($601 thousand) and ¥103 million at March 31, 2008 and 2007, respectively.

16. 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 141,304,256 shares for 2008, 142,910,187 shares for 2007 and 143,933,607 shares for 2006.

17. 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. However, 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.

The fair value of long-term debt, including current portion, consists of lease obligation, and there is no long-term debt which is required to disclose its fair value at March 31, 2008 and 2007.

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 denominated in foreign currencies. At March 31, 2008, the notional amount of its open forward currency contract was for the purchase of $18,800 thousand U.S. dollars. The Company recorded the changes in the fair value of the derivative contract of ¥35 million ($351 thousand) in other expense since it was not designated as a hedge in the year ended March 31, 2008. 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 10.0% or more of the total sales, although the general retail customers that are consolidated companies in the Aeon Group collectively accounted for approximately 11.2%, 10.1% and 10.1% of the total sales in fiscal years ended March 31, 2008, 2007 and 2006, respectively.

18. SUBSEQUENT EVENT

On May 29, 2008, the Board of Directors resolved to pay a cash dividend of ¥125 ($1.25) per 5 shares of common stock to holders of record as of March 31, 2008 (aggregate amount of ¥3,584 million ($35,894 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:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 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
- 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, 2008. 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, 2008, Wacoal Holdings Corp.'s internal control over financial reporting was effective based on the COSO criteria.

Management excluded Peach John from its assessment of internal controls over financial reporting as of March 31, 2008. We acquired a 100% ownership interest in Peach John on January 10, 2008 and held a 49% ownership interest prior to that, which was initially acquired on June 2, 2006. Peach John's total assets and net assets represented 3.4% and 3.0%, respectively, of our consolidated total assets and consolidated net assets as of March 31, 2008. Peach John was consolidated as of February 29, 2008, the end of its most recent fiscal year, and included in our consolidated balance sheet as of March 31, 2008. However, because Peach John's results of operations and change in financial position between January 10, 2008 and March 31, 2008 were immaterial, income from Peach John's operations for the fiscal year ended February 29, 2008 was accounted for using the equity method and included in equity in net (loss) income of affiliated companies in our statements of income.

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.

Yoshikata Tsukamoto
Representative Director

Shoichi Suezawa
Chief Financial Officer

June 27, 2008

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

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Fax: +81 6 4560 6001
www.deloitte.com/jp

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, 2008 and 2007, and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2008, 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, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, 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 Companies' internal control over financial reporting as of March 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 27, 2008 expressed an unqualified opinion on the Companies' internal control over financial reporting.

Deloitte Touche Tohmatsu

June 27, 2008

Member of
Deloitte Touche Tohmatsu

Deloitte.

Deloitte Touche Tohmatsu
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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 internal control over financial reporting of Wacoal Holdings Corp. and Subsidiaries (the "Companies") as of March 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded Peach John Co., Ltd. ("PJ") which was acquired on January 10, 2008, from its assessment of internal control over financial reporting. PJ's total assets and net assets represented 3.4% and 3.0% respectively, of the consolidated balance sheet as of March 31, 2008. Accordingly, our audit did not include the internal control over financial reporting at PJ. 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, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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, the Companies maintained, in all material respects, effective internal control over financial reporting as of March 31, 2008, 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 as of and for the year ended March 31, 2008 of the Companies and our report dated June 27, 2008 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 27, 2008

Member of
Deloitte Touche Tohmatsu

CORPORATE DATA

As of March 31, 2008

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
¥185,113 million

Number of Employees (Consolidated)
13,541

Domestic Principal Subsidiaries

Wacoal Holdings Equity Owned	(%)
Wacoal Corp.	100
Peach John Co., Ltd.	100
Studio Five Corp.	100
Wacoal Dublev 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.	57
Nanasai Co., Ltd.	77
Wacoal Distribution Corp.	100

Domestic Principal Joint Ventures

Wacoal Holdings Equity Owned	(%)
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, 2008

Stock Listings
Tokyo, Osaka, NASDAQ

Fiscal Year-End
March 31

Securities Code
3591

Common Stock
Issued: 143,378,085 shares
Outstanding: 143,342,087 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

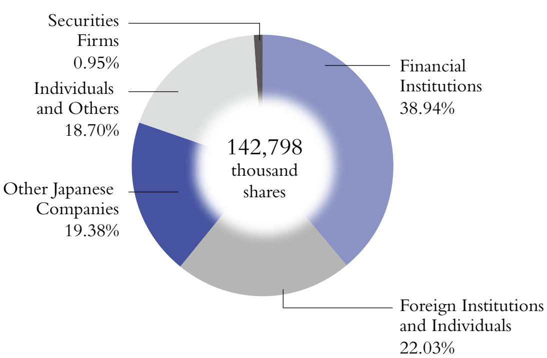
Depositary
The Bank of New York Mellon
101 Barclay Street,
New York, NY 10286, U.S.A.
Tel: 1-212-815-8161
U.S. toll free: 888-269-2377
(888-BNY-ADRS)
URL: http://www.adrbny.com

Number of Shareholders
10,448

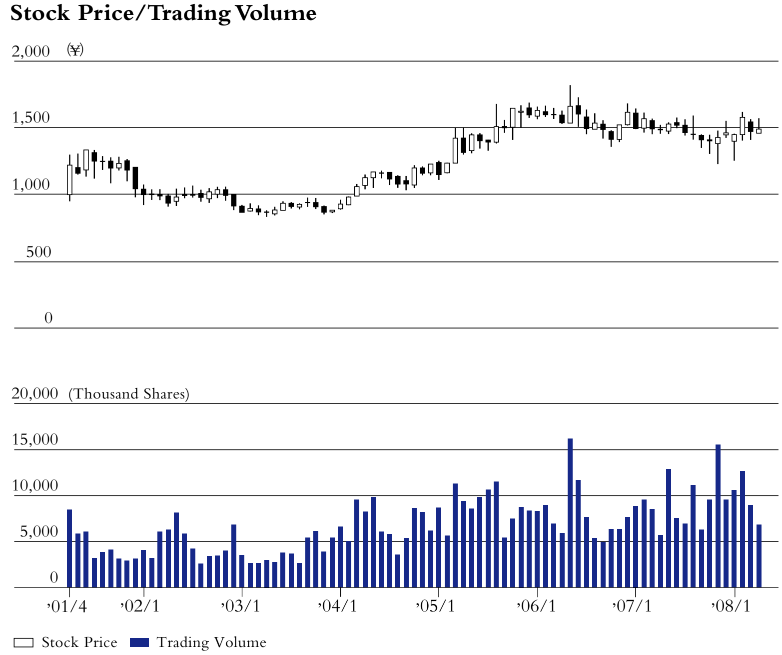
Major Shareholders	%
Hero and Company*	16.53
Meiji Yasuda Life Insurance Company	4.88
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.87
Mika Noguchi	4.67
Nippon Life Insurance Company	3.80
The Bank of Kyoto, Ltd.	2.97
The Shiga Bank, Ltd.	2.35
The Dai-ichi Mutual Life Insurance Company	2.24
Mitsubishi UFJ Trust and Banking Corp	2.12
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	1.79

* 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.

29, Nakajima-cho, Kisshoin, Minami-ku, Kyoto 601-8530, Japan

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